Altice Luxembourg S.A.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

AND REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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Consolidated Financial Statements

Consolidated Statement of Income (€m)	**Notes**	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Revenues	4	**15,269.1**	**15,380.2**
Purchasing and subcontracting costs	4	(4,707.0)	(4,867.3)
Other operating expenses	4,23	(3,122.3)	(3,138.6)
Staff costs and employee benefits	4	(1,547.0)	(1,457.1)
Depreciation, amortization and impairment	4,25	(4,339.9)	(4,036.6)
Other expenses and income	4	(1,224.9)	(598.7)
Operating profit	4	**328.0**	**1,281.9**
Interest relative to gross financial debt	26	(2,210.0)	(1,942.9)
Other financial expenses	26	(232.4)	(152.1)
Finance income	26	257.4	101.7
Net result on extinguishment of a financial liability	26	(134.7)	(223.4)
Finance costs, net		**(2,319.7)**	**(2,216.7)**
Net result on disposal of business	3.2	-	104.6
Share of earnings of associates		(16.7)	(1.4)
Loss before income tax		**(2,008.4)**	**(831.6)**
Income tax benefit	22	388.8	(107.2)
Loss for the year		**(1,619.6)**	**(938.8)**
Attributable to equity holders of the parent		(1,517.8)	(850.2)
Attributable to non-controlling interests		(101.8)	(88.6)

Consolidated Statement of Other Comprehensive Income (€m)	**Notes**	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Loss for the period		**(1,619.6)**	**(938.8)**
Other comprehensive income/(loss)			
Items that are reclassified to profit or loss			
Exchange differences on translating foreign operations		35.2	22.2
Revaluation of available for sale financial assets, net of taxes		0.7	0.5
Gain/(loss) on cash flow hedge, net of taxes		136.3	(498.0)
Item that is not reclassified to profit or loss			
Actuarial loss, net of taxes		(8.5)	(45.1)
Total other comprehensive income		**163.7**	**(520.4)**
Total comprehensive loss for the period		**(1,456.0)**	**(1,459.2)**
Attributable to equity holders of the parent		(1,355.2)	(1,309.4)
Attributable to non-controlling interests		(100.7)	(149.8)

The accompanying notes from page 5 to 96 form an integral part of these consolidated financial statements.

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Consolidated Statement of Financial Position (€m)	**Notes**	**As of December 31, 2017**	**As of December 31, 2016**
Non-current assets			
Goodwill	5	15,915.6	15,799.5
Intangible assets	6	8,901.7	10,624.8
Property, plant & equipment	7	10,415.6	10,389.0
Investment in associates	8	49.4	60.4
Financial assets	9.1	1,262.0	2,884.8
Deferred tax assets	23	150.1	109.3
Other non-current assets	9.2	377.7	156.2
Total non-current assets		**37,072.2**	**40,024.0**
Current assets			
Inventories	10	461.4	393.6
Trade and other receivables	11	4,440.8	4,237.3
Current tax assets	23	165.3	175.6
Financial assets	9.1	62.0	68.6
Cash and cash equivalents	12	753.2	719.9
Restricted cash	12	33.7	19.6
Total current assets		**5,916.3**	**5,614.6**
Assets classified as held for sale	*3.4*	602.0	476.0
Total assets		**43,590.5**	**46,114.6**
Issued capital	13.1	2.5	2.5
Additional paid in capital	13.3	1,116.4	840.7
Other reserves	13.4	(512.6)	(675.1)
Accumulated losses		(3,651.4)	(2,104.6)
Equity attributable to owners of the Company		**(3,045.1)**	**(1,936.5)**
Non-controlling interests	3	140.4	775.4
Total equity		**(2,904.7)**	**(1,161.1)**
Non-current liabilities			
Long term borrowings, financial liabilities and related hedging instruments	16	31,804.8	32,370.1
Other financial liabilities	16	539.5	519.7
Provisions	14	1,311.5	1,784.8
Deferred tax liabilities	22	397.4	807.6
Other non-current liabilities	21	593.8	782.2
Total non-current liabilities		**34,646.9**	**36,264.4**
Current liabilities			
Short-term borrowings, financial liabilities	16	413.6	419.9
Other financial liabilities	16	2,112.0	2,173.4
Trade and other payables	20	7,103.2	6,637.0
Current tax liabilities	22	196.8	294.1
Provisions	14	429.0	535.2
Other current liabilities	21	1,061.8	862.5
Total current liabilities		**11,316.4**	**10,922.1**
Liabilities directly associated with assets classified as held for sale	*3.4*	531.9	89.2
Total liabilities		**46,495.2**	**47,275.7**
Total equity and liabilities		**43,590.5**	**46,114.6**

The accompanying notes from page 5 to 96 form an integral part of these consolidated financial statements.

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Consolidated Statement Changes in Equity	Number of shares on issue	Share capital	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash Flow hedge reserve	Available for sale	Employee Benefits	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2016	**251,050,186**	**2.5**	**1,016.1**	**(1,276.3)**	**3.4**	**(217.6)**	**2.4**	**(4.0)**	**(473.5)**	**939.0**	**465.5**
Loss for the period		-	-	(850.2)	-	-	-	-	**(850.2)**	(88.6)	**(938.8)**
Other comprehensive profit/(loss)		-	-	-	20.4	(437.1)	0.5	(43.1)	**(459.3)**	(61.2)	**(520.5)**
Comprehensive profit/(loss)		**-**	**-**	**(850.2)**	**20.4**	**(437.1)**	**0.5**	**(43.1)**	**(1,309.5)**	**(149.8)**	**(1,459.2)**
Conversion common shares B to common shares A		-	-	-	-	-	-	-	**-**	-	**-**
Dividends		-	-	-	-	-	-	-	**-**	(7.7)	**(7.7)**
Share based payments		-	-	21.9	-	-	-	-	**21.9**	0.9	**22.8**
Transactions with non-controlling interests		-	(92.7)	-	-	-	-	-	**(92.7)**	57.1	**(35.6)**
Other		-	(82.7)	-	-	-	-	-	**(82.7)**	(64.1)	**(146.8)**
Equity at December 31, 2016	**251,050,186**	**2.5**	**840.8**	**(2,104.6)**	**23.9**	**(654.7)**	**2.8**	**(47.1)**	**(1,936.4)**	**775.4**	**(1,161.1)**

Consolidated Statement Changes in Equity	Number of shares on issue	Share capital	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash Flow hedge reserve	Available for sale	Employee Benefits	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2017	**251,050,186**	**2.5**	**840.8**	**(2,104.6)**	**23.9**	**(654.7)**	**2.8**	**(47.1)**	**(1,936.4)**	**775.4**	**(1,161.1)**
Loss for the period		**-**	**-**	(1,517.8)	-	-	-	-	**(1,517.8)**	(101.8)	**(1,619.6)**
Other comprehensive profit/(loss)		**-**	-	-	37.0	133.3	0.7	(8.4)	**162.6**	1.1	**163.7**
Comprehensive profit/(loss)		**-**	**-**	**(1,517.8)**	**37.0**	**133.3**	**0.7**	**(8.4)**	**(1,355.2)**	**(100.7)**	**(1,456.0)**
Conversion common shares B to common shares A		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share based payments		**-**	-	(29.1)	**-**	**-**	**-**	**-**	**(29.1)**	(3.0)	**(32.1)**
Transactions with non-controlling interests		**-**	(1,447.1)	-	**-**	**-**	**-**	**-**	**(1,447.1)**	(496.2)	**(1,943.4)**
Transactions with Altice shareholders[1]		**-**	(51.1)	-	-	-	-	-	**(51.1)**	-	**(51.1)**
Dividends		**-**	-	-	**-**	**-**	**-**	**-**	**-**	(12.9)	**(12.9)**
Contribution from sole shareholder		**-**	1,800.9	**-**	**-**	**-**	**-**	**-**	**1,800.9**	-	**1,800.9**
Other		**-**	(27.1)	-	**-**	**-**	**-**	**-**	**(27.1)**	(22.2)	**(49.3)**
Equity at December 31, 2017	**251,050,186**	**2.5**	**1,116.4**	**(3,651.4)**	**60.9**	**(521.4)**	**3.6**	**(55.6)**	**(3,045.1)**	**140.4**	**(2,904.7)**

1 Transactions with Altice shareholders corresponds to the impairment loss of €51.1 million recorded by the Group in Altice Content. For more details, please refer to note 3.4.

The accompanying notes from page 5 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows **(€m)**	**Notes**	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Net (loss) including non-controlling interests		**(1,619.6)**	**(938.8)**
Adjustments for:			
Depreciation, amortization and impairment	25	4,339.9	4,036.6
Share in income of associates		16.7	1.4
Gains and losses on disposals	3	-	(104.6)
Expenses related to share based payment	4	30.6	22.8
Other non-cash operating (losses)/gains, net[1]		(37.8)	196.7
Pension liability payments	15	(129.1)	(131.2)
Finance costs recognized in the statement of income	26	2,319.7	2,216.7
Income tax credit recognized in the statement of income	22	(388.8)	107.2
Income tax paid	22	(304.9)	(144.2)
Changes in working capital		317.1	(286.4)
Net cash provided by operating activities		**4,543.8**	**4,976.3**
Payments to acquire tangible and intangible assets	4	(3,538.6)	(3,647.9)
Prepayments for content rights	9	(70.5)	-
Payments to acquire financial assets		(45.5)	(43.6)
Proceeds from disposal of businesses	3	345.1	137.7
Proceeds from disposal of tangible, intangible and financial assets		24.9	47.9
Payments to acquires interests in associates	3	(34.9)	(359.8)
Payment to acquire subsidiaries, net	3	(289.8)	(169.8)
Net cash used in investing activities		**(3,609.3)**	**(4,035.5)**
Proceeds from issue of equity instruments by a subsidiary	3	18.0	-
Proceeds from issuance of debts	16	8,519.9	13,110.1
Transaction with non-controlling interests	13	(661.1)	9.8
Payments to redeem debt instruments	16	(7,468.8)	(12,851.1)
Loan from parent company	13	701.5	-
Transfers to restricted cash		(18.8)	-
Dividends paid		(12.9)	-
Interest paid	16	(1,952.6)	(1,696.8)
Other cash provided by financing activities[3]		1.1	580.5
Net cash (used)/generated in financing activities[2]		**(873.7)**	**(847.6)**
Classification of cash as held for sale		(17.6)	(2.2)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(9.8)	3.4
Net change in cash and cash equivalents		**33.3**	**94.3**
Cash and cash equivalents at beginning of the year	12	719.9	625.7
Cash and cash equivalents at end of the year	12	**753.2**	**719.9**

1 Other non-cash operating gains and losses mainly include allowances and writebacks for provisions (including those for restructuring), and gains and losses recorded on the disposal of tangible and intangible assets.

2 On October 9, 2017 the Group successfully refinanced the €675 million of 10.25-year Senior Notes at Altice Finco S.A. As the repayment and the proceeds of the refinancing were directly settled between the banks, the impact of the refinancing has not been included in the consolidated cash flow statement.

3 Other cash from financing activities includes:

a. the net repayment of commercial paper (€214.6 million, 2016: €421 million inflow), and
b. net proceeds from factoring arrangements (€149.9 million, 2016: €67 million).

The accompanying notes from page 5 to 96 form an integral part of these consolidated financial statements.

1. About Altice Luxembourg and Altice Group

Altice Luxembourg S.A. (the "Company", the "Group") is a public limited liability company ("*société anonyme*") incorporated in Luxembourg, headquartered at 5, rue Eugène Ruppert, L-2453, Luxembourg, in the Grand Duchy of Luxembourg.

The direct controlling shareholder of the Company is Altice Group Luxembourg S.à r.l., which holds 100% of the share capital, and is itself controlled by Altice N.V. ("Altice" or "the Altice Group"), headquartered at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The financial statements of the Company are consolidated into the financial statements of Altice N.V.. The controlling shareholder of Altice N.V. is Next Alt S.à r.l. ("Next Alt"), which holds 59.93% of the share capital, and is controlled by Mr. Patrick Drahi.

Founded in 2001 by entrepreneur Patrick Drahi, Altice is a convergent global leader in telecom, content, media, entertainment and advertising. Altice delivers innovative, customer-centric products and solutions that connect and unlock the limitless potential of its over 50 million customers over fiber networks and mobile broadband. The Group enables millions of people to live out their passions by providing original content, high-quality and compelling TV shows, and international, national and local news channels. Altice delivers live broadcast premium sports events and enables millions of customers to enjoy the most well-known media and entertainment. Altice innovates with technology in its Altice labs across the world. Altice links leading brands to audiences through premium advertising solutions. Altice is also a global provider of enterprise digital solutions to millions of business customers.

1.1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of the Group as of December 31, 2017 and for the year then ended were approved by the Board of Directors and authorized for issue on April 30, 2018.

The consolidated financial statements as of December 31, 2017 and for the year then ended, are presented in millions of Euros, except as otherwise stated, and have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability (please refer to note 18)

Where the accounting treatment of a specific transaction is not addressed by any accounting standard and interpretation, the Board of Directors applies its judgment to define and apply accounting policies that provide information consistent with the general IFRS concepts: faithful representation and relevance.

1.2. Significant accounting judgments and estimates

In the application of the Group's accounting policies, the Board of Directors is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not clear 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 judgments and estimates relate principally to the provisions for legal claim, the post-employments benefits, revenue recognition, fair value of financial instruments, deferred taxes, impairment of goodwill, useful lives of intangible assets and property, plant and equipment and trade receivables and other receivables. These estimates and assumptions are described in the note 2.26 to the consolidated financial statements for the year ended December 31, 2017.

1.3. Application of new and revised International Financial Reporting Standards (IFRSs)

1.3.1. *Standards applicable for the reporting period*

In the current year, the Group has applied several amendments to IFRSs issued by the International Accounting standards Board (IASB) and adopted in the European Union that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

- Amendments to IAS 7 *Statement of Cash Flows* Disclosure Initiative. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows (please refer to note 16.7),
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*). The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value; and
- Annual improvements cycle 2014-2016.

The application of these amendments had no impact on the amounts recognized in the consolidated financial statements and had no impact on the disclosures in these consolidated financial statements except as presented in note 16.7.

1.3.2. *Standards and interpretations not applicable as of reporting date*

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

- IFRS 15 *Revenue from Contracts with Customers*, effective on January 1, 2018;
- IFRS 9 *Financial Instruments*, effective on January 1, 2018;
- IFRS 16 *Leases,* effective on January 1, 2019;
- Amendments to IFRS 2: *Classification and Measurement of Share Based Payment Transactions,* applicable on or after January 1, 2018;
- IFRIC 22*: Foreign Currency Transactions and Advance Consideration*. The interpretation is applicable for annual periods beginning on or after January 1, 2018 with earlier application permitted;
- Annual improvements cycle 2014-2016, effective on or after January 1, 2018;
- Annual improvements cycle 2015-2017, effective on or after January 1, 2019;
- IFRIC 23: *Uncertainty over Income Tax Treatments*, applicable for annual periods beginning on or after January 1, 2019;
- 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 effects of implementing the new standards, and amendments to standards, are being analysed by the Group. Details on IFRS 9, IFRS 15 and IFRS 16 are provided below.

1.3.3. *IFRS 15 Revenue from Contracts with Customers*

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

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

The standard (as amended in September 2015) is effective for annual periods beginning on or after January 1, 2018. The Group is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and have the option to either:

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

The Group has decided to adopt the standard based on the full retrospective approach.

The Group has implemented a comprehensive project across all segments to determine the potential differences with current revenue recognition. The issue identification phase is complete, and the implementation plan has been finalised.

Mobile activities

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

Fixed activities

In most cases, the service and the equipment will not be considered as distinct performance obligations.

Other identified topics relate to connection fees, related costs and capitalization of commissions. Related estimates include the determination of capitalized assets depreciation period based on contract period and additional periods related to anticipated contract that the Group can specifically identify.

The quantitative impact is detailed below:

- Shareholders' equity as of December 31, 2017 and December 31, 2016 will increase respectively by approximately €220.0 million and €300.0 million after deferred tax effect mainly due to the mobile handsets subsidies contract assets and the effect of the change in commission capitalisation and amortization pattern,
- Revenue and adjusted EBITDA will decrease by approximately €120.0 million and €90.0 million, respectively, for the year ended December 31, 2017. The impact is mainly linked to:
    - the handsets subsidies adjustments as described above.
    - the decrease in the revenue and adjusted EBITDA is mainly explained by a decrease in the sale of mobile bundle offers over the last years.
    - change in the scope of commissions that will be capitalized under IFRS 15 *Revenue from Contracts with Customers* as described above and has a positive impact in adjusted EBITDA.
- Net result for the year ended 2017 will decrease by approximately €70.0 million explained by the effects presented above.
- Capex will not be materially impacted by the new standard.

1.3.4. *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments issued on July 24, 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The Group is finalizing the quantitative impact and at this stage, the impact on shareholders' equity as of January 1, 2018 will be in a range between €(25) million to €25 million due to the following adjustment:

- Based on the IFRS 9 guidance, financial liabilities that have been renegotiated in previous period, where the renegotiated terms were considered as a non-substantial modification of the initial terms (cash flows modified in a proportion equal to or lower than 10%), requires a specific treatment upon transition to IFRS 9. Under IFRS 9, the Company should use the original effective interest rate to calculate the carrying value of the debt which is the present value of the modified future cash flows. Under current standard, for financial liabilities that have been renegotiated, the effective interest rate is changed on a prospective basis, with no income statement impact at the renegotiation date. For restructuring of financial liabilities that have been treated as extinguishment of debt, which is the case for most of the Group debt restructuring, there is no impact under IFRS 9.
- Based on the IFRS 9 guidance, the Group has applied the simplified model for trade receivables and contracts assets (without significant financing component) and has applied the expected credit loss model (i.e. including forward looking info) on assets (i.e. trade receivables not yet due and contract assets IFRS 15 Revenue from Contracts with Customers). Under currents standard, the bad debt was calculated based on incurred losses.
- The new standard also implies change of classification in financial assets.

The Group will implement the standard based on the simplified retrospective approach; the transition impact will be recorded in equity as of January 1, 2018 with no impact on 2017.

1.3.5. *IFRS 16 Leases*

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

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

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

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

The Board of Directors anticipate that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, especially given the different operating lease arrangements of the Group (please refer to note 19). The effects are analysed as part of a Group-wide project for implementing this new standard. The assessment phase is under progress and it is not yet practicable to provide a reasonable estimate of the quantitative effects until the projects have been completed.

2. Significant accounting policies

2.1. Basis of consolidation

2.1.1. *Subsidiaries*

Entities are fully consolidated if the Group has all the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect its returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. If the Group does not have a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra group transactions, balances, income and expenses are eliminated in full on consolidation.

2.1.2. *Joint ventures*

In accordance with IFRS 11 *Joint Arrangements*, arrangements subject to joint control are classified as either a joint venture or a joint operation. The classification of a joint arrangement as a joint operation or a joint venture depends upon

the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Investment in which the Group is a joint operator recognizes its shares in the assets, liabilities, revenues and expenses.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investment in which the Company is a joint venturer recognizes its interest in the joint venture in accordance with the equity method.

2.1.3. *Associates*

Investments, over which the Company exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as “associates” throughout these consolidated financial statements.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Associates are initially recognized at cost at acquisition date. The consolidated financial statements include the Group’s share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

The interest income and expenses recorded in the consolidated financial statements of the Group on loans with associates have not been eliminated in the consolidated statement of income and therefore are still recorded in the consolidated financial statements.

2.2. Foreign currencies

The presentation currency of the consolidated financial statements is euros. The functional currency, which is the currency that best reflects the economic environment in which the subsidiaries of the Group operate and conduct their transactions, is separately determined for the Group’s subsidiaries and associates and is used to measure their financial position and operating results.

2.2.1. *Monetary transactions*

Transactions denominated in foreign currencies other than the functional currency of the subsidiary are translated at the exchange rate on the transaction date. At each balance sheet date, monetary assets and liabilities are translated at the closing rate and the resulting exchange differences are recognized in the consolidated statement of income.

2.2.2. *Translation of financial statements denominated in foreign currencies*

Assets and liabilities of foreign entities are translated into euros using exchange rates prevailing at the end of the reporting period. The consolidated statements of income and cash flow are translated using the average exchange rates for the period. Foreign exchange differences resulting from such translations are either recorded in shareholders’ equity under “Currency translation reserve” (for the Group share) or under “Non-controlling interests” (for the share of non-controlling interests) as deemed appropriate.

The exchange rates of the main currencies were as follows:

Foreign exchange rates used	**Annual average rate**		**Rate at the reporting date**	
(€)	**2017**	**2016**	**Dec 31, 2017**	**Dec 31, 2016**
Dominican Pesos (DOP)	0.01864	0.01965	0.01719	0.02035
Israeli Shekel (ILS)	0.24626	0.23536	0.23975	0.24705
United States Dollar (USD)	0.88486	0.90342	0.83181	0.94868
Swiss Franc (CHF)	0.89927	0.91730	0.85436	0.93119
Moroccan Dirham (MAD)	0.09123	0.09258	0.08916	0.09422

2.3. Revenue recognition

Revenue from the Group's activities is mainly composed of television, broadband Internet, fixed and mobile telephony subscription, installations fees invoiced to residential and business clients and advertising revenues.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the group. Revenue is recognized as follows, in accordance with IAS 18 *Revenue*:

2.3.1. *Revenues from the sale of equipment*

Revenues from the sale of equipment includes the sale of mobile devices and ancillary equipment for those devices. Revenues are recognized when all the significant risk and yields that are derived from the ownership of the equipment are transferred to the purchaser and the seller does not retain continuing managerial involvement. Generally, the time of the delivery is the time at which ownership is transferred.

2.3.2. *Revenues on separable components of bundle packages*

Revenues from telephone packages are recorded as a sale with multiple components. Revenues from sales of handsets (mobile phones and other) are recorded upon activation of the line, net of discounts granted to the customer via the point of sale and the costs of activation.

When elements of these transactions cannot be identified or analyzed separately from the main offer, they are considered as related elements and the associated revenues are recognized in full over the duration of the contract or the expected duration of the customer relationship.

2.3.3. *Revenue from service*

Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony (fixed and mobile) are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered.

The Group sells certain telephone subscriptions based on plans under which the call minutes for a given month can be carried over to the next month if they are not used. The minutes carried over are recorded based on the proportion of total telephone subscription revenues they represent, when the minutes are used or when they expire.

Revenues relative to incoming and outgoing calls and off-plan calls are recorded when the service is provided. Revenues generated by vouchers sold to distributors and by prepaid mobile cards are recorded each time use is made by the end customer, as from when the vouchers and cards are activated. Any unused portion is recorded in deferred revenues at the end of the reporting period. Revenues are in any case recognized upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.

Sales of services to subscribers managed by the Group on behalf of content providers (principally special numbers and SMS+) are recorded on a gross basis, or net of repayments to the content providers in accordance with IAS 18 *Revenue*, and when the content providers are responsible for the content and determine the pricing applied to the subscriber.

The costs of access to the service or installation costs principally billed to operator and corporate clients in relation to DSL connection services, bandwidth services, and IP connectivity services, are recognized over the expected duration of the contractual relationship and the provision of the principal service.

Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered.

Revenues linked to switched services are recognized each time traffic is routed. Revenues from bandwidth, IP connectivity, high-speed local access and telecommunications services are recorded as and when the services are delivered to the customers.

2.3.4. *Access to telecommunications infrastructures*

The Group provides its operator clients with access to its telecommunications infrastructures by means of different types of contracts: rental, hosting contracts or concessions of Indefeasible Rights of Use (‘‘IRU’’). The IRU contracts grant the use of an asset (ducting, fiber optic or bandwidth) for a specified— period. The Group remains the owner of the asset. Proceeds generated by rental contracts, hosting contracts in Netcenters, and infrastructure IRUs are recognized over the duration of the corresponding contracts, except where these are defined as a finance lease, in which case the equipment is considered as having been sold on credit.

In the case of IRUs, and sometimes rentals or service agreements, the service is paid in advance in the first year. These prepayments, which are non-refundable, are recorded in prepaid income and amortized over the expected term of the related agreements.

2.3.5. *Sales of infrastructure*

The Group builds infrastructure on behalf of certain clients. The average duration of the construction work is less than one year, therefore, revenues are recorded when ownership is transferred. Revenues relative to sales of infrastructure are recorded when ownership is transferred. A provision is recognized when any contracts are expected to prove onerous.

2.3.6. *Advertising revenues*

Advertising revenues are recognized when commercials are aired.

For revenue related to space to display video advertisements online sold either directly to clients or to advertising agencies (the clients), the Group generates revenue when a user clicks on the banner ad or views the advertisement. The Group prices the advertising campaigns on a cost per view (“CPV”) model or a cost per mille (“CPM”) model based on the number of views generated by users on each advertising campaign. Revenue is recognized when four basic criteria are met:

- persuasive evidence exists of an arrangement with the client reflecting the terms and conditions under which the services will be provided (insertion order, which are commonly based on specified CPVs and related campaign budgets);
- services have been provided or delivery has occurred. Income relating to services provided is recorded based on the stage of completion of the service. The stage of completion is assessed by reference to the work performed at the reporting date. For on-going service agreements, the stage of completion is prorated over time. In case of negative margin for a campaign, accrual for future loss is booked.
- the fee is fixed or determinable; and
- collection is reasonably assured. Collectability is assessed based on a number of factors, including the creditworthiness of a client, the size and nature of a client’s website and transaction history.

Amounts billed or collected in excess of revenue recognized are included as deferred revenue. An example of such deferred revenue would be arrangements whereby clients request or are required by the Group to pay in advance of delivery.

2.3.7. *Income from credit arrangements*

Revenues deriving from long-term credit arrangements (such as the sale of devices in installments) are recorded at the present value of the future cash flows (against long-term receivables) and are discounted in accordance with market interest rates. The difference between the original amount of the credit and the present value, as aforesaid, is spread over the length of the credit period and recorded as interest income over the length of the credit period.

2.3.8. *Gross Versus Net Revenue Recognition*

In the normal course of business, the Company is assessed on non-income related taxes by governmental authorities, including franchising authorities (generally under multi-year agreements), and collects such taxes from its customers. The Company’s policy is that, in instances where the tax is being assessed directly on the Company, amounts paid to the

governmental authorities and amounts received from the customers are recorded on a gross basis. That is, amounts paid to the governmental authorities are recorded as technical and operating expenses and amounts received from the customer are recorded as revenues.

2.4. Finance costs, net

Finance costs, net primarily comprise:

- Interest charges and other expenses paid for financing operations recognized at amortized cost;
- Changes in the fair value of interest rate derivative instruments;
- Ineffective portion of hedges that qualify for hedge accounting;
- Foreign exchange gains and losses on monetary transactions;
- Interest income relating to cash and cash equivalents;
- Gains/losses on extinguishment of financial liability;
- Investment securities and investment securities pledged as collateral (Comcast investment) are classified as trading securities and are stated at fair value with realized and unrealized holding gains and losses included in net financial result.

2.5. Taxation

Taxes on income in the income statement include current taxes and deferred taxes. The tax expenses or income in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are recorded directly in equity, in these cases the tax effect is reflected under the relevant equity item.

2.5.1. *Current tax*

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2.5.2. *Deferred tax*

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

The carrying value of deferred tax assets is reviewed at each closing date and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy.

Taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

All deferred tax assets and liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset if an enforceable legal right exists, which enables the offsetting of a current tax asset against a current tax liability and the deferred taxes relate to the same entity, which is chargeable to tax, and to the same tax authority.

2.6. Site dismantling and restoration

The Company has a contractual obligation to dismantle and restore the sites of its mobile and fixed network upon expiry of a lease, if the lease is not renewed. Considering this obligation, site restoration costs are capitalized based on:

- an average unit cost of restoring sites;
- assumptions concerning the lifespan of the dismantling asset; and
- a discount rate.

2.7. Goodwill and business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities incurred by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based payments* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.7.1. *Acquisition under common control*

In the absence of specific guidance under IFRS for transactions between entities under common control, the Company considered and applied standards on business combination and transactions between entities under common control issued by the accounting standard-setting bodies in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B Consolidation and SEC Regulation S-X Article 3A – *Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the consolidated financial statements.

Acquisition under common control uses the following methods and principles:

- Carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value on consolidation, although appropriate adjustments should be made to achieve uniformity of accounting policies in the combining entities;
- The results and cash flows of all the combining entities should be brought into the consolidated financial statements of the combined entity from the beginning of the financial year in which the combination occurred, adjusted to achieve uniformity of accounting policies;
- The difference, if any, between the nominal value of the shares issued plus the fair value of any other consideration given, and the nominal value of the shares received in exchange should be shown as a movement on Additional Paid in Capital in the consolidated financial statements;

Any existing balance on the share premium account of the new subsidiary undertaking should be brought in by being shown as a movement on Additional Paid in Capital. These movements should be shown in the reconciliation of movements in shareholders' equity.

2.8. Intangible assets

Intangible assets acquired separately are recorded at cost on initial recognition, with the addition of direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses. Intangible assets have either definite or indefinite useful lives.

Assets with definite useful lives are amortized over their useful lives and tested for signs that would indicate impairment in value. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits that are expected to derive from the asset are treated as a change in an accounting estimate which is treated prospectively.

The useful lives of the intangible assets are as follows:	**Duration**
Software	3 years
Brands	5 to 15 years
Customer relations	4 to 17 years
Licences	over the period of licences
Indefeasible Right of use	3-30 years
Subscriber purchase costs	based on average duration of subscriptions

Customer relations established in connection with acquisitions that are finite lived are amortized in a manner that reflects the pattern in which the projected net cash inflows to the Company are expected to occur, such as the sum of the years' digits method, or when such pattern does not exist, using the straight-line basis over their respective estimated useful lives.

Other intangible assets with indefinite useful lives are tested for impairment annually as well as where there is an indication that it may be impaired by comparing their carrying amount with their recoverable amount.

Operating licenses for telephony services are recorded based on the fixed amount paid upon acquisition of the license.

Investments made in the context of concessions or public service contracts, and linked to the rollout of the telecommunications network, are recorded in intangible assets in accordance with interpretation IFRIC 12 *Service Concession Arrangements*. The ''intangible asset'' model stipulated by this interpretation applies when the concession holder receives a right to bill users of the public service and the concession holder is essentially paid by the user. These intangible assets are amortized over the shorter of the estimated useful life of the categories of assets in question and the duration of the concession.

Intangible assets also comprise rights of use or access rights obtained. Amortization is generally calculated on a straight-line basis over the shorter of the contractual term and 30 years.

Research costs are expensed as incurred. Development costs are capitalised as intangible assets when the following can be demonstrated:

- the technical feasibility of the project and the availability of the adequate resources for the completion of the intangible assets;
- the ability of the asset to generate future economic benefit;
- the ability to measure reliably the expenditures attributable to the asset; and
- the feasibility and intention of the Group to complete the intangible asset and use or sell it.

2.8.1. *Content rights*

Exclusive sports broadcasting rights are recognised in the consolidated statement of financial position from the point at which the legally enforceable licence period begins. Rights for which the licence period has not started are disclosed as contractual commitments in note 29. Payments made to acquire broadcasting rights in advance of the legal right to broadcast the programmes are classified as prepayments in the caption "other financial assets" in the statement of financial position. Broadcasting rights are initially recognised at cost and are amortised from the point at which they are available for use, on a straight line basis over the broadcasting period. The amortisation charge is recorded in the caption "depreciation and amortisation" in the consolidated statement of income. The costs of exclusive in-house content and external content are recognised as an intangible asset. The cost of the rights is recognized at the cost of production of the shows and is amortized based on the actual screenings. The amortisation charge is recorded in the caption "depreciation and amortisation" in the income statement.

2.9. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate

assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.10. Property, plant and equipment

Property, plant and equipment are presented at cost with the addition of direct purchase costs less accumulated depreciation and accumulated losses on impairment and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that can only be used in connection with the plant and machinery.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

The estimated useful lives of property, plant and equipment were:	**Duration**
Buildings	5 to 50 years
Cables and mobile network	5 to 40 years
Converters and modems	3 to 5 years
Computers and ancillary equipment	2 to 8 years
Office furniture and equipment	3 to 15 years

Leasehold contracts are depreciated according to the straight line method during the rental period.

Elements of a fixed asset item, having a cost that is significant in comparison to the overall cost of the item, are depreciated separately, using the components method. The depreciation is calculated in accordance with the straight line method at annual rates that are sufficient to depreciate the assets over the length of their estimated useful lives.

The useful life, depreciation method and residual value of an asset are reviewed at least annually; any changes are accounted for prospectively as a change in accounting estimate.

2.11. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.11.1. *The Group as lessor*

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

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

2.11.2. *The Group as lessee*

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (please refer to note 2.12 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

If lease incentives are received to enter operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.13. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a deduction of the related asset in the consolidated statement of financial position and amortized over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market interest rate is measured at the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

2.14. Financial assets

The Company classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1 *Presentation of financial statements*.

Purchases and sales of all financial assets are recognized on a trade date basis.

2.14.1. *Available-for-sale financial assets*

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in non-consolidated companies. Fair value corresponds to quoted price for listed securities. For non-listed securities, and when a reliable estimate of fair value cannot be made using valuation techniques, the Company values financial assets at historical cost, less any impairment losses.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from other comprehensive income to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, because of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through income statement.

2.14.2. *Loans and receivables*

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

This category mainly includes trade receivables and other receivables as well as loan to associate and to non-consolidated entities.

If there is objective evidence that an impairment loss has occurred, the amount of this loss, measured as the difference between the financial assets' carrying value and its recoverable amount is recognized in the income statement. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

2.14.3. *Held-to-maturity financial assets*

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Company has both the intention and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method. They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

2.14.4. *Financial assets measured at fair value through profit or loss (FVTPL)*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for sale it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short term profit-taking;
- it is a derivative that is not designated and effective as hedge instrument.

Financial assets at FVTPL are stated at fair value, with any gains and losses arising on remeasurement recognised in the caption "Other Financial expense" or "Other Financial income" in the income statements.

2.15. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Cost

of inventories is determined using the weighted average cost method. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

2.16. Cash and cash equivalents

Cash consists of cash in banks and deposits. Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

2.17. Restricted cash

Restricted cash can consist of balances dedicated to the repayment of the Company's liabilities to banking entities in accordance with the Company's credit agreement and therefore amounts that the Group cannot use at its discretion. Restricted cash can also consist of cash held in escrow to finance certain acquisitions (in the period between the agreement to acquire and the actual closing of the acquisition and the transfer of shares and cash and other considerations). Restricted cash may also consist of guarantees provided by different Group companies to financial institutions related to financing or other activities. Restricted cash is not considered as a component of cash and cash equivalents since such balances are not held for the purposes of meeting short-term cash commitments.

2.18. Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered and are subsequently reassessed at their fair value.

The Company has entered various forward and interest rate swaps (cross currency and fixed/floating) to mitigate risks associated with making investments in currencies other than the functional currency of the underlying component.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2.19. Hedge accounting

The Group may designate certain hedging instruments, (which may include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk), as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the line 'other financial expense'.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in

other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2.20. Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.20.1. *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by a group entity are recognized at the value of the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.21. Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities at amortized cost:

2.21.1. *Financial liabilities at amortized cost*

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument.

2.21.2. *Financial liabilities measured at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

The Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair value is determined using valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

2.21.3. *Liabilities related to put options granted to non-controlling interests*

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries. These options give the holders the right to sell part or all of their investment in these subsidiaries.

At inception, in accordance with IAS 32 *Financial Instruments: Presentation*, when non-controlling interests hold put options enabling them to sell their investment in the Group, a financial liability is recognized for an amount corresponding to the present value of liability assumed and the counterpart of the liability arising from these obligations is:

- the reclassification as debt of the carrying amount of the corresponding non-controlling interests;
- a reduction in the equity– Group share (other reserves attributable to equity holders of the parent) for the difference between the present value of the strike price of the options granted and the carrying amount of non-controlling interests.

In the absence of specific IFRS guidance, the accounting at the end of each reporting period is as follows, while the non-controlling interest put remains unexercised:

(1) recognition of the non-controlling interest, including an allocation of profit or loss, allocation of changes in other comprehensive income and dividends declared for the reporting period, as required by IFRS 10 Consolidated Financial Statements as mentioned in note 2.1.1;
(2) derecognition of the non-controlling interest as if it was acquired at that date;
(3) recognition of a financial liability at the present value of the amount payable on exercise of the NCI put in accordance with IAS 39 Financial Instruments: Recognition and Measurement, and
(4) the difference between no (2) and (3) above is accounted for as an equity transaction.

If the NCI put is exercised, the same treatment is applied up to the date of exercise. The amount recognised as the financial liability at that date is extinguished by the payment of the exercise price.

If the NCI put expires unexercised, the position is unwound so that the non-controlling interest is recognised at the amount it would have been, as if the put option had never been granted (i.e. measured initially at the date of the business combination, and remeasured for subsequent allocations of profit or loss, other comprehensive income and changes in equity attributable to the non-controlling interest). The financial liability is derecognised, with a corresponding credit to the same component of equity.

The Group is closely monitoring the work of the IASB and the IFRIC, which could lead to a revision of the treatment of put options granted to non-controlling interests.

2.22. Provisions

A provision is recognized in the statement of financial position when the Group has a present obligation (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required to settle the obligation and it is possible to reliably estimate it. Where the impact is significant, the provision is measured by discounting the forecasted future cash flows, using a pre-tax interest rate that reflects the expectations of the market in respect of the time frame of the money and in certain cases, the risks that are specific to the liability.

The following types of provisions are recorded in the consolidated financial statements:

2.22.1. *Claims*

A provision regarding claims is recognized when the Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Group will be required to expand economic resources to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

2.22.2. *Onerous contracts*

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.22.3. *Restructuring*

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

2.23. Liabilities for employment benefits

2.23.1. *Retirement benefit costs and termination benefits*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

The Group presents the service cost and the net interest expense in profit or loss in the line item “Staff cost and employee benefit expenses” and “Other financial expenses” respectively. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.23.2. *Short-term and other long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

2.24. Share based payments

2.24.1. *Share-based payment transactions of the Company*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

2.24.2. *Share-based payment transactions of the acquiree in a business combination*

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 *Share-based Payment* ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire because of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with IFRS 2 *Share-based Payment*. All market-based measures of the replacement awards are recognized as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

2.25. Non-current assets held for sale and discontinued operations

Pursuant to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets and liabilities of affiliates that are held for sale are presented separately on the face of the statement of financial position. Depreciation of assets ceases from the date of classification in "Non-current assets held for sale". Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group for which cash flows are independent. It represents a major line of business or geographical area of operations which has been disposed of or is currently being held for sale. If the Group reports discontinuing operations, net income from discontinued operations is presented separately on the face of the statement of income. Therefore, the notes to the consolidated financial statements related to the statement of income only refer to continuing operations.

2.26. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Board of Directors of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not clear 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.

2.26.1. *Claims*

In estimating the likelihood of outcome of claims filed against the Group and its investees and the estimated provision, the Group companies rely on the opinion of internal and/or external counsel. These estimates are based on the counsel's best professional judgment, considering the stage of proceedings and historical precedents in respect of the different issues. Since the outcome of the claims will be determined via settlement or court's decision, the results could differ from these estimates.

2.26.2. *Post-employment benefits*

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, 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.

2.26.3. *Revenue recognition*

Judgement and estimates are made for (i) the identification of the separable elements of a packaged offer and allocation based on the relative fair values of each element; (ii) the period of deferred revenues related to costs to access the service based on the type of product and the term of the contract; (iii) presentation as net or gross revenues depending on whether the Group is act as agent or principle.

2.26.4. *Fair value of financial instruments Level 1, Level 2 and Level 3*

Fair value is determined by reference to the market price at the end of the period, when the data is available. For financial instruments for which there is no active market such as interest rate swaps (which the Company currently may use to hedge its interest rate risk), call options and put options granted to non-controlling interests fair value is estimated based on models that rely on observable market data or using various valuation techniques, such as discounted future cash flows.

2.26.5. *Deferred tax assets*

Deferred tax assets relate primarily to tax loss carried forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carried forwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss carried forward relies on significant judgment. The Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carried forward.

2.26.6. *Intangible assets and Property, plant and equipment*

Estimates of useful lives are based on the effective obsolescence of fixed assets and the use made of these assets.

2.26.7. *Impairment of intangible assets*

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, the recoverable amount of the asset is determined. The recoverable amount of goodwill, intangible assets with an indefinite useful life and intangible assets that are not available for use on the reporting date, are measured at least on an annual basis, irrespective of whether any impairment indicators exist.

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Board of Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

2.26.8. *Trade receivables and other receivables*

Allowance for trade receivables are recorded based on experience of recoverability of the customers and/or based on a specific analysis of the recoverability of the customers.

3. Scope of consolidation

A full list of subsidiaries is included in note 33.

3.1. Variations in non-controlling interests

The variations in non-controlling interests are presented in the table below:

Variations in non-controlling interests (€m)	SFR Group[1]	Altice Technical Services	Other	Group
Opening balance at January 1, 2016	944.6	-	(5.6)	**939.0**
Net income	(75.0)	4.0	(17.5)	**(88.6)**
Other comprehensive income	(63.1)	0.8	1.2	**(61.2)**
Dividends	(7.6)	-	-	**(7.6)**
Acquisition	(69.0)	45.1	(0.7)	**(24.6)**
Put options	-	-	(0.6)	**(0.6)**
Other	20.0	-	(1.1)	**19.0**
Closing at December 31, 2016	**749.9**	**49.8**	**(24.3)**	**775.4**
Net income	(88.0)	(7.7)	(6.1)	**(101.8)**
Other comprehensive income	3.0	(1.4)	(0.5)	**1.1**
Dividends	(6.9)	(6.0)	-	**(12.9)**
SFR share transfers and squeeze out	(491.6)	-	-	**(491.6)**
Variation in minority interest put	(3.8)	-	(9.2)	**(13.0)**
Other	(18.6)	(9.8)	11.6	**(16.9)**
Closing at December 31, 2017	**144.0**	**24.9**	**(28.5)**	**140.4**

1 In these consolidated financial statements all references to "SFR Group" refer to SFR Group S.A. or SFR Group S.A. and its subsidiaries as the context may require. In February 2018, SFR Group S.A. was renamed Altice France S.A.

3.1.1. *Net income*

The share of loss for the year ended December 31, 2017 allocated to non-controlling interests was €101.8 million, which was mainly due to the loss incurring in SFR Group. The loss allocated to equity holders of the Group for the year ended December 31, 2017 was €1,517.8 million.

3.1.2. *SFR Group S.A.*

The financial interest held by non-controlling interests as of December 31, 2017 was 9% (2016: 16%). The reduction compared to prior year was mostly due to share exchange and buyout of SFR Group shares from the minority investors whereby Altice N.V. Group obtained 100% interest in SFR Group as of October 9, 2017, thereby reducing non-controlling

interest by €491.6 million. The remaining non-controlling interests relates to other entities, predominantly NextRadioTV, for which SFR Group does not hold 100% of the equity interest.

3.1.3. *Altice Technical Services*

In November 25, 2016, the Group completed the acquisition of a controlling stake (51%) in Altice Technical Services S.A. Financial interest held by non-controlling interests as of December 31, 2017 was 49.0% (2016: 49.0%). Main variations during the year ended December 31, 2017 were related to net loss of €7.7 million and dividend payments of €6.0 million.

3.2. Modification in the scope of consolidation

The following changes occurred during the year ended December 31, 2017, impacting the scope of consolidation.

3.2.1. *Acquisitions and disposals during the year*

3.2.1.1. *Disposal of Coditel*

On December 22, 2016, the Company and its indirect subsidiary Coditel Holding S.A. entered into an agreement to sell the Group's Belgian and Luxembourg (Belux) telecommunication businesses, which are operated by Coditel Brabant SPRL and Coditel S.à r.l, to Telenet Group BVBA, a direct subsidiary of Telenet Group Holding N.V. The Belux operations were classified as a disposal group held for sale, in accordance with IFRS 5 *Non-Current Assets Held for Sale* (please refer to note 3.4 for more details). On June 19, 2017, the Group completed the sale of Coditel Brabant SPRL and Coditel S.à r.l, to Telenet Group BVBA. After the final post-closing price adjustments, the Group received €280.8 million, and recognized a loss on sale after transactions costs of €24.0 million.

3.2.1.2. *Acquisition of a stake in SPORT TV*

On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12.3 million. SPORT TV is a sports broadcaster based in Portugal. Following this investment, SPORT TV's shareholders are PT Portugal, NOS, Olivedesportos and Vodafone, each of which with a 25% stake. This new structure benefits, above all, PT Portugal's customers and the Portuguese market, guaranteeing all the operators access to the sports content considered essential in fair and non-discriminatory market conditions.

3.2.1.3. *Sale by SFR Group of L'Etudiant and the B2B Division of Newsco Group to Coalition Media Group*

In 2016, SFR Group and Marc Laufer began exclusive negotiations for a new partnership between SFR, NewsCo and l'Etudiant. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the associated disposal group was classified as held for sale as of December 31, 2016. On April 28, 2017, SFR Group completed the sale of the companies. SFR Group subsequently acquired a 25% stake in this holding, this is classified as an investment in associate. As part of the transaction, the vendor loan contracted during the acquisition of Altice Media Group for €100 million was fully reimbursed. The Group recorded a €28.6 million capital gain for this transaction.

3.2.1.4. *Acquisition of Teads*

On June 22, 2017, Altice Teads (a company which the Group has 98.5% of the financial interest, with 1.5% attributable to the managers of Teads) closed the acquisition of Teads. Teads is the number one online video advertising marketplace in the world with an audience of more than 1.2 billion unique visitors. The acquisition values Teads at an enterprise value of up to €302.3 million. The acquisition purchase price was due 75% at closing, with the remaining 25% earn-out subject to Teads obtaining defined revenue performance in 2017. The defined 2017 revenue targets were reached, so the remaining 25% earn out is payable in 2018 and is recognised as such in these consolidated financial statements.

3.2.1.5. *Acquisition of SFR Group S.A. shares*

During the year, the company was contributed by its sole shareholder a total of 117,500,000 SFR Group shares.

Given Altice N.V. also acquired shares of SFR in private off-market transaction and crossed the 95% ownership threshold, a buyout offer followed by a squeeze out was filed with the French financial market authority, for the remaining SFR

Group Shares for a price of €34.50 per share. The group acquired a total of 18,403,041 SFR Group Shares for a total consideration of €636.3 million.

3.2.1.6. *Pho Holding*

On July 26, 2017, SFR Group obtained approval for the take-over of Pho Holding (owner of the Numero 23 channel) by NextRadioTV. Following the take-over, the consolidation method changed as of September 30, 2017 (from equity accounted to full consolidation) and €8.9 million income has been recorder in the Other expenses and income caption in the income statement.

3.2.2. *Transactions completed in the prior period*

3.2.2.1. *Acquisition of Altice Media Group France ("AMG") by SFR Group*

On April 27, 2016, SFR Group announced that it had entered into exclusive negotiations to acquire AMG, a leading diversified and profitable media group in France, which publishes more than 20 major national titles, including iconic and well-known brands such as Libération, L'Express, L'Expansion, L'Etudiant and Stratégies. AMG operates an international news channel (i24 News) and has positioned itself as the second largest operator in the French digital press sector. In addition, AMG France is a leading event organizer; its "Salon de l'Etudiant" trade fair has attracted 2 million visitors annually for more than 30 years. This transaction represented a unique opportunity to develop SFR Group into a true cross-media content publisher, capitalizing on a highly diversified portfolio of premium brands. The acquisition supported the Group's business strategy by accelerating the deployment of the global convergence of telecoms, media/content and advertising. The acquisition of AMG was successfully completed on May 25, 2016, using a combination of cash and vendor financing of €100.0 million provided by the sellers of AMG.

AMG contributed €134.1 million to revenues, €4.3 million to operating loss and €29.0 million to the net loss of the Group for the year ended December 31, 2016.

3.2.2.2. *Disposal of Cabovisão and ONI*

On January 20, 2016, the Group announced that it had completed the sale of Cabovisão and its subsidiaries (including Winreason, which provided B2B services under the 'ONI' brand name) to Apax France. This disposal was mandated by the European Commission and the Portuguese competition authorities following the acquisition of PT Portugal in June 2015. These entities were classified as held for sale by the Group as of December 31, 2015. Total consideration received for the disposal amounted to €137.7 million (including purchase price adjustments), of which €63.9 million was for the shares of Cabovisao and its subsidiaries.

The Group recognised a gain on disposal of €104.6 million in the consolidated statement of income for the year ended December 31, 2016.

3.2.2.3. *Acquisition of Intelcia (Altice Customer Services or ACS)*

On December 22, 2016, the Group completed the acquisition of a controlling stake in its supplier Intelcia Group S.A., a French language-focussed player in the customer relations management outsourcing industry. As per the terms of the deal, the Group acquired 88.87% of the share capital of Intelcia, with the remaining 11.13% acquired by the Group on January 30, 2017. Certain managers in Intelcia subsequently reinvested part of their proceeds to acquire a 35% stake in the parent company of Intelcia. The Group believed that the acquisition of a controlling stake in the company would enable the operating subsidiaries of the Group to provide their customers with fully integrated services, enhance their expertise and further improve the quality of service.

3.2.2.4. *Acquisition of Parilis S.A (Altice Technical Services, or ATS)*

On November 25, 2016, the Group completed the acquisition of a 51% stake in its supplier Parilis S.A., an allround technical services company offering among others network deployment, upgrade and maintenance. The Group believed that the acquisition of a controlling stake in the company would enable the operating subsidiaries of the Group to provide their customers with fully integrated services, would enhance their expertise and would ensure further quality of service improvements.

3.3. Acquisitions of businesses

The main acquisition in the year ended December 31, 2017 were Teads (note 3.2.1.4). The table below presents the major classes of assets and liabilities acquired by the Group for the respective acquisitions.

Acquisitions of businesses (€m)	**Teads**	**Total**
Consideration transferred	**302.3**	**302.3**
Allocation to minority interests	-	-
ASSETS		-
Intangible assets	76.8	76.8
Property, plant and equipment	2.2	2.2
Non-current financial assets	1.5	1.5
Deferred tax assets	1.4	1.4
Investments in associates	-	-
Other non-current assets	-	-
Inventories	-	-
Trade receivables and others	67.6	67.6
Tax receivables	1.8	1.8
Cash and cash equivalents	39.7	39.7
Other current assets	0.1	0.1
Total assets	**191.1**	**191.1**
EQUITY AND LIABILITIES		-
Non-current liabilities	17.3	17.3
Current liabilities	73.1	73.1
Total liabilities	**90.5**	**90.6**
Net assets	100.6	100.6
Residual goodwill	**201.7**	**201.7**

Total goodwill recognised from business combinations during the year ended December 31, 2017 was €264.2 million (please refer to note 5 for more details). The most substantial addition to goodwill, other than those presented above, was €53.4 million as a result of the change in consolidation method of Pho Holdings (please refer to notes 3.2.1.6 and 5.2.3).

The profit or loss of the main entity acquired during the year ended December 31, 2017, from the period up to acquisition date (the date from which the entities results were included in these consolidated financial statements) was:

Profit or loss before acquisition by the Group (€m)	**Teads**	**Total**
Revenues	**117.0**	**117.0**
Purchases and subcontracting services	-	-
Other operating expenses	(70.5)	(70.5)
Staff costs and employee benefits	(42.5)	(42.5)
Depreciation and amortization	(0.5)	(0.5)
Other expenses and income	(0.4)	(0.4)
Operating profit	**3.1**	**3.1**
Profit for the period	**(1.7)**	**(1.7)**

Had the acquisitions above been completed on January 1, 2017, the Group would have earned, on a pro-forma basis, total revenues of €15,386.1 million (unaudited) for the year ended December 31, 2017, including intercompany eliminations of €1,318.3 million.

3.4. Assets held for sale

On December 1, 2017, the Group signed an agreement to sell its telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, to InfraVia Capital Partners. The transaction values the business at an enterprise value of approximately 214 million CHF (9.9x LTM Adjusted EBITDA). On February 12, 2018, the Group has closed the transaction. As a result, green.ch AG and Green Datacenter AG is classified as a disposal group held for sale, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The business, part of the "Other" segment, was classified under two separate lines in the statement of financial position which are "Assets classified as held for sale" and “Liabilities directly associated with assets classified as held for sale".

In addition, in December 2017, the Board of Directors decided to sell the Group's International Wholesale business. The scope of the sale is the transits and international outgoing traffic in Portugal and Dominican Republic. As a result, the working capital related to this business was classified as a disposal group held for sale as of December 31, 2017, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The results from these operations are included in the respective segments mentioned above.

During November and December 2017, the Board of Directors of Altice N.V. decided the following transfer of shares within the Altice Group:

- Altice Content to Altice Group Lux S.à r.l.
- Altice Management International (AMI) to Altice Group Lux S.à r.l.

The other assets classified as held for sale of €4.4 million corresponds to the 44.62% stake in HungaroDigitel. The Group entered into a memorandum of understanding at the end of 2017 for the sale of this business to the other main shareholder for an amount of €8 million.

In the prior year, Coditel was classified as held for sale, as discussed in note 3.2.1.1.

In addition to the Coditel business being held for sale, SFR Group entered negotiations for a new partnership with NewsCo and l'Etudiant. In the context of the proposed project, Marc Laufer would become the owner of NewsCo and l'Etudiant. SFR Group would remain a co-shareholder, with a 25% stake. As a result of the negotiations, SFR Group's assets (€59.3 million) and liabilities (€46.2 million) related to this disposal group were classified as held for sale as at December 31, 2016.

Disposal groups held for sale	**December 31, 2017**						**December 31, 2016**
(€m)	**Green**	**Wholesale Market**	**Altice Content[1]**	**AMI**	**Other**	**Total**	**Coditel**
Goodwill	18.2	-	7.8	-	-	26.1	295.5
Tangible and intangible assets	113.1	-	215.7	(0.8)	-	328.0	99.9
Other non-current assets	0.4	-	70.6	(1.5)	-	69.4	-
Investment in associates	-	-	-	-	4.4	4.4	-
Current assets	13.6	36.0	115.0	9.3	-	174.1	21.2
Total assets held for sale	**145.3**	**36.0**	**409.1**	**6.9**	**4.4**	**602.0**	**416.6**
Non-current liabilities	(54.2)	-	(21.3)	(.1)	-	(75.6)	(5.5)
Current liabilities	(25.0)	(25.4)	(298.1)	(107.8)	-	(456.3)	(37.4)
Total liabilities related to asset held for sale	**(79.2)**	**(25.4)**	**(319.4)**	**(107.9)**	**-**	**(531.9)**	**(42.9)**

1 In accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, non-current asset classified as held for sale shall be measured at the lower of its carrying amount and fair value less costs to sell. For Altice Content, the Group has recorded an impairment loss of €51.1 million (please refer to note 6) as the carrying value exceeded the fair value less cost to sale. The impairment was recorded in shareholder's equity in the line "transactions with Altice shareholders", the Altice content will be sold to the shareholder of Altice Luxembourg.

4. Segment reporting

4.1. Definition of segments

Given the geographical spread of the entities within the Group, analysis by geographical area is fundamental in determining the Group's strategy and managing its different businesses. The Group's chief operating decision maker is the senior management team. This team analyses the Group's results across geographies, and certain key areas by activity. The presentation of the segments here is consistent with the reporting used internally by the senior management team to track the Group's operational and financial performance.

Altice operates high-speed cable, fiber or DSL based fixed line networks in all its operating segments. Consistent with its strategy to invest in convergent networks, the Group also operates 4G/LTE and 3G networks in France, Portugal, Israel and the Dominican Republic, as well as in its businesses in the French Overseas Territories, which are included in the Other segment. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The segments that are presented are detailed below:

- **France:** The Group controls SFR Group, the second largest telecom operator in France, which provides services to residential (B2C) and business clients (B2B) as well as wholesale customers, providing mobile and high speed internet services using the SFR and associated brands
- **Portugal:** Altice owns Portugal Telecom ("PT Portugal"), the largest telecom operator in Portugal. PT Portugal caters to fixed and mobile B2C, B2B and wholesale clients using the MEO brand.
- **Israel:** Fixed and mobile services are provided using the HOT and HOT Mobile brands to B2C, B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network.
- **Dominican Republic**: The Group provides fixed and mobile services to B2C, B2B and wholesale clients using the Tricom (cable network) brand.
- **Others**: This segment includes the operations in the French Overseas Territories, Belgium and Luxembourg (until June 2017), Switzerland, as well as the Content, Technical Service and Customer Service business, and all corporate entities. The Board of Directors believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under "Other".

4.2. 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: by segment
- Revenues: by segment and in terms of activity
- Capital expenditure ("Capex"): by segment, and
- Operating free cash flow ("OpFCF"): by segment.

4.2.1. *Non-GAAP measures*

Adjusted EBITDA, EBIT, 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 the de facto 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.

4.2.1.1. *Adjusted EBITDA*

Adjusted EBITDA is defined as operating income before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and equity based compensation expenses. 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 profit as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the consolidated financial statements in accordance with IAS 1 *Presentation of Financial Statements*.

4.2.1.2. *Capex*

The Group's Capex 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: mainly related to costs incurred in acquiring content rights.

4.2.1.3. *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* and IAS 7 *Statement of Cash Flows*.

4.2.1.4. *Revenues*

Additional information on the revenue split is presented as follows:

- Fixed in the business to consumer market (B2C),
- Mobile in the business to consumer market (B2C),
- Wholesale and business to business (B2B) market, and
- Other.

Intersegment revenues represented 8.6% of total revenues for the year ended December 31, 2017, an increase compared to 2.1% of total revenues for the year ended December 31, 2016 (€1,318.3 million vs. €327.9 million). Intersegment revenues mainly relate to services rendered by certain centralised group functions (relating primarily to content production, technical services, customer service and management fees) to the operational segments of the Group. Such transactions are eliminated in these consolidated financial statements.

4.3. Operating profit per geographical segment

For the year ended December 31, 2017 €m	**France**	**Portugal**	**Israel**	**Dominican Republic**	**Others**	**Inter-segment elimination**	**Total**
Revenues	**10,915.8**	**2,233.8**	**1,036.1**	**692.7**	**1,708.9**	**(1,318.3)**	**15,269.1**
Purchasing and subcontracting costs	(4,026.4)	(574.7)	(272.4)	(152.7)	(609.0)	928.2	**(4,707.0)**
Other operating expenses	(2,300.2)	(390.4)	(228.8)	(163.8)	(334.9)	295.8	**(3,122.3)**
Staff costs and employee benefits	(876.8)	(275.8)	(63.7)	(26.7)	(317.7)	13.7	**(1,547.0)**
Total	**3,712.4**	**992.9**	**471.2**	**349.5**	**447.3**	**(80.5)**	**5,892.7**
Stock option expense	2.0	-	-	-	28.6	-	**30.6**
Adjusted EBITDA	**3,714.4**	**992.9**	**471.2**	**349.5**	**475.9**	**(80.5)**	**5,923.4**
Depreciation, amortisation and impairment	(2,817.2)	(825.7)	(333.5)	(131.9)	(231.5)	-	**(4,339.9)**
Stock option expense	(2.0)	-	-	-	(28.6)	-	**(30.6)**
Other expenses and income	(976.8)	(241.1)	(15.6)	(28.1)	36.7	-	**(1,224.9)**
Operating profit/(loss)	**(81.6)**	**(73.9)**	**122.1**	**189.4**	**252.5**	**(80.5)**	**328.0**

For the year ended December 31, 2016 €m	**France**	**Portugal**	**Israel**	**Dominican Republic**	**Others**	**Inter-segment elimination**	**Total**
Revenues	**10,990.5**	**2,311.5**	**955.5**	**717.5**	**733.0**	**(327.9)**	**15,380.2**
Purchasing and subcontracting costs	(3,956.0)	(526.0)	(234.5)	(146.9)	(191.3)	187.3	**(4,867.3)**
Other operating expenses	(2,328.1)	(413.0)	(223.3)	(164.6)	(137.4)	127.7	**(3,138.6)**
Staff costs and employee benefits	(945.0)	(284.1)	(66.9)	(30.0)	(133.1)	1.9	**(1,457.1)**
Total	**3,761.5**	**1,088.5**	**430.9**	**376.1**	**271.2**	**(10.9)**	**5,917.2**
Stock option expense	4.0	-	-	-	18.7	-	**22.8**
Adjusted EBITDA	**3,765.5**	**1,088.5**	**430.9**	**376.1**	**289.9**	**(10.9)**	**5,940.0**
Depreciation, amortisation and impairment	(2,565.1)	(770.5)	(331.2)	(165.1)	(204.8)	**-**	**(4,036.6)**
Stock option expense	(4.0)	-	-	-	(18.7)	**-**	**(22.8)**
Other expenses and income	(539.7)	(152.4)	(37.0)	(37.2)	167.7	**-**	**(598.7)**
Operating profit/(loss)	**656.6**	**165.6**	**62.7**	**173.8**	**234.0**	**(10.9)**	**1,282.0**

4.4. Other expenses and income

Other expenses and income pertain mainly to ongoing and announced restructuring and other non-cash expenses (for example gains and losses on disposal of assets, transaction costs on acquisitions of entities and provisions for litigation, etc.). Details of the expenses incurred during the years ended December 31, 2017 and 2016 are provided below:

Other expenses and income (€m)	Notes	Year ended December 31, 2017	Year ended December 31, 2016
Stock option expense	4.4.1	30.6	22.8
Items excluded from adjusted EBITDA		**30.6**	**22.8**
Restructuring costs	4.4.2	721.1	223.5
Onerous contracts	4.4.3	131.5	12.8
Loss on disposals of assets	4.4.4	118.9	56.0
Disputes and litigation	30, 4.4.5	32.9	128.2
Penalties	4.4.5	124.5	95.0
Management fees	4.4.6	35.3	28.0
Gain on sale of consolidated entities	4.4.7	(11.0)	-
Deal fees		11.3	5.0
Other expenses and income (net)		60.4	50.4
Other expenses and income		**1,224.9**	**598.7**

4.4.1. *Stock option expense*

The Group has several stock option plans across its various entities, please refer to note 24 for full details on each of these plans and the amounts recorded as expenses in 2017. The Group incurred €30.6 million of stock option expenses for the year ended December 31, 2017.

4.4.2. *Restructuring costs*

4.4.2.1. *France*

On August 4, 2016, the Group signed a restructuring agreement with some representative unions of SFR Group's Telecom division to allow it to better adapt to the demands of the telecom market by building a more competitive and efficient organization. The restructuring agreement reaffirmed the commitments made at the time of the SFR acquisition to maintain jobs until July 1, 2017. It also defined the internal assistance guarantees and the conditions for voluntary departures. Ultimately, the Group made a commitment that the SFR Telecom division would have at least 10,000 employees following the restructuring plan. There were three main steps to the restructuring plan:

- The reorganization of retail stores. This step was presented to staff representatives in September 2016 and consisted mainly of a change in channel distribution and closing of certain retail stores.
- The preparation of the departure plan, including the possibility for employees to request suspension of labour contract and benefit in priority from the departure plan.
- The finalization of the departure plan in July 2017; the plan is expected to be in effect until June 2019.

The reorganization of retail stores ended in March 2017 with the validation of about 800 employee departures. During 2017, €87 million was paid in respect of the retail restructuring.

On February 1, 2017 the GPEC Group Agreement was signed by the majority of the representative unions of the SFR Group Telecom division. This agreement specified the "Mobilité Volontaire Sécurisée" (MVS: suspension of labor contract) offered to employees. The option to participate in the MVS was available until June 30, 2017. As of June 30, 2017 1,360 employees signed into the MVS and would benefit from the suspension of contract and were entitled to benefit in priority from the voluntary departure plan.

On April 3, 2017, "Livre 2", a legally binding document describing the target organization of the SFR Group Telecom division was delivered to the representative unions. On execution of this document, a provision amounting to €742 million was recognized for the voluntary departure plan; this was partially offset by the reversal of employee benefit plan provisions amounting to €49 million. The period to participate in the plan ended in November 2017 (except for SRR) with approximately 3,200 employees signing the agreement. Total payments related to this phase of the plan during the year ended December 31, 2017 amounted to €262 million.

As of December 31, 2017, the majority of the provisions had been reclassified to trade payables. Provisions totaling €45.9 million remain outstanding as of December 31, 2017 reflecting elements of the plan that are still not certain, while trade payables amount to €442 million. Please refer to note 14.1.4. for further details about the provision and changes from the previous period.

4.4.3. *Onerous contracts*

The expenses recognised for onerous contracts are mainly 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.

4.4.4. *Loss on disposals of assets*

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 (mainly in France, €108.6 million).

4.4.5. *Disputes and litigation*

The disputes and litigations include the effect of new allowances recorded during 2017 which were offset by the reversal of the provision VTI in France for an amount of €117 million (see note 22.4.1.2).

4.4.6. *Penalties*

During 2017, penalties comprised the fine imposed to the Group following the European Commission’s investigation on gun jumping during the acquisition of Altice Portugal by the Group, please refer to note 30.2.1. for more details. The €124.5 million fine was recorded in the Portugal segment.

During 2016, penalties mainly comprised €80 million relating to a fine levied by the French Competition Authority on suspicious operational collaboration between Numericable and SFR groups ("gun jumping") prior to the formal approval of the acquisition of SFR and a €15 million penalty on price imposed by the French Competition Authority on price increases in French Overseas Territories.

4.4.7. *Management fees*

Management fees, which consist of the fees payable to other companies of the Altice N.V. group as part of the implementation of the “Altice Way”. The total management fees incurred for the Group was €35.3 million for the year ended December 31, 2017.

4.4.8. *Gain on sale of consolidated entities*

The gain on sale of consolidated entities primarily relates to the total amount contributed from the sale of Presse businesses by SFR Group (€28.6 million) as described in note 3.2.1.3. These gains were partially offset by the loss on sale of the Belux business (€24.0 million) as detailed in note 3.2.1.1.

4.5. Revenue by activity

For the year ended December 31, 2017 €m	**France**	**Portugal**	**Israel**	**Dominican Republic**	**Others**	**Total**
Revenue Fixed - B2C	2,805.1	658.4	657.6	108.9	95.1	**4,325.1**
Revenue Mobile - B2C	4,448.7	570.0	242.3	398.9	87.3	**5,747.3**
B2B and wholesale	3,145.7	887.6	136.2	164.1	30.6	**4,364.1**
Other revenue	516.4	117.8	-	20.8	1,495.9	**2,150.9**
Total standalone revenues	**10,915.8**	**2,233.8**	**1,036.1**	**692.7**	**1,708.9**	**16,587.3**
Intersegment eliminations	(97.5)	(45.4)	(1.2)	(9.0)	(1,165.2)	**(1,318.3)**
Total consolidated revenues	**10,818.4**	**2,188.4**	**1,035.0**	**683.7**	**543.7**	**15,269.1**

For the year ended December 31, 2016 €m	France	Portugal	Israel	Dominican Republic	Others	Total
Fixed - B2C	2,839.9	684.4	642.5	109.6	136.2	**4,412.6**
Mobile - B2C	4,513.8	584.9	185.5	425.3	83.0	**5,792.6**
B2B and wholesale	3,336.1	925.7	127.5	160.7	44.5	**4,594.4**
Other	300.7	116.4	-	21.9	469.3	**908.4**
Total standalone revenues	**10,990.5**	**2,311.5**	**955.5**	**717.5**	**733.0**	**15,708.1**
Intersegment eliminations	(43.7)	(34.6)	(0.3)	(3.7)	(245.6)	**(327.9)**
Total consolidated revenues	**10,946.9**	**2,276.9**	**955.2**	**713.8**	**487.4**	**15,380.2**

4.6. Capital expenditure

Capital expenditure is a key performance indicator tracked by the Group. The schedule below details the capital expenditure by segment and reconciles it to the payments to acquire capital items (tangible and intangible assets) as presented in the statement of cash flows.

For the year ended December 31, 2017 €m	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
Capital expenditure (accrued)	2,368.0	469.4	262.5	116.6	112.4	(86.0)	**3,242.9**
Capital expenditure - working capital items	227.2	(16.1)	(7.1)	(5.5)	97.3	-	**295.7**
Payments to acquire tangible and intangible assets	**2,595.2**	**453.3**	**255.3**	**111.1**	**209.6**	**(86.0)**	**3,538.6**

For the year ended December 31, 2016 €m	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
Capital expenditure (accrued)	2,312.0	443.3	314.0	123.1	582.7	(10.3)	**3,765.0**
Capital expenditure - working capital items	214.7	(56.1)	1.9	12.3	(289.9)	-	**(117.1)**
Payments to acquire tangible and intangible assets	**2,526.7**	**387.3**	**315.9**	**135.5**	**292.8**	**(10.3)**	**3,647.9**

4.6.1. *Adjusted EBITDA less accrued Capex*

The table below details the calculation of Adjusted EBITDA less accrued Capex, also known as 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 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.

For the year ended December 31, 2017 €m	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
Adjusted EBITDA	3,714.4	992.9	471.2	349.5	475.9	(80.5)	**5,923.4**
Capital expenditure (accrued)	(2,368.0)	(469.4)	(262.5)	(116.6)	(112.4)	86.0	**(3,242.9)**
Operating free cash flow (OpFCF)	**1,346.4**	**523.5**	**208.7**	**232.9**	**363.5**	**5.5**	**2,680.5**

For the year ended December 31, 2016 €m	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
Adjusted EBITDA	3,765.5	1,088.5	430.9	376.1	289.9	(10.9)	**5,940.0**
Capital expenditure (accrued)	(2,312.0)	(443.3)	(314.0)	(123.1)	(582.7)	10.3	**(3,765.0)**
Operating free cash flow (OpFCF)	**1,453.5**	**645.2**	**116.8**	**253.0**	**(292.8)**	**(0.7)**	**2,175.0**

5. Goodwill

Goodwill recorded in the statement of financial position of the Group was allocated to the different groups of cash generating units ("GCGU") as defined by the Group.

Goodwill (€m)	January 1, 2017	Recognized on business combination	Changes in foreign currency translation	Held for sale	December 31, 2017
France	12,157.2	53.3	-	-	12,210.5
Portugal	1,706.2	-	-	-	1,706.2
Israel	732.3	-	(21.6)	-	710.7
Dominican Republic	890.9	-	(104.5)	-	786.4
Others	468.6	210.8	3.6	(26.0)	657.1
Gross value	**15,955.2**	**264.2**	**(122.5)**	**(26.0)**	**16,070.8**
France	-	-	-	-	-
Portugal	-	-	-	-	-
Israel	(151.3)	-	4.7	-	(146.7)
Dominican Republic	-	-	-	-	-
Others	(4.6)	-	(4.0)	-	(8.6)
Cumulative impairment	**(155.9)**	**-**	**0.7**	**-**	**(155.2)**
France	12,157.2	53.3	-	-	12,210.5
Portugal	1,706.2	-	-	-	1,706.2
Israel	581.1	-	(17.0)	-	564.1
Dominican Republic	890.9	-	(104.5)	-	786.4
Others	464.1	210.8	(0.4)	(26.0)	648.5
Net book value	**15,799.5**	**264.2**	**(121.8)**	**(26.0)**	**15,915.6**

Goodwill (€m)	January 1, 2016	Recognized on business combination	Changes in foreign currency translation	Held for sale	December 31, 2016
France	11,565.5	591.6	-	-	12,157.2
Portugal	1,706.2	-	-	-	1,706.2
Israel	697.8	-	34.5	-	732.3
Dominican Republic	858.9	-	32.0	-	890.9
Others	594.9	169.2	-	(295.5)	468.6
Gross value	**15,423.3**	**760.9**	**66.6**	**(295.5)**	**15,955.2**
France	-	-	-	-	-
Portugal	-	-	-	-	-
Israel	(144.1)	-	(7.2)	-	(151.3)
Dominican Republic	-	-	-	-	-
Others	(4.6)	-	-	-	(4.6)
Cumulative impairment	**(148.6)**	**-**	**(7.2)**	**-**	**(155.9)**
France	11,565.5	591.6	-	-	12,157.2
Portugal	1,706.2	-	-	-	1,706.2
Israel	553.7	-	27.3	-	581.1
Dominican Republic	858.9	-	32.0	-	890.9
Others	590.3	169.2	-	(295.5)	464.1
Net book value	**15,274.7**	**760.9**	**59.4**	**(295.5)**	**15,799.5**

5.1. Impairment of goodwill

The Group has chosen to organise its GCGUs based on the geographies that it operates in. For more details on the GCGUs, please refer to note 4.

Goodwill is reviewed at the level of each GCGU annually for impairment and whenever changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill is tested annually at the GCGU level for impairment; the date of testing each year is December 31. The GCGU is at the country level where the subsidiaries operate. The recoverable amounts of the GCGUs are determined based on their value in use. The Group determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the Earnings before Interests and Taxes (EBIT) margin during the period. EBIT is equal to EBITDA less depreciation and amortization expenses. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements.

5.1.1. *Key assumptions used in impairment testing*

The Group has made use of various external indicators and internal reporting tools to estimate the revenue growth rates used in the Group's impairment testing for the year ended December 31, 2017.

5.1.1.1. *Cash flows*

The value in use of each GCGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Directors. Beyond the specifically forecasted period of three years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 0.8 to 2.0%. The growth rate is estimated at an individual subsidiary level and does not exceed the average long-term growth rate for the relevant markets.

5.1.1.2. *Discount rates*

Discount rates have been estimated using post-tax rates, which reflect current market rates for investments of similar risk. The discount rate for the GCGUs was estimated using the weighted average cost of capital ("WACC") of companies that operate a portfolio of assets similar to the Group's. The WACC across the Group ranges from 7.3% to 14.2%.

5.1.1.3. *Other internal assumptions*

The Groups makes assumptions of customer churn rates and operating income, or EBIT (and the EBIT margin). These assumptions were based on historical experience and expectations of future changes in the market. The Group also assumes that recurring capex is expected to be proportional to sales, related to the acquisition of new clients, and thus is indexed to the growth in revenues.

5.1.1.4. *Assumptions about external factors*

In addition to using internal indicators to assess the carrying amount in use, the Board of Directors also relies on external factors which can influence the cash generating capacity of the CGUs or GCGUs and indicate that certain factors beyond the control of the Board of Directors might influence the carrying amounts in use:

- Indicators of market slowdown in a country of operation
- Indicators of degradation in financial markets, that can impact the financing ability of the group

Key assumptions used in estimating value in use	France	Portugal	Israel	Dominican Republic	Others
At December 31, 2017					
Average perpetuity growth rate (%)	0.8%	1.0%	1.6%	2.0%	1.0 - 2.0%
5 year average EBIT margin (%)	19.5%	22.1%	26.6%	41.0%	11.0 - 19.9%
Post tax weighted average cost of capital (%)	7.3%	8.2%	10.0 - 10.7%	9.2%	8.5 - 14.2%
At December 31, 2016					
Quoted share price[1] (€)	26.83	n/a	n/a	n/a	n/a
Average perpetuity growth rate (%)	n/a	1.0%	1.8%	2.0%	1.5%
5 year average EBIT margin (%)	n/a	29.7%	13.3%	37.1%	14.6%
Post tax weighted average cost of capital (%)	n/a	8.1%	10.0 - 11.0%	9.6%	4.9 - 6.7%

1 Quoted share price is not used in 2017 following the delisting of Altice France.

5.1.2. *Sensitivity analysis*

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model were subject to a sensitivity analysis to test the resilience of value in use. The sensitivity analysis of the GCGUs is presented below, given changes to the material inputs to the respective valuations:

Sensitivity to changes in key inputs in the value in use calculation (€m)	France	Portugal	Israel	Dominican Republic	Others
0.5% increase in the discount rate	(1,886.2)	(469.7)	(98.5)	(180.9)	(123.5)
1.0% decrease in the perpetual growth rate	(3,186.6)	(742.6)	(167.8)	(286.6)	(172.6)

The analysis did not result in any scenarios whereby a reasonable possible change in the EBIT margin would result in a recoverable amount for the GCGU which is inferior to the carrying value, if applied to any other GCGU.

5.2. Business combinations

5.2.1. *Acquisitions where the purchase price allocations were finalized*

5.2.1.1. *Groupe News Participations (NextRadioTV)*

The fair value of the assets and liabilities acquired was finalised during the year ended December 31, 2017; there was no change to the amounts presented as of December 31, 2016.

5.2.1.2. *Altice Customer Services (ACS)*

On December 22, 2016, the Group finalized the acquisition of 88.87% of the share capital of Intelcia, and certain managers in ACS subsequently reinvested part of their proceeds to acquire a 35% stake. Total consideration transferred to the vendors amounted to €27.7 million on a cash free debt free basis. The Group identified the following assets and liabilities, and their final fair value was determined by an independent external appraiser based on a business plan prepared as of the date of the acquisition as follows:

- Customer relationships were evaluated using the excess earnings method, resulting in a fair value of €3.1 million.
- Brand was measured using the relief from royalty method using a useful life of 5 years, resulting in a fair value of €1.9 million.

Following the purchase price allocation, a summary of the final allocation between the different classes of assets and liabilities is provided below.

	€m
Total consideration transferred	27.7
Fair value of identifiable assets, liabilities and contingent liabilities	1.1
Goodwill	26.6

5.2.1.3. *Altice Technical Services (ATS)*

On November 22, 2016, the Group finalized the 51% acquisition of Parilis SA. Total consideration transferred to the vendors amounted to €158.1 million on a cash free debt free basis. The Group did not identify any identifiable intangible assets as most of the activity was realized with the Group pre-acquisition.

Following the purchase price allocation, a summary of the final allocation between the different classes of assets and liabilities is provided below.

	€m
Total consideration transferred	158.1
Allocation to minority interests	45.1
Fair value of identifiable assets, liabilities and contingent liabilities	59.4
Goodwill	143.7

5.2.2. *Acquisitions where the purchase price allocations are not yet finalized*

5.2.2.1. *Teads*

On June 22, 2017, Altice Teads (a company which the Group has 98.5% of the financial interest, with 1.5% attributable to the managers of Teads) closed the acquisition of Teads. The acquisition purchase price was €302.3 million, with 75% due at closing, and the remaining 25% earn-out subject to Teads obtaining defined revenue performance in 2017, which targets have been met.

Following the preliminary purchase price allocation, the Group identified the following assets and liabilities. Their fair value was determined by an independent external appraiser based on a business plan prepared as of the date of the acquisition as follows:

- the Teads brand was measured using the relief from royalty method using a useful life of 5 years, resulting in a fair value of €26.6 million.
- a fair value of €50.2 million was attributed to Programatic and Managed Service technology and measured using the relief from royalty method with a useful life of 5 years.

	€m
Total consideration transferred	302.3
Fair value of identifiable assets, liabilities and contingent liabilities	100.6
Goodwill	201.7

Except for the items mentioned above, the values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Teads. The determination of the final fair value of the assets and liabilities acquired will be completed within the measurement period as defined by IFRS 3 *Business Combinations*.

5.2.3. *Other variations in goodwill (France)*

On July 26, 2017, SFR Group obtained approval for the take-over of Pho Holding (owner of the Numero 23 channel) by NextRadioTV. Following the take-over, the consolidation method changed as of September 30, 2017 (from equity accounted to full consolidation) and resulted in the recognition of an additional €53.3 million of goodwill.

6. Intangible assets

Intangible assets December 31, 2017 (€m)	**January 1, 2017**	**Additions**	**Disposals**	**Business Combinations**	**Changes in foreign currency**	**Held for sale**	**Other[1]**	**December 31, 2017**
Software	2,246.7	384.3	(48.8)	-	(20.4)	(5.6)	161.6	2,717.8
Brand name	1,539.0	0.1	(1.4)	28.7	(4.6)	(17.9)	1.1	1,545.1
Customer relations	4,887.9	11.5	-	3.1	(43.5)	(41.6)	1.5	4,819.0
Licenses and franchises	3,138.9	44.3	-	0.7	(29.4)	(458.7)	15.5	2,711.3
R&D costs acquisitions	26.1	1.6	-	0.3	(0.2)	-	4.7	32.5
Subscriber acquisition costs	788.9	168.5	-	0.1	(12.0)	-	(0.1)	945.5
Intangible assets under construction	264.3	103.1	(1.7)	-	(1.2)	-	(201.7)	162.9
IRU & other concessions	864.5	22.3	(18.5)	-	-	-	21.2	889.4
Content rights	110.0	43.5	(4.3)	-	-	-	(1.9)	147.2
Other intangible assets	1,827.2	327.4	(58.1)	51.0	(22.1)	(34.0)	29.7	2,121.1
Gross value	**15,693.5**	**1,106.6**	**(132.9)**	**84.0**	**(133.4)**	**(557.9)**	**31.7**	**16,091.7**
Software	(1,072.2)	(457.1)	46.6	-	17.3	3.5	(9.3)	(1,471.1)
Brand name	(332.0)	(578.5)	-	-	3.7	17.7	(1.3)	(890.3)
Customer relations	(1,433.1)	(605.3)	-	-	34.3	19.6	(0.6)	(1,985.1)
Licenses and franchises[2]	(606.8)	(256.0)	-	-	9.5	152.8	(2.7)	(703.2)
R&D costs acquisitions	(9.3)	(10.1)	-	-	-	-	2.0	(17.5)
Subscriber acquisition costs	(648.4)	(151.7)	-	-	11.7	-	0.1	(788.3)
Intangible assets under construction	0.1	(0.2)	-	-	-	-	-	(0.1)
IRU & others concessions	(349.9)	(103.3)	16.3	-	-	-	11.5	(425.4)
Content rights	(52.9)	(32.8)	4.5	-	-	-	1.1	(80.1)
Other intangible assets	(564.3)	(324.9)	41.5	-	14.1	19.1	(14.6)	(829.0)
Cumulative amortization	**(5,068.7)**	**(2,519.9)**	**108.9**	**-**	**90.7**	**212.7**	**(13.7)**	**(7,190.1)**
Software	1,174.5	(72.8)	(2.2)	-	(3.1)	(2.1)	152.4	1,246.7
Brand name	1,207.1	(578.4)	(1.4)	28.7	(0.9)	(0.3)	(0.2)	654.8
Customer relations	3,454.8	(593.8)	-	3.1	(9.2)	(22.0)	0.9	2,833.9
Licenses and franchises	2,532.1	(211.6)	-	0.7	(20.0)	(305.9)	12.8	2,008.1
R&D costs acquisitions	16.7	(8.5)	-	0.3	(0.2)	-	6.7	15.1
Subscriber acquisition costs	140.6	16.8	-	0.1	(0.3)	-	(0.0)	157.2
Intangible assets under construction	264.4	102.9	(1.7)	-	(1.2)	-	(201.7)	162.8
IRU & others concessions	514.6	(81.0)	(2.2)	-	-	-	32.7	464.0
Content rights	57.1	10.6	0.1	-	-	-	(0.7)	67.1
Other intangible assets	1,262.9	2.5	(16.6)	51.0	(8.0)	(14.9)	15.1	1,292.1
Net book value	**10,624.8**	**(1,413.3)**	**(23.9)**	**84.0**	**(42.7)**	**(345.2)**	**18.0**	**8,901.7**

Intangible assets December 31, 2016 (€m)	January 1, 2016	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2016
Software	1,851.4	351.2	(47.9)	4.0	10.7	(3.6)	80.9	2,246.7
Brand name	1,472.7	0.1	-	141.8	2.3	(34.6)	(43.3)	1,539.0
Customer relations	4,886.5	16.6	-	-	19.0	(36.4)	2.2	4,887.9
Licenses and franchises	2,653.0	421.9	(0.6)	89.1	2.9	(19.9)	(7.6)	3,138.9
R&D costs acquisitions	15.5	1.8	-	5.4	-	-	3.3	26.1
Subscriber acquisition costs	617.9	153.7	-	-	17.4	-	-	788.9
Intangible assets under construction	212.0	172.3	(2.5)	2.1	(0.1)	-	(119.6)	264.3
IRU & others concessions	815.6	20.9	(2.1)	-	0.0	-	30.2	864.5
Content rights	0.1	26.1	(0.1)	157.7	0.0	(0.3)	(73.6)	110.0
Other intangible assets	1,734.1	389.8	(109.0)	54.3	17.6	(25.3)	(234.3)	1,827.2
Gross value	**14,258.8**	**1,554.3**	**(162.1)**	**454.4**	**69.9**	**(120.0)**	**(361.8)**	**15,693.5**
Software	(654.9)	(484.9)	47.6	-	(9.0)	2.2	26.9	(1,072.2)
Brand name	(184.6)	(154.8)	-	-	(1.2)	7.7	1.0	(332.0)
Customer relations	(802.7)	(651.4)	-	-	(12.7)	33.3	0.5	(1,433.1)
Licenses and franchises	(385.7)	(243.0)	1.8	-	(1.3)	9.7	11.7	(606.8)
R&D costs acquisitions	(1.1)	(8.1)	-	-	-	-	(0.1)	(9.3)
Subscriber acquisition costs	(511.7)	(119.7)	-	-	(17.0)	-	-	(648.4)
Intangible assets under construction	0.1	(1.0)	4.0	-	-	-	(3.0)	0.1
IRU & others concessions	(272.4)	(98.3)	2.1	-	(0.0)	-	18.8	(349.9)
Content rights	(0.1)	(25.4)	0.0	(61.2)	(0.0)	0.1	33.7	(52.9)
Other intangible assets	(505.9)	(330.9)	100.8	61.2	(9.3)	16.5	103.4	(564.3)
Cumulative amortization	**(3,319.0)**	**(2,117.5)**	**156.3**	**-**	**(50.6)**	**69.5**	**192.6**	**(5,068.7)**
Software	1,196.5	(133.8)	(0.3)	4.0	1.7	(1.4)	107.8	1,174.5
Brand name	1,288.1	(154.7)	-	141.8	1.1	(26.9)	(42.4)	1,207.1
Customer relations	4,083.8	(634.9)	-	-	6.3	(3.0)	2.6	3,454.8
Licenses and franchises	2,267.3	178.9	1.2	89.1	1.6	(10.1)	4.1	2,532.1
R&D costs acquisitions	14.4	(6.3)	-	5.4	-	-	3.2	16.7
Subscriber acquisition costs	106.2	34.0	-	-	0.4	-	-	140.6
Intangible assets under construction	212.1	171.4	1.5	2.1	(0.1)	-	(122.6)	264.4
IRU & others concessions	543.2	(77.5)	(0.0)	-	0.0	-	48.9	514.6
Content rights	-	0.7	(0.0)	96.5	0.0	(0.2)	(39.9)	57.1
Other intangible assets	1,228.2	58.9	(8.2)	115.5	8.2	(8.9)	(131.0)	1,262.9
Net book value	**10,939.8**	**(563.2)**	**(5.8)**	**454.4**	**19.3**	**(50.5)**	**(169.2)**	**10,624.8**

1 When intangible assets under construction became available for use, they were reclassified to other intangible asset captions within the column Other.

2 Cumulative amortization in content rights includes €51.1 million of impairment of Altice Content. Please refer to note 3.4 for more details

The decrease in net book value of intangible assets compared to 2016 was caused mainly by assets being classified as held for sale and accelerated depreciation in brand and customer relations.

The total amortization expense for the year ended December 31, 2017 and 2016 was €2,562.3 million and €2,117.5 million, respectively, please refer to note 25 for further discussion. The increase in amortization expense was a result of the announcement of the adoption of a global brand, leading to an accelerated depreciation in brand.

The majority of intangible assets are related to the recognition of intangible assets on acquisition of business combinations as a reduction in the value of attributable goodwill. The key items include:

- Customer relations: these assets are valued using the excess earnings method upon acquisition and subsequently amortized based on the local churn rate. The carrying amount of customer relations by segment was: (i) France: €1,858.1 million, (ii) Portugal: €829.2 million, (iii) Israel: €122.5 million (iv) Others: €24.1 million.
- Brand name: the carrying amounts of the Group's main brand names includes: (i) SFR in France: €517.9 million, (ii) Meo in Portugal: €100.2 million, (iv) HOT in Israel: €9.7 million, (v) Teads: €23.6 million and (vi) Others: €3.4 million.
- Subscriber acquisition costs: recognizes the costs of acquiring subscribers (including additional sales commissions) and amortized over the length of the average commitment of the subscribers.
- Licenses and franchises: includes mainly licenses held by SFR Group amounting to €1,832.3 million (of which €95.7 million relates to licenses held by NextRadioTV).

7. Property, plant and equipment

Property, plant and equipment December 31, 2017 (€m)	January 1, 2017	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other[1]	December 31, 2017
Land	295.0	0.4	(0.2)	-	(3.6)	-	0.1	291.7
Buildings	2,264.4	141.9	(105.0)	-	(15.0)	(31.0)	8.3	2,263.5
Technical and other equipment	10,097.3	1,146.7	(723.1)	0.1	(276.5)	(79.1)	154.2	10,319.6
Assets under construction	651.0	481.3	(14.1)	-	(14.0)	(1.5)	(396.2)	706.5
Other tangible assets	1,573.5	463.6	(158.9)	2.1	(6.3)	(28.2)	0.4	1,846.2
Gross value	**14,881.2**	**2,233.9**	**(1,001.4)**	**2.3**	**(315.5)**	**(139.8)**	**(233.3)**	**15,427.4**
Land	-	-	-	-	-	-	-	-
Buildings	(302.8)	(185.6)	87.0	-	8.3	4.2	18.2	(370.7)
Technical and other equipment	(3,526.6)	(1,215.4)	573.3	-	198.6	45.2	175.9	(3,749.0)
Assets under construction	7.0	-	-	-	-	-	-	7.0
Other tangible assets	(669.9)	(367.9)	125.1	-	3.7	5.2	4.6	(899.1)
Cumulative depreciation	**(4,492.2)**	**(1,768.9)**	**785.3**	**-**	**210.6**	**54.7**	**198.8**	**(5,011.8)**
Land	295.0	0.4	(0.2)	-	(3.6)	-	0.1	291.7
Buildings	1,961.6	(43.7)	(18.0)	-	(6.7)	(26.8)	26.5	1,892.8
Technical and other equipment	6,570.7	(68.7)	(149.9)	0.1	(77.9)	(33.8)	330.1	6,570.6
Assets under construction	658.1	481.3	(14.1)	-	(14.0)	(1.5)	(396.2)	713.5
Other tangible assets	903.7	95.7	(33.9)	2.1	(2.7)	(23.0)	5.0	947.0
Net book value	**10,389.0**	**465.0**	**(216.1)**	**2.3**	**(104.9)**	**(85.1)**	**(34.6)**	**10,415.6**

Property, plant and equipment December 31, 2016 (€m)	January 1, 2016	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2016
Land	293.2	1.4	(1.4)	0.0	0.2	(0.1)	1.6	295.0
Buildings	2,184.8	133.3	(95.8)	9.2	4.7	(0.1)	28.3	2,264.4
Technical and other equipment	9,305.2	1,137.0	(427.5)	17.1	163.1	(119.1)	21.4	10,097.3
Assets under construction	492.5	547.2	(11.7)	7.8	1.1	-	(385.9)	651.0
Other tangible assets	1,237.5	352.6	(146.6)	17.2	1.6	(2.2)	113.4	1,573.5
Gross value	**13,513.2**	**2,171.5**	**(683.0)**	**51.4**	**170.7**	**(121.5)**	**(221.1)**	**14,881.2**
Land	-	-	-	-	-	-	-	-
Buildings	(206.4)	(175.2)	80.2	-	(2.8)	0.0	1.4	(302.8)
Technical and other equipment	(2,598.3)	(1,396.9)	375.5	-	(122.6)	41.7	174.1	(3,526.6)
Assets under construction	1.3	5.8	-	-	(0.0)	-	-	7.0
Other tangible assets	(412.9)	(351.2)	127.6	-	(2.1)	1.5	(32.7)	(669.9)
Cumulative depreciation	**(3,216.3)**	**(1,917.5)**	**583.3**	**-**	**(127.6)**	**43.2**	**142.7**	**(4,492.2)**
Land	293.2	1.4	(1.4)	0.0	0.2	(0.1)	1.6	295.0
Buildings	1,978.4	(41.9)	(15.6)	9.2	1.9	(0.1)	29.7	1,961.6
Technical and other equipment	6,706.9	(259.9)	(52.0)	17.1	40.5	(77.4)	195.5	6,570.7
Assets under construction	493.8	553.0	(11.7)	7.8	1.0	-	(385.9)	658.1
Other tangible assets	824.6	1.4	(19.0)	17.2	(0.5)	(0.7)	80.7	903.7
Net book value	**10,296.9**	**254.0**	**(99.7)**	**51.4**	**43.1**	**(78.3)**	**(78.4)**	**10,389.0**

1 When assets under construction became available for use, they were reclassified to other property, plant and equipment captions within the column Other.

The increase in the property, plant and equipment of the Group was largely attributed to increase in other tangible assets in SFR Group.

Further details on the captions in the table above include:

- Buildings mostly comprises the hosting of technical sites, buildings and their respective fittings.
- Technical equipment principally includes network equipment (radio, switching, network administration, network core) and transmissions. It also includes the Cable network owned across the Group, which provides the ability to supply cable based pay television, broadband internet and fixed line telephony services to its subscribers.
- Call centers that represent centralized offices used for receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.
- Office furniture and equipment that refer to furnishings and IT equipment.
- Communication network infrastructure that include the digital technologies for the transmission of multi-channel television services.

As part of the various debt issuances completed by the Group, the assets of certain subsidiaries have been pledged as collateral. This includes all material assets of HOT Telecom including the cable network, all material assets of Altice Dominicana (other than licenses and real estate assets valued at less than €5 million), the assets of SFR Group, PT Portugal.

8. Investment in associates

Investments in associates (€m)	Year ended December 31, 2017	Year ended December 31, 2016
Associates of SFR Group	23.0	46.3
Associates of PT-Portugal	26.1	13.7
Other	0.2	0.4
Total	**49.4**	**60.4**

The key financial information of the significant investments in associates is listed below:

Group	Investments in associates	Year ended December 31, 2017				
	(€m)	Revenues	Net profit/(loss)	Net equity	Cash (-)/Net debt (+)	Total Assets
SFR	La Poste Telecom	232.5	(28.5)	(74.8)	28.9	59.7
	Synerail	74.8	6.8	6.5	440.6	515.4
PT Portugal	Sport TV	183.2	4.9	28.9	6.0	156.5
	Janela Digital	4.4	1.7	9.1	-	10.4
	SIRESP	29.5	1.1	12.7	-	53.4

Group	Investments in associates	Year ended December 31, 2016				
	(€m)	Revenues	Net profit/(loss)	Net equity	Cash (-)/Net debt (+)	Total Assets
SFR	La Poste Telecom	214.0	(19.0)	(90.0)	56.0	45.0
	Synerail	81.7	11.0	(2.7)	526.0	610.1
PT Portugal	Sport TV	149.1	(11.3)	11.8	-	167.4
	Janela Digital	5.8	1.7	7.4	-	8.8
	SIRESP	29.8	1.4	10.8	-	62.2

8.1. Investment in associates of SFR Group

The main associates of SFR Group and the carrying amount of invested equity as of December 31, 2017 were:

- *La Poste Telecom* (€0 million): in 2011, SFR and La Poste formed La Poste Telecom, of which they own 49% and 51%, respectively. This subsidiary is a virtual mobile operator in the retail mobile telephony market under the trademark La Poste Mobile. The negative value of the equity interests in La Poste Telecom was adjusted to zero by offsetting against provisions totaling €21.2 million at year-end 2017.
- *Synerail* (€8 million): on February 18, 2010, a group comprised of SFR, Vinci and AXA (30% each) and TDF (10%) signed a GSM-R public-private partnership contract with Réseau Ferré de France. This contract, worth a total of one billion euros over a 15-year term, is to finance, build, operate and maintain a digital telecommunications network to provide voice and data communication between trains and ground control teams in conference mode. The network will be rolled out gradually on 14,000 km of traditional and high-speed rail lines in France. Synerail Construction, a subsidiary of Vinci (60%) and SFR (40%), is responsible for a part of the construction of this network. The value of these equity-accounted securities is positive as shown in the table above.

In addition, on April 1, 2016, the company NextRadioTV acquired 39% of the company PHO Holding that owns itself 100% of shares of the company Diversité TV France, which issues the free TNT HD channel "Numéro 23. During the third quarter 2017, NextRadioTV took control of the company PHO Holding. Therefore, the company Diversité TV France is now fully consolidated. Please refer to notes 3.2.1.6 and 5.2.3. for more details.

8.2. Investment in associates of PT Portugal

Associates of PT Portugal had a carrying amount for €26.1 million for the year ended December 31, 2017 (2016: €13.7 million). The main associates of PT Portugal and the carrying amount of invested equity as of December 31, 2017 were:

- *Sport TV* (€13.0 million): on February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12.3 million. SPORT TV is a sports broadcaster based in Portugal. Following this investment, SPORT TV's shareholders are PT Portugal, NOS, Olivedesportos and Vodafone, each of which with a 25% stake.

- *SIRESP* (€3.9 million): this company was created in 2005 and PT Portugal held 30,6%. Siresp is a network management company.
- *Janela Digital* (€4.5 million): in 2000, PT Portugal and Netholding created Janela Digital, held at 50% both. This subsidiary is responsible for the development IT solutions in the real estate market.

9. Financial assets and other non-current assets

9.1. Financial assets

Financial assets (€m)	Note	Year ended December 31, 2017	Year ended December 31, 2016
Derivative financial assets	9.1.1	940.0	2,590.6
Loans and receivables	9.1.2	307.3	310.3
Call options with non-controlling interests	9.1.3	50.6	26.7
Investments held as available for sale		8.0	7.2
Other financial assets		18.0	18.7
Total		**1,324.0**	**2,953.5**
Current		62.0	68.6
Non-current		1,262.0	2,884.8

9.1.1. *Derivative financial instruments related to debt*

The Group has a significant debt book and executes derivative contracts to hedge its position in compliance with its treasury policy (refer to notes 16.3 and 17 for further details). All derivatives are measured at their fair value at the balance sheet date; the total asset position as of December 31, 2017 was €940.0 million. Refer also to note 16.3 for details on each of these derivatives held by the Group and to note 18 for information on the fair value of the derivatives, including the fair value hierarchy.

9.1.2. *Loans and receivables*

The Group's main loans and receivables were:

- Convertible notes in Wananchi: the notes are convertible at the discretion of the holder. The investment amounts to €43.0 million and bears interest at a rate of 11% per annum (or 13% on default) payable in kind and matures in October 2021 (2016: €45.2 million bearing 11% interest). The decrease compared to 2016 was due to depreciation of US Dollar against Euro during 2017.
- SFR Group loans and receivables totalling €75.2 million (2016: €233.9 million) comprising mainly loans and deposits with related parties (please refer to note 28 for further information on related party transactions). The significant balances included in the current year were:
  - Loans granted to associate companies of €41.2 million (2016: €75.4 million), which were €31.2 million less than the prior year due to loans granted by NextRadioTV to certain associates that became fully consolidated during 2017.
  - Deposits of €33.8 million (2016: €34.6 million) provided to entities and for leasing arrangements, including to Quadrans.
- The reduction from the prior year, in addition to the variations outlined above, was mainly explained by the cancellation of the guarantee provided to Vivendi (€124.0 million) following the VTI litigation being dropped (refer to note 22.4.1.2 and 26.2 for further details).
- Loans granted by PT Portugal to its associates for an aggregate amount of €13.8 million (2016: €13.8 million).

9.1.3. *Call options with non-controlling interests*

Through the various acquisitions that the Group has completed in recent years the Group signed agreements whereby it has a call option to acquire certain residual non-controlling interests in entities that it has not acquired 100%. The call options are derivative financial instruments and must be re-measured to their fair value at balance sheet date. The carrying amount of the call options is detailed in note 18.1.2.

9.2. Other non-current assets

Other non-current assets (€m)	December 31, 2017	December 31, 2016
Pension assets	4.3	2.3
Income tax receivables	0.3	33.9
Prepaid expenses	184.1	-
Other receivables	188.9	120.0
Total	**377.7**	**156.2**

Other non-current assets increased by €221.5 million compared to 2016 to €377.7 million, due to:

- decrease in income tax receivables (nil in 2017 vs €32.7 million in 2016),
- increase in non-current prepaid expenses in SFR Group related to prepayment of RAN-sharing services (€164.5 million), and
- non-current assets classified as held for sale, decreasing other non-current assets by €70.1 million
- increase in other receivable non-current, mainly in PT Portugal due to reclassification from current to non-current other receivables related to universal service of €85 million (please refer to note 11.2.3.).

10. Inventories

Inventories are almost exclusively comprised of consumable goods corresponding to customer premises equipment (modems, decoders, mobile handsets etc.), which are used in the daily business activity of the Group's subsidiaries. The Group considers that all inventory will be fully utilised in the next twelve months and is therefore classified as a current asset in the Statement of Financial Position.

A cost of €54.6 million was recorded in the consolidated statement of income to account for the change in inventories (2016: €7.9 million).

Inventories (€m)	Year ended December 31, 2017	Year ended December 31, 2016
Raw materials and consumables	443.9	398.7
Work in progress	75.9	57.8
Gross value	**519.8**	**456.5**
Raw materials and consumables	(55.8)	(60.3)
Work in progress	(2.6)	(2.6)
Allowance for obsolesence	**(58.4)**	**(62.9)**
Raw materials and consumables	388.1	338.4
Work in progress	73.3	55.2
Total carrying amount	**461.4**	**393.6**

10.1. Inventory obsolescence

Inventory obsolescence (€m)	Raw materials and consumables	Work in progress (goods)	Total
Opening balance: January 1, 2017	**(60.3)**	**(2.6)**	**(62.9)**
Allowances/Write-backs	(1.8)	0.2	(1.6)
Variation	6.0	(0.2)	5.8
Held for sale	-	-	-
Other	0.3	-	0.3
Closing balance: December 31, 2017	**(55.8)**	**(2.6)**	**(58.4)**

Inventory obsolescence (€m)	Raw materials and consumables	Work in progress (goods)	Total
Opening balance: January 1, 2016	**(61.3)**	**(3.6)**	**(65.0)**
Business combinations	(0.9)	-	(0.9)
Allowances/Write-backs	3.2	1.0	4.2
Variation	(1.2)	-	(1.2)
Held for sale	0.1	-	0.1
Other	(0.1)	-	(0.1)
Closing balance: December 31, 2016	**(60.3)**	**(2.6)**	**(62.9)**

11. Trade and other receivables

Trade and other receivables (€m)	Year ended December 31, 2017	Year ended December 31, 2016
Trade receivables	3,397.3	2,982.1
Other receivables	1,043.5	1,255.2
Total	**4,440.8**	**4,237.3**

11.1. Trade receivables

Trade receivables (€m)	Gross trade receivables	Allowance for doubtful debts	Total
Opening balance: January 1,2017	**3,755.0**	**(773.0)**	**2,982.1**
Recognised through business combinations	76.0	(2.9)	73.1
Net increase	482.9	(89.9)	393.0
Held for sale	(54.2)	2.9	(51.3)
Other changes	(2.3)	2.7	0.4
Closing balance: December 31, 2017	**4,257.4**	**(860.2)**	**3,397.3**

Trade receivables (€m)	Gross trade receivables	Allowance for doubtful debts	Total
Opening balance: January 1,2016	**3,496.8**	**(731.8)**	**2,765.0**
Recognised through business combinations	330.0	(10.7)	319.3
Net decrease	(79.3)	(24.0)	(103.2)
Held for sale	(33.3)	5.3	(28.0)
Other changes	40.8	(11.7)	29.0
Closing balance: December 31, 2016	**3,755.0**	**(773.0)**	**2,982.1**

The increase in trade receivables is explained mainly by increase in trade receivable in SFR Group (€428.0 million as at December 31, 2017). The increase is caused by higher amount of unbilled roaming revenue and an increase in trade receivables of the press and media business due to the nature of invoicing cycle as revenues are invoiced at year end. Additionally, the acquisitions of Teads during the year increased trade receivables by €76.0 million compared to 2016. The amount reported as held for sale comprises of trade receivables of operations in Switzerland (€6.9 million as at December 31, 2017) and the wholesale business (€34.9 million as at December 31, 2017).

11.1.1. *Aging of trade receivables*

Age of trade receivables (€m)	Year ended December 31, 2017	Year ended December 31, 2016
Not yet due	2,970.4	2,598.4
30 - 90 days	227.6	194.0
91 - 120 days	199.3	189.6
Total	**3,397.3**	**2,982.1**

The Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information. The Group believes there is no risk of concentration of counterparties given the much diversified customer basis, especially on the B2C side (in the Group's largest segments a major portion of clients pay using direct debit, credit cards or online banking). For the B2B business, the top 20 clients of the Group represent less than 5% of total Group revenues.

The largest clients of the Group are telecom operators in France and Portugal (such as Orange, Bouygues Telecom, Free Mobile, Vodafone and NOS). The risk of recoverability for these clients is low, given the balance in interconnection transactions between these companies and different companies of the Group. Orange, the Group's largest client is also the largest supplier of the Group.

11.2. Other receivables

Other receivables (€m)	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Prepaid expenses	163.9	258.0
Business taxes receivable (e.g. VAT)	763.2	750.0
Other	116.3	247.3
Total	**1,043.5**	**1,255.2**

11.2.1. *Prepaid expenses*

Prepaid expenses mainly relate to services for which payments are made before the service is rendered (such as rental, insurance or other services).

11.2.2. *Business taxes receivable*

This caption comprises mostly receivables due from VAT payments made on supplier invoices.

11.2.3. *Other*

Other is mainly composed of receivables due from advances to employees and other miscellaneous. The decrease in other mainly was caused by the reclassification of €85.0 million from other receivable to other non-current assets in Altice Portugal. It was assessed that receivables on other telecom operator relating to universal services will not be collected in the short-term.

12. Cash and cash equivalents and restricted cash

Cash balances (€m)	**December 31, 2017**	**December 31, 2016**
Term deposits	90.8	185.3
Bank balances	662.4	534.6
Cash and cash equivalents	**753.2**	**719.9**
Restricted cash	33.7	19.6
Total	**786.9**	**739.5**

The restricted cash balance at December 31, 2017 included mainly €33.5 million related to the Teads acquisition held in an escrow account to be released in June 2018.

13. Shareholders' equity

The Group's equity was comprised as follows:

Equity attributable to owners of the Company (€m)	**Notes**	**As of December 31, 2017**	**As of December 31, 2016**
Issued capital	13.1	2.5	2.5
Treasury shares		-	-
Additional paid in capital	13.2	1,116.4	840.7
Other reserves	13.3	(512.6)	(675.1)
Accumulated losses		(3,651.4)	(2,104.6)
Total		**(3,045.1)**	**(1,936.4)**

13.1. Issued capital

As of December 31, 2017, the issued share capital of the Company amounted to €2.5 million and was composed of 251,050,186 common shares with a value of €0.01 each.

13.2. Additional paid in capital

Changes in additional paid in capital (€m)	December 31, 2017	December 31, 2016
Opening balance	840.7	1,016.1
Altice Luxembourg Capital increase	1,800.9	-
Recognition of put option for non-controlling interest in Teads	(154.4)	-
Transactions with Altice shareholders	(51.1)	-
Transactions with non-controlling interests of SFR Group	(1,269.6)	(92.7)
Transactions with non-controlling interests	1.1	
Other	(51.2)	(82.7)
Total	**1,116.5**	**840.7**

Changes in additional paid in capital were mainly related to:

- transaction with the non controlling interest in SFR Group are linked to the buyout on SFR (refer to note 3.1.2) and recognition of the put options related to NextRadioTV
- recognition of put option for minority investors in Teads which resulted in a decrease of €154.4 million.
- Several contribution in kind from Altice Group Lux consisting of SFR shares and receivable against group entity for an aggregate amount of €1,800.9 million
- impairment loss of Altice Content of €51.1 million, please refer to note 3.4 for details.

13.3. Other reserves

The tax effect of the Group's currency, available for sale, cash flow hedge and employee benefits reserves is provided below:

Other reserves	December 31, 2017			December 31, 2016		
(€m)	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Actuarial gains and losses	(75.9)	20.3	(55.6)	(64.2)	17.1	(47.1)
Items not reclassified to profit or loss	**(75.9)**	**20.3**	**(55.6)**	**(64.2)**	**17.1**	**(47.1)**
Available for sale reserve	3.6	-	3.6	2.8	-	2.8
Currency translation reserve	60.9	-	60.9	23.9	-	23.9
Cash flow hedge reserve	(772.1)	250.7	(521.4)	(959.3)	304.6	(654.7)
Items potentially reclassified to profit or loss	**(707.7)**	**250.7**	**(457.0)**	**(932.6)**	**304.6**	**(628.0)**
Total	**(783.6)**	**271.0**	**(512.6)**	**(996.8)**	**321.7**	**(675.1)**

14. Provisions

Provisions (€m)	Note	December 31, 2017	December 31, 2016
Provisions	14	848.4	1,287.7
Employee benefit provisions	15	887.8	1,032.3
Total		**1,736.3**	**2,320.1**
Current		429.0	535.2
Non-current		1,311.5	1,784.8

14.1. Provisions for litigation, site renovation and other items

A breakdown of the main types of provisions, and their movements during the year, is presented in the table below:

Provisions December 31, 2017 (€m)	January 1, 2017	Business Combinations	Additions	Utilization	Held for sale	Other[1]	December 31, 2017
Litigations	644.2	0.2	115.4	(141.8)	(1.2)	(206.0)	410.8
Onerous contract	31.1	-	53.2	(13.9)	-	(1.9)	68.5
Site renovation	148.3	-	3.6	(10.6)	-	(12.4)	128.9
Restructuring charges	149.5	-	744.7	(769.2)	(9.9)	(69.2)	45.9
Provisions for other expenses	312.3	-	85.8	(90.1)	(1.9)	(111.6)	194.4
Total	**1,285.4**	**0.2**	**1,002.7**	**(1,025.7)**	**(13.0)**	**(401.1)**	**848.4**

Provisions December 31, 2016 (€m)	January 1, 2016	Business Combinations	Additions	Utilization	Held for sale	Other	December 31, 2016
Litigations	513.9	4.8	252.2	(91.4)	(0.4)	(34.9)	644.2
Onerous contract	41.4	-	5.4	(16.0)	-	0.3	31.1
Site renovation	147.3	-	4.0	(1.0)	-	(2.0)	148.3
Restructuring charges	54.6	25.5	107.4	(38.2)	(0.1)	0.3	149.5
Provisions for other expenses	299.8	18.9	58.4	(11.4)	(1.4)	(52.1)	312.3
Total Gross Value	**1,057.1**	**49.3**	**427.4**	**(157.9)**	**(1.9)**	**(88.4)**	**1,285.4**

1 In 2017, the column Other includes mainly the reversal of the provision VTI in France (see note 22.4.1.2) for €241 million (€124 million in the line Litigation and €117 million in the line Provisions for other expenses)

14.1.1. *Provisions for litigation*

These mainly relate to litigations that have been brought against the Group for which the Board of Directors believes that the risk of cash outflows is probable. Management considers that all potential risks of cash outflows on such litigations and claims is properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2017. Such litigations cover tax and VAT related risks as well.

These provisions include amounts for which the nature and amounts cannot be disclosed on a case by case basis as this might expose the Group to further litigation. Such cases are outlined in note 30 (Litigation) and note 22 (Taxation). All litigation pending against the Group is either being heard or appealed as of December 31, 2017.

14.1.2. *Onerous contract*

The provision for onerous contracts are mainly 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.

14.1.3. *Site renovation costs*

In certain cases, the Company and its subsidiaries (mainly SFR Group and PT Portugal) have contractual obligations to repair and renovate technical sites and network components at the end of the contractual period or in case of an anticipated contract cancellation.

14.1.4. *Restructuring*

During 2017 the Group announced further details of the restructuring plans in France, which had been initiated in late 2016. Full details on the plans and the expense recognised this year are included in note 4.4.2. The movement in the provisions are provided in the table below. The utilization of the provision includes cash payments in total of €357.2 million and reclassifications to the balance sheet caption trade and other payables of €411.6 million. The colomn Other includes mainly the reversal of provisions that were not used.

Restructuring provisions (€m)	December 31, 2016	Additions	Utilization	Other	December 31, 2017
France	145.6	746.2	(765.7)	(80.2)	**45.9**
Other	3.9	(1.5)	(3.5)	1.1	**-**
	149.5	**744.7**	**(769.2)**	**(79.1)**	**45.9**

14.1.5. *Other provisions*

Other provisions mainly include provisions for risks involving distributors and suppliers, material not returned, disputes with employees and related to investments in associates, amongst others.

15. Employee benefit provisions

Depending on the laws and practices in force in the countries where it operates, the Group has obligations in terms of employee benefits. The notes below describe the defined benefit plans across the Group and provide information about the amounts recognised in the financial statements during the year.

The amount included in the consolidated statement of financial position in respect of defined benefit plans is as follows:

Defined benefit plan (€m)	**December 31, 2017**	**December 31, 2016**
Present value of defined benefit obligation	1,048.8	1,202.9
Fair value of plan assets	(161.0)	(170.6)
Unfunded status	**887.8**	**1,032.3**
Employee benefit recorded in provision	892.1	1,128.0
Employee benefit recorded in asset	(4.4)	(2.3)

15.1. Details of the significant defined benefit plans

15.1.1. *Portugal*

PT Portugal sponsors defined benefit plans, under which it is responsible for the payment of pension supplements to retired and active employees and healthcare services to retired employees and eligible relatives. In addition, PT and other subsidiaries of PT Portugal are also responsible for the payment of salaries to suspend and pre-retired employees until retirement age. A detailed nature of these benefits is presented below:

- Pension supplements - Retirees and employees of Companhia Portuguesa Rádio Marconi, S.A. (“Marconi”, a company merged into PT in 2002) hired prior to February 1, 1998 and retirees and employees of Telefones de Lisboa e Porto, S.A. (“TLP”, a company merged into PT in 1994) and Teledifusora de Portugal, S.A. (“TDP”, a company merged into PT in 1994) hired prior to June 23, 1994 are entitled to receive a supplemental pension benefit, which complements the pension paid by the Portuguese social security system. In addition, on retirement, PT pays a lump sum gratuity of a fixed amount which depends on the length of service completed by the employee and its salary. Employees hired by PT or any of its predecessor companies after the dates indicated above are not entitled to these benefits and are thus covered only by the general Portuguese Government social security system, which is a defined contribution plan in accordance with IAS 19 Employee Benefits.
- Healthcare benefits - PT sponsors the payment of post-retirement health care benefits to certain suspended employees, pre-retired employees and retired employees and their eligible relatives. Health care services are rendered by PT - Associação de Cuidados de Saúde (“PT ACS”), which was incorporated with the only purpose of managing PT’s Health Care Plan. This plan, sponsored by PT, includes all employees hired by PT until December 31, 2000 and by Marconi until February 1, 1998. The financing of the Health Care Plan comprises defined contributions made by participants to PT ACS and the remainder by PT, which incorporated an autonomous fund in 2004 for this purpose.
- Salaries to suspended and pre-retired employees - PT and other subsidiaries of PT Portugal are also responsible for the payment of salaries to suspended and pre-retired employees until the retirement age, which result from agreements between both parties. These liabilities are not subject to any legal funding requirement and therefore the monthly payment of salaries is made directly by each of the subsidiaries of PT Portugal.

15.1.2. *France*

The rights to conventional retirement benefits vested by employees are measured individually, based on various parameters and assumptions such as the employee’s age, position, length of service and salary, according to the terms of their employment agreement. This plan is a defined benefit plan in accordance with IAS 19 *Employee Benefits*. In addition in France, the employees of the Group benefit from a general pension plan. Accordingly the Group contributes to mandatory social security plans. This regime is a defined contribution plan in accordance with IAS 19 *Employee Benefits*. In France, severance payments are made in accordance with the collective agreement of the company to which they are attached.

15.1.3. *Israel*

In Israel, the plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans. The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. In addition, the Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the law, employees are entitled to receive severance pay upon dismissal or retirement.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the “plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group’s own creditors and cannot be returned directly to the Group.

15.2. Defined benefit obligations and fair value of plan assets

15.2.1. *Movements in the present value of the defined benefit obligation*

Defined benefit obligations (€m)	**December 31, 2017**	**December 31, 2016**
Opening balance at January 1	**1,202.6**	**1,237.8**
Business combinations	0.4	19.9
Interest expense	11.7	15.0
Current service cost	20.0	17.7
Participant contribution	-	0.4
Benefits paid	(168.3)	(159.7)
Curtailment	(25.9)	7.6
Net actuarial gain/(loss) in other comprehensive income	22.9	68.9
Held for sale	(13.6)	(6.0)
Other (including currency translation adjustment)	(1.1)	1.2
Closing balance at December 31	**1,048.8**	**1,202.9**
including commitments not financed	589.8	711.6
including commitments totally financed or partially financed	459.0	491.3

15.2.2. *Fair value of plan assets*

Fair value of plan assets (€m)	**December 31, 2017**	**December 31, 2016**
Opening balance at January 1	**170.2**	**186.1**
Business combinations[1]	**-**	10.8
Interest income	2.5	3.7
Participant contribution	2.5	(17.1)
Benefits paid	(9.8)	(10.3)
Deposits paid by employer into the plan	2.0	2.2
Net actuarial gain/(loss) in other comprehensive income	3.5	5.0
Held for sale	(9.4)	(10.9)
Other (including currency translation adjustment)	(0.5)	1.0
Closing balance at December 31	**161.0**	**170.6**

Fair value of plan assets	**December 31, 2017**		**December 31, 2016**	
(€m)	**Amount**	**%**	**Amount**	**%**
Shares	23.7	14.7%	23.7	13.9%
Bonds	58.0	36.0%	59.9	35.1%
Real estate	1.5	0.9%	2.2	1.3%
Other[1]	77.8	48.3%	84.9	49.7%
Closing balance at December 31	**161.0**	**100.0%**	**170.6**	**100.0%**

1 Included in other are mainly cash and cash equivalents and investment funds held.

15.2.3. *Amounts recognized in comprehensive income*

Defined benefit plan: amounts recognised in comprehensive income (€m)	**December 31, 2017**	**December 31, 2016**
Current service cost	20.0	17.7
Net interest expense	9.2	11.3
Settlement	-	-
Curtailment	(25.9)	7.6
Expenses recognised in profit or loss	**3.3**	**36.7**
Net actuarial gain/(loss):		
Differences arising from experience	(2.5)	25.1
Differences arising from changes in assumptions	25.5	43.9
Return on plan assets (excluding interest income)	(3.5)	(5.0)
Expenses recognised in other comprehensive income	**19.5**	**64.0**
Total expenses recorded in comprehensive income	**22.7**	**100.8**

15.2.4. *Defined benefit plan valuation assumptions*

The principal assumptions used in the actuarial valuations were as follows:

Assumptions used in actuarial valuation: Europe (%)	**December 31, 2017**	**December 31, 2016**
Expected rate of salary increase	0-2%	0-2%
Discount rate - pension	1.34%	1.60%
Discount rate - salaries to suspended and pre-retired	0.25%	0.25%
Discount rate - healthcare	1.75%	1.75%
Inflation rate	2.00%	2.00%

Assumptions used in actuarial valuation: Israel and Dominican Republic (%)	**December 31, 2017**	**December 31, 2016**
Expected rate of salary increase	1-4%	1-4%
Discount rate - pension	3.52%	2.50%
Inflation rate	1.78%	1.20%

15.2.5. *Sensitivity analysis*

The discount rate is the main assumption used in the actuarial valuation that can have a significant effect on the defined benefit obligation. A variation of the discount rate would have the following impact on the liability:

Sensitivity to a change in discount rate (€m)	**December 31, 2017**	**December 31, 2016**
Discount rate decreases 0.25%	30.7	31.0
Discount rate increases 0.25%	(20.3)	(26.0)

16. Borrowings and other financial liabilities

Borrowings and other financial liabilities (€m)	Notes	December 31, 2017	December 31, 2016
Long term borrowings, financial liabilities and related hedging instruments		**31,804.8**	**32,370.1**
- Debentures	*16.1*	*23,358.9*	*26,775.9*
- Loans from financial institutions	*16.1*	*6,779.7*	*5,228.0*
- Derivative financial instruments	*16.3*	*1,666.2*	*366.2*
Other non-current financial liabilities	*16.6*	**539.5**	**519.7**
- Finance leases		*85.0*	*118.2*
- Other financial liabilities		*454.5*	*401.5*
Non-current liabilities		**32,344.3**	**32,889.8**
Short term borrowing, financial liabilities and related hedge instruments		**413.6**	**419.9**
- Debentures	*16.1*	*199.0*	*31.1*
- Loans from financial institutions	*16.1*	*194.7*	*388.7*
- Derivative financial instruments	*16.3*	*19.9*	*-*
Other financial liabilities	*16.6*	**2,112.0**	**2,204.4**
- Other financial liabilities		*1,325.3*	*1,245.9*
- Bank overdraft		*80.3*	*59.6*
- Accrued interests		*657.5*	*834.0*
- Finance leases		*48.9*	*64.9*
Current liabilities		**2,525.6**	**2,624.3**
Total		**34,869.9**	**35,514.1**

16.1. Debentures and loans from financial institutions

Debentures and loans from financial institutions (€m)	Notes	December 31, 2017	December 31, 2016
Debentures	16.1.1	23,557.8	26,807.0
Loans from financial institutions	16.1.2	6,974.4	5,616.7
Total		**30,532.3**	**32,423.8**

16.1.1. *Debentures*

Maturity of debentures (€m)	Less than one year	One year or more	December 31, 2017	December 31, 2016
SFR Group	-	10,956.3	10,956.3	12,197.3
Altice Luxembourg	-	6,385.1	6,385.1	6,881.8
Altice Financing	-	4,454.7	4,454.7	6,109.2
Altice Finco	-	1,562.6	1,562.6	1,382.9
HOT Telecom	199.0	-	199.0	235.9
Total	**199.0**	**23,358.8**	**23,557.8**	**26,807.0**

The credit ratings of the entities, and details of where the debt is publicly traded, as at December 31, 2017, is provided in the table below:

Issuer of debt	Type of debt	Credit rating of notes Moody's/Standard & Poor's	Markets (if any) bonds are traded on
SFR Group	Senior secured notes	B1/B+	Euro MTF Market
Altice Luxembourg	Senior secured notes	B3/B	Euro MTF Market
Altice Financing	Senior secured notes	B1/BB-	Euro MTF Market
Altice Finco	Senior notes	B3/B-	Euro MTF Market
HOT Telecom	Debentures	Not rated	Tel Aviv stock exchange

The table below provides details of all debentures, shown in order of maturity.

Issued debentures					December 31, 2017		December 31, 2016	
Instrument	Issuer	Face value	Coupon	Year of maturity	Fair value	Carrying amount	Fair value	Carrying amount
Debentures	HOT Telecom Ltd.	ILS 957 million	6.90%	2018	195.1	195.1	253.3	236.6
Senior notes	Altice Luxembourg S.A.	$2,900 million	7.75%	2022	2,370.0	2,412.2	2,947.2	2,751.2
Senior notes	Altice Luxembourg S.A.	€2,075 million	7.25%	2022	2,104.1	2,075.0	2,220.3	2,075.0
Senior secured notes	SFR Group S.A.	$4,000 million	6.00%	2022	3,352.2	3,327.2	3,880.1	3,794.7
Senior secured notes	SFR Group S.A.	€1,000 million	5.38%	2022	1,030.7	1,000.0	1,050.0	1,000.0
Senior notes	Altice Finco S.A.	$250 million	9.00%	2023	265.1	250.0	284.4	250.0
Senior secured notes	Altice Financing S.A.	$2,060 million	6.63%	2023	1,782.1	1,713.5	2,012.9	1,954.3
Senior secured notes	Altice Financing S.A.	€500 million	5.25%	2023	520.2	500.0	530.0	500.0
Senior notes	Altice Finco S.A.	$400 million	8.13%	2024	346.9	332.7	393.7	379.5
Senior secured notes	SFR Group S.A.	$1,375 million	6.25%	2024	1,136.6	1,143.7	1,314.2	1,304.4
Senior secured notes	SFR Group S.A.	€1,250 million	5.63%	2024	1,301.3	1,250.0	1,320.3	1,250.0
Senior notes	Altice Luxembourg S.A.	$1,480 million	7.63%	2025	1,178.8	1,231.1	1,474.2	1,404.0
Senior notes	Altice Luxembourg S.A.	€750 million	6.25%	2025	736.0	750.0	784.7	750.0
Senior notes	Altice Finco S.A.	$385 million	7.63%	2025	323.4	320.2	368.9	365.2
Senior secured notes	SFR Group S.A.	$5,200 million	7.38%	2026	4,425.0	4,317.1	5,028.3	4,923.6
Senior secured notes	Altice Financing S.A.	$2,750 million	7.50%	2026	2,433.3	2,287.5	2,700.2	2,608.9
Senior secured notes[1]	Altice Finco S.A.	€675 million	4.75%	2028	644.0	675.0	-	-
Senior notes[2]	Altice Finco S.A.	$425 million	9.88%	2020	-	-	425.4	403.2
Senior secured notes[3]	Altice Financing S.A.	€300 million	6.50%	2022	-	-	315.0	300.0
Senior secured notes[3]	Altice Financing S.A.	$900 million	6.50%	2022	-	-	890.1	853.8
Fair value adjustments					-	4.8	-	-
Transaction costs					-	(227.5)	-	(297.5)
Total value of bonds					**24,144.7**	**23,557.8**	**28,193.1**	**26,807.0**
Of which due within one year						*199.0*		*31.1*
Of which due after one year						*23,358.8*		*26,775.9*

1 The proceeds of the €675 million notes issued during the year were used to repay drawn revolving credit facilities, please refer to note 16.1.3.3.
2 These notes were refinanced during the year, please refer to note 16.1.3.2.
3 These two notes were refinanced during the year and replaced with term loans of equivalent amounts, please refer to note 16.1.3.3.

16.1.2. *Loans from financial institutions*

A summary of the loans by entity and a detailed list of all loans is provided in the following tables; for an overview of the revolving credit facilities drawn as at December 31, 2017, and included in the figures below, please refer to note 17.5.

Maturity of loans from financial institutions (€m)	Less than one year	One year or more	December 31, 2017	December 31, 2016
SFR Group (including RCF)	56.4	4,980.0	5,036.4	4,804.7
Altice Financing (including RCF)	135.1	1,776.8	1,911.8	748.7
Others	3.3	23.0	26.3	63.4
Total	**194.7**	**6,779.7**	**6,974.5**	**5,616.7**

Term loans and revolving credit facilities					December 31, 2017		December 31, 2016	
Type	Borrower	Currency	Note ref	Year of maturity	Face value (currency)	Carrying amount (€)	Face value (currency)	Carrying amount (€)
Term loan	SFR Group S.A.	USD	16.1.3.1	2025	1,412.9	1,133.9	1,425.0	1,297.6
Term loan	SFR Group S.A.	EUR	16.1.3.1	2023	840.8	815.6	850.0	818.6
Term loan	SFR Group S.A.	EUR	16.1.3.1	2023	298.5	295.4	300.0	339.5
Term loan	Altice Financing S.A.	USD	16.1.3.1	2025	910.0	748.3	445.5	438.2
Term loan	SFR Group S.A.	USD	16.1.3.3	2026	2,150.0	1,791.6	1,790.0	1,661.6
Term loan	SFR Group S.A.	EUR	16.1.3.3	2025	1,000.0	1,000.0	700.0	687.4
Term loan	Altice Financing S.A.	USD	16.1.3.3	2025	900.0	745.0	-	-
Term loan	Altice Financing S.A.	EUR	16.1.4.3	2025	300.0	298.6	-	-
Facility	Altice Financing S.A.	EUR	16.5	2021	120.0	120.0	310.5	310.5
Term loan	Green.CH*	CHF	3.4	2026	-	-	34.3	34.3
Term loan	Other loans	EUR		various	26.2	26.2	29.1	29.1
						6,974.4		**5,616.7**

* Classified as held for sale

16.1.3. *Refinancing*

16.1.3.1. *Refinancing of a portion of the existing debt in Europe: March 2017*

On March 23, 2017, the Group successfully priced:

- $1,425 million of 8.25-year term loans B at SFR Group with a margin of 275 basis point over Libor,
- €1,150 million of 8.25-year term loans B at SFR Group with a margin of 300 basis points over Euribor, and
- $910 million of 8.25-year term loan B at Altice Financing with a margin of 275 basis point over Libor.

The refinancing closed on April 18, 2017 and the proceeds of the term loans were used to refinance:

- €850 million of term loans at SFR Group due in April 2023,
- $1,425 million of term loans at SFR Group due in January 2024,
- €300 million term loans at SFR Group due in July 2023,
- €446 million term loans at Altice Financing due in July 2023, and
- redeem the entire $425 million of the 2012 Senior Notes at Altice Finco S.A.

The refinancing extended the average maturity of the SFR Group's debt from 7.3 to 7.6 years and reduced the weighted average cost of its debt from 5.2% to 4.9% and extended the average maturity of Altice International group's debt from 6.7 to 7 years and reduced the weighted average cost of its debt from 6.2% to 5.9%.

The SFR Group restructuring was a modification of the terms of the debt and the costs of refinancing were capitalized with the new loans, while the Altice International group recognized a loss on extinguishment of debt of €36.2 million in relation to these transactions.

16.1.3.2. *Refinancing of a portion of the existing debt in Europe: October 2017*

On October 9, 2017 the Group successfully priced:

- €2,884 billion (equivalent) of new 8.25-year Term Loan B's at SFR Group. The proceeds of the new loans were used to refinance the €697 million and $1,781 million January 2025 Term Loan B's and to repay €600 million of commercial paper.
- €1,089 billion (equivalent) of new 8.25-year Term Loan B's at Altice Financing. The proceeds were used to refinance the €300 million and $900 million 6.50% Senior Secured Notes due January 2022.
- €675 million of 10.25-year Senior Notes at Altice Finco S.A. The proceeds were used to repay drawn revolving credit facilities.

Following the refinancing, the average maturity of SFR Group's capital structure was extended from 6.8 to 7.2 years while the weighted average cost of SFR Group's debt remained at 4.7%. The average maturity of Altice International's capital structure was extended from 6.6 to 7.5 years and the weighted average cost of its debt decreased from 5.8% to 5.5%.

SFR Group recorded an expense of €47.5 million on the extinguishment of the existing debt, while Altice Financing recorded €51.0 million.

16.2. Covenants

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 Luxembourg, to Altice Luxembourg and its restricted subsidiaries,
- Altice Financing S.A. and Altice Finco S.A., to Altice International S.à r.l. and its restricted subsidiaries,
- SFR Group, to SFR Group and its restricted subsidiaries,

Other than the HOT debentures and the revolving credit facilities, described below, such 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 International is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Debt) and Senior Debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Debt),
- Secured Debt of SFR Group 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 (refer note 16.5), 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 covenants for the credit facilities that had been drawn on for the year ended December 31, 2017 are given below:

Facility	Amount (€m)	Financial covenant
Altice International	911.0	Consolidated net leverage ratio greater than or equal to 5.25:1

The Group was in compliance with all the covenants described above, as of December 31, 2017.

16.3. Derivatives financial instruments

As part of its financial risk management strategy, the Group has entered certain hedging operations. The main instruments used are fixed to fixed or fixed to floating cross-currency and interest rate swaps (CCIRS) that cover against foreign currency and interest rate risk related to the Group's debt obligations. The Group applies hedge accounting for the operations that meet the eligibility criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement*.

16.3.1. *Designation of derivative financial instruments*

16.3.1.1. *Hedged instruments*

The Group applies hedge accounting for those hedging operations that meet the eligibility criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement*. Where subsidiaries of the Group have issued debt in a currency that is different to the functional currency of the subsidiary, for example, issuing USD denominated debt in its European subsidiaries, the Group has entered into CCIRS to mitigate risks arising from the variations in foreign exchange rates. These instruments secure future cash flows in the subsidiaries functional currency and they are designated as cash flow hedges by the Group.

16.3.1.2. *Instruments not eligible for hedge accounting*

Those derivatives not designated in a cash flow hedge relationship are classified as derivative financial instruments recognized at fair value through profit or loss (FVPL); the change in fair value of these derivatives is recognized immediately in profit or loss.

16.3.2. *Characteristics of the Group's derivatives*

16.3.2.1. *CCIRS*

The following table provides a summary of the Group's CCIRS.

Entity and maturity	Notional amount due from counterparty (millions)	Notional amount due to counterparty (millions)	Interest rate due from counterparty	Interest rate due to counterparty	Accounting treatment[1]
SFR Group S.A.					
May 2022	USD 4,000	EUR 2,989	6.00%	5.14%	CFH
July 2022	USD 550	EUR 498	3m LIBOR+3.25%	3m EURIBOR+2.73%	FVPL
January 2023	USD 1,240	EUR 1,096	3m LIBOR+4.00%	3m EURIBOR+4.15%	FVPL
Jan 2024 [2]	USD 1,425	EUR 1,104	3m LIBOR+4.25%	3m EURIBOR+4.45%	FVPL
May 2024 [2]	USD 1,375	EUR 1,028	6.25%	5.36%	CFH
April 2024	USD 2,790	EUR 2,458	7.38%	5.75%	CFH
July 2024	USD 2,400	EUR 1,736	7.38%	6.78%	CFH
January 2026	USD 350	EUR 298	3m LIBOR+3.00%	3m EURIBOR+2.76%	CFH
Altice Luxembourg S.A.					
May 2022	USD 2,900	EUR 2,097	7.75%	7.38%	CFH
February 2023	USD 1,480	EUR 1,308	7.63%	6.50%	CFH
Altice Financing S.A.					
July - Nov 2018	USD 293	ILS 1,077	3m LIBOR+4.50%	3m TELBOR+5.33%	FVPL
February 2023	USD 2,060	EUR 1,821	6.63%	5.30%	CFH
May 2026	USD 930 [4]	EUR 853	7.50%	7.40%	CFH
July 2025	USD 485 [3]	EUR 449	3m LIBOR+2.75%	3m EURIBOR+2.55%	FVPL
July 2024	USD 1,820	EUR 1,544	7.50%	6.02%	CFH
Altice Finco S.A.					
February 2025	USD 385	EUR 340	7.63%	6.25%	CFH

1 The derivatives are all measured at fair value. The change in fair value of derivatives classified as cash flow hedges (CFH) in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* is recognized in the cash flow hedge reserve. The derivatives not hedge accounted have the change in fair value recognized immediately in profit or loss (FVPL).

2 In July 2017, the Group monetized a part of the latent gains in these derivatives through re-pricing and extending the maturity of these financial instruments. An aggregate nominal amount of $2,150.5 million initially priced at 1.3827 (EUR/USD) was re-priced to an average rate of 1.223 (EUR/USD), and the maturity was extended from 2022 to 2025. Because of the operation, the Group received €203.1 million and recorded financial income of the same amount (refer to note 26.2). Following the operation, the re-priced swaps re-qualified for hedge accounting (except for one swap).

3 This is a new swap executed during the period to partially hedge the new $910 million term loan that replaced the €446 million term loan maturing in July 2023.

4 A new $930 million swap was executed during April, which hedges a portion of the $2,750 million senior notes. The swap is recognized in a cash flow hedge relationship.

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the full year ended December 31, 2017. Before the impact of taxes, a gain of €187.2 million was recorded in other comprehensive income, €133.3 million net of taxes (2016: loss of €734.4 million in OCI and €498.0 million net of taxes).

16.3.2.2. *Interest rate swaps*

The Group enters interest rate swaps to cover its interest rate exposure in line with its treasury policy. These swaps cover the Group's debt portfolio and do not necessarily relate to specific debt issued by the Group. The details of the instruments are provided in the following table:

Entity and maturity	Notional amount due from counterparty (millions)	Notional amount due to counterparty (millions)	Interest rate due from counterparty	Interest rate due to counterparty	Accounting treatment
SFR Group S.A.					
January 2023	EUR 4,000	EUR 4,000	3m EURIBOR	-0.12%	FVPL
Altice Financing S.A.					
May 2026	USD 720	USD 720	1.81%	6m LIBOR	FVPL
January 2023	EUR 750	EUR 750	3m EURIBOR	-0.13%	FVPL

16.4. Reconciliation to swap adjusted debt

As mentioned in the note above, the Group has entered into various hedge transactions to mitigate interest rate and foreign exchange risks on the different debt instruments issued by the Group. Such instruments cover both the principal and the interests due on different debts (both debentures and loans from financial institutions).

A reconciliation between the carrying amount of the Group's financial debt and the due amount of the debts after considering the effect of the hedge operations (the "Swap adjusted debt") are given below:

Reconciliation to swap adjusted debt (€m)	December 31, 2017	December 31, 2016
Debentures and loans from financial institutions	**30,532.3**	**32,423.8**
Transaction costs	303.3	395.3
Fair value adjustments	(4.8)	-
Total (excluding transaction costs and fair value adjustments)	**30,830.8**	**32,819.0**
Conversion of debentures and loans in foreign currency (at closing spot rate)	(25,971.6)	(22,300.4)
Conversion of debentures and loans in foreign currency (at hedged rates)	25,470.7	18,886.6
Total swap adjusted value	**30,329.9**	**29,405.3**

16.5. Available credit facilities

Available credit facilities (€m)	Total facility	Drawn
SFR Group S.A.	1,125.0	-
Altice Financing S.A.	911.0	120.0
Altice Luxembourg S.A.	200.0	-
Revolving credit facilities	**2,236.0**	**120.0**

16.6. Other financial liabilities

The main items within the caption "other financial liabilities" are summarized below:

Other financial liabilities	December 31, 2017			December 31, 2016		
(€m)	Current	Non-current	Total	Current	Non-current	Total
Reverse factoring and securitization	1,032.7		1,032.7	802.0	-	802.0
Accrued interest	657.5		657.5	834.0	-	834.0
Put options with non-controlling interests	127.8	201.6	329.4	-	100.8	100.8
Deposits received (SFR)	52.0	148.0	200.0	38.0	150.0	188.0
Finance leases	48.9	85.0	133.8	64.9	118.2	183.0
Bank overdraft	80.3		80.3	59.6	-	59.6
Commercial paper	34.0		34.0	249.0	-	249.0
Loans from related parties	-		-	100.0	-	100.0
Other	78.8	104.8	183.6	56.9	150.7	207.7
Total	**2,112.0**	**539.5**	**2,651.4**	**2,204.4**	**519.7**	**2,724.2**

The current portion of €2,112.0 million decreased by €92.4 million compared to December 31, 2016 while the non-current portion increased by €19.8 compared to December 31, 2016 to €539.5 million. Details of the main items within the caption, and the movements from the prior period, are detailed below.

16.6.1. *Put options with non-controlling interests*

The Group executes agreements with the non-controlling interests in certain acquisitions whereby the non-controlling interests have the option to sell their non-controlling interests to the Group. These instruments are measured at their fair value at the balance sheet date (please refer to note 18.1.2 for further information). The increase in the fair value of these instruments from the prior year is largely owing to the recognition of new put options on the acquisition of Teads (€160.4 million).

On August 27, 2015, Altice Content Luxembourg (a company 75% owned by Altice and 25% owned by News Participations, a company controlled by Alain Weill) acquired Groupe News Participations SAS, the holding company of

NextradioTV (the "NextradioTV Transaction"). In May 2016, Altice transferred its participation in Altice Content Luxembourg to SFR Group. In the context of the NextradioTV transaction, News Participations has granted to Altice a call option on the Altice Content Luxembourg securities held by News Participations. This call option is exercisable (a) during a 3 month period starting (i) on March 1st, 2018 or (ii) on March 1st of each year from 2019 to 2028, or (b) in case of exceptional circumstances (such as the decease or resignation of Alain Weill). In addition, Altice has granted to News Participations a put option on the Altice Content Luxembourg securities held by News Participations. This put option is exercisable (a) during a 3 month period following each expiration period of the above-mentioned call option or (b) in case of exceptional circumstances (such as the decease or resignation of Alain Weill). The option is planned to be exercised in the second quarter of 2018.

16.6.2. *Loans from non-controlling interests*

SFR Group repaid the €100.0 million vendor loan that related to the acquisition of Altice Media Group by SFR Group from a company controlled by the controlling shareholder of the Group.

16.6.3. *Deposits received (SFR Group)*

SFR Group receives deposits from customers largely in relation to equipment that it provides customers that SFR Group retains ownership of.

16.6.4. *Reverse factoring and securitization*

Through the use of reverse factoring structures the Group improves the financial efficiency of its supply chain by reducing requirements for working capital. The year on year increase is due to the combination of an increase in spending with existing suppliers and new suppliers having joined the various reverse factoring programmes that the Group maintains and due to SFR Group securing certain B2B receivables, also reducing need of working capital flows.

16.6.5. *Commercial paper*

During the year SFR Group used the proceeds from its refinancing (please refer to note 16.1.3.3) to repay borrowings made under its commercial paper programme.

16.7. Reconciliation of change in borrowings and other financial liabilities

Total borrowings and other financial liabilities decreased by €644.3 million compared to the prior year largely as a result of refinance activities. The table below provides a full reconciliation of the movement in the balance sheet and a reconciliation to the cash payments as presented in the financing section of the cash flow statement.

Reconciliation of debt movements (€m)	December 31, 2016	Net cash flows	Non-cash transactions	Change in fair value	Change in foreign exchange	Other non-cash movements	December 31, 2017
Senior notes and term loans	26,807.0	(1,613.3)	675.0	-	(2,442.0)	131.2	23,557.9
Term loans	5,616.7	2,664.5	(675.0)	-	(631.7)	-	6,974.4
Derivative financial instruments	366.2	838.3	-	-	(76.5)	558.2	1,686.1
Other financial liabilities	2,724.1	(79.0)	-	228.7	-	(222.4)	2,651.4
Total	**35,514.1**	**1,810.4**	**-**	**228.7**	**(3,150.3)**	**467.0**	**34,869.8**

The net cash flows presented above can be reconciled to the financing activities in the cash flow statement as follows:

Reconciliation to financing cash flow	(€m)
Net cash flow (as above)	1,810.4
Consisting of:	
Proceeds from issuance of debts	8,519.9
Payments to redeem debt instruments	(7,468.8)
Net cash flows on derivatives	838.3
Net cash flows on commercial paper	(214.6)
Net cash flows from factoring/securitization	135.6

The net cash flows from commercial paper and factoring/securitization are included in Other financing cash flows in the cash flow statement but are presented in a footnote to the main statement. Other items included in the Other financing cash flows are not related to the debt items presented in borrowings and financing activities. Similarly, the other cash flows presented in financing activities, and not identified in this reconciliation, are not related to borrowings or other financial liabilities.

16.8. Maturity of financial liabilities

Maturity of financial liabilities (€m)	Less than 1 year	Between 1 and 5 years	More than 5 years	December 31, 2017
Loans, debentures and related hedging instruments	413.6	7,019.7	24,785.0	32,218.4
Finance leases	48.9	68.4	16.6	133.8
Accrued interest	657.6	-	-	657.6
Bank overdraft	80.3	-	-	80.3
Other financial liabilities	1,254.9	311.2	213.7	1,779.8
Nominal value of borrowings	**2,455.2**	**7,399.4**	**25,015.3**	**34,869.9**

Maturity of financial liabilities (€m)	Less than 1 year	Between 1 and 5 years	More than 5 years	December 31, 2016
Loans, debentures and related hedging instruments	419.9	8,653.4	23,715.8	32,789.1
Finance leases	64.9	91.2	26.9	183.0
Accrued interest	834.0	-	-	834.0
Bank overdraft	59.6	-	-	59.6
Other financial liabilities	1,245.9	202.4	200.0	1,648.3
Nominal value of borrowings	**2,624.4**	**8,947.0**	**23,942.7**	**35,514.1**

16.9. Currency of borrowings

Currency of borrowings (€m)	Euro	US Dollar	Israeli Shekel	Others	December 31, 2017
Loans, debentures and related hedging instruments	12,581.0	19,416.9	199.0	21.6	32,218.4
Finance leases	119.6	1.2	6.7	6.3	133.8
Accrued interest	252.1	402.8	2.6	-	657.6
Bank overdraft	79.8	-	-	0.5	80.3
Other financial liabilities	1,602.1	78.7	98.4	0.6	1,779.8
Nominal value of borrowings	**14,634.5**	**19,899.6**	**306.8**	**29.0**	**34,869.9**

Currency of borrowings (€m)	Euro	US Dollar	Israeli Shekel	Others	December 31, 2016
Loans, debentures and related hedging instruments	9,123.8	23,368.0	235.9	62.2	32,789.9
Finance leases	140.5	2.2	7.0	33.2	183.0
Accrued interest	288.6	542.2	3.2	-	834.0
Bank overdraft	52.8	-	-	6.8	59.6
Other financial liabilities	1,506.9	54.0	86.3	0.3	1,647.5
Nominal value of borrowings	**11,112.6**	**23,966.4**	**332.5**	**102.6**	**35,514.1**

16.10. Nature of interest rate

Nature of interest rate	December 31, 2017			December 31, 2016		
(€m)	Fixed	Floating	Total	Fixed	Floating	Total
Loans, debentures and related hedging instruments	25,244.0	6,974.4	32,218.4	27,041.3	5,748.6	32,789.9
Finance leases	126.9	6.9	133.8	177.6	5.4	183.0
Accrued interest	657.6	-	657.6	832.8	1.2	834.0
Bank overdraft	80.3	-	80.3	59.6	-	59.6
Other financial liabilities	1,694.1	85.7	1,779.8	1,587.9	59.5	1,647.5
Nominal value of borrowings	**27,802.8**	**7,067.1**	**34,869.9**	**29,699.2**	**5,814.7**	**35,514.1**

17. Financial risk factors

In the course of its business, the Group is exposed to several financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk) and other risks, including equity price risk. This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Group is managed. The Board of Directors establishes the Group's financial policies and the executive management establishes objectives in line with these policies.

The Group is not subject to any externally imposed capital requirements.

17.1. Credit risk

The Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body 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 Europe (France and Portugal), Israel, the Dominican Republic and the French Overseas Territories. 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.

Additionally, retail customers represent a major portion of revenues and these clients generally pay in advance for the services they buy, or in more significant regions, such as France, retail customers generally pay using direct debit, a practice that reduces the Group's credit risk.

The Group does not have significant concentration of credit risk, as a result of the Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

17.2. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast 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 optimizing the cash generation of existing businesses. As all external debt is issued and managed centrally, 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, the Group has access to undrawn revolving credit facilities for an aggregate amount of €2,116.0 million (after having drawn €120.0 million as of December 31, 2017) to cover any liquidity needs not met by operating cash flow generation.

17.3. Market risks

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

17.3.1. *Interest rate risk*

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Company has an exposure to changes of interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

Interest structure of financial debt (€m)	**December 31, 2017**	**December 31, 2016**
Financial debt at fixed rates	27,802.8	29,699.2
Financial debt at variable rates	7,067.1	5,814.7
Total	**34,869.9**	**35,513.9**

The Group's proportion of variable rate debt increased from 16.4% for the year ended December 31, 2016 to 20.3% for the year ended December 31, 2017. When it can, the Group endeavours to issue fixed rate debt (which also typically offers longer maturities).

The Group has entered into different hedging contracts to manage interest rate risk related to debt instruments with variable interest rates. See note 16.3 for more information.

A sensitivity analysis was performed on the impact of an increase of interest rates applicable to floating rate debt: An Euribor/Libor rate increase by 1 percentage point would result in an additional annual interest expense of €16 million.

17.3.2. *Israeli CPI risk*

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI (Consumer Price Index). Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Company is exposed to changes in the Israeli CPI amounted to approximately €111.6 million (465.6 million Israeli Shekel) as of December 31, 2017 (€129.7 million or 525 million Israeli Shekel as of December 31, 2016).

17.3.3. *Foreign currency risk*

The Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Company's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in euros, which is, in principle, not hedged. The Group's objective is to manage its foreign currency exposure using currency forwards, futures and swaps.

The Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in any given year. The table below provides the assessment of the impact of a 10% change in foreign currencies against euro on net result and reserves.

Sensitivity to variations in exchange rates	**December 31, 2017**				
(€m)	**Israeli Shekel**	**Swiss Franc**	**Dominican Peso**	**Moroccan Dirham**	**Total**
Profit for the year					
Increase of 10% in exchange rate	(7.7)	0.7	-	1.1	**(5.9)**
Decrease of 10% in exchange rate	7.7	(0.7)	-	(1.1)	**5.9**
Equity					
Increase of 10% in exchange rate	(171.1)	(2.4)	(57.7)	7.4	**(223.8)**
Decrease of 10% in exchange rate	171.1	2.4	57.7	(7.4)	**223.8**

Sensitivity to variations in exchange rates	**December 31, 2016**				
(€m)	**Israeli Shekel**	**Swiss Franc**	**Dominican Peso**	**Moroccan Dirham**	**Total**
Profit for the year					
Increase of 10% in exchange rate	(9.0)	0.5	(4.7)	-	**(13.2)**
Decrease of 10% in exchange rate	9.0	(0.5)	4.7	-	**13.2**
Equity					
Increase of 10% in exchange rate	(35.8)	(1.0)	(19.9)	-	**(56.8)**
Decrease of 10% in exchange rate	35.8	1.0	19.9	-	**56.8**

Based on the analysis provided above, the Board of Directors believes that the Group's exposure to foreign currency risks is limited. Exchange differences recorded in the income statement was a loss of €12.4 in 2017 (2016: net gain of €55.8 million).

Additionally, the Group is exposed to foreign currency risk on the different debt instruments that it has issued over time. The Board of Directors believes that the foreign currency price risk related to such debt issuance was limited because:

- Foreign currency debt issued in currencies other than Euros or USD is borne by companies that have issued such debt in their functional currencies.
- A portion of the USD debt issued by SFR Group and other subsidiaries of the Group is hedged to manage the associated FX risk. A reconciliation between the nominal amount of the total debt measured at its balance sheet

rate and the swap adjusted debt is presented in note 16.

17.3.4. *Price risk*

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2017, the carrying amount of these investments was €8.0 million (€7.2 million as of December 31, 2016).

18. Fair value of financial assets and liabilities

18.1. Fair value of assets and liabilities

Fair values of assets and liabilities	Note	December 31, 2017		December 31, 2016	
(€m)		Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	12	753.2	753.2	719.9	719.9
Restricted cash	12	33.7	33.7	19.6	19.6
Derivatives	9	45.1	45.1	60.9	60.9
Other financial assets		16.8	16.8	7.7	7.7
Current assets		**848.8**	**848.8**	**808.1**	**808.1**
Derivatives	9	894.9	894.9	2,529.5	2,529.5
Available for sale assets		8.0	8.0	7.2	7.2
Call options held by non-controlling interests	9	50.6	50.6	26.8	26.8
Other financial assets	9	308.5	308.5	321.3	321.3
Non-current assets		**1,262.0**	**1,262.0**	**2,884.8**	**2,884.8**
Short term borrowings and financial liabilities	16.1	393.7	393.7	419.9	419.9
Put options with non-controlling interests		127.8	127.8	-	-
Derivatives	16.5	19.9	19.9	-	-
Other financial liabilities	16.6	1,984.2	1,984.2	2,173.4	2,173.4
Current liabilities		**2,525.6**	**2,525.6**	**2,593.3**	**2,593.3**
Long term borrowings and financial liabilities	16.1	30,138.6	30,471.2	32,370.1	33,251.1
Put options with non-controlling interests	16.6	201.6	201.6	100.8	100.8
Derivatives	16.5	1,666.2	1,666.2	366.2	366.2
Other financial liabilities	16.6	337.8	337.8	52.7	52.7
Non-current liabilities		**32,344.3**	**32,676.9**	**32,889.8**	**33,770.8**

During the year there were no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements. The Group's trade and other receivables and trade and other payables are not shown in the table above as their carrying amounts approximate their fair values.

18.1.1. *Fair value hierarchy*

The following table provides information on the fair values of financial assets and financial liabilities, their valuation technique, and the fair value hierarchy of the instrument given the inputs used in the valuation method.

Fair value measurement (€m)	Fair value hierarchy	Valuation technique	December 31, 2017	December 31, 2016
Financial Liabilities				
Derivative financial instruments	Level 2	Discounted cash flows	1,686.1	366.2
Minority Put Option - Other	Level 3	Discounted cash flows	27.8	-
Minority Put Option - Teads	Level 3	Discounted cash flows	160.4	-
Minority Put Option - Intelcia	Level 3	Discounted cash flows	41.2	39.0
Minority Put Option - GNP	Level 3	Discounted cash flows	100.0	61.8
Financial Assets				
Derivative financial instruments	Level 2	Discounted cash flows	940.0	2,590.6
Minority Call option - Teads	Level 3	Black and Scholes model	10.6	-
Minority Call option - Parilis	Level 3	Black and Scholes model	18.8	20.2
Minority Call option - Intelcia	Level 3	Black and Scholes model	21.2	6.5
Available for sale assets - Wananchi	Level 3	Discounted cash flows	1.3	1.3
Available for sale assets - Partner Co. Ltd.	Level 1	Quoted share price	6.7	5.9

18.1.2. *Information on valuation techniques:*

18.1.2.1. *Investments in listed entities*

Quoted prices directly available from an active market are used to source the fair value, i.e. the quoted share price of the listed investments in Comcast and Partner Co. These valuations are directly observable in an open market and therefore the Group has concluded that these instruments should be classified within Level 1 of the fair value hierarchy.

18.1.2.2. *Derivative financial instruments*

Future cash flows are estimated using market observable data at the end of the reporting period (namely, forward exchange rates and interest rates) and the contracted rates of the derivative discounted at a rate that reflects the counterparty credit risk. Since model inputs can generally be verified and do not involve significant management judgement, the Company has concluded that these instruments should be classified within Level 2 of the fair value hierarchy.

18.1.2.3. *Put options*

Each contract has specific terms and conditions, and the valuation is performed using the contracted terms and assessment against market comparable information where appropriate. For example, the exercise price in the option may be determined based on an EBITDA multiple minus the net financial debt. In all instances, the probabilities of the option being exercised is determined using management's best estimate and judgement. The resulting fair value is discounted using appropriate discount rates of the related funding pool (ranging between 5.4% and 7.1%). These models use a variety of inputs that use judgements not able to be verified externally, therefore the Group has concluded that these instruments should be classified within Level 3 of the fair value hierarchy.

18.1.2.4. *Call options*

The valuation is derived by calculating the intrinsic value, being the difference in the value of the underlying asset and the options exercise price, and time value of the option, which accounts for the passage of time until the option expires. Various inputs are used, including the price of the underlying asset and its volatility (ranging between 16% and 28%), the strike price and maturity in the contract, and the risk-free rate (0.79%) and dividend yield (0%). The model calculates the possible prices of the underlying asset and their respective probability of occurrence, given these inputs. These models use a variety of inputs that use judgements not able to be verified externally, therefore the Group has concluded that these instruments should be classified within Level 3 of the fair value hierarchy.

18.2. Level 3 instruments

18.2.1. *Assumptions with management judgement used in fair value measurement*

The instruments in Level 3 are the put and call options with the non-controlling interests in acquired entities. The valuation methods used to determine the fair value of these instruments include certain inputs that do not use publicly available information and therefore require management's judgement. Those with significant impact on the fair value of the instruments concerned are deemed to be categorized as Level 3 of the fair value hierarchy. Further details on these valuation methods and the associated inputs using judgements and which can have a significant impact on the fair value are presented below.

Valuation method	Inputs with significant judgement	How management determines inputs	Relationship to fair value
Black and Scholes model (call options)	Price of the underlying asset	Based on EBITDA multiple approach using business plans prepared by management to derive an appropriate EBITDA of the company to use in the valuation	An increase in projected EBITDA used in isolation would result in increase in the fair value
	Volatility of underlying asset	Based on analysis of peers' volatility to derive an appropriate volatility rate	A significant increase in the volatility used in isolation would result in significant increase in the fair value
Multiples approach (put options)	Projected group net sales	Projected sales are determined using internally produced budgets using management's best estimates of future operations of the entities concerned	A slight increase in the projected group net sales used in isolation would result in significant increase in the fair value
	Projected group financial net debt	Projected net debt is determined using internally produced budgets using management's best estimates of future operations of the entities concerned	An increase in the projected net debt used in isolation would result in decrease in the fair value
	Discount rate	Based upon the cost of debt of the funding pool	An increase in the discount rate used in isolation would result in decrease in the fair value

18.2.2. *Reconciliation of movement in fair value of Level 3 financial instruments*

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2017
Opening balance	**7.1**	**(100.8)**	**26.8**	**(66.9)**
Additions	-	(188.2)	10.6	(177.6)
Change in value of minority put options recorded in equity	-	(40.4)	13.2	(27.2)
Gains or losses recognised in profit or loss	0.9	-	-	0.9
Closing balance	**8.0**	**(329.5)**	**50.6**	**(270.9)**

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2016
Opening balance	**7.1**	**(56.8)**	**12.5**	**(37.2)**
Additions	-	(44.0)	26.7	(17.3)
Re-measurement (variation)	-	-	(12.5)	(12.5)
Gains or losses recognised in profit or loss	-	-	0.1	0.1
Closing balance	**7.1**	**(100.8)**	**26.8**	**(66.9)**

19. Obligations under leases

The Group leased certain of its office facilities and datacenters under financial leases. The Group has options to purchase the assets for a nominal amount at the end of the lease terms. Obligations under finance leases are secured by the lessors' title to the leased assets. In addition, the Group has operating leases relating to building space and other technical assets and other assets such as automobiles under long term contracts.

The future minimum lease payments in respect of the Group's operating and finance leases were as follows:

Obligations under leases	December 31, 2017		December 31, 2016	
(€m)	Operating leases	Finance leases	Operating leases	Finance leases
Less than one year	380.8	54.1	478.0	71.5
Between one and two years	290.6	47.8	307.9	36.8
Between two and three years	247.9	14.8	275.3	18.5
Between three and four years	214.0	4.5	236.2	16.4
Five years and beyond	947.9	17.1	879.0	45.8
Total minimum payments	**2,081.3**	**138.3**	**2,176.5**	**189.0**
Less: future finance expenses		(4.4)	-	(5.9)
Nominal value of contracts		**133.9**		**183.1**
Included in the consolidated financial statements as:				
- Current borrowings (note 16)		48.9		64.9
- Non-current borrowings (note 16)		85.0		118.2

The total rental expense recognised in the Consolidated Statement of Income was €473.2 million (2016: €475.4 million). All rental expenses were related to minimum lease payments.

In some cases, the rental space under contract may be sublet, which generates revenues and hence reduces the obligation under such leasing contracts. The minimum leases payments are presented after including such revenues that amounts to €301.0 million (2016: €334.0 million).

20. Trade and other payables

Trade and other payables (€m)	December 31, 2017	December 31, 2016
Trade payables	4,557.7	4,350.9
Fixed asset payables	899.1	1,061.6
Corporate and social security contributions	901.6	482.4
Indirect tax payables	744.5	739.5
Other payables	0.3	2.6
Total	**7,103.2**	**6,637.0**

The increase in trade and other payables is mainly due to the acquisition of entities during the year. Corporate and social security contributions increased mainly in SFR Group due to the departure plan enacted during the year (please refer to note 4.4.2. for further details). Reduction in fixed asset payables was mainly caused by liabilities held for sale.

21. Other liabilities

Other liabilities (€m)	December 31, 2017	December 31, 2016
Deferred revenue	719.2	723.2
Other	342.6	139.3
Current liabilities	**1,061.8**	**862.5**
Fixed asset payables	53.5	332.6
Deferred revenue	466.4	391.8
Other	73.9	57.8
Non-current liabilities	**593.8**	**782.2**
Total	**1,655.5**	**1,644.7**

21.1. Deferred revenues

Current deferred revenues include receipts from customers billed in advance of the monthly cut-off as well as those generated by sales of prepaid mobile contracts. Non-current deferred revenues primarily relate to multi-year contracts with business customers.

21.2. Fixed asset payables

Fixed asset payables mainly related to payments due to suppliers of premium sports content (please refer to note 6) acquired by the Group in 2016. Reduction in fixed assets payables compared to 2016 was attributed to payments made in Content and SFR group, as well as liabilities classified as held for sale in Content.

21.3. Other

The increase in other current liabilities was mainly attributed to the acquisition of Teads (€109.1 million as at December 31, 2017) and the fine imposed by European Commission on the Altice Portugal acquisition case for €124.5 million (please refer to note 30.2.1 for more details).

22. Taxation

Taxation (€m)	**Note**	**December 31, 2017**	**December 31, 2016**
Tax benefit recognised in the Statement of Income			
Current tax		(127.7)	(323.9)
Deferred tax		516.5	216.8
Income tax benefit	22.1	**388.8**	**(107.2)**
Deferred tax balances recognised in the Statement of Financial Position			
Deferred tax assets		150.1	109.3
Deferred tax liabilities		(397.4)	(807.6)
Deferred tax	22.2	**(247.3)**	**(698.3)**

22.1. Reconciliation to effective tax rate

Reconciliation between effective tax rate and theoretical tax rate (€m)	**December 31, 2017**	**December 31, 2016**
Loss for the year	**(1,619.6)**	**(938.8)**
Tax charge income	388.8	(107.2)
Share of profit in associates	(16.7)	(1.4)
Loss before income tax and associates	**(1,991.7)**	**(830.2)**
Statutory tax rate1	27.1%	29.2%
Income tax calculated on theoretical tax	539.4	242.6
Impact of:		
Differences between Parent company and foreign income tax rates	84.3	13.1
Effect of permanent differences[2]	(123.1)	(154.2)
Recognition of tax losses and variation in related allowances[3]	(64.3)	(242.3)
French business tax	-	(49.0)
Effect of change in tax rate on deferred taxes[4]	(81.4)	118.7
Other current tax adjustment5	30.3	(47.9)
Other deferred tax adjustment	3.7	11.8
Income tax income/(expense)	**388.8**	**(107.1)**
Effective tax rate	19.5%	-12.9%

1 During 2017, change in tax rate in Luxembourg from 29.2% to 27.1%

2 Permanent differences are mainly due to financial interests that are non-deductible, penalties and other non-deductible expenses.

3 Recognition of tax losses and variation in tax allowance line is related mainly to the non-recognition of the tax losses of holding companies.

4 During 2017, change in tax rate is mainly due to Portugal (increase in deferred tax rate from 27.5% to 31.5%) and France (article 84 of law 2017-1837 of December 30, 2017 that introduced a reduction of the income tax rate over the five next years to 25.83%, including the social surtax of 3.3%)
During 2016, change in tax rate was mainly related to France where Article 11 of the Budget Act 2017 prescribes a progressive decrease of the income tax rate at 28.9% (including the social surtax of 3.3%) after 2020 for all companies. This new rate was applied to all temporary differences whose maturity appears the earliest in 2020.

5 Other current tax adjustment includes mainly the reversal of the tax provision VTI in France for an amount of € 124 million, as described in note 22.4.1.2

22.2. Deferred tax

The following tables show the deferred tax balances before netting deferred tax assets and liabilities by fiscal entity:

Components of deferred tax balances (€m)	**December 31, 2017**	**December 31, 2016**
Employee benefits	322.2	330.9
Other temporary non-deductible provisions	120.7	201.0
Fair value adjustment (derivative)	239.0	122.0
Difference between tax and accounting depreciation	(1,435.9)	(1,529.9)
Other temporary tax deductions	225.1	2.5
Net operating losses and tax carry forwards	1,936.5	1,897.8
Valuation allowance on tax losses and tax carry forwards	(1,429.5)	(1,456.1)
Valuation allowance on deferred tax asset	(225.3)	(266.5)
Total	**(247.3)**	**(698.3)**
Comprising:		
Deferred tax assets	150.1	109.3
Deferred tax liabilities	(397.4)	(807.6)

Variation in deferred tax balances (€m)	**December 31, 2017**	**December 31, 2016**
Opening balance	**(698.3)**	**(1,102.2)**
Deferred tax on income	516.5	216.8
Deferred tax on shareholder's equity	(49.5)	195.3
Change in consolidation scope	(18.7)	(1.7)
Currency translation adjustment	2.6	(6.4)
Closing balance	**(247.3)**	**(698.3)**

22.3. Net operating losses and carried forward tax credits

Deferred tax assets related to carried forward tax credit on net operating losses expire in the following years:

Variation in deferred tax balances (€m)	**December 31, 2017**	**December 31, 2016**
Within one year	0.2	2.5
Between two and five years	38.2	1.2
More than five years	220.9	308.1
Unlimited	1,677.2	1,586.0
Net operating losses and tax carry forward, gross	**1,936.5**	**1,897.7**
Valuation allowance	(1,429.4)	(1,456.1)
Net operating losses and tax carry forward, net	**507.0**	**441.6**

Net operating losses and tax carry forward were related mainly to holding companies as well as SFR Group, PT Portugal. The Group does not believe that the unrecognized deferred tax losses can be used given the Group's current structure, but the Group will continue exploring opportunities to offset these against any future profits that the Company or its subsidiaries may generate.

Deferred tax assets have resulted primarily from the Group's future deductible temporary differences and NOLs. In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, management takes into account various factors, including the expected level of future taxable income, available tax planning strategies and reversals of existing taxable temporary differences. If such estimates and related assumptions change in the future, the Group may be required to record additional valuation allowances against its deferred tax assets, resulting in additional income tax expense in the consolidated income statement. As of December 31, 2017 and 2016, the Group recognized deferred tax asset on the basis of projections of future use of the loss carry forward deemed probable.

22.4. Tax litigation

This note describes the new proceedings and developments in existing tax litigations that have occurred since the publication of the consolidated financial statements for the year ended December 31, 2017 and that have had or that may have a significant effect on the financial position of the Group.

22.4.1. *SFR Group*

22.4.1.1. *NC Numericable*

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

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

The Group has also received proposed adjustments for fiscal years 2011 and 2014 for NC Numericable, Numericable and Est Vidéocommunication primarily affecting the application of the VAT on the multi-play offers, despite the change in rules on January 1, 2011 that supports the Group's practice in this area.

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

The proposed assessments have been provisioned in the financial statements as of December 31, 2017 in the amount of €64 million (of which €31 million recorded in provisions and the remaining amount in Trade and other payables balance sheet caption). The French tax authorities have sent NC Numericable a notice for VAT tax inspection for fiscal year 2016.

22.4.1.2. *SFR*

In a proposed adjustment received on December 23, 2014, the tax authorities had contested the merger of Vivendi Telecom International (VTI) and SFR dated December 12, 2011 and therefore intended to challenge SFR's inclusion in the Vivendi tax consolidation group for fiscal year 2011. The tax authorities thus intended to tax SFR separately from the Vivendi tax consolidation group, leading to a corporate tax of €711 million (principal) plus late interest and surcharges amounting to €663 million, for a total adjustment of €1,374 million. In November 2017, the proposed tax adjustment has been dropped by the tax authorities and therefore the provision has been reversed (see note 22.1).

At the same time, an accounting audit of the years 2011 and 2013 led the tax authorities to make various adjustments in the principal amount of the corporate tax. The company, which was disputing the assessments proposed, recognized a provision of €43 million at December 31, 2017.

In addition, SFR was currently under a tax audit for the fiscal years 2014 and 2015. In December 2017, the tax authorities sent the proposed assessment, mainly related to the tax on high remunerations. SFR Group, which was disputing almost all the assessments proposed, recognized a provision of €7.7 million at December 31, 2017 related to this dispute.

The French tax authorities had sent SFR a notice for VAT tax inspection for fiscal year 2016.

22.4.2. *Dominican Republic*

On October 26, 2016, the Group has reached an agreement with the Republic Dominican Tax Authorities related to the level of deductibility of the financial interests related to financial liabilities. The agreement covers fiscal years 2014 to 2016 and agrees the deductibility ratio for each local company (Tricom S.A and Altice Dominicana S.A). As of December 31, 2016, €41.6 million was recorded in the consolidated financial statements to reflect the impact of the transaction.

22.4.3. *PT Portugal*

The Company estimated that the probable tax contingencies arising from tax audits conducted by Portuguese tax authorities on various Group companies amount to €30.7 million. In addition, MEO received Value Added Tax ("VAT") assessments for 2012 and 2013 related to indemnities charged as result of the breach of loyalty contracts entered with post-paid customers.

23. Other operating expenses

Operating expenses (€m)	**December 31, 2017**	**December 31, 2016**
Technical and maintenance costs	(1,012.0)	(1,066.5)
Customer services	(528.5)	(685.4)
Business Taxes	(271.7)	(279.4)
Sales and marketing expenses	(887.2)	(783.9)
General and administrative expenses	(423.0)	(323.4)
Total	**(3,122.3)**	**(3,138.6)**

24. Equity based compensation

For the year ended December 31, 2017, the Group recorded €30.6 million as expenses related to stock options in the line item "staff costs and employee benefits" (2016: €22.8 million):

- €28.6 million recharged by Altice N.V (2016: €18.8 million),
- €2.0 million at SFR Group (2016: €4.0 million).

Details of the plans across the Group, grants under these plans and the computation of the fair value of each grant is provided below.

24.1. Overview of the stock option plans

24.1.1. *Altice N.V.*

The Company had two existing stock option plans as of January 1, 2017, the Stock Option Plan ("SOP") and the Long-Term Incentive Plan ("LTIP").

The purpose of the SOP is, amongst others, to provide prospective candidates to join the Group or prospective candidates for promotion within the Group with appropriate incentives and to support their retention. The number of options granted under the SOP depends on the position, the importance of the role, the seniority, the performance and the development potential of the participant on a mid/long term. The grant of stock options under the SOP may be accompanied, for certain participants, by the grant of a deferred cash bonus subject to the same vesting conditions.

The LTIP is mainly used by the Company to grant stock options to participants under the SOP whose options have partially vested, in order to support retention of such participants, such grant being accompanied, for certain participants, by the grant of a deferred cash bonus subject to the same vesting conditions. The number of options granted under the LTIP depends on the position, the importance of the role, the seniority, the performance and the development potential of the participant on a mid/long term.

During the year, the following new plans were adopted:

- On June 28, 2017, the Group adopted a new performance stock option plan (the "PSOP"). The PSOP is used to grant stock options to selected employees of the Group, including Executive Board Members, the vesting of which is subject to the achievement of a financial performance target. The number of options granted under the PSOP depends on the position, the importance of the role, the seniority and the anticipated contribution of the participant in the performance of the Group in the mid-term.
- On November 2, 2017, the Group adopted two new stock option plans (the "2017 SOP" and the "2017 LTIP"), the terms of which are substantially the same as those of the SOP and LTIP; the amendments are related to further support the retention of the participants. Board Members are not eligible for participation.

Further, in May 2017, the Board of Altice N.V. approved a management proposal whereby the fee paid as part of the brand license and services agreement with Next Alt, which was entered into on November 15, 2016, would cease and would no longer be included in corporate costs. The fee was replaced with the grant of 30 million stock options issued by the Company to Next Alt. The management subsequently finalized the discussion with Next Alt on the terms and conditions of the stock options and agreed that there would be three tranches of 10 million stock options:

- a first tranche of 10 million stock options will vest 50% after 2 years, 25% after 3 years and the final 25% after 4 years;
- a second tranche of 10 million stock options will vest in the event the share price doubles in value on or before January 31, 2021; and
- a third tranche of 10 million share options will vest in the event the share price triples in value on or before January 31, 2022.

24.1.1.1. *Grants of options under the stock option plans*

The Board, upon recommendation of the Remuneration Committee of Altice N.V., may grant stock options to eligible

participants under the conditions set out by the specific plan.

Employees of the Group and, in exceptional cases, individuals who are not employees of the Group but who, in view of their activities for the benefit of the Group, made an important contribution to the success of the business of the Group, are eligible to participate in the SOP, the 2017 SOP, the LTIP, the 2017 LTIP and the PSOP.

In addition, the General Meeting of Altice N.V. may resolve to grant stock options to Executive Board Members under the SOP, the LTIP or the PSOP as reward for their employment with or provision of services to Group Companies and in that case determines the number and the applicable criteria of such stock options, based on a recommendation of the Remuneration Committee of Altice N.V.

Non-Executive Board Members are not eligible for participation in any of the stock option plans.

24.1.1.2. *Vesting conditions of the plans*

SOP and 2017 SOP

Options granted under the SOP and the 2017 SOP are subject to time-based vesting conditions. The stock options will vest as follows:

- a first tranche of 50% of the stock options a participant holds vests on the 2nd anniversary of the start date of the vesting period;
- a second tranche of 25% of the stock options a participant holds vests on the 3rd anniversary of the start date of the vesting period; and
- a third tranche of 25% of the stock options a participant holds vests on the 4th anniversary of the start date of the vesting period.

The Board, upon recommendation of the Remuneration Committee, may adjust the start date of the vesting period of any participant, provided that the Board concurrently grants a benefit to such participant.

LTIP and 2017 LTIP

Options granted under the LTIP and the 2017 LTIP plans are subject to time-based vesting conditions. All stock options will vest on the third anniversary of the start date of the vesting period. The Board of Altice N.V. may, upon recommendation of the Remuneration Committee of Altice N.V., adjust the start date of the vesting period of any participant, provided that the Board concurrently grants a benefit to such participant.

PSOP

The vesting of options granted under this plan is subject to the achievement of a financial performance target (the "Target"). The Target is set at the date of grant and will be achieved if Adjusted EBITDA less CAPEX of the third full financial year following the date of grant is equal to or superior to the Target. The Board of Altice N.V., based on a recommendation of the Remuneration Committee of Altice N.V. (or the general meeting of Shareholders, as the case may be), may adjust the Target to reflect recapitalization events, acquisitions, divestitures, or any other corporate events or actions, which require an adjustment to the Target. All stock options shall lapse if the Group does not achieve the Target. The participant needs to be employed, or to provide services to the Company or to any Group Company, at the moment that it is determined that the Group has achieved the Target. Participants who leave the Group before the vesting date forfeit their stock options.

24.1.1.3. *Consideration and exercise price*

No consideration is payable for the allocation of stock options.

The exercise price of stock options granted under the plans is equal to the weighted average price at which the Common Shares A of Altice N.V. are traded on Euronext Amsterdam during a period of 30 days preceding certain dates, which differ by stock option plan as follows:

	SOP and 2017 SOP	LTIP, 2017 LTIP and PSOP
i	the date of the offer made to and accepted by the employee to join the Group, or	the date on which the decision was made to grant the participant stock options, or
ii	the date on which the employee is promoted to a new function within the Group, or	an alternative date determined by the Board.
iii	for an existing employee within the Group, the date on which the decision was made to grant him stock options.	

The Board of Altice N.V., upon recommendation of the Remuneration Committee of Altice N.V., may adjust the exercise price (at the time of or after the grant of the stock options) in a more favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

24.1.2. *SFR Group*

The Board of Directors of SFR Group adopted, starting from 2013, stock option plans for its employees and key management personnel. The exercise of options is subject to conditions of presence and performances (based on consolidated revenue and EBITDA-capex).

The vesting occurs is time based as follows:

- A first tranche of 50% vests two years after the allocation of the options;
- A second tranche of 25% vests three years after the allocation of the options; and
- The final tranche of 25% will vest four years after the allocation of the options.

As part of the squeeze out of the remaining SFR Group shares on October 9, 2017, the material SOP holders agreed to renounce their option plans in exchange for a cash settlement.

24.2. Grants of awards

Details of movements in the number of awards outstanding under each of the Group's various stock option plans are provided in the following tables:

Altice N.V.	**Number granted (m)**	**Weighted average exercise price (€)**
Options outstanding as at January 1, 2016	**40.1**	**8.6**
Granted	4.4	15.1
Exercised	-	7.1
Cancelled, lapsed	(1.3)	12.0
Options outstanding as at December 31, 2016	**43.2**	**9.2**
Granted	34.5	19.3
Exercised	-	-
Cancelled, lapsed	(1.6)	14.8
Options outstanding as at December 31, 2017	**76.1**	**13.7**

SFR Group S.A.	**Number granted (m)**	**Weighted average exercise price (€)**
Options outstanding as at January 1, 2016	**7.5**	**18.4**
Granted	-	-
Exercised	(2.4)	12.5
Cancelled, lapsed	(2.0)	24.8
Options outstanding as at December 31, 2016	**3.1**	**18.4**
Granted	-	-
Exercised	(1.2)	12.7
Cancelled, lapsed	(1.9)	14.9
Options outstanding as at December 31, 2017	**-**	**-**

24.3. Fair value of options granted

All stock options are initially measured based on the fair value of the award at grant date. An option pricing model was used to determine the fair value, which requires subjective assumptions for which changes in these assumptions could materially affect the fair value of the options outstanding.

Altice N.V.	January 31, 2017	January 31, 2017	January 31, 2017	January 31, 2017	Summary 19 grants
Units granted (million)	2.84	10.00	10.00	10.00	1.67
Expiry date	January 31, 2027	January 31, 2027	January 31, 2027	January 31, 2027	Nov 2026 - Dec 2027
Unit fair value at the grant date (€)[1]	2.77	2.47	0.71	0.54	0,22 - 3,41
Share price at the grant date (€)	20.28	20.28	20.28	20.28	8,18 - 22,50
Exercise price of the option (€)	19.36	19.36	19.36	19.36	13,45- 20,67
Anticipated volatility (weighted average)[2]	24.73%	24.73%	24.73%	24.73%	24.31%
Anticipated dividends[3]	2.50%	2.50%	2.50%	2.50%	2.50%
Risk free interest rate (governments bonds)	0.44%	0.44%	0.44%	0.44%	0,21% - 0,47%

Altice N.V.	January 11, 2016	May 13, 2016	July 8, 2016	November 11, 2016
Units granted (million)	0.44	1.40	0.53	0.40
Expiry date	January, 2026	May, 2026	July, 2026	November, 2026
Unit fair value at the grant date (€)[1]	1.24	1.09	1.68	1.57
Share price at the grant date (€)	14.17	14.03	12.75	16.19
Exercise price of the option (€)	17.00	13.48	13.74	16.45
Anticipated volatility (weighted average)[2]	24%	24%	30%	23%
Anticipated dividends[3]	2.50%	2.50%	2.50%	2.50%
Risk free interest rate (governments bonds)	0.54%	0.12%	0.00%	0.31%

1 The expected life of the options used in determining the fair value of the stock options is assumed to be the same as the expiry date (10 years).
2 The anticipated volatility is based on the average volatility of a select peer group given that the Company's shares have been traded for less than 5 years.
3 Anticipated dividends are based on a consistent 2.5% policy over a 10-year horizon, in line with the Company's policy. While dividends have not been paid in the past three years, the Company will assess its policy and at times consider returning capital to shareholders through ordinary and exceptional dividends as well as share buybacks if deemed adequate based on its review of the opportunity set for acquisitions or development projects.

25. Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses (€m)	December 31, 2017	December 31, 2016
Amortization of intangible assets	(2,562.3)	(2,117.5)
Depreciation of tangible assets	(1,768.9)	(1,917.5)
Impairments	(8.7)	(1.6)
Depreciation, amortization and impairment	**(4,339.9)**	**(4,036.6)**

The main increase in depreciation and amortization expenses is related to the accelerated amortization of brand name and customer relations (€473.3 million). On May 23, 2017, the Group announced the adoption of a global brand which will replace the local brands in the future (except for the media brands), reducing the remaining useful lives of these trade name intangibles. Amortization expense is calculated on an accelerated basis based on the Company's estimate of the intangible asset during the in-use period.

In December 2017, the Group decided to postpone the adoption of the global brand. This decision had the effect of increasing the useful life of the existing brands, from the date of this decision, to their previous useful life of 5 years, and reducing the future annual amortization expense related to the brand names.

26. Net finance costs

Net finance costs (€m)	**December 31, 2017**	**December 31, 2016**
Interests charges on borrowings	(1,904.5)	(1,833.9)
Mark-to-market effect on borrowings	(305.5)	(108.9)
Interest relative to gross financial debt	**(2,210.0)**	**(1,942.9)**
Other financial expenses	(232.4)	(149.5)
Net foreign exchange losses	(12.4)	-
Impairment of available for sale financial assets	-	(2.5)
Other financial expenses	**(244.8)**	**(152.1)**
Interest income	16.7	11.9
Net foreign exchange gains	-	55.8
Other financial income	253.1	34.0
Finance income	**269.8**	**101.7**
Net result on extinguishment of financial liabilities	**(134.7)**	**(223.4)**
Finance costs, net	**(2,319.7)**	**(2,216.7)**

26.1. Interest relative to financial debt

The increase in interest expense for the year ended December 31, 2017 was primarily due to:

- an increase in the underlying debt at SFR Group, partially offset by the impact of refinancing where the Group has obtained lower coupon rates (€81.0 million)
- Losses in MTM (mark to market) of hedging derivative in Altice Financing and SFR Group of €94.5 million and €230.8 million as at December 31, 2017, respectively.

26.2. Other financial expenses

The significant contributors to other financial expenses in 2017 were:

- SFR recorded total financial expenses of €172.2 million, largely related to the cancellation of the financial guarantee with Vivendi (as discussed in note 9.1.3) of €124.0 million.
- Net foreign exchange losses of €12.4 million as at December 31, 2017.

26.3. Financial income

The significant contributors to other financial income in 2017 were:

- SFR recorded total net gains of €203.1 million related to the repricing of certain CCIRS instruments during the third quarter of the year (nil in 2016).

26.4. Net result on extinguishment of financial liabilities

As discussed in note 16.1.3 there were several refinancing transactions completed during the year ended December 31, 2017. In total, a loss on extinguishment of debt of €134.7 million was recorded on the early extinguishment of these debts, which primarily related to the accelerated amortization of the expenses incurred to acquire the debt. The main contributors to the current year expense were:

- €36.2 million was recognized in relation to the Altice Financing refinancing in March (refer to note 16.1.3.2)
- €47.5 million at SFR Group and €51.0 million at Altice Financing in relation to the refinancing on October 2, 2017 (refer to note 16.1.3.3).

27. Average workforce

The workforce employed by the Group, expressed in the form of full-time-equivalent employees (FTE), is presented below. The full-time equivalence of each employee is calculated based on the number of hours worked by the employee in each

period, compared to the maximum number of hours/period allowed as per the local law prevalent in the country of operation.

Average workforce	December 31, 2017	December 31, 2016
Managers	10,971	10,711
Technicians	6,315	6,748
Employees	17,862	16,254
Total	**35,148**	**33,713**

The increase in average workforce (FTE) compared to 2016 was mainly due to the acquisition of ATS and Teads. This increase was partially offset by reduction in FTE due to restructuring plan in Altice Portugal and the voluntary departure plan in SFR (please refer to note 4.4.2.1 for more details in restructuring plan in SFR Group). This resulted in 999 average workforce (FTE) reduction in France, consisting of:

- 1,700 employees who left SFR due to the departure plan but were included in the average annual headcount up to the date of their departure, and
- 2,280 employees who signed the departure plan but were still in the payroll and included for a whole year in the average annual headcount.

28. Related party transactions and balances

Transactions with related parties are mainly related to transactions with associated of the various operating entities of the Group, such as SFR Group. Such transactions are limited to exchange of services between SFR Group and its associated companies (see note 8 for more details on SFR's Group associates), PT Portugal and HOT, and payments for services rendered by the controlling shareholder of the Group. Such transactions are limited to:

- exchange of services between SFR Group and PT Portugal and their associate companies (please refer to note 8 for more details on SFR Group's and PT's associates),
- entering into a brand license and service agreement with the controlling shareholder of the Company, which was amended in 2017 to replace the fee payable under the agreement by a grant of stock options,
- exchange of services like healthcare insurance, management of emergency network and broadcasting of sport events between PT Portugal and its associate companies,
- services between HOT Telecom and Phi, its joint venture partner for mobile services.

The Group also entered into rental agreements for office space in France for the SFR Group with Quadrans, a company controlled by the ultimate beneficiary owner of the Group. The Group has an agreement for the exclusive use of a datacenter located in Switzerland which is owned by a company controlled by the controlling shareholder of the Group, for an amount of €2.8 million for the twelve months ended December 31, 2017. As part of the share purchase agreement signed on November 30, 2017 by Altice with INFRAVIA III for the sale of the shares of Green and Green Datacenter (see note 3.4 Assets held for sale), Green Datacenter has signed a share and purchase agreement with Anfa II Holding Sarl, a related party of the Company, for the acquisition of the shares of Green Datacenter Properties AG.

The Group licences the Altice brand from Next Alt S.à r.l. as part of a brand licence and service agreement concluded in 2016. As part of this agreement, the Group has the exclusive right to use the Altice brand for corporate identification purposes and commercial purposes in the telecommunication, content and media sectors. During 2017, the brand licence and service agreement was amended. Instead of a license fee, Next Alt was granted 30 million performance options under the new Performance Stock Option Plan (reference is made to this new grant in note 24). A total operating expense with its equity holder of €196.5 million and €59.9 million was recognised in the consolidated statement of income for the year ended December 31, 2017 and December 31, 2016, respectively.

Transactions with related parties are not subject to any guarantees. The table below shows a summary of the Group's related party transactions for the year, and outstanding balances as at December 31, 2017.

Related party transactions - income and expense	December 31, 2017			
(€m)	Revenue	Operating expenses	Financial expenses	Financial income
Equity holders	-	196.5	-	-
Executive managers	-	-	-	-
Associate companies and non-controlling interests	141.2	141.0	5.0	-
Total	**141.2**	**337.5**	**5.0**	**-**

Related party transactions - income and expense	December 31, 2016			
(€m)	Revenue	Operating expenses	Financial expenses	Financial income
Equity holders	-	59.9	-	-
Executive managers	-	-	-	-
Associate companies and non-controlling interests	129.6	95.7	-	3.4
Total	**129.6**	**155.6**	**-**	**3.4**

Related party balances - assets	December 31, 2017			December 31, 2016		
(€m)	Loans and receivables	Trade receivables and other	Current accounts	Loans and receivables	Trade receivables and other	Current accounts
Equity holders	11.3	97.7	-	-	-	-
Executive managers	-	-	-	-	-	-
Associate companies and non-controlling interests	72.6	42.3	11.4	119.4	31.4	-
Total	**83.9**	**140.0**	**11.4**	**119.4**	**31.4**	**-**

Related party balances - liabilities	December 31, 2017			December 31, 2016		
(€m)	Other financial liabilities	Trade payables and other	Current accounts	Other financial liabilities	Trade payables and other	Current accounts
Equity holders	-	43.0	0.3	-	-	29.7
Executive managers	-	-	-	-	-	-
Associate companies and non-controlling interests	-	198.7	0.4	302.1	6.8	-
Total	**-**	**241.7**	**0.7**	**302.1**	**6.8**	**29.7**

The increase in the related party transactions and balances for operating expenses, accounts receivables, accounts payables and revenues are mainly driven by transactions that the SFR Group and PT with its associate companies (please refer to note 8). These transactions were mainly related to telephony with La Poste Telecom, Fibroglobal - Comunicações Electrónicas, Siresp, Sport TV Portugal, VOD Factory, Synerail and Phi.

The revenue reported (for the year ended December 31, 2017) with associated companies and non-controlling interest mainly relate to:

- Fibroglobal - Comunicações Electrónicas for €2.9 million. The revenues are related to specialized works and the lease to Fibroglobal of ducts, posts and technical spaces through which its network passes;
- La Poste Telecom for mobile services delivered of €117.1 million; and
- Siresp for management of the emergency service network of €14.4 million.

The operating expense reported (for the year ended December 31, 2017) with associated companies and non-controlling interest mainly relate to:

- Fibroglobal - Comunicações Electrónicas for €8.3 million for fibre network infrastructure management. The operating expenses are related to a fee for any new customer installation and a monthly fee for PT's customer base through the network of Fibroglobal;
- La Poste Telecom the use of mobile services on their network of €10.8 million;
- Sport TV for broadcasting of sports events of €57.8 million. Sport TV was not a related party in 2016, hence zero related party operating expenses were recorded in 2016;
- VOD Factory for providing VOD services of €16.8 million; and
- Phi for operating expenses for a mobile network in Israel of €38.9 million.

In addition to this, for the year ended December 31, 2017, the Group recorded an operating expense of €52.8 million related to management fees invoiced and stock compensation expense by its controlling shareholder, Next Alt, as part of a brand license and services agreement enter into in 2016. It also includes the EU fine of €124.5 million with its ultimate parent Altice NV (note 30.2.1). In addition, an amount €32.5 million of rental expenses from Quadrans and €2.8 million of rental expenses from Green Datacenter Properties (both entities are majority owned by the Company's controlling shareholder) is included as operating expenses for the year ended December 31, 2017. As per December 31, 2017, a €4.0 million payable is outstanding and €11.3 million receivable is outstanding with Quadrans relating to rental of office space for the SFR Group.

The loans and receivables as of December 31, 2017 mainly relate to:

- Fibroglobal - Comunicações Electrónicas that provides fibre network and infrastructure management services to PT was granted a loan of €14.2 million;
- a loan receivable of €14.8 million with Synerail in relation to the GSMR project;
- subordinated loan with Wananchi of €43.0 million.
- rental agreements for office space in France for the SFR Group entered into by the Group with Quadrans, a company controlled by the ultimate beneficiary owner of the Group. The Group has a deposit of €11.3 million with Quadrans.

The decrease in other financial liabilities is mainly related to:

- repayment of a vendor note for a nominal amount of €100 million, bearing interest at 3.8% and due on May 24, 2017, relating to the acquisition of AMG by SFR Group from a company controlled by the controlling shareholder of the Group.

The trade payables and other mainly related to:

- increase in the payable to Phi from €42.7 million as per December 31, 2016 to €47.7 million as per December 31, 2017. Phi is the joint venture with Partner that operates a mobile network in Israel;
- Sport TV that provides broadcasting services of sport events to PT. PT has a trade payable of €6.9 million as of December 31, 2017;
- Portugal Telecom - Associação de Cuidados de Saúde: This company provides healthcare insurance for the PT active and retired employees. A trade payable of €6.6 million exists as of December 31, 2017;
- payable to Altice NV related to the EU fine of €124.5 million (note 30.2.1).

29. Contractual obligations and commercial commitments

The Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below. These contractual obligations listed below do not contain operating leases (detailed in note 19).

Unrecognised contractual commitments December 31, 2017	< 1 year	Between 1 and 2 years	Between 2 and 4 years	Five years or more	Total
Goods and service purchase commitments	574.1	384.4	588.3	400.5	**1,947.2**
Investment commitments	750.6	416.1	656.2	256.3	**2,079.1**
Guarantees given to suppliers/customers	51.0	14.1	32.1	68.0	**165.2**
Guarantees given to financial institutions	10.9	18.1	-	44.6	**73.6**
Guarantees given to government agencies	12.5	.5	4.3	67.0	**84.3**
Other commitments	54.5	2.1	3.3	71.9	**131.9**
Total	**1,453.6**	**835.2**	**1,284.2**	**908.4**	**4,481.3**

Unrecognised contractual commitments December 31, 2016	< 1 year	Between 1 and 2 years	Between 2 and 4 years	Five years or more	Total
Goods and service purchase commitments	488.0	308.0	550.8	607.1	**1,953.9**
Investment commitments	628.0	52.1	36.4	106.6	**823.2**
Guarantees given to suppliers/customers	4.9	0.4	2.5	64.8	**72.6**
Guarantees given to financial institutions	25.3	0.8	10.4	57.8	**94.3**
Guarantees given to government agencies	20.0	0.2	26.0	62.1	**108.3**
Other commitments	-	-	5.4	29.9	**35.3**
Total	**1,166.4**	**361.5**	**631.4**	**928.2**	**3,087.6**

29.1. Commitment to purchase goods and services

Commitments to purchase goods and services mainly refer to long term contracts that different operating entities have with suppliers of goods and services that are used to provide services to end customers:

- PT Portugal: commitments amounting to a total of €864.1 million include commitments to purchase inventory (mainly mobile phones, set-top-boxes and Home Gateways), commitments for other services, primarily related to maintenance contracts as well as commitments under football-related content agreements, namely:
    - agreements entered into in the end of 2015 for the acquisition of the exclusive broadcasting rights of home football games of several clubs (Porto, Vitória de Guimarães, Rio Ave, Boavista and Desportivo das Aves), including sponsorship agreement with Porto;
    - an agreement entered into with the other Portuguese telecom operators in July 2016 for the reciprocal sharing of broadcasting rights of football-related content for an eight year period, in accordance with which the acquisition cost of such rights is split between all operators based on their market share and accordingly PT Portugal has commitments to pay a portion of the acquisition cost of the rights acquired by its competitors based on PT Portugal's market share and is entitled to recharge other operators for a portion of the acquisition cost of its own exclusive rights based on the market share of such operators; and
    - a distribution agreement with the Portuguese sports premium channel (Sport TV) in July 2016, for a two-season period, in accordance with which PT Portugal is committed to pay a non-contingent fixed component.
- Altice Entertainment News and Sport: commitments include a total of €370 million related to content agreements, including mainly Discovery Communications and NBC Universal agreements.
- SFR Group had total commitments amounting to €319.9 million related to broadcasting rights.

29.2. Investment commitments

The commitments this year mainly refer to commitments made by different Group companies to suppliers of tangible and intangible assets (including content capex).

During 2017, the Group announced that it had successfully acquired the exclusive rights to broadcast the UEFA Champions League and UEFA Europa League in France. The rights cover the period from August 2018 to May 2021.

The investment commitments also include commitments made to government or local bodies to make certain investments in the context of Public-Private Partnerships ("PPP") entered by some subsidiaries of the Group. At SFR Group, a total of €785 million was committed to suppliers of tangible and intangible assets over a period of over five years. Additionally, a total of €394 million has been committed to PPPs entered between various local governments in France and SFR Group to connect houses with Fiber to the Home (FTTH) sockets and to deploy FTTH in moderately dense areas.

29.3. Guarantees given to suppliers/customers

This caption mainly consists of guarantees given to suppliers or customers by different Group companies as part of the normal course of the companies concerned.

29.4. Guarantees given to financial institutions

This caption mainly consists of bank guarantees given by different Group companies during their business. It mainly includes a commitment of €49.0 million made by SFR Group as part of a Public Private Partnership that it has entered with Vinci, AXA and TDF along with Réseau Ferré de France (R.F.F.).

29.5. Guarantees given to government agencies

This caption mainly consists of guarantees given by different Group companies to government agencies as part of their regular operations. At PT Portugal, guarantees to government agencies for an amount of €61.8 million include a guarantee granted to the Portuguese telecom regulator (Anacom) under the acquisition of the 4G license and bank guarantees related to tax litigation.

29.6. Other commitments and guarantees

This caption mainly consists of guarantees given by different Group companies during their business.

29.7. Other commitments

29.7.1. *Network sharing agreement*

In the mobile segment, the Group has signed network sharing agreements in several subsidiaries. In France, on January 31, 2014, SFR and Bouygues Telecom signed a strategic agreement to share their mobile networks. They will deploy a new shared-access mobile network in an area covering 57% of the population. The agreement allows the two operators to improve their mobile coverage and to achieve significant savings over time. The deployment of the RAN sharing has started in September 2015 and 8,933 sites have been deployed as of December 31, 2017. SFR consider that the agreement's commitments given amount to approximately €1,466 million and commitments received amount to approximately €1,829 million, which results in a net commitment received of approximately €362 million over the long term agreement period.

29.7.2. *Commitments linked to telecommunications activities*

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

30. Litigation

In the normal course of its activities, the Group is accused in a certain number of governmental, arbitration and administrative law suits. Provisions are recognised by the Group when management believe that it is more likely than not that such lawsuits shall incur expenses, and the magnitude of these expenses can be reliably estimated. Where the Group is not able to reliably measure the financial effect, the litigation is disclosed as a contingent liability.

The magnitude of the provisions recognised is based on the best estimate of the level of risk on a case-by-case basis, considering that the occurrence of events during the legal action involves constant re-estimation of this risk.

The Group is not aware of other dispute, arbitration, governmental or legal action or exceptional fact (including any legal action of which the issuer is aware, which is outstanding or by which it is threatened) that may have been, or is in, progress during the last months and that has a significant effect on the financial position, the earnings, the activity and the assets of the company and the Group, other than those described below.

This note details the Group's significant ongoing legal disputes as at December 31, 2017. Tax disputes as at December 31, 2017 are described in note 22.

30.1. France

30.1.1. *Complaint by Bouygues Telecom against SFR and Orange*

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

SFR appealed the decision. The case was heard by the Paris Court of Appeal on February 20, 2014. The Paris Court of Appeal rendered its judgment on June 19, 2014, dismissing SFR's appeal (the judgment was appealed to the Court of Cassation, the French Supreme Court, by SFR on July 9, 2014; on October 6, 2015, the Court of Cassation rejected SFR's appeal) and asked the European Commission to provide an Amicus Curiae to shed light on the economic and legal issues

raised by the case. The Court of Appeal postponed ruling on the merits of the case pending the Commission's opinion. The Commission rendered its opinion on December 1, 2014, which went against SFR. The hearing on the merits of the case was held on December 10, 2015. The Court of Appeal issued its ruling on May 19, 2016; it granted a 20% fine rebate to SFR due to the new nature of the infraction. The French treasury (Trésor Public) returned €13.144 million to SFR. SFR appealed on a point of law on June 20, 2016. As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, Omea Telecom and EI Telecom (NRJ Mobile) brought suit against SFR in the Commercial Court for damages. In accordance with the transaction between SFR and Bouygues Telecom in June 2014, the closing hearing of the conciliation proceedings was held on December 5, 2014. The motion for discontinuance granted on September 11, 2014 ended the legal action between the two companies. With respect to the claim by Omea Telecom (€67.9 million) and EI Telecom (€28.6 million), SFR applied for stay on a ruling pending the decision of the Paris Court of Appeal, and obtained it. Omea withdrew on May 24, 2016. EI Telecom decided to recommence its legal proceedings and updated its loss to €28.4 million. The procedure is pending.

30.1.2. *eBizcuss.com against Virgin*

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

30.1.3. *Complaint by NC Numericable to the French Competition Authority*

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

30.1.4. *Complaint by Orange Réunion and Orange Mayotte against SRR and SFR*

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

Orange Réunion, Orange Mayotte and Outremer Telecom filed a complaint with the French Competition Authority in June 2009 alleging unfair differential on-net/off-net pricing by SRR in the mobile telephony market on Mayotte and Réunion seeking conservatory measures from the Competition Authority. On September 15, 2009, the French Competition Authority announced provisional measures against SRR, pending its decision on the merits. SRR had to discontinue any price spread exceeding its actual "off-net/on-net" costs in the network concerned.

As the French Competition Authority found that SRR had not fully complied with its injunction, it fined SRR €2 million on January 24, 2012. In the proceedings on the merits, with regard to the “Consumers” component of the case, SRR requested and obtained a “no contest” on the complaints on July 31, 2013. On June 13, 2014, the Authority rendered its decision for the “Consumers” component of the case, fining SFR and its subsidiary SRR €45.9 million.

30.1.4.2. *Non-residential mobile telephony market in Mayotte and Réunion*

The SRR premises were raided and records seized on September 12, 2013. The operation focused on the non-residential mobile telephony market in Réunion and Mayotte and was also in response to the complaint filed by Outremer Telecom. SRR appealed to the Senior Justice of the Saint-Denis Court of Appeals of Réunion against the decision authorizing the operation and a second appeal against its procedure. On June 13, 2014, the Senior Justice of the Saint-Denis Court of Appeals of Réunion handed down an order rescinding all the seizures at SRR in September 2013. The Competition Authority appealed this order.

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

30.1.4.3. *Compensation disputes*

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

Outremer Telecom claimed €23.5 million in damages subject to adjustment for unfair practices by SRR in the consumer market in mobile telephony in La Réunion and Mayotte, and €1 million as damages in full for unfair practices by SRR in the business market in mobile telephony in La Réunion and Mayotte. Outremer withdrew from the proceedings against SRR and SFR on May 10, 2015.

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

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

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

On August 9, 2010, SFR filed a complaint against Orange with the Competition Authority for anticompetitive practices in the business mobile telephony services market. On March 5, 2015 the Competition Authority sent a notice of complaints to Orange. Four complaints were filed against Orange. On December 17, 2015, the Authority ordered Orange to pay a fine of €350 million.

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

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

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

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

On August 11, 2014, SFR also petitioned the District Court enforcement judge, who rendered his decision on May 18, 2015 by ordering SFR to pay €0.6 million (assessment of penalty for 118 abusive overflows). On July 24, 2017, Orange summoned SFR before the Paris Commercial Court in order to obtain the payment of €11.8 million by application of contractual penalty clauses concerning misbehaviors between July 2011 and July 2014. At the same date, Orange summoned Completel before the same Court, for the same reasons and basis, but for an amount of €9.7 million.

By pleadings dated January 30, 2018, SFR and Completel asked for a ruling deferment in order to await the Court of Cassation judgment (second semester of 2018). The upcoming proceeding hearing is scheduled in March 2018 for the conclusions of Orange on the ruling deferment.

30.1.7. *Orange against SFR and Bouygues Telecom (Sharing Agreement)*

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

In a decision dated September 25, 2014, the Competition Authority dismissed all of Orange's requested injunctions to stop SFR and Bouygues Telecom from implementing the agreement that they had signed to share part of their mobile networks. Orange appealed the Competition Authority's decision to dismiss its request for provisional measures. The Court of Appeal upheld this decision on January 29, 2015. Orange is now appealing the matter to the French Supreme Court. The Court of Cassation rendered a decision dismissing the appeal filed by Orange on October 4, 2016. The investigation of the merits continues.

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

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

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

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

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

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

Following a complaint from Bouygues Telecom, the Competition Authority officially opened an inquiry on October 5, 2015 to examine the conditions under which SFR Group performs its commitments relating to the joint investment agreement entered into with Bouygues Telecom to roll out fiber optics in very densely populated areas. A session before the Competition Authority board was held on November 22, and then on December 7, 2016.

On March 8, 2017, the Competition Authority imposed a financial sanction of €40 million against Altice and SFR Group, for not having respected the commitments set out in the "Faber Agreement" at the time of the SFR acquisition by Numericable. This amount was recognized in the financial statements as of December 31,2016 and was paid during the second quarter of 2017. The Competition Authority also imposed injunctions (new schedule including levels of achievement, with progressive penalty, in order to supply all the outstanding access points).

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

30.1.10. *Claim by Bouygues Telecom against NC Numericable and Completel*

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

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

In addition, in a counter-claim, NC Numericable and Completel are seeking €10.8 million in addition to the contractual interest as well as €24 million in royalties due for fiscal years 2015, 2016 et 2017. NC Numericable and Completel have made a new counterclaim based on the abrupt termination of business relations for an amount up to €32.6 million.

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

30.1.11. *Bouygues Telecom against SFR (Faber CCI)*

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

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

Bouygues Telecom alleged, until the introduction of this arbitration proceeding, that it suffered a prejudice. At this stage, Bouygues Telecom has not quantified its losses as part of the arbitration proceeding. SFR has made a counterclaim of €19 million for the outstanding balances of certain IRU. The Arbitration Court is being constituted.

30.1.12. *SCT against SFR*

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

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

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

30.1.13. *CLCV's summons and complaint against SFR*

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

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

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

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

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

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

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

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

In addition, the Court sentenced SFR to pay to Free Mobile €25 million as moral and material damage as a result of unfair competition made by disparagement. Accordingly, the Court sentences, as compensation, SFR to pay to Free Mobile €5 million as damages.

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

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

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

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

30.1.18. *Free against SFR*

In July 2015, Free filed suit against SFR in order to stop it from using the word "Fiber," claiming that the solution marketed by SFR is not a fiber to the home (FTTH) solution; Free considers SFR's communication to be deceptive about substantial qualities and, on that basis, is asking the court to find there is parasitism and unfair competition.
On January 19, 2018, the court rendered a decision. The decision condemn SFR to:

- €1 million as moral damages;
- Communicate, within 90 days following the date of the judgment notification, to each client having subscribed to SFR or Numericable, of an offer including the term « fibre » (excluding FTTH offers) on IT support and paper support information relating to : (i) the precise nature of its connection to optical fibre (ii) the number of subscribers sharing coaxial connection and (iii) the average connection speed at peak hours and off-peak hours.

- Inform, within 90 days following the date of the judgment notification, each client having subscribed to SFR or NC to an offer including the term « fibre » (excluding FFTH offers) that they benefit from a possibility of immediate termination to default of previous information about the exact characteristics of the offer.
- €0.1 million as article 700.

The Court considered having made a material error in failing to mention provisional enforcement in the judgment. Accordingly, the Court decided, by the judgment dated February 12, 2018, the provisional enforcement for all convictions in this case. Pending notification of judgments by Free, SFR prepares the summons in summary proceedings for the First President of the Court of Appeal in order to cease provisional enforcement in this case.

30.1.19. *Familles Rurales against SFR*

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

On November 12, 2015, SFR argued the nullity of the summon. On April15, 2016, the judge of the *Mise en Etat* declined the request of SFR by ordinance. On April 29, 2016, SFR appealed this ordinance to the Court of Appeals of Paris. On April 20, 2017, the Court of Appeals confirmed the ordinance of the judge of the *Mise en Etat*. On May 17, 2017, SFR deposited its second pleadings to the judge, to which Familles Rurales provided their responses on November 14, 2017. Families Rurales represents about thirty individual cases. They claim, based on the fact that ARCEP revealed dysfunctions on the 4G network of SFR in their department, that they were entitled to claim the repayment of their mobile phones and of their 4G subscription fees. Familles Rurales asked the Court to publish the relevant information in order to allow any subscriber to join this class action after the judgment and, thus, to obtain repayment of their mobile phones and 4G subscription fees. Familles Rurales requested a provision of €0.1 million. On February 27, 2018, the closing injunction was pronounced for SFR, followed by an audience with the judge of the mise en état on March 7, 2018, before the start of the hearing on the pleadings.

30.1.20. *Tracetel and Intermobility against SFR : Velib*

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

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

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

30.1.22. *Dispute with Orange concerning certain IRUs*

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

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

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

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

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

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

30.1.24. *Litigation between Sequalum and CG 92 regarding DSP 92*

A disagreement arose between the Hauts-de-Seine General Council ("CG92") and Sequalum regarding the terms of performance of a utilities public service concession contract ("THD Seine") signed on March 13, 2006 between Sequalum, a subsidiary of the Group, and the Hauts-de-Seine General Council; the purpose of this delegation was to create a very-high-speed fiber optic network in the Hauts-de-Seine region. The Hauts-de-Seine General Council meeting of October 17, 2014 decided to terminate the public service delegation agreement signed with Sequalum "for misconduct by the delegatee for whom it is solely responsible".
Pursuant to two decisions rendered on March 16, 2017, the Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum against two enforcement measures issued by the department of Hauts-de-Seine in respect of penalties, for amounts of €51.6 million and €45.1 million. Sequalum appealed the two decisions before the Administrative Court of Versailles, but paid the amount of €97 million over the month of July 2017.

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

In turn, the department of Hauts-de-Seine received the returnable assets of the DSP on July 1, 2015. Furthermore, the General Council will have to pay compensation to Sequalum, which essentially corresponds to the net value of the assets. On October 16, 2014, Sequalum filed a motion in the Administrative Court of Cergy Pontoise requesting the termination of the public service concession because of *force majeure* residing in the irreversible disruption of the structure of the contract, with the resulting payment of compensation in Sequalum's favor.

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

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

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

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

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

30.1.25. *Litigation between SFR Group and TF1 to the CSA*

On April 25, 2017 SFR Group (SFR and NC Numericable) filed with the French media regulator (CSA) a request for settlement of a dispute with regard to the distribution of channel television named T.F.1. TF1 Group consider the subscription of a unique global commercial offer named "TF1 Premium" as a prerequisite of the distribution of free services on TNT. This subscription will bind TF1 Group's linear and non-linear services and will lead to the payment by SFR of a significant amount as consideration for having access to the distribution rights of TF1 channels. The estimated cost of the subscription to "TF1 Premium" is more than € 16 million per year. SFR refusal of this offer will conduct TF1 Group to end the services broadcast authorization on July 28, 2017. Following the reaching of a settlement with TF1 group, SFR withdrew its request on November 7, 2017. On November 22, 2017, the CSA gave notice to SFR and TF1 of the abandonment of all of the requests submitted to it as part of settlement. Henceforth, the proceedings are closed.

30.1.26. *Claim by TF1 Group against SFR group (the Nanterre Superior Court)*

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

On August 2 and 3, 2017, SFR group, SFR and NC Numericable filed a summons for urgent proceedings before the Nanterre superior court, TF1 distribution, e-TF1, Télévision Française 1,Télé Monte Carlo, NT1, HD1 and LCI news channel in order:

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

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

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

In parallel, on July 31, 2017, TF1 Group filed a complaint against SFR Group for counterfeiting before the senior justice of Nanterre district. The claim for compensation amounts €1.8 million. Following a settlement, SFR and TF1 Group withdrew all of their actions before the relevant courts (Court of Appeals of Versailles, Nanterre Commercial Court, Nanterre First Instance Court).

30.1.27. *Canal Plus Group (GCP) against SFR and NC Numericable*

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

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

GCP requested the termination of the above under financial penalty of thirty thousand euros per day, and damages in the amount of €174 million. SFR and NC Numericable submitted their pleadings on January 26, 2018. The case was referred to the Court hearing of March 9, 2018 for the deposit of pleadings in response of GCP. The Group wholly contests the claims made by GCP.

30.2. Portugal

30.2.1. *European Commission's Investigation*

After having approved the acquisition of PT Portugal by the Group on April 20, 2015, the European Commission initiated an investigation into infringement by the Group of the obligation of prior notification of concentrations under Article 4(1) of the Merger Regulation and/or of the stand-still obligation laid down in Article 7(1) of the Merger Regulation. The European Commission issued a statement of objections on May 18, 2017, informing the Group of the objections raised against it. The issuance of a statement of objections does not prejudge the outcome of the investigation and does not affect the approval granted by the European Commission for the acquisition of PT Portugal by the Group. The Group disagrees with the European Commission's preliminary conclusions and submitted on August 18, 2017 its answer to the statement of objections, in which it challenged each of the Commission's claims. A hearing took place in Brussels on September 21, 2017.

On April 24, 2018, the European Commission has notified the Group of its decision to impose upon it a fine for an amount of €124.5 million. The Commission found that the Group infringed the prior notification obligation of a concentration under Article 4(1) of the EU Merger Regulation, and the stand-still obligation under Article 7(1) of the EU Merger Regulation. The Group fully disagrees with the Commission's decision, and in particular, it considers that this case differs entirely from the French Numéricable/SFR/Virgin gun jumping case, in which the Group had agreed not to challenge the allegations brought against it. In the Group's opinion, the transaction agreement governing the management of the target during the pre-closing period provided the Group with a consultation right on certain exceptional matters relating to PT Portugal and was in accordance with well-established M&A market practice.

Further, the Group considers that the elements in the Commission's file do not establish the exercise of influence, as alleged by the Commission, by the Group over PT Portugal's business conduct neither prior to the merger notification to the Commission nor prior to the Commission's clearance. Besides, the Group's right to a due process was violated in several respects during the Commission's proceedings, in particular related to the investigation conducted by the Commission.

The Group will file an appeal against the Commission's decision before the EU General Court to request that the decision as a whole be annulled or, at the very least, that the sanction be significantly reduced. The Commission's decision does not affect the approval granted by the European Commission on April 20, 2015 for the acquisition of PT Portugal by the Group.

As of December 31, 2017, a liability of €124.5 million is recorded at Altice Portugal, at it is the acquiring entity of PT Portugal.

30.2.2. *Optimus - Interconnection agreement*

This legal action is dated from 2001 and relates to the price that Telecomunicações Móveis Nacionais ("TMN", PT Portugal's mobile operation at that time) charged Optimus - Comunicações S.A. ("Optimus", one of MEO's mobile competitors at that time, currently NOS) for mobile interconnection services, price that Optimus did not agree with. TMN transferred to PT Comunicações (PT Portugal's fixed operation at that time, currently named MEO) the receivables from Optimus, and subsequently PT Comunicações offset those receivables with payables due to Optimus. NOS argues for the annulment of the offset made by PT Comunicações and accordingly claims from PT Comunicações the settlement of the payables due before the offset plus accrued interest. In August 2015, the court decided that the transfer of the interconnection receivables from TMN to PT Comunicações and consequently the offset of those receivables with payables due by PT Comunicações to Optimus were not legal and therefore sentenced MEO to settle those payables plus interest up to date in the total amount of approximately €35 million. MEO appealed from this decision in October 2015 to the Court of Appeal of Lisbon. In September 2016, MEO was notified of the decision from the Court of Appeal of Lisbon, which confirmed the initial ruling against MEO, as a result of which MEO decided to appeal to the Supreme Court. On March 13, 2017, MEO was notified of the Supreme Court's decision of dismissal of its appeal and as a result MEO decided to appeal to the Constitutional Court. In January 8, 2018, MEO was notified of the Constitutional Court decision of dismissal of the appeal, after which MEO appealed to the Constitutional Court Conference. MEO has already been notified that the Constitutional Court Conference did not accept and consequently will not analyze the appeal.

30.2.3. *TV Tel - Restricted access to the telecommunication ducts*

In March 2004, TV TEL Grande Porto - Comunicações, S.A. ("TVTEL", subsequently acquired by NOS), a telecommunications company based in Oporto, filed a claim against PT Comunicações in the Lisbon Judicial Court. TV TEL alleged that, since 2001, PT Comunicações has unlawfully restricted and/or refused access to its telecommunication ducts in Oporto, thereby undermining and delaying the installation and development of TV TEL's telecommunications network. TV TEL is claiming an amount of approximately €15 million from MEO for damages and losses allegedly caused and yet to be sustained by that company as a result of the delay in the installation of its telecommunications network in Oporto. PT Comunicações submitted its defence to these claims in June 2004, stating that (1) TV TEL did not have a general right to install its network in PT Comunicações's ducts, (2) all of TV TEL's requests were lawfully and timely responded to by PT Comunicações according to its general infra-structure management policy, and (3) TV TEL's claims for damages and losses were not factually sustainable. After an initial trial and as a result of a judicial decision, it was decided to schedule a new trial to appreciate new facts on this matter. In the end of 2016, MEO was notified to present the list of witnesses, which it did and the witnesses were heard in the trial that took place in April and May 2017. In September

2017, MEO was notified of a unfavourable decision to its interest, for which MEO has adequate provisions for the risk associated with this action. Nevertheless, MEO has filed an appeal from this decision.

30.2.4. *Anacom litigation*

MEO has several outstanding proceedings filed from Anacom, for some of which MEO has not yet received formal condemnations. This litigation includes matters such as the violation of rules relating to portability, TDT, the non-compliance of obligations under the universal service (fixed voice and public phones) and restricting the access to phone numbers starting at 760. Historically, MEO paid amounts significantly lower than the administrative fines set by Anacom in final decisions. The initial value of the proceedings is normally set at the maximum applicable amount of the administrative fine until the final decision is formally issued.

30.2.5. *Zon TV Cabo Portugal – Violation of portability rules*

Zon TV Cabo Portugal (currently NOS) claims that MEO has not complied with the applicable rules for the portability of fixed numbers, as a result of which claims for an indemnity of €22 million corresponding to profits lost due to unreasonable rejections and the delay in providing the portability of the number. An expert indicated by each party and a third party expert evaluated this matter and presented the final report to the court, which decided to change the scope of the work to be performed by the experts, and accordingly the action moved back again and the parties are still discussing the revised fees for the experts. MEO has also filed a claim against NOS regarding portability compensations.

30.2.6. *Optimus - Abuse of dominant position in the wholesale market*

In March 2011, Optimus filed a claim against MEO in the Judicial Court of Lisbon for the payment of approximately €11 million, as a result of an alleged abuse of dominant position by MEO in the wholesale offer. Optimus sustained its position by arguing that they suffered losses and damages as a result of MEO's conduct. In 2016, the court decided entirely in favour of MEO. In 2016, the court decided entirely in favour of MEO and during the first quarter of 2017 MEO was informed that NOS/Optimus would not file an appeal regarding the matter that was under discussion.

30.2.7. *Municipal taxes and rights-of-way*

Pursuant to a statute enacted on August 1, 1997, as an operator of a basic telecommunications network, MEO was exempt from municipal taxes and rights-of-way and other fees with respect to its network in connection with its obligations under the Concession. The Portuguese Government has advised MEO in the past that this statute confirmed the tax exemption under MEO's former Concession and that it will continue to take the necessary actions in order for MEO Comunicações to maintain the economic benefits contemplated by the former Concession.

Law 5/2004, dated 10 February 2004, established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators which network infra-structures are located in each such municipality. Meanwhile, Decree-Law 123/2009, dated 21 May 2009, clarified that no other tax should be levied by the municipalities in addition to the tax established by Law 5/2004. This interpretation was confirmed by the SupremeAdministrative Court of Portugal in several legal actions. Some municipalities continue to perceive that the Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish, because Law 5/2004 is not applicable to the public municipality domain.

Currently, there are legal actions with some municipalities regarding this matter and some of the municipalities have initiated enforcement proceedings against MEO to demand the payment of those taxes.

30.2.8. *Invesfundo II - Disposal of plots of land*

Invesfundo II, acquired from one of MEO's former pension fund assets, has a group of plots of land for a total amount of €41 million, including one plot of land that Invesfundo II argues was not MEO's property, as a result of which Investfund II had to acquire that plot of land from a third party for €4 million, amount that is claiming from MEO. The parties are waiting for a judicial decision.

31. Going concern

As of December 31, 2017, the Group had net current liability position of €4,680.9 million (mainly due to trade payables amounting to €7,103.2 million) and a negative working capital of €2,201.0 million. During the year ended December 31, 2017, the Group registered a net loss of €1,619.7 million and generated cash flows from operations of €4,543.8 million.

As of December 31, 2017, the Group had a negative equity position of €2,904.7 million compared to a negative equity positions of €1,161.1 million as at December 31, 2016.

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 under standard commercial terms, thus generating a negative working capital. This is evidenced by the difference in the level of receivables and payables; €4,440.8 million compared to €7,103.2 million for the year ended December 31, 2017, as compared to €4,237.3 million and €6,637.0 million for the year ended December 31, 2016. Payables due the following month are covered by revenues and cash flows from operations (if needed).

As of December 31, 2017, the Group's short-term borrowings mainly comprised of debentures of HOT Telecom €199.0 million and a €135.1 million loan with financial institutions of Altice Financing which are due within the next twelve months. The remainder of the short-term obligations are expected to be covered by the operating cash flows of the operating subsidiaries. As of December 31, 2017, total revolving credit facilities amount to €2,236.0 of which an aggregate of €120.0 million was drawn. A listing of available credit facilities by silo is provided in note 16 in the Consolidated Financial Statements and the amounts available per segments are sufficient to cover the short-term debt and interest expense needs of each of these segments if needed.

Given the above, the Board of Directors has considered the following elements in determining that the use of the going concern assumption is appropriate:

- The Group has a strong track record of generating positive adjusted EBITDA and operating cash flows:
  - Adjusted EBITDA amounted to €5,894.8 million, a decrease of 0.4% compared to the same period last year.
  - Operating cash flows for the year ended December 31, 2017 were €4,543.8 million, an decrease of 8.7% compared to the year ended December 31, 2016 (€4,976.3 million).
- The Group had healthy unrestricted cash reserves €753.2 million as of December 31, 2017, compared to €719.9 million as of December 31, 2016, which would allow it to cover any urgent cash needs. The Group can move its cash from one segment to another under certain conditions as allowed by its debentures and debt covenants. Cash reserves in operating segments carrying debt obligations were as follows:
  - France: €451 million
  - Altice International: €253 million
- Additionally, as of December 31, 2017, the Group had access to revolving credit facilities of up to €2,236.0 million (of which €120.0 million was drawn as of December 31, 2017) and has access to an equity market where it can issue additional equity.

The Group's senior management team tracks operational key performance indicators (KPIs) on a weekly basis, thus tracking top line trends closely. This allows the Board of Directors and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and help to ensure that the budgeted targets are met.

Based on the above, the Board is of the view that the Group will continue to act as a going concern for at least twelve months after December 31, 2017 and has hence deemed it appropriate to prepare the Consolidated Financial Statements using the going concern assumption.

New strategy of Altice Luxembourg

At the core of Altice Luxembourg's strategy is a return to revenue, profitability and cash flow growth and, as a result, deleveraging. Altice Luxembourg benefits from a unique asset base which is fully-converged, fiber rich, media rich, active

across consumers and businesses and holds number one or number two positions in each of its markets with nationwide coverage. The reinforced operational focus offers significant value creation potential.

In parallel, Altice Luxembourg is advancing with its preparations for the disposal of non-core assets. On February 12, 2018, the Company sold its telecommunications solutions business and data center operations in Switzerland (green.ch AG and Green Datacenter AG) to InfraVia Capital Partners for an amount of approximately CHF 214 million (approximately €182.8 million). On March 12, 2018, the Company announced that it 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, Portugal and the Dominican Republic. In addition, the sales process to dispose of the Dominican Republic and Portuguese Towers is underway, with the signing of an agreement expected during the first half year of 2018.

Key elements of the Altice Luxembourg's growth and deleveraging strategy include:

- the operational and financial turnaround in Portugal under the leadership of the new local management teams;
- optimizing the performance in each market with a particular focus on customer services;
- continuing to invest in best-in-class infrastructure commensurate with Altice Luxembourg's market position;
- monetizing content investments through various pay TV models and growing advertising revenue; and
- the execution of the non-core asset disposal program.

Based on the above, the Board is of the view that the new strategy will have a positive effect on Altice Luxembourg's profitability and financial structure and further confirms the view that the Company will continue to act as a going concern for at least twelve months after December 31, 2017.

32. Events after the reporting period

32.1. Separation of Altice USA from its controlling stockholder, Altice N.V.

On January 8, 2018, Altice N.V. announced that its Board - after due and careful consideration of several options - has approved plans for the separation of Altice USA from the Company (which will be renamed "Altice Europe"). The separation will enable each business to focus more on the distinct opportunities for value creation in their respective markets and ensure greater transparency for investors. Altice N.V. aims to complete the proposed transaction by the end of the second quarter 2018 following regulatory and the General Meeting's approvals.

In the spirit of enhanced accountability and transparency, Altice N.V. will reorganize its structure comprising Altice France (including the French Overseas Territories), Altice International and a newly formed Altice TV subsidiary. This will include integrating the Group's support services businesses into their respective markets and bundling Altice Europe's premium content activities into one separately funded operating unit with its own P&L. Altice N.V.'s ownership of Altice Technical Services US was transferred to Altice USA prior to completion of the separation for a nominal consideration.

The proposed transaction is designed to create simplified, independent and more focused European and US operations to the benefit of their respective customers, employees, investors and other stakeholders. In particular, the proposed separation will result in:

- two long-term investment opportunities defined by different market dynamics, industrial strategies and regulatory regimes;
- dedicated management teams with enhanced focus on execution in their respective markets, in each case led by founder and controlling shareholder Patrick Drahi;
- simplified, more efficient and dynamic operating and financial structures with clear, distinct targets;
- enhanced transparency into each company's unique value drivers and elimination of intercompany relationships, and;
- preserved balance sheet strengths of each company as both businesses benefit from long-term capital structures, no meaningful near-term debt maturities and strong liquidity.

32.2. Closing of the Green transaction

On February 12, 2018, the Group completed the sale of its telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, to InfraVia Capital Partners.

32.3. Sale of the international wholesale voice carrier business

On March 12, 2018, the Company announced that it 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, Portugal and the Dominican Republic.

32.4. European Commission's Investigation

On April 24, 2018, the European Commission has notified the Group of its decision to impose upon it a fine for an amount of €124.5 million. The Commission found that the Group infringed the prior notification obligation of a concentration under Article 4(1) of the EU Merger Regulation, and the stand-still obligation under Article 7(1) of the EU Merger Regulation. The Group fully disagrees with the Commission's decision and will file an appeal against the Commission's decision before the EU General Court to request that the decision as a whole be annulled or, at the very least, that the sanction be significantly reduced (see note 30.2.1).

32.5. Exercise call option ATS

In April 2018, the Group has exercised the call option for the acquisition of 49% in ATS for a fixed price of €147 million, carrying interest at an annual rate of EURIBOR 1 month plus 3.5%. This amount will be paid in November 2018. As a result of the exercise of the call option, the company ownership in ATS increased to 100%.

33. List of entities included in the scope of consolidation

The table on the following pages provides a list of all entities consolidated into the Group's financial statements. The method of consolidation is provided; fully consolidated ("FC") or consolidated using the equity method ("EM"), as is the percentage of capital held by the Group and the entity's country of incorporation.

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Altice Luxembourg S.A	Luxembourg	Parent Entity	Parent Entity
2 SIP S.A.S.	France	FC	90.7%
A Nous Paris S.A.S	France	FC	90.7%
Alsace Connexia S.A.S.	France	FC	63.5%
Altice Africa S.à r.l	Luxembourg	FC	100.0%
Altice B2B France S.A.S.	France	FC	90.7%
Altice Bahamas S.à r.l	Luxembourg	FC	100.0%
Altice Blue Two S.A.S.	France	FC	100.0%
Altice Caribbean S.à r.l	Luxembourg	FC	100.0%
Altice Content Luxembourg S.A.	Luxembourg	FC	68.9%
Altice Content S.à r.l	Luxembourg	FC	100.0%
Altice Customer Services S.à r.l	Luxembourg	FC	65.0%
Altice Entertainment News & Sport Lux S.à r.l	Luxembourg	FC	100.0%
Altice Entertainment News & Sport S.A.	Luxembourg	FC	100.0%
Altice Financing S.A.	Luxembourg	FC	100.0%
Altice Finco S.A.	Luxembourg	FC	100.0%
Altice France Bis S.à r.l. (now Altice Luxembourg FR Bis S.à r.l.)	Luxembourg	FC	100.0%
Altice France S.A. (now Altice Luxembourg FR S.A.)	Luxembourg	FC	100.0%
Altice Dominicana, S.A.	Dominican Republic	FC	100.0%
Altice Holdings S.à r.l	Luxembourg	FC	100.0%
Altice International S.à r.l	Luxembourg	FC	100.0%
Altice Labs, S.A.	Portugal	FC	100.0%
Altice Management International S.A.	Switzerland	FC	100.0%
Altice Media Events S.A.S.	France	FC	90.7%
Altice Media Publicite S.A.S.	France	FC	90.7%
Altice Picture S.à r.l	Luxembourg	FC	100.0%

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Altice Portugal, S.A.	Portugal	FC	100.0%
Altice Teads S.A.	Luxembourg	FC	98.5%
Altice Technical Services S.A.	Luxembourg	FC	51.0%
Altice West Europe S.à r.l.	Luxembourg	FC	100.0%
Ariège Telecom S.A.S.	France	FC	90.7%
Atento Maroc S.A.	Morocco	FC	65.0%
Auberimmo S.A.S.	France	FC	100.0%
Audience Square S.A.S.	France	EM	16.2%
Auto Venda Já, S.A.	Portugal	EM	50.0%
B3G International B.V.	Netherlands	FC	90.7%
BFM Business TV SASU	France	FC	33.6%
BFM Paris SASU	France	FC	33.6%
BFM Sport SASU	France	FC	33.6%
BFMTV SASU	France	FC	33.6%
BRTLC Holding S.A (previously Portugal Telecom Brasil, S.A.)	Portugal	FC	100.0%
Business FM SASU	France	FC	33.6%
Buyster S.A.	France	EM	22.9%
Buzzeff Holding	Luxembourg	FC	16.5%
Cap Connexion S.A.S.	France	FC	90.7%
CID S.A.	France	FC	90.7%
City Call Ltd	Mauritius	FC	98.0%
Coalition Group SAS	France	EM	22.7%
Coditel Holding II S.à r.l.	Luxembourg	FC	84.4%
Coditel Holding Lux II S.à r.l	Luxembourg	FC	84.4%
Coditel Holding Lux S.à r.l	Luxembourg	FC	84.4%
Coditel Holding S.A.	Luxembourg	FC	84.4%
Coditel Management S.à r.l	Luxembourg	FC	84.4%
Completel S.A.S.	France	FC	90.7%
Comstell S.A.S.	France	FC	45.3%
Contact Cabo Verde - Telemarketing E Serviços De Informação, S.A.	Portugal	FC	100.0%
Cool Holdings Limited S.A.	Israel	FC	100.0%
CPA Lux S.à r.l.	Luxembourg	FC	100.0%
Debitex Telecom S.A.S.	France	FC	90.7%
Decovery S.A.S	France	FC	90.7%
Deficom Telecom S.à r.l.	Luxembourg	FC	74.0%
Diversite TV France S.A.S.	France	FC	17.2%
Emashore S.A.	Morocco	FC	65.0%
Ericsson Inovação S.A.	Portugal	EM	49.0%
ERT Holding France S.A.S.	France	FC	28.5%
ERT Luxembourg S.A.	Luxembourg	FC	28.5%
ERT Technologies S.A.S.	France	FC	28.5%
Eure Et Loir Thd S.A.S.	France	FC	90.7%
Fischer Telecom S.A.S.	France	EM	30.8%
FOD SND	France	FC	90.7%
Foncière Rimbaud 1 S.A.S.	France	EM	45.3%
Foncière Rimbaud 2 S.A.S.	France	EM	45.3%
Foncière Rimbaud 3 S.A.S.	France	EM	45.3%
Foncière Rimbaud 4 S.A.S.	France	EM	45.3%
Foncière Velizy Sci	France	FC	90.7%
Forum De L'investissement S.A.	France	FC	90.7%
Futur Telecom S.A.S.	France	FC	90.7%
Global Interlink, LTD.	Bahamas	FC	100.0%
Gravelines Network S.A.S.	France	FC	90.7%
Green Datacenter AG	Switzerland	FC	100.0%
green.ch AG	Switzerland	FC	100.0%
Groupe L'express S.A. (Ex-Groupe Altice Media)	France	FC	90.7%
Groupe News Participations S.A.S.	France	FC	33.8%
Groupe Outremer Telecom	France	FC	98.0%
Groupe Tests Holding SASU	France	FC	33.6%
H. Hadaros 2012 Ltd	Israel	FC	100.0%
Haut-Rhin Telecom S.A.S.	France	FC	90.7%
Holco A S.A.S.	France	FC	90.7%
Holco B S.A.S.	France	FC	90.7%

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Hot Eidan Israel Cable System 1987 Ltd	Israel	FC	100.0%
Hot Mobile Ltd	Israel	FC	100.0%
Hot Net Internet Services Ltd	Israel	FC	100.0%
Hot Telecom Ltd	Israel	FC	100.0%
Hot Telecom Ltd Partnership	Israel	FC	100.0%
Hot Telecommunications Systems Ltd	Israel	FC	100.0%
Hungaro Digitel Kft (Hdt)	Portugal	EM	44.6%
I24 News France	France	FC	90.7%
I24 News S.à r.l.	Luxembourg	FC	90.7%
Icart S.A.S.	France	FC	28.5%
Informatique Telematique Ocean Indien SARL	France	FC	50.0%
Infracos S.A.S.	France	JO	50.0%
Inolia S.A.	France	FC	54.4%
Inovendys S.A.	Morocco	FC	65.0%
Intelcia Cameroun S.A.	Cameroon	FC	45.5%
Intelcia Cote d'Ivoire	Cote d'Ivoire	FC	65.0%
Intelcia France S.A.S.	France	FC	65.0%
Intelcia Group S.A.	Morocco	FC	65.0%
Intelcia Senegal S.A.S.	Senegal	FC	65.0%
Iris 64 S.A.S.	France	FC	63.5%
Irisé S.A.S.	France	FC	22.7%
Isère fibre SASU	France	FC	90.7%
Isracable Ltd	Israel	FC	100.0%
Janela Digital-Informática E Telecomunicações, Lda	Portugal	EM	50.0%
La Banque Audiovisuelle S.A.S.	France	FC	33.6%
La Poste Telecom S.A.S.	France	EM	44.4%
LD Communications Italie Srl	Italy	FC	90.7%
LD Communications Suisse SA	Switzerland	FC	90.7%
L'express Ventures S.A.S.	France	FC	62.1%
Liberation Medias SARL	France	FC	90.7%
Liberation SARL	France	FC	90.7%
Loiret Thd S.A.S.	France	FC	90.7%
Ltbr S.A.	France	FC	90.7%
Macs Thd S.A.S.	France	FC	90.7%
Manche Telecom S.A.S.	France	FC	63.5%
Martinique TV Cable SA	France	FC	100.0%
MCS S.A.S.	France	FC	100.0%
Medi@Lys S.A.S.	France	FC	63.5%
Media Consumer Group S.A.	France	FC	90.7%
Meo-Serviços De Comunicações E Multimédia, S.A.	Portugal	FC	100.0%
Middle East News Ltd	Israel	FC	90.7%
Milibris S.A.	France	FC	100.0%
Mobius S.A.S.	France	FC	100.0%
Moselle Telecom Part. S.A.S.	France	FC	50.8%
Moselle Telecom S.A.S.	France	FC	35.4%
Multicert - Serviços De Certificação Electrónica, S.A.	Portugal	EM	20.0%
NC Numericable S.A.S.	France	FC	90.7%
NEW POST - Atividades e serviços de telecomunicações, de linha de apoio e de administração e operação de sistemas, A.C.E.	Portugal	FC	51.0%
Newco B SASU	France	FC	33.6%
Newco C SASU	France	FC	33.6%
Newco E SASU	France	FC	33.6%
Newco G SASU	France	FC	33.6%
Newsco Mag S.A.S	France	FC	90.7%
Next Pictures SASU	France	FC	33.6%
Nextdev SASU	France	FC	33.6%
Nextinteractive SASU	France	FC	33.6%
Nextprod S.A.S.	France	FC	33.6%
Next Radio TV SA	France	FC	33.6%
Nextrégie SASU	France	FC	33.6%
Numergy S.A.S.	France	FC	90.7%
Numericable US LLC	USA	FC	90.7%
Numericable US S.A.S.	France	FC	90.7%

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Ocealis S.A.S.	France	EM	22.7%
Oise Numérique S.A.S.	France	FC	90.7%
Omer Telecom Ltd	UK	FC	90.7%
OMT Invest S.A.S	France	FC	100.0%
OMT Océan 1	France	FC	100.0%
OMT Océan 2	France	FC	100.0%
Opalys Telecom S.A.S.	France	FC	90.7%
Open Labs Pesquisa E Desenvolvimento Ltda	Portugal	FC	100.0%
Openidea, Tecnologias De Telecomunicações E Sistemas De Informação Lda (Angola)	Portugal	FC	100.0%
Openidea Tecnologias De Telecomunicações E Sistemas De Informação, S.A.	Portugal	FC	100.0%
OpenLabs SA (Brazil) (previously Portugal Telecom Inovação Brasil, S.A.)	Portugal	FC	100.0%
OPS S.A.S.	France	FC	98.0%
Outremer Télécom SAS	France	FC	98.0%
Outremer-Telecom Ltee	Mauritius	FC	98.0%
Outremer-Telecom Madagascar	Madagascar	FC	98.0%
Pays Voironnois Network SAS	France	FC	90.7%
Phi	Israel	EM	50.0%
Pho Holding SASU	France	FC	17.2%
PMP Holding S.A.S.	France	FC	90.7%
Prélude et Fugue SAS	France	FC	90.7%
Portugal Telecom Data Center, S.A.	Portugal	FC	100.0%
Presse Media Participations S.A.S.	France	FC	90.7%
Previsão-Sociedade Gestora De Fundos De Pensões, Sa	Portugal	FC	82.1%
PT Blueclip -Serviços De Gestão, S.A.	Portugal	FC	100.0%
PT Cloud E Data Centers, S.A.	Portugal	FC	100.0%
PT Contact-Telemarketing E Serviços De Informação, S.A.	Portugal	FC	100.0%
PT Imobiliária, Sa	Portugal	FC	100.0%
PT Móveis, Sgps, Sa	Portugal	FC	100.0%
BRTLC Media, Ltda. (previously Pt Multimédia.Com Brasil, Ltda.)	Portugal	FC	100.0%
PT Pay, S.A.	Portugal	FC	100.0%
PT Portugal, Sgps, S.A.	Portugal	FC	100.0%
PT Prestações - Mandatária De Aquisições E Gestão De Bens, S.A.	Portugal	FC	100.0%
PT Sales - Serviços De Telecomunicações E Sistemas De Informação, S.A.	Portugal	FC	100.0%
Rennes Métropole Telecom S.A.S.	France	FC	90.7%
Rhon'telecom S.A.S.	France	FC	30.6%
Rimbaud Gestion B Sci	France	FC	90.7%
RMC - BFM Production SASU	France	FC	33.6%
RMC BFM Edition SASU	France	FC	33.6%
RMC Découverte S.A.S.	France	FC	33.6%
RMC S.A. Monegasque	France	FC	33.6%
RMC Sport SASU	France	FC	33.6%
Sadotel S.A.S.	Dominican Republic	FC	30.6%
Sequalum Participation S.A.S.	France	FC	86.2%
Sequalum S.A.S.	France	FC	90.7%
SFCM S.A.	France	FC	90.7%
SFR Business Distribution (Ex. Cinq Sur Cinq SA)	France	FC	90.7%
SFR Business Morocco S.A. (Ex. Telindus Morocco Sa)	Morocco	FC	90.7%
SFR Collectivités S.A.	France	FC	90.6%
SFR Développement S.A.S.	France	FC	90.7%
SFR Distribution (Ex. SFD S.A.)	France	FC	90.7%
SFR Group S.A. (now Altice France S.A.)	France	FC	90.7%
SFR Participation SAS	France	FC	90.7%
SFR Presse Distribution SAS	France	FC	90.7%
SFR Presse SAS	France	FC	90.7%
SFR S.A.	France	FC	90.7%
SFR Service Client S.A.	France	FC	65.0%
SHD S.A.	France	FC	90.7%
SIG 50 S.A.	France	FC	90.7%
Siresp, Gestão Redes Digitais Segurança E Emergência,S.A.	Portugal	EM	30.6%
Smartshore SARL	Morocco	FC	65.0%
SNC Les Manguiers	France	FC	100.0%
SNTC	France	FC	90.6%

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Sofialys S.A.S.	France	EM	21.6%
South Sharon Communications (1990) Ltd	Israel	FC	100.0%
Sport TV	Portugal	EM	25.0%
Sportinvest Multimedia SA	Portugal	EM	50.0%
Sportinvest Multimédia, Sgps, S.A.	Portugal	EM	50.0%
Sportscotv SASU	France	FC	33.6%
SRR SCS	France	FC	90.7%
Sud Partner SARL	France	EM	21.8%
Sudtel S.A.	Portugal	FC	35.7%
Synerail Construction S.A.S.	France	EM	36.3%
Synerail Exploitation S.A.S.	France	FC	54.4%
Synerail S.A.S.	France	EM	27.2%
TAT Ltd.	Israel	FC	26.0%
Teads Argentina SA	Argentina	FC	98.5%
Teads Brasil Solucoes Em Propaganda e Video Ltd	Brazil	FC	98.5%
Teads Canada Inc.	Canada	FC	98.5%
Teads Colombia SAS	Colombia	FC	98.5%
Teads Deutschland GmbH	Germany	FC	98.5%
Teads Espana SLU	Spain	FC	98.5%
Teads France SAS	France	FC	98.5%
Teads Inc.	USA	FC	98.5%
Teads Italia SRL	Italy	FC	98.5%
Teads Japan	Japan	FC	98.5%
Teads Korea	Korea	FC	98.5%
Teads Latam LLC	USA	FC	98.5%
Teads Ltd	UK	FC	98.5%
Teads Mexico SA de CV	Mexico	FC	98.5%
Teads Rus LLC	Russia	FC	98.5%
Teads S.A.	Luxembourg	FC	98.5%
Teads Schweiz Gmbh	Switzerland	FC	98.5%
Teads Sing. Pte	Singapore	FC	98.5%
Teads Studio Ltd	United Kingdom	FC	98.5%
Teads Studio SRL	Romania	FC	98.5%
Technologues Culturels S.A.S.	France	FC	90.7%
Teloise S.A.S.	France	FC	63.5%
The Marketing Group S.A.S.	France	FC	65.0%
TME France S.A.	France	FC	90.7%
Tnord S.A.	Portugal	FC	30.6%
TRC Belgium Sprl	Belgium	FC	28.5%
Tricom, S.A.	Dominican Republic	FC	100.0%
TWW S.A.	Morocco	FC	65.0%
Valofibre S.A.S.	France	FC	90.7%
Vod Factory S.A.S.	France	EM	36.3%
WLL Antilles Guyane S.A.S.	France	FC	98.0%
WLL Réunion S.A.S.	France	FC	98.0%
WMC S.A.S.	France	FC	33.6%
World Satellite Guadeloupe S.A.	France	FC	100.0%
Ypso Finance S.à r.l.	Luxembourg	FC	90.7%
Ypso France S.A.S.	France	FC	90.7%
S.G.P.I.C.E., S.A. (previously Yunit Serviços, S.A.)	Portugal	EM	33.3%
Zira Ltd.	Israel	EM	20.0%

To the Board of Directors and to the Sole Shareholder of

Altice Luxembourg S.A.

5 rue Eugène Ruppert

L-2453 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Altice Luxembourg S.A and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the "Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors‘ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “Réviseur d’Entreprises Agréé” to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “Réviseur d’Entreprises Agréé”. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de Révision Agréé*

David Osville, *Réviseur d’Entreprises Agréé*
Partner

[April 30, 2018]