

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Basis of Presentation

The discussion and analysis for each of the periods presented is based on the financial information derived from the unaudited condensed interim special purpose financial statements as of and for the six-month period ended June 30, 2023.

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

Disclaimers:

The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the unaudited special purpose financial statements of Altice France Holding S.A. (the "Company") as of and for the six-month period ended June 30, 2023, including the accompanying notes. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties.

The Company is the holding company that is the sole shareholder (less one share) of the Altice France group (the "Group"). The Group operates an integrated telecom and media business which includes SFR, BFM and RMC, amongst others.

Unless the context otherwise requires, when used in this section, the terms "we," "our," "Company," the "Group," and "us" refer to the business constituting the Group as of June 30, 2023, even though we may not have owned such business for the entire duration of the periods presented.

The Group applies International Financial Reporting Standards (IFRS) as endorsed in the European Union. Adjusted EBITDA and Capex are not defined in IFRS, they are "non-GAAP measures". Management believes that these measures are useful to readers of the Company's financial statements as they provide a measure of operating results excluding certain items that we believe are either outside of our recurring operating activities, or items that are non-cash. Excluding such items enables trends in our operating results and cash flow generation to be more easily observable. We use the non-GAAP measures internally to manage and assess the results of our operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in our industry, and thus are a basis for comparability between us and our peers. Moreover, our debt covenants are based on Adjusted EBITDA and other associated metrics.

Operational Activities

From time to time, we review the presentation of revenues generated by our operational activities to most closely align to the day-to-day operational and strategic divisions in which our business is managed.

On January 1, 2019, we amended the presentation of our revenue derived from operational activities, presenting revenue by activity under "Residential—Fixed," "Residential—Mobile," "Business Services," "Equipment Sales" and "Media" which we believe more accurately reflects the current day-to-day operational and strategic divisions in which our business is managed.

Altice France is a key player in the telecom industry in France

Telecom networks have become an essential utility in the daily life of our users, be it for work, education, or entertainment. Therefore, we continue to invest heavily in our telecom infrastructure in order to propose the best of high speed fixed and mobile internet services to our customers with a high quality of service. We were amongst the first telecom operators to launch 3G then 4G and finally 5G services in France and were the one of the first telecom companies to deploy fibre-to-the-home (FTTH) infrastructure. Backed by the strength of this infrastructure, we can service the most demanding customers such as large and small B2B clients and government agencies.

Alice France holds a unique position in the media industry in France

In parallel to our best in class telecom infrastructure, we are also developing a strong media brand (radio, TV and digital), focused on our brands BFM and RMC, which have become national champions of live news, niche sport and entertainment in France. Our experience in data analysis and technology allows us to develop innovative solutions in the field of marketing, production and distribution of content. As with our telecom network, we are deploying regional news channels alongside our national channels in order to provide more targeted and localized content to our viewers.

With this double focus (telecom and media), we believe that we are in a position to anticipate the evolution of these sectors and compete with emerging media platforms.

Key Factors Affecting Our Results of Operations

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and our results of operations include, among others, acquisitions and integration of acquired businesses, disposals, introduction of new products and services, including multi-play services, our pricing and cost structure, network upgrades, competition, macro-economic and political risks in the areas where we operate, debt service obligations including exposure to fluctuations in currency exchange rates and interest rates.

Acquisitions and Integration of Businesses, Disposals and Strategic Initiatives

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

In general, our results of operations in historical periods have been impacted by actions taken and expenditures incurred to integrate these businesses. We have aimed to integrate and improve the businesses by focusing on several key areas including by (i) investing in our fibre network, migrating existing DSL subscribers to the our own network and reducing the need for third party network services, (ii) improving and simplifying operational processes and reduce IT costs by investing in new platforms, (iii) integrating sales organizations, optimizing our sales channels and simplifying the our brand portfolio, (iv) implementing procurement efficiencies by leveraging our bargaining power and (v) reducing overhead costs.

At the core of our strategy is revenue generation, profitability and cash flow growth and, as a result, deleveraging. We benefit from a unique asset base which is fully converged, fibre rich, media rich, active across consumers and businesses and holds the number two position in its market with nationwide fixed and mobile coverage. The reinforced operational focus offers significant value creation potential. In parallel, we are advancing with preparations for the disposal of non-core assets. Key elements of our strategy include:

- Operational and financial turnaround under the leadership of our management team;
- Optimizing commercial performance with a particular focus on customer services;
- Continuing to invest in best-in-class infrastructure commensurate with our market position;
- Monetizing content investments through various pay-TV models and growing advertising revenue; and
- Execution of the non-core asset disposal program.

On March 3, 2021, the Group unveiled its strategic mid-term plan, named, '*Transformation et ambitions 2025*', whereby the Group laid out its strategy in order to achieve certain business objectives by 2025, including, amongst others, fibre and 5G coverage targets. As part of the plan, the Group announced that it intends to reduce its headcount by approximately 1,700 employees, including 400 employees in its distribution business pursuant to voluntary departure plans. As of June 30, 2023, the plan had been implemented as planned.

For the six-month period ended June 30, 2023 and June 30, 2022, we incurred net restructuring and other non-recurring costs of €29 million and €128 million respectively, which primarily include costs with respect to renegotiations or termination of contractual arrangements, employee redundancies, litigation, fees paid to external counsel, capital gain or loss on investing activities and other administrative expenses related to reorganization of existing or newly acquired businesses. The business combinations performed by the Group generated a significant amount of goodwill. As of June 30, 2023, the goodwill recorded on our balance sheet amounted to €10,372 million (€10,447 million as of December 31, 2022). Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating profit /net operating income. For the year ended December 31, 2022 and for the six-month period ended June 30, 2023, we did not incur any impairment losses.

Pricing

We focus our product offerings on multi-play offers. In France, we offer multiple play (4P) offers at various price points based on the targeted clientele (low cost, no engagement period offers through our RED brand and more premium offers with the SFR brand). The French market remains highly competitive and hence extremely sensitive to pricing strategy. The cost of a multi-play subscription package generally depends on market conditions, our competitors' pricing of similar offerings and the content and add-ons available on each platform. In general, the greater the optionality, content and usage time included in the offering, the higher the price of the multi-play package. The prices of B2B contracts are negotiated individually with each customer. The B2B market for voice services is extremely price-sensitive and entails very low margins as voice services are highly commoditized, involving sophisticated customers and relatively short-term contracts. Price competition is strongest in the large corporate and public-sector segments, whereas customer-adapted solutions are an important competitive focus in the medium and small business segments. We have tailored our targeted pricing strategy to account for these dynamics in France.

Cost Structure

We generally work towards achieving satisfactory operating margins in our business and focus on revenue-enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by streamlining processes and service offerings, improving productivity by centralizing our business functions, reorganizing our procurement process, eliminating duplicative management functions and overhead, terminating lower-return projects and non-essential consulting and third-party service agreements, and investing in our employee relations and our culture. We are implementing common technological platforms across our networks to gain economies of scale, notably with respect to billing systems, network improvements and customer premises equipment and are investing in sales, marketing and innovation, including brand-building, enhancing our sales channels and automating provisioning and installation processes. We aim to achieve substantial reductions in our operating expenses as we implement uniform best practice operational processes across our organization.

Network Upgrades

Our ability to provide new or enhanced fixed-based services, including HDTV and VoD television services, broadband internet network access at increasing speeds and fixed-line telephony services as well as 3G, 4G and 5G mobile services to additional subscribers depends in part on our ability to upgrade our (i) cable and DSL networks by extending the fibre portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network and (ii) mobile networks by investing in LTE as well as maintaining agreements with third parties to share mobile networks. Since 2015, we have increased our fibre deployment and upgraded a substantial part of our cable networks. For example, our cable networks are largely DOCSIS 3.0 enabled, which allows us to offer our customers high broadband internet access speeds and better HDTV services across our footprint. The Group accelerated the build-out of its 4G network since 2015 to have a 4G/4G+ population coverage of 99.8% as of June 30, 2023. The Group also aims to continue the expansion of its fibre network in France and intends to capitalize on its past investments in improved fibre infrastructure. Furthermore, following the completion of the 5G spectrum allocation by the French government, we have obtained a total of 80 MHz of frequencies in the 3.4-3.8 GHz band. The Group became the first player in the market to offer 5G technology to its customers on November 20, 2020 and continues to deploy 5G on the 3.5GHz band and also on the 2,100MHz band for additional coverage. As of June 30, 2023, almost 7,950 municipalities were covered in 5G (about 9,600 radio sites) in all of France, with a 5G coverage of 66% of the population.

In each of the past three years, we have incurred significant capital expenditure (between 21-29 % of total consolidated revenues), a significant portion of which was spent to improve our mobile network and to connect new fibre homes and we are among the market leaders in very high-speed internet in terms of number of fibre homes passed. Our capital expenditure (accrued) amounted to €1,156 million for the six-month period ended June 30, 2023, and €1,226 million for the six-month period ended June 30, 2022.

Competition

We face significant competition and competitive pressures in the French market. Moreover, our products and services are subject to increasing competition from alternative new technologies or improvements in existing technologies.

With respect to our B2C activities, we face competition from telephone companies and other providers of DSL, VDSL2 and fibre network connections. With respect to pay-TV services, we are faced with growing competition from alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast over-the-top (“OTT”) programs on a broadband network, such as Internet competitors Amazon, Apple, Google, Disney+ and Netflix, are expected to grow stronger in the future. Connected or ‘smart’ TVs facilitate the use of these services. With respect to the fixed line and mobile telephony markets, the industry has experienced a shift in usage from fixed line telephony to mobile telephony and we face intensive competition from established telephone companies, MVNOs and providers of new technologies such as VoIP.

In the competitive B2B data services market, price pressure has been strong. Conversely, the use of data transmission services has significantly increased. The Group is currently facing competition from software providers and other IT providers of data and network solutions, and the line between them and the suppliers of data infrastructure and solutions like the Group has become increasingly blurred. Partnerships between IT providers and infrastructure providers are becoming more and more common and are an additional source of competition but also an opportunity. Being able to face the competition efficiently depends in part on the density of the network, and certain competitors of the Group have a broader and denser network. In recent years, the B2B market has experienced a structural change marked by a move from traditional switched voice services to VoIP services.

In the French pay-TV market, we compete with providers of premium television packages such as CanalSat, 3P and/or 4P operators such as Orange, Free and Bouygues Telecom, which provide Internet Protocol TV (“IPTV”), and providers of pay digital terrestrial television (“DTT”). In the broadband market, we compete primarily with fibre providers such as Orange (the leading DSL provider in France), Free and Bouygues Telecom. Our competitors continue to invest in fibre network technology which has resulted in additional competition to its fibre-based services. In the French mobile telephony market, we compete with well-established mobile network operators such as Orange, Bouygues Telecom and Free.

In particular, price competition is significant since entry into the market by Free in early 2012 with low-priced, no-frills packages.

Moreover, the competition in the fixed market has deteriorated recently with more aggressive promotions from competitors for longer periods, particularly at the low end of the market. However, while the acceleration of our fibre deployment in France, notably expanding FTTH coverage in low-density and rural areas, should support better fibre subscriber trends as the addressable market for very high-speed broadband services expands, FTTH deployment by our competitors could accelerate and the share of FTTH on the high-speed internet market could grow significantly thereby eliminating or reducing our fixed network advantage. In the wholesale market, we compete with established players (the incumbent Orange mainly), and with local operators (including Altitude Telecom, among others).

Macroeconomic and Political Developments

Our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in certain European countries, high inflation, weak growth, factors such as geopolitical tension and political unrest in international markets, interruptions in transportation systems, interruptions in production and supply chain systems, high unemployment, and continued uncertainty caused by the pandemic, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings,

currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition.

The current macroeconomic environment is volatile, and continuing instability in global markets, including instability related to the conflict between Russia and Ukraine and related sanctions, international trade, tariffs, sovereign debt issues, Brexit, the risk of inflation and the stability of the euro, natural disasters and the COVID-19 pandemic, has contributed to a challenging global economic environment.

The evolution of the situation in Ukraine is uncertain and is closely followed by the Group with respect to potential indirect consequences on the financial markets that could impact refinancing conditions in the future. The Group has no direct interests in Ukraine and the areas of conflict and as a result, the Group estimates that the situation in Ukraine will have limited effects on its operations and financial performance for future periods.

Fluctuations in Currency Exchange Rates and Interest Rates

Our reporting currency is euros and most of our operations are conducted in euros. We are exposed to the US Dollar and variable interest rates as part of our debt obligations. However, we have entered into hedging operations to mitigate risk related to variations in the US Dollar and a majority of our debt is fixed rate debt, thus reducing the risk of an increase in benchmark interest rates having a material impact on our interest obligations.

Key Performance Indicators

We use certain key performance indicators specified below to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

The table below details the Group's key operating data as of June 30, 2023 and June 30, 2022:

	As of June 30, 2023	As of June 30, 2022
	(in thousand)	
Fibre homes passed ⁽¹⁾	33,954	28,398
Total fibre customers ⁽²⁾	4,666	4,213
Total fixed customers	6,508	6,719
Total mobile subscribers ⁽³⁾	20,534	20,919

(1) Includes fibre homes passed by XpFibre (after giving effect to the Covage acquisition).

(2) Total fibre customers includes the number of end users who have subscribed for one or more of our fibre /cable-based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. Fibre customer base for France includes FTTH, FTTB and 4G Box customers and excludes white-label wholesale customers.

(3) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Group's mobile network and excludes M2M SIM cards.

Discussion and Analysis of Results of Operations of Altice France

For the six-month period ended June 30, 2023, compared to the six-month period ended June 30, 2022.

The below table sets forth our consolidated statement of income for the six-month period ended June 30, 2023 and 2022, in millions of euros with the variation between the periods:

Special purpose statement of income (€m)	June 30, 2023	June 30, 2022	Change
Revenues	5,509.0	5,576.0	(1.2)%
Purchasing and subcontracting costs	(1,486.8)	(1,548.6)	(4.0)%
Other operating expenses	(1,025.4)	(984.3)	4.2%
Staff costs and employee benefits	(561.0)	(532.9)	5.3%
Depreciation, amortisation and impairment	(1,645.6)	(1,652.4)	(0.4)%
Other expenses and income	(29.4)	(128.2)	(77.1)%
Operating profit	760.8	729.5	4.3%
Interest relative to gross financial debt	(681.3)	(533.4)	27.7%
Realised and unrealised gains/(loss) on derivative instruments linked to financial debt	(91.1)	698.8	nm
Finance income	29.8	63.0	(52.6)%
Other financial expenses	(337.9)	(556.3)	(39.3)%
Net result on extinguishment of financial liabilities	(66.2)	-	nm
Finance costs, net	(1,146.7)	(327.9)	nm
Share of earnings of associates and joint ventures	(93.5)	(86.2)	8.5%
Income tax benefit/(expenses)	30.9	(258.5)	nm
Profit/(loss)	(448.5)	57.0	nm
<i>Attributable to equity holders of the parent</i>	<i>(466.2)</i>	<i>38.0</i>	<i>nm</i>
<i>Attributable to non-controlling interests</i>	<i>17.7</i>	<i>19.0</i>	<i>(6.8)%</i>

Significant Events Affecting Historical Results

For the six-month period ended June 30, 2023

Amend and extend transaction

On January 31, 2023, the Group announced that its subsidiary Altice France had successfully extended 75%, or €5.9 billion (equivalent), of its 2025 and 2026 Term Loan maturities to August 2028. Additionally, Altice France raised €150 million of new Term Loans, following excess demand. Concurrently, Altice France extended its €1 billion Revolving Credit Facilities to January 2028, supported by its relationship banks. This transaction is in line with the Group's proactive liability management efforts to optimise its capital structure. Following this transaction, Altice France has no material maturities before 2027. The average maturity for Altice France's debt capital structure increases to 5.3 years, from 4.7 years previously. The new Term Loans, due August 2028, consist of (i) a \$4.3 billion Term Loan priced at 5.50% over SOFR and (ii) a €1.7 billion Term Loan priced at 5.50% over Euribor.

The operation was accounted for as an extinguishment and the Group recorded a loss on extinguishment of debt for an amount of €66.2 million.

As part of the transaction, the Group also restructured certain swap instruments to align them with the terms of the new debt.

Revenue

For the six-month period ended June 30, 2023, the Group generated total revenues of €5,509 million, a 1.2% decrease compared to €5,576 million for the six-month period ended June 30, 2022. The decrease was mainly driven by a decrease of 3.9% in residential fixed revenues.

The table below sets forth the Group's revenue by lines of activity which the Group operated for the six-month period ended June 30, 2023 and June 30, 2022, respectively:

Revenue (€m)	June 30, 2023	June 30, 2022	Change
Residential - Fixed	1,308.5	1,361.6	(3.9)%
Residential - Mobile	1,890.6	1,890.5	0.0%
Business services	1,691.9	1,701.9	(0.6)%
Total Telecom excluding equipment sales	4,890.9	4,954.0	(1.3)%
Equipment sales	453.7	449.9	0.8%
Media	164.4	172.1	(4.5)%
Total	5,509.0	5,576.0	(1.2)%

The Group's residential fixed segment revenues decreased by 3.9% from €1,362 million for the six-month period ended June 30, 2022, to €1,308 million for the six-month period ended June 30, 2023. This decrease was mainly due to the impact of net loss in residential fixed customers in the six-month period ended June 30, 2023.

Revenues for the Group's residential mobile services amount to €1,891 million for the six-month period ended June 30, 2023, stable compared to the six-month period ended June 30, 2022. This trend was driven primarily by certain price increases carried out over the course of the six-month period ended June 30, 2023, offset by net losses in our mobile residential business over the six-month period ended June 30, 2023.

Revenues from our business services segment decreased slightly by 0.6% from €1,702 million for the six-month period ended June 30, 2022, to €1,692 million for the six-month period ended June 30, 2023, including the impact of a decrease in revenues from our construction activity.

Equipment sales revenues increased by 0.8% from €450 million for the six-month period ended June 30, 2022, to €454 million for the six-month period ended June 30, 2023.

Revenues from the Group's media activities totalled €164 million for the six-month period ended June 30, 2023, a 4.5% decrease as compared to €172 million for the six-month period ended June 30, 2022. This decrease was driven by lower advertising revenues driven by the overall macroeconomic context, despite the flagship brands garnering record audience numbers.

Adjusted EBITDA

For the six-month period ended June 30, 2023, Adjusted EBITDA was €1,880 million, a decrease of 5.5% compared to the €1,990 million for the six-month period ended June 30, 2022. This decrease was driven by decrease in revenues as explained above and an increase in costs as described below.

Operating profit (€m)	June 30, 2023	June 30, 2022	Change
Revenue	5,509.0	5,576.0	(1.2)%
Purchasing and subcontracting costs	(1,486.8)	(1,548.6)	(4.0)%
Other operating expenses	(1,025.4)	(984.3)	4.2%
Staff costs and employee benefits	(561.0)	(532.9)	5.3%
Total	2,435.8	2,510.1	(3.0)%
Share-based expenses	-	0.4	nm
Rental expense operating lease	(556.3)	(520.6)	6.9%
Adjusted EBITDA	1,879.5	1,990.0	(5.5)%
Depreciation, amortisation and impairment	(1,645.6)	(1,652.4)	(0.4)%
Share-based expenses	-	(0.4)	nm
Other expenses and income	(29.4)	(128.2)	(77.1)%
Rental expense operating lease	556.3	520.6	6.9%
Operating profit	760.8	729.5	4.3%

Purchasing and subcontracting

Purchasing and subcontracting costs decreased by 4.0%, from €1,549 million in the six-month period ended June 30, 2022, to €1,487 million in the six-month period ended June 30, 2023. The decrease in purchasing and subcontracting costs was directly related to lower residential fixed revenues.

Other operating expenses

Other operating expenses increased by 4.2%, from €984 million in the six-month period ended June 30, 2022, to €1,025 million in the six-month period ended June 30, 2023, mainly due to an increase in sales and marketing and customer service costs driven by higher retention costs (itself a direct consequence of higher market competition).

Staff costs and employee benefit expenses

Staff costs and employee benefit expenses increased by 5.3%, from €533 million in the six-month period ended June 30, 2022, to €561 million in the six-month period ended June 30, 2023, mainly due to an increase in headcount in the customer service business at ACS, which was partly offset by a decrease in staff costs as a result of the voluntary departure plan initiated in 2021.

Depreciation, amortization and impairment

For the six-month period ended June 30, 2023, depreciation and amortization totalled €1,646 million, a 0.4% decrease compared to €1,652 million for the six-month period ended June 30, 2022.

Other expenses and income

For the six-month period ended June 30, 2023, other expenses and income amounted to an expense of €29 million, a decrease compared to an expense of €128 million for the six-month period ended June 30, 2022. The amount recognized in the six-month period ended June 30, 2022, included mainly certain litigation (including €75 million related to the Faber penalty).

Other expenses and income	June 30,	June 30,
(€m)	2023	2022
Net restructuring costs	1.2	27.1
Litigation	(9.1)	(90.1)
Gain and loss on disposal of property, plant, equipment and intangible assets	11.1	1.7
Other	(32.6)	(66.9)
Other expenses and income	(29.4)	(128.2)

Finance costs (net)

Net finance costs amount to €(1,147) million for the six-month period ended June 30, 2023, compared to €(328) million for the six-month period ended June 30, 2022.

Finance costs	June 30,	June 30,
(€m)	2023	2022
Interest relative to gross financial debt	(681.3)	(533.4)
Realised and unrealised gains/(loss) on derivative instruments	(91.1)	698.8
Finance income	29.8	63.0
Provisions and unwinding of discount	(10.3)	(366.7)
Interest related to lease liabilities	(265.2)	(151.0)
Other	(62.4)	(38.6)
Other financial expenses	(337.9)	(556.3)
Net result on extinguishment of financial liabilities	(66.2)	-
Finance costs, net	(1,146.7)	(327.9)

Interest related to gross financial debt increased to €681 million in the six-month period ended June 30, 2023, compared to €533 million for the six-month period ended June 30, 2022. This increase was mainly due to the increase in the benchmark interest rate of the Group's Euro and USD term loans and the impact of the refinancing conducted in February 2023.

As of June 30, 2023, the net loss on derivative instruments was mainly due to an unfavourable variation of the interest rate portion of the Group's swaps. This was due to the restructuring of certain interest rate swaps in the six-month period ended June 30, 2023. The positive change in six-month period ended June 30, 2022 (€699 million) was mainly related to the impact of the increase in interest rates compared to the year ended December 31, 2021.

Share in net income/(loss) of associates and joint ventures

For the six-month period ended June 30, 2023, share in loss of associates and joint ventures was €93 million compared to €86 million for the six-month period ended June 30, 2022. Changes in this line item are driven primarily by earnings of XpFibre Holding which is accounted for as a joint venture under the Group's financial statements.

Income tax income/(expense)

For the six-month period ended June 30, 2023, the Group recorded an income tax benefit of €31 million compared to an expense of €258 million for the six-month period ended June 30, 2022. This situation is mainly due to the loss before tax for the six-month period ended June 30, 2023 (€479 million) compared to a profit before tax of €315 million for the six-month period ended June 30, 2022.

Liquidity and Capital Resources

Cash and Debt Profile of the Group

As of June 30, 2023, consolidated cash and cash equivalents amounted to €362 million on an actual basis.

Our most significant financial obligations are debt obligations. Total third-party debt on an amortized cost basis as of June 30, 2023, was €16,350 million relating to bonds and €7,543 million relating to loans from financial institutions. As of June 30, 2023, the Existing Revolving Credit Facilities, which provided for commitments in an aggregate amount of €1,206 million, were drawn for an aggregate amount of €120 million. The following table sets forth details of the Group's financial liabilities on an amortized cost basis.

Financial liabilities breakdown (€m)	Current		Non-current		Total	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Bonds	228.7	220.0	16,121.6	16,300.7	16,350.3	16,520.7
Loans from financial institutions	308.6	292.3	7,234.8	7,287.6	7,543.4	7,579.8
Derivative financial instruments	0.3	115.7	315.2	160.9	315.4	276.7
Borrowings, financial liabilities and related hedging instruments	537.6	628.0	23,671.6	23,749.2	24,209.2	24,377.2
Finance lease liabilities	10.4	10.5	16.7	17.3	27.2	27.8
Operating lease liabilities	627.0	603.1	5,456.3	5,301.2	6,083.2	5,904.3
Lease liabilities	637.4	613.6	5,473.0	5,318.5	6,110.4	5,932.0
Perpetual subordinated notes	-	-	72.1	69.7	72.1	69.7
Deposits received from customers	12.7	15.4	67.9	71.0	80.5	86.3
Bank overdrafts	4.2	7.1	-	-	4.2	7.1
Securitisation	237.8	245.8	-	-	237.8	245.8
Reverse factoring	957.2	935.5	-	-	957.2	935.5
Commercial paper	3.0	43.5	-	-	3.0	43.5
Debt Altice Group and other	217.8	214.7	23.5	206.1	241.3	420.8
Other financial liabilities	1,432.7	1,461.9	163.4	346.7	1,596.1	1,808.7
Financial liabilities	2,607.7	2,703.5	29,308.0	29,414.4	31,915.7	32,117.9

For the six-month period ended June 30, 2023, we recorded liabilities related to the capitalization of our operating leases, resulting from the application of IFRS 16. As of June 30, 2023, the total amount of lease liabilities amounted to €6,110 million.

The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Sources of Liquidity

The Group's principal source of liquidity is expected to be the operating cash flows of its operating subsidiaries and, if required, borrowings under the Existing Revolving Credit Facilities. As of June 30, 2023, the Existing Revolving Credit Facilities, which provided for commitments in an aggregate amount of €1,206 million, were drawn for an aggregate amount of €120 million. The Group can also generate additional liquidity through its securitization and reverse factoring arrangements.

We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. The availability of borrowings under the Existing Revolving Credit Facilities is conditioned upon compliance with specified leverage ratios. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Existing Revolving Credit Facilities will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete such refinancing or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

Issuance of debt by Altice France Holding, Altice France and their restricted subsidiaries is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios (other than under the Existing Revolving Credit Facilities), 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 certain other exceptions to the limitation on indebtedness covenant ("baskets") in such debt instrument.

The covenants applicable to Altice France and its subsidiaries provide that the Group's senior debt is subject to an incurrence test of 4.0:1.0 (Adjusted EBITDA to net debt), while the Group's senior secured debt is subject to an incurrence test of 3.25:1.0 (Adjusted EBITDA to net senior secured debt). The Group or its relevant subsidiaries are allowed to fully consolidate the adjusted 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. In addition, the Group can rely on various 'baskets' specified under its debt covenants when incurring indebtedness.

The covenants applicable to Altice France Holding and its restricted subsidiaries under the Senior Notes provide that their debt is subject to an incurrence test of 5.25:1.0, while their senior secured debt is subject to an incurrence test of 3.25:1.0.

Working Capital

As of June 30, 2023, the Group had a net current liability position of €3,466 million (comprising current liabilities net of current assets) (mainly due to trade payables and current contract liabilities amounting to €5,962 million) and a negative working capital of €1,313 million (comprising inventories, trade and other receivables and contract assets, minus trade and other payables, contract liabilities and other current liabilities). The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding, and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. The Group expects that operating cash flows and, if required, available borrowings under the Existing Revolving Credit Facilities will be sufficient to meet its working capital requirements during the next 12 months.

Selected Cash Flow Data

Consolidated statement of cash flows	30 June	30 June
(€m)	2023	2022
Net income (loss), Group share	(466)	38
Net cash flow provided (used) by operating activities	2,053	2,268
Net cash flow provided (used) by investing activities	(1,295)	(1,589)
Net cash flow provided (used) by financing activities	(756)	(806)
Net increase (decrease) in cash and cash equivalents	3	(126)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(8)	(3)
Cash and cash equivalents at beginning of period	368	467
Cash and cash equivalents at end of period	362	338

For the six-month period ended June 30, 2023, compared to the six-month period ended June 30, 2022

Net cash provided by/(used in) operating activities

Net cash provided by operating activities decreased to €2,053 million for the six-month period ended June 30, 2023 compared to €2,268 million for the six-month period ended June 30, 2022. This trend was the result of (i) lower EBITDA for the six-month period ended June 30, 2023 compared to the six-month period ended June 30, 2022 (€1,880 million compared to €1,990 million) (ii) less favourable working capital variation in the six-month period ended June 30, 2023 compared to June 30, 2022.

Net cash provided by/(used in) investing activities

For the six-month period ended June 30, 2023, the Group recorded a net cash outflow for investing activities for an amount of €1,295 million, compared to net cash outflow in investing activities of €1,589 million for the six-month period ended June 30, 2022. The difference can mainly be attributed to (i) lower capital expenditure in the six-month period ended June 30, 2023 compared to June 30, 2022 (€1,249 million compared to €1,304 million) (ii) payments for acquisition of Coriolis and Syma (€361 million) for the six-month period ended June 30, 2022, partially offset by cash proceeds received from the disposal of our tower portfolio (€75 million) for the six-month period ended June 30, 2022.

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

For the six-month period ended June 30, 2023, the Group used less cash for financing activities (€756 million) compared to the six-month period ended June 30, 2022, (€806 million). The difference was mainly due to proceeds from the restructuring of swaps in the six-month period ended June 30, 2023 compared to June 30, 2022 (€642 million compared to €249 million), offset by higher RCF drawn in the six months ended June 30, 2022 compared to the six months ended June 30, 2023 (€465 million vs €120 million).

Other disclosures

Unrecognized Contractual Commitments

The Group has other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. See note 32 to the unaudited special purpose financial statements of the Company for the year ended December 31, 2022. There was not significant change as of June 30, 2023.

Defined Benefit and Defined Contribution Pension Plans

In addition, the Group has obligations under defined benefit and defined contribution pension plans. Its cash outflow relating to these obligations will vary depending on many factors. In the case of defined benefit plans, the Group has recognized a liability regarding employee benefits in the statement of financial position of the Group which represents the present value of the defined benefits liability less the fair value of the plan assets, and the past service costs. The liability in respect of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions with regards to, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty. Actuarial gains and losses are reflected in the statement of income and statement of other comprehensive income in the period in which they arise, as part of the salary costs. Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as an expense at the time of the deposit in the plan, in parallel to the receipt of the labour services from the employee and no additional provision is recognized in the financial statements. As of June 30, 2023, our total defined benefit plans liabilities were €98 million.

Related Party Transactions

Other than as disclosed in note 31 to the unaudited special purpose financial statements for the year ended December 31, 2022, and in the unaudited condensed interim special purpose financial statements as of and for the six-month period ended June 30, 2023, the Group did not have any material transactions with related parties during the year ended December 31, 2022 and the six-month period ended June 30, 2023.

Off Balance Sheet Arrangements

The Group is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the handset receivables securitization facility for a net amount of €70 million, the contractual commitments disclosed herein or as otherwise discussed in the unaudited special purpose financial statements of the Company (note 32) as of and for the year ended December 31, 2022. There was not significant change as of June 30, 2023.

Quantitative and Qualitative Disclosures about Market Risk

The Group is exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the US Dollar and Euro, and uses financial instruments to manage its exposure to interest rate and foreign exchange rate fluctuations.

Credit Risk

The Group does not have significant concentrations of credit risk. Credit risk may arise from the exposures of commitments under a number of financial instruments with one counterparty or as the result of commitments with a number of groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Group's income mainly derives from customers in France. The majority of its B2C clients are on direct debit, thus reducing credit and recovery risk from its biggest operating segment. The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Managers, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The Group has a strong track record of driving operating free cash flow generation and specializes in turning around struggling businesses and improving the cash generation of existing businesses. As all external debt is issued and managed centrally, the executive directors of the Group have a significant amount of control and visibility over the payments required to satisfy obligations under the different external debts.

Additionally, as of June 30, 2023, the Group has access to the Existing Revolving Credit Facilities, which provide for commitments in an aggregate amount of €1,206 million (which were drawn for an aggregate amount of €120 million as of June 30, 2023) to cover any liquidity needs not met by operating cash flow generation.

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity. As of June 30, 2023, on a consolidated basis, considering the Group's swap portfolio, the Group's primary fixed rate debt obligations were an amount equivalent to €16,172 million, while primary floating rate debt obligations were equivalent to €7,576 million.

Foreign Currency Risk

As part of its financial risk management strategy, the Group has entered into certain hedging operations. These are split mainly into either fixed to fixed or floating to floating cross-currency and interest rate swaps that cover against foreign currency and interest rate risk, FX forwards that cover against foreign exchange risk only, or interest rate swaps covering interest rate risk only. For details regarding the Group's outstanding derivative instruments to secure foreign currency liabilities and to reduce foreign currency exposure, see note 26.4 to the unaudited special purpose financial statements of the Company as of and for the year ended December 31, 2022.

Critical Accounting Policies, Judgments and Estimates

For details regarding the Group's critical accounting policies, judgments and estimates, see note 2 to the unaudited special purpose financial statements of the Company as of and for the year ended December 31, 2022.

Key Income Statement Items

Revenue

Revenue consists of income generated from the delivery of fixed-based services to our B2C and B2B customers, mobile services to our B2C and B2B customers, wholesale and other services. Revenue is recognized at the fair value of the consideration received or receivable net of value added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group.

Fixed-based residential services: Revenue from fixed-based services consists of revenue from pay television services, including related services such as VoD, broadband internet services, fixed-line telephony services and ISP (Internet Service Provider) services to our customers. This primarily includes (i) recurring subscription revenue for pay television services, broadband internet and fixed-line telephony (which are recognized in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from VoD and fixed-line telephony calls (which are recognized in revenue when the service is rendered), (iii) installation fees (which are recognized in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

Mobile residential services: Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our post-paid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our pre-paid mobile services (which are recognized in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognized

in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognized on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

Business services: Revenue from wholesale services primarily consists of revenues derived from renting our network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators, including MVNOs as well as related maintenance services. Revenue from B2B services is the same as the above fixed and mobile services, but for the business sector. This segment also includes revenues from our other services which primarily consists of revenue from businesses such as (i) datacenter activities, (ii) content production and distribution, (iii) customer services, (iv) technical services, (v) FTTH network construction activity and (vi) other activities that are not related to our core fixed or mobile businesses.

Media: Revenues from the media segment includes mainly advertising and subscription revenues derived from news, radio and printed press businesses.

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

Purchasing and subcontracting services

Purchasing and subcontracting services consist of direct costs associated with the delivery of fixed-based services to our B2C and B2B customers, mobile services to our B2C and B2B customers, wholesale and other services. The Group presents purchasing and subcontracting services paid for the procurement of the following services:

Fixed-based residential services: Purchasing and subcontracting services associated with fixed-based services consist of all direct costs related to the (i) procurement of non-exclusive television content, royalties and licenses to broadcast, (ii) transmission of data services and (iii) interconnection costs related to fixed-line telephony. In addition, it includes costs incurred in providing VoD or other interactive services to subscribers and accounting variations arising from changes in inventories of customer premises equipment (such as modems, set-top boxes and decoders).

Mobile residential services: Purchasing and subcontracting services associated with mobile services consist primarily of mobile interconnection fees, including roaming charges and accounting variations arising from the changes in inventories of mobile handsets.

Business services: Purchasing and subcontracting services associated with wholesale primarily consist of costs associated with delivering wholesale services to other operators. Other purchasing and subcontracting services consist of the (i) cost of renting space for datacenters (subject to certain exceptions), (ii) utility costs related to the operation of datacenters (such as power and water supply costs), (iii) in our technical services business, the cost of raw materials used in the technical activities related to the construction and maintenance of the network, cables for customer connections, etc., and sub-contractor fees associated with the performance of basic field work and the supervision of such sub-contractors, and (iv) direct costs related to our call centers operations, such as service expenses, telecom consumption subscriptions and energy costs, in our customer services functions.

Media: Purchasing and subcontracting costs for our media business mainly consists of direct costs related to capacity rental for our TV and radio businesses.

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

Other operating expenses

Other operating expenses mainly consist of the following subcategories:

Customer service costs: Customer service costs include all costs related to billing systems, bank commissions, external costs associated with operating call centers, allowances for bad customer debts and recovery costs associated therewith.

Technical and maintenance: Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and

datacenter equipment, maintenance and upkeep of the fixed-based and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not capitalized (such as service visits, disconnection and reconnection costs).

Business taxes: Business taxes include all costs related to payroll and professional taxes or fees.

General and administrative expenses: General and administrative expenses consist of office rent and maintenance, professional and legal advice, recruitment and placement, welfare and other administrative expenses.

Other sales and marketing expenses: Other sales and marketing expenses consist of advertising and sales promotion expenses, office rent and maintenance, commissions for marketers, external sales and storage and other expenses related to sales and marketing efforts.

Staff costs and employee benefits

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

Depreciation, amortization and impairment

Depreciation and amortization includes depreciation of tangible assets related to production, sales and administrative functions and the amortization of intangible assets. Impairment losses include the write-off of any goodwill or tangible and intangible assets that have been recognized on the acquisition of assets based upon a re-evaluation of the cash generating capacity of such assets compared to the initial valuation thereof.

Non-recurring expenses and income

Non-recurring expenses and income includes any one-off or non-recurring income or expenses incurred during the on-going financial year. This includes deal fees paid to external consultants for merger and acquisition activities, restructuring and other non-recurring costs related to those acquisitions or the business in general, any non-cash operating gains or losses realized on the disposal of tangible and intangible assets and management fees paid to related parties.

Interest relative to gross financial debt

Interest relative to gross financial debt includes interest expenses recognized on third party debt (excluding other long-term liabilities, short term liabilities and other finance leases) incurred by the Group.

Other financial expenses

Other financial expenses include other financial expenses not related to the third-party debt (excluding other long term liabilities and short term liabilities, other than finance leases) incurred by the Group. Such expenses mainly include interest costs of finance leases, variations in the fair value of non-hedged derivative instruments and the inefficient portion of hedged derivative instruments.

Financial income

Financial income consists of changes in the net fair value of the financial derivatives, gains from the disposal of financial assets, net exchange rate differences, and other financial income.

Share in net income/(loss) of associates

Share of profit of associates consists of the net result arising from activities that are accounted for using the equity method in the consolidation perimeter of the Group.

Income tax expense/(income)

Income tax expenses are comprised of current tax and deferred tax. Taxes on income are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income, at which point the associated tax effect is also recognized under other comprehensive income or in equity.

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit before depreciation and amortization, impairment and losses, other operating and non-recurring items and other adjustments (equity-based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. The Group believes that this measure is useful to readers of its financials as it provides them with a measure of the operating results which excludes certain items considered outside of its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding its operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies.