

LISTING PARTICULARS  
DATED AS OF AUGUST 13, 2019



€2,797 million (equivalent)  
\$1,600,000,000 10½% Senior Notes due 2027  
€1,400,000,000 8% Senior Notes due 2027  
Issued by  
ALTICE LUXEMBOURG S.A.

Altice Luxembourg S.A., a public limited liability company (*société anonyme*) organized and established under the laws of the Grand Duchy of Luxembourg (the “**Issuer**”), offered \$1,600 million aggregate principal amount of its 10½% senior notes due 2027 (the “**Dollar Notes**”) and €1,400 million aggregate principal amount of its 8% senior notes due 2027 (the “**Euro Notes**”, together with the Dollar Notes, the “**Notes**”). Interest on the Notes is payable semi-annually in cash in arrears on May 15 and November 15 of each year, commencing November 15, 2019. The Dollar Notes mature on May 15, 2027 and the Euro Notes mature on May 15, 2027.

At any time prior to May 15, 2022, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a “make whole” premium plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time prior to May 15, 2022, the Issuer may redeem up to 40% of the Dollar Notes and/or up to 40% of the Euro Notes at the redemption prices set forth herein with the net proceeds from one or more specified equity offerings plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time on or after May 15, 2022, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date.

Further, the Issuer may redeem all but not less than all of the Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date upon the occurrence of certain changes in tax law. Upon the occurrence of certain events constituting a change of control, as defined in the Indenture (as defined herein), the Issuer is required to make an offer to repurchase all of the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of purchase. The Issuer may be required to make an offer to purchase the Notes upon the sale of certain of its assets.

The Notes are senior obligations of the Issuer. The Notes benefit from first ranking pledges over (i) all of the share capital of Altice International S.à r.l. (“**Altice International**”) and Altice Luxembourg FR S.A. (the “**Guarantor**”) and (ii) the AI Mandatory Convertible Notes (as defined herein) (the “**Notes Collateral**”). On the Issue Date, the Notes are guaranteed (the “**Notes Guarantee**”) by the Guarantor.

The Notes Collateral also secure the obligations of the Issuer under the Altice Lux Revolving Credit Facility Agreement (as defined herein), the Existing Altice Lux Notes (as defined herein) and certain hedging obligations. Under the terms of the Altice Lux Intercreditor Agreement (as defined herein), in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such Notes Collateral only after the lenders under the Altice Lux Revolving Credit Facility Agreement and the counterparties to certain hedging agreements have been repaid in full. Any proceeds received upon any enforcement over any Notes Collateral, after all obligations under the Altice Lux Revolving Credit Facility Agreement have been repaid and such hedging obligations have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Notes, the Existing Altice Lux Notes and obligations under any other indebtedness of the Issuer and the Guarantor permitted to be incurred and secured by the Notes Collateral on a *pari passu* basis pursuant to the Indenture, the Existing Altice Lux Notes Indentures and the Altice Lux Intercreditor Agreement. In addition, the security interests in the Notes Collateral may be released under certain circumstances. See “*Summary—The Offering*”, “*Corporate and Financing Structure*”, “*Risk Factors—Risks Relating to the Notes and the Structure*” and “*Description of Other Indebtedness*”.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Professional Segment of the Euro MTF Market, which is not a regulated market (pursuant to the provisions of Directive 2014/65/EU). There is no assurance that the Notes will be listed on the Official List of the Luxembourg Stock Exchange or be admitted to trading on the Euro MTF Market.

These Listing Particulars constitute a prospectus for the purposes of Part IV of the Luxembourg law dated July 16, 2019 on prospectuses for securities. These Listing Particulars shall only be used for the purposes for which it has been published.

**Investing in the Notes involves a high degree of risk. Please see “[Risk Factors](#)” beginning on page 26 of these Listing Particulars.**

The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or the laws of any other jurisdiction, and may not be offered or sold within the United States except in compliance with Rule 144A under the U.S. Securities Act (“**Rule 144A**”). In the United States, the offering has been made only to “qualified institutional buyers” (as defined in Rule 144A) in compliance with Rule 144A. You are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, the offering has been made to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act (“**Regulation S**”). Please see “*Notice to Investors*” for additional information about eligible offerees and transfer restrictions.

The Dollar Notes are in registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 above \$200,000. The Euro Notes are in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000. The Notes are represented on issue by one or more global notes that were delivered through The Depository Trust Company (“**DTC**”), Euroclear SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”), as applicable, on or about, May 8, 2019, (the “**Issue Date**”). Interests in each global note are exchangeable for definitive notes only in certain limited circumstances. See “*Book-Entry, Delivery and Form*”.

**Dollar Notes price: 100% plus accrued interest from the Issue Date.**

**Euro Notes price: 100% plus accrued interest from the Issue Date.**

*Joint Global Coordinators and Joint Bookrunners (for the Dollar and the Euro Notes)*

**Goldman Sachs International**

**BNP PARIBAS**

*Joint Bookrunners (for the Dollar and the Euro Notes)*

**Crédit Agricole CIB    Credit Suisse    Citigroup    Deutsche Bank    Morgan Stanley    Societe Generale**

Neither the Issuer nor any of its subsidiaries or affiliates has authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in these Listing Particulars. You must not rely on unauthorized information or representations.

These Listing Particulars do not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in these Listing Particulars is, unless otherwise specified, current only as of the date hereof, and may change after that date. For any time after the date of these Listing Particulars, the Issuer does not represent that its affairs or the affairs of the Group (as defined herein) are the same as described or that the information in these Listing Particulars is correct, nor does it imply those things by delivering these Listing Particulars or selling securities to you.

The Issuer and the Initial Purchasers (as defined below) have offered to sell the Notes only in places where offers and sales are permitted.

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IN CONNECTION WITH THE OFFERING OF THE NOTES, GOLDMAN SACHS INTERNATIONAL (THE “**STABILIZING MANAGER**”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER), MAY OVER ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

The Issuer has offered the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “**SEC**”) or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of these Listing Particulars. Any representation to the contrary is a criminal offense in the United States.

These Listing Particulars are being provided for informational use solely in connection with consideration of a purchase of the Notes (i) to U.S. investors that the Issuer reasonably believes to be “qualified institutional buyers” as defined in Rule 144A, and (ii) to certain persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S. Their use for any other purpose is not authorized.

These Listing Particulars are for distribution only to persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). These Listing Particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these Listing Particulars relate is available only to relevant persons and will be engaged in only with relevant persons.

These Listing Particulars have been prepared on the basis of an exemption provided by the Preamble 14 of the Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”) stating that the mere admission of securities to trading on the multilateral trading facility (as defined in point (22) of article 4(1) of Directive 2015/65/EU), is not to be regarded in itself as an offer of securities to the public and is therefore not subject to the obligation to draw up, approve and distribute the prospectus as required by the Prospectus Regulation.

Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. None of the Issuer or the Initial Purchasers has authorized, nor does any of them authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of the Notes contemplated in these Listing Particulars.

These Listing Particulars constitute a prospectus for the purpose of part IV of the Luxembourg act dated July 16, 2019, on prospectuses for securities (the “**Prospectus Act**”) and for the purpose of the rules and regulations of the Luxembourg Stock Exchange.

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer target market assessment) and determining appropriate distribution channels.

The Issuer has prepared these Listing Particulars solely for use in connection with the offering and for applying to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

You are not to construe the contents of these Listing Particulars as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of the Issuer and the Group and your own assessment of the merits and risks of investing in the Notes. The Issuer is not, and the Initial Purchasers and the Trustee, and their respective agents, are not making any representation to you regarding the legality of an investment in the Notes by you.

The information contained in these Listing Particulars has been furnished by the Issuer and other sources it believes to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of any of the information set out in these Listing Particulars, and nothing contained in these Listing Particulars is or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or the future. These Listing Particulars contain summaries, believed by the Issuer to be accurate, of some of the terms of specified documents, but reference is made to the actual documents, copies of which will be made available by the Issuer upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the Notes will also be available for inspection upon request at the specified offices of the Issuer. All summaries of the documents contained herein are qualified in their entirety by this reference. The contents of our website, and the contents of any other website referred to herein, are not incorporated into these Listing Particulars and do not form part of it.

The Issuer accepts responsibility for the information contained in these Listing Particulars. The Issuer has made all reasonable inquiries and confirmed to the best of its knowledge, information and belief that the information contained in these Listing Particulars with regard to it, each of its subsidiaries and affiliates, and the Notes are true and accurate in all material respects, that the opinions and intentions expressed in these Listing Particulars are honestly held, and that it is not aware of any other facts the omission of which would make these Listing Particulars or any statement contained herein misleading in any material respect.

No person is authorized in connection with any offering made pursuant to these Listing Particulars to give any information or to make any representation not contained in these Listing Particulars, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, any other member of the Group (as defined herein), the Initial Purchasers, the Trustee (as defined herein) or their respective agents. The information contained in these Listing Particulars is current at the date of the Offering Memorandum. Neither the delivery of these Listing Particulars at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set out in these Listing Particulars or in the Issuer’s or the Group’s affairs since the date of these Listing Particulars.

The information set forth in relation to sections of these Listing Particulars describing clearing arrangements, including the section entitled “*Book-Entry, Delivery and Form*”, is subject to any change in, or reinterpretation of,

the rules, regulations and procedures of DTC, Euroclear and/or Clearstream, as applicable, currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning DTC, Euroclear and/or Clearstream, as applicable, it accepts no further responsibility in respect of such information. In addition, these Listing Particulars contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

The distribution of these Listing Particulars and the offer and sale of the Notes may be restricted by law in some jurisdictions. Please see “*Notice to U.S. Investors*”, “*Prohibition of Offers To EEA Retail Investors*”, “*MIFID II Product Governance/Professional Investors and ECPS only Target Market*”, “*Notice to Certain European Investors*”, “*Notice to Israeli Investors*” and “*Notice to Investors in Canada*”. Persons into whose possession these Listing Particulars or any of the Notes come must inform themselves about, and observe, any restrictions on the transfer and exchange of the Notes. See “*Plan of Distribution*” and “*Notice to Investors*”.

These Listing Particulars does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess these Listing Particulars. You must also obtain any consents or approvals that you need in order to purchase any Notes. The Issuer and the Initial Purchasers are not responsible for your compliance with these legal requirements.

The Notes are available in book-entry form only. The Notes sold pursuant to these Listing Particulars have been issued in the form of one or more global notes, which have been deposited and registered in the name of the nominee of a common depository for DTC, Euroclear and/or Clearstream, as applicable. Beneficial interests in the global notes are shown on, and transfers of the global notes are effected only through, records maintained by DTC, Euroclear and/or Clearstream, as applicable and its respective participants. The Notes in certificated form are issued in exchange for the global notes only in the limited circumstances as set forth in the Indenture. Please see “*Book-Entry, Delivery and Form*”.

#### **NOTICE TO U.S. INVESTORS**

Each purchaser of the Notes is deemed to have made the representations, warranties and acknowledgements that are described in these Listing Particulars under “*Notice to Investors*”. The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see “*Notice to Investors*”. The Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell transfer or deliver, directly or indirectly, any Note to the public.

#### **PROHIBITION OF OFFERS TO EEA RETAIL INVESTORS**

The Notes and the Notes Guarantee are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. No key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### **MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**

Solely for the purposes of the product approval process of each of Goldman Sachs International and BNP Paribas (each, a “**manufacturer**”), the target market assessment in respect of the Notes described in these Listing

Particulars has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending such Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

## NOTICE TO CERTAIN EUROPEAN INVESTORS

**France.** These Listing Particulars have not been prepared in the context of a public offer of financial securities in France within the meaning of Article L. 411-1 of the French *Code Monétaire et Financier* and Title I of Book II of the Règlement Général of the Autorité des marchés financiers (the “**AMF**”) and therefore have not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*), and offers and sales of the Notes are only made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) acting for their own accounts, as defined in and in accordance with Articles L. 411-1, L. 411-2, D. 411-1, D744-1, D 754-1 and D 764-1 of the French *Code of Monétaire et Financier*. No re-transfer, directly or indirectly, of the Notes in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offer (which are, in particular, embodied in Articles L 411-1, L 411-2, L 412-1 and L 674-8 *et seq* of the French *Code of Monétaire et Financier* shall be made). Neither these Listing Particulars nor any other offering material may be distributed to the public in France.

**United Kingdom.** These Listing Particulars is for distribution only to, and is only directed at, persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) (“**high net worth companies, unincorporated associations, etc.**”) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). These Listing Particulars is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on these Listing Particulars or any of its contents

**Grand Duchy of Luxembourg.** These Listing Particulars has not been approved by and will not be submitted for approval to the Luxembourg Supervision Commission of the Financial Sector (Commission de Surveillance du Secteur Financier) for purposes of a public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither these Listing Particulars nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which make a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 16, 2019 on prospectuses for securities (the “**Prospectus Act**”) and implementing the Prospectus Regulation. Consequently, these Listing Particulars and any other offering memorandum, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Act and (ii) no more than 149 prospective investors, which are not qualified investors.

**The Netherlands.** The Notes (including rights representing an interest in each Global Note that represents the Notes) may not be offered or sold to individuals or legal entities in the Netherlands other than to qualified investors (*gekwalificeerde beleggers*) as defined in the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*).

**Germany.** The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No 809/2004 of April 29, 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. These Listing Particulars has not been approved under the German Securities Prospectus Act

(*Wertpapierprospektgesetz*) or the Prospectus Regulation and accordingly the Notes may not be offered publicly in Germany.

**Spain.** The offering of the Notes has not been registered with the Comisión Nacional del Mercado de Valores and therefore the Notes may not be offered or sold or distributed in Spain except in circumstances that do not qualify as a public offer of securities in Spain in accordance with article 35 of the Securities Market Act (“*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*”), and any regulations developing it which may be in force from time to time.

**Italy.** The offering of the Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* (“**CONSOB**”) (the Italian securities exchange commission), pursuant to Italian securities legislation, and will not be subject to formal review by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of these Listing Particulars or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati* or *clienti professionali*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended (“**Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the “**Issuer Regulation**”), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “**Italian Financial Act**”); and (b) in any other circumstances that are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) or (b) above and must be:

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, the Regulation No. 16190, as amended, Legislative Decree No. 385 of September 1, 1993, as amended (the “**Italian Banking Act**”), the Issuer Regulation and any other applicable laws and regulations; and

(b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy or any other relevant Italian authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

**Austria.** These Listing Particulars has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither these Listing Particulars nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither these Listing Particulars nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria

**Switzerland.** The Notes are being offered in Switzerland on the basis of a private placement only. These Listing Particulars, as well as any other material relating to the Notes which are the subject of the offering contemplated by these Listing Particulars, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of

the Swiss Code of Obligations (SR 220) and does not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers' Association. The Notes will not be listed on the SIX Swiss Exchange Ltd or any other Swiss stock exchange or regulated trading facility and, therefore, the documents relating to the Notes, including, but not limited to, these Listing Particulars, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or the listing rules of any other Swiss stock exchange or regulated trading facility. Neither these Listing Particulars nor any other material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected, hand picked investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. These Listing Particulars, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. These Listing Particulars, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

**Portugal.** Neither the offering, nor the Notes have been approved by the Portuguese Securities Commission (*Comissão do Mercado de Valores Mobiliários*, the “**CMVM**”) or by any other competent authority of another member state of the European Union and notified to the CMVM.

Neither the Issuer nor the Initial Purchasers have, directly or indirectly, offered or sold any Notes or distributed or published these Listing Particulars, any prospectus, form of application, advertisement or other document or information in Portugal relating to the Notes and will not take any such actions in the future or any actions that would permit a public offering of any of the Notes in Portugal or for these Listing Particulars to be distributed or published in Portugal. Accordingly, no Notes may be offered, sold or distributed, except under circumstances that will not be considered as a public offering under article 109 of the Portuguese Securities Code (*Código dos Valores Mobiliários*, the “**Cód.VM**”) approved by Decree Law 486/99 of 13 November 1999, as last amended by Decree Law 35/2018 of 20 July 2018.

As a result, the offering and any material relating to the Notes are addressed solely to, and may only be accepted by, any person or legal entity that is resident in Portugal or that will hold the Notes through a permanent establishment in Portugal (each a “**Portuguese Investor**”) to the extent that such Portuguese Investor (i) is deemed a qualified investor (*investidor profissional*) pursuant to paragraphs 1 and 4 of article 30 of the Cód.VM, (ii) is not treated by the relevant financial intermediary as a non-qualified investor (*investidor não profissional*) pursuant to article 317 of the Cód.VM and (iii) does not request the relevant financial intermediary to be treated as a non-qualified investor (*investidor não profissional*) pursuant to article 317-A of the Cód.VM.

**Sweden.** These Listing Particulars is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered these Listing Particulars or will examine, approve or register these Listing Particulars. Accordingly, these Listing Particulars may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Swedish Financial Instruments Trading Act.

**Denmark.** These Listing Particulars has not been filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) or any other regulatory authority in Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark by way of public offering, unless in compliance with the Danish Capital Markets Act (Consolidated Act No. 12 of January 8, 2018 on capital markets (*Lov om kapitalmarkeder*) and executive orders issued thereunder and in compliance with Executive Order No. 747 of 7 June 2017 issued pursuant to the Danish Financial Business Act to the extent applicable

**Norway.** These Listing Particulars has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any other regulatory authority in Norway. The Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time (the “**Securities Trading Act**”). Accordingly, these Listing Particulars may not be made available nor may the Notes otherwise be marketed and offered for sale in Norway



other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway in accordance with the Securities Trading Act.

### **NOTICE TO ISRAELI INVESTORS**

The Notes may not be offered or sold to any Israeli investor unless such investor (i) is a “Qualified Investor” within the meaning of the first Appendix to the Israeli Securities Law, who is not an individual (a “**Qualified Israeli Investor**”), (ii) has completed and signed a questionnaire regarding its qualifications as a Qualified Israeli Investor and delivered it to the relevant Initial Purchaser and (iii) has certified that it has an exemption from Israeli withholding taxes on interest and delivered a copy of such certification to the relevant Initial Purchaser.

### **NOTICE TO INVESTORS IN CANADA**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if these Listing Particulars (including any amendment thereto) contain a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering.

**THESE LISTING PARTICULARS CONTAIN IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.**

### **AVAILABLE INFORMATION**

For so long as any of the Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and the Issuer is neither subject to Section 13 or 15(d) of the U.S. Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will, upon the request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to the Issuer at the registered office of the Issuer, 5, rue Eugène Ruppert, L-2453 Luxembourg. Copies of the Indenture governing the Notes, the forms of the Notes and the Altice Lux Intercreditor Agreement will be made available upon request to the Paying Agents or to the Issuer at the address above.

The Issuer is not currently, and will not be, subject to the periodic reporting and other information requirements of the U.S. Exchange Act. Pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, the Issuer will furnish periodic information to the holders of the Notes. See “*Description of Notes—Certain Covenants—Reports*”.

### **SUBSCRIBER, INDUSTRY AND MARKET DATA**

#### **Key Performance Indicators**

These Listing Particulars include information relating to certain key performance indicators of the Group (as defined herein), including, among others, number of homes passed and subscribers, which the Group’s management uses to track the financial and operating performance of its businesses. In each case, none of these terms are measures of financial performance under IFRS (as defined herein), nor have these measures been audited or reviewed by an auditor, consultant or expert. All of the measures relating to the Group are derived from the internal operating systems of the Group. As defined by the Group, these terms may not be directly comparable to corresponding or similar terms used by competitors or other companies. Please refer to the meanings of these terms as defined by the Group included elsewhere in these Listing Particulars.

## **Market and Industry Data**

These Listing Particulars contain statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

We have generally obtained the market and competitive position data in these Listing Particulars from industry publications and from surveys or studies conducted by third party sources that we believe to be reliable, and from information made publicly available by our competitors and other market participants. Nonetheless, we cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information.

In addition, in many cases, we have made statements in these Listing Particulars regarding the Group's industry and position in the industry based on our experience and our own investigation of market conditions. Internal analyses, surveys or information, which we believe to be reliable, have not been verified by any independent sources and we cannot assure you that any of these assumptions are accurate or correctly reflect the Group's position in the industry. Neither we nor any of the Initial Purchasers make any representation as to the accuracy of such information.

Certain monetary amounts, percentages and other figures included in these Listing Particulars have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100%.

## FORWARD-LOOKING STATEMENTS

*These Listing Particulars contain “forward-looking statements” as that term is defined by the U.S. federal securities laws. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in these Listing Particulars, including, but without limitation, those regarding our future financial condition, results of operations and business, our products, acquisitions, dispositions and finance strategies, our capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, potential synergies and cost savings, competitive and economic factors, the maturity of our markets, anticipated cost increases, synergies, liquidity and credit risk. In some cases, you can identify these statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should”, and “will” and similar words used in these Listing Particulars.*

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond the Group’s control. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which the Group operates. We caution readers not to place undue reliance on the statements, which speak only as of the date of these Listing Particulars, and it expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

Where, in any forward-looking statement, the Group expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in these Listing Particulars include those described under “*Risk Factors*”.

The following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash flow to service our debt and to control and finance our capital expenditures and operations;
- restrictions and limitations contained in the agreements governing our debt;
- our ability to raise additional financing or refinance our existing indebtedness;
- fluctuations in currency exchange rates, inflation and interest rates;
- negative changes to our credit rating;
- risks associated with our structure, the offering, and our other indebtedness;
- the competitive environment and downward price pressure in the broadband internet communications, television sector, fixed line telephony, mobile telephony and B2B sectors in the countries in which we operate;
- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;
- changes in the political, judicial, economic or security environment in the countries in which we operate or will operate in the future;
- changes in consumer demand for cable-based and mobile products as well as the demand for bundled services and offerings;

- development of telecommunications networks and services and dependence on third-parties for access to certain parts of our network;
- our ability to introduce new technologies or services and our ability to respond to technological developments;
- deployment of fiber and/or VDSL2 networks and/or new generation mobile networks by our competitors;
- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to maintain favorable roaming or network sharing agreements;
- our ability to achieve cost savings from network sharing agreements for our mobile services in the jurisdictions in which we operate;
- the ability of telecommunications providers to provide consistent services without disruption;
- the ability of third party suppliers and vendors to timely deliver products, network infrastructure, equipment, software and services;
- the availability of attractive content for our digital video services or necessary equipment at reasonable costs;
- risks related to royalties payments and our licenses;
- technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- any negative impact on our reputation, including due to product quality issues;
- customer churn;
- our ability to integrate acquired businesses and realize planned synergy benefits from past or future acquisitions;
- our ability to maintain adequate managerial controls and procedures as the business grows;
- our inability to provide high levels of customer service;
- the declining revenue from certain of our services and our ability to offset such declines;
- any disruptions in the credit and equity markets which could affect our credit instruments and cash investments;
- our ability to protect our intellectual property rights and avoid any infringement of any third party's intellectual property rights;
- our ability to maintain subscriber data and comply with data privacy laws;
- the outcome of any pending legal, administrative and regulatory proceedings;
- our significant post retirement and healthcare benefit obligations (both funded and unfunded);
- changes in laws or treaties relating to taxation in the countries in which we operate, or the interpretation thereof;
- the regulatory environment in the countries in which we operate and changes in, or a failure or an inability to comply with, government regulations and adverse outcomes from regulatory proceedings;
- local business risks in the jurisdictions in which we operate;

- our ability to manage our brands;
- our inability to completely control the prices we charge to customers or the programming we provide;
- our ability to obtain building and environmental permits for the building and upgrading of our networks and to comply generally with city planning laws;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- our ultimate parent’s interest may conflict with our interests;
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events; and
- other factors described in more detail under “*Risk Factors*”.

The cable television, broadband internet access, fixed line telephony, mobile services, ISP services, B2B and wholesale industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in these Listing Particulars are subject to a significant degree of risk.

We do not undertake any obligation to review or confirm analysts’ expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of these Listing Particulars.

The Group discloses important factors that could cause the Group’s actual results to differ materially from its expectations in these Listing Particulars. These cautionary statements qualify all forward-looking statements attributable to Group or persons acting on our behalf. When the Group indicates that an event, condition or circumstance could or would have an adverse effect on the Group, we mean to include effects upon the Group’s business, financial and other conditions, results of operations and the Issuer’s ability to make payments under the Notes.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive, and should be read in conjunction with other factors that are included in these Listing Particulars. See “*Risk Factors*” along with sections of these Listing Particulars titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Industry, Competition and Market Overview*” and “*Description of Our Business*” for a more complete discussion of the factors that could affect the Group’s future performance and the markets in which the Group operates. All forward-looking statements should be evaluated in light of their inherent uncertainty.

The Group operates in a competitive and rapidly changing environment. New risks, uncertainties and other factors may emerge that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results. Except as required by law or the rules and regulations of any stock exchange on which its securities are listed, we expressly disclaim any obligation or undertakings to release publicly any updates or revisions to any forward-looking statements contained in these Listing Particulars to reflect any change in its expectations or any change in events, conditions or circumstances on which any forward-looking statement contained in these Listing Particulars is based.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated or the context otherwise requires, references to “IFRS” herein are to International Financial Reporting Standards as adopted by the European Union.

### Financial Statements Presented

Altice Luxembourg S.A. (the “**Issuer**”) was formed on May 27, 2015. The Issuer is the holding company of the Altice France Group and the Altice International Group. The Issuer does not conduct any material business operations.

These Listing Particulars include the following historical consolidated financial information:

- the condensed interim consolidated financial statements for the Issuer as of and for the three month period ended March 31, 2019 and the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2018 (which include comparative figures as of and for the year ended December 31, 2017), December 31, 2017 (which include comparative figures as of and for the year ended December 31, 2016) and December 31, 2016 (which include comparative figures as of and for the year ended December 31, 2015), each prepared in accordance with IFRS as adopted in the European Union and which have been audited by Deloitte Audit S.à r.l.

The consolidated financial statements of the Issuer described above, including the accompanying notes thereto, are referred to herein as the “**Historical Consolidated Financial Information**”.

The preparation of financial statements in conformity with IFRS as adopted in the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Issuer’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Issuer’s financial statements are disclosed in the Historical Consolidated Financial Information.

The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. Comparative figures for the year ended December 31, 2017 included in the Issuer’s audited consolidated financial statements as of and for the year ended December 31, 2018 were restated from figures presented in previously published audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017, to reflect the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. Unless otherwise specified, the Historical Consolidated Financial Information for the other periods presented herein have not been restated for the impacts of IFRS 15 or IFRS 9.

### Non-IFRS Financial Measures

These Listing Particulars contain measures and ratios (the “**Non-IFRS Measures**”), including Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures (also referred to as “operating free cash flow” in the Historical Consolidated Financial Information), that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. We present Non-IFRS Measures because we believe that they are of interest to the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-IFRS Measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries’, operating results as reported under IFRS or other generally accepted accounting standards. The Non-IFRS Measures may also be defined differently than the corresponding terms governing our indebtedness, including the Indenture, the Existing Altice Lux Notes Indentures or the Altice Lux Revolving Credit Facility Agreement (each such term as defined herein). Non-IFRS Measures and ratios, such as Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures (also referred to as “operating free cash flow” in the Historical Consolidated Financial Information) are not measurements of our, or any of our subsidiaries’, performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider Adjusted EBITDA, *Pro Forma* Adjusted EBITDA or Adjusted EBITDA less capital expenditures (also referred to as “operating free cash flow” in the Historical Consolidated Financial Information) as an alternative to (a) operating profit or profit for the period (as determined in accordance with

IFRS) or as a measure of our, or any of our operating entities', operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries', ability to meet our cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures (also referred to as "operating free cash flow" in the Historical Consolidated Financial Information) have certain limitations as analytical tools, including but not limited to:

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments;
- although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future;
- Adjusted EBITDA and Adjusted EBITDA less capital expenditures do not reflect any cash requirements that would be required for such replacements; and
- some of the non-recurring items that we or our operating entities eliminate in calculating Adjusted EBITDA and Adjusted EBITDA less capital expenditures reflect cash payments that were made, or will in the future be made.

In addition, as a result of certain acquisitions and disposals that have been consummated by the Group during the periods presented in these Listing Particulars, and the intra-year timing of such acquisitions and disposals, the comparability of the Historical Consolidated Financial Information over each of such periods may be limited. *Pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Regulation, IFRS or any generally accepted accounting standards. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2018 compared to the year ended December 31, 2017—Significant Events Affecting Historical Results" for more information. Unless otherwise specified, the Historical Consolidated Financial Information does not give *pro forma* effect to the acquisitions and disposals that have been consummated by the Group during the periods presented in these Listing Particulars, or to any acquisitions and disposals occurring after December 31, 2018, and may therefore differ from the financial information relating to the Issuer publicly reported by Altice Europe and its consolidated subsidiaries for the same periods which does give *pro forma* effect to certain of such acquisitions and disposals.

The Historical Consolidated Financial Information mentioned above does not indicate results that may be expected for any future period.

### ***Certain Adjusted Financial Information***

These Listing Particulars also include certain financial information on an as adjusted basis to give effect to the offering of the Notes and the application of the proceeds thereof, as if such transactions had occurred on December 31, 2018. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group's indebtedness would have been had the offering of the Notes and the application of proceeds thereof occurred on such dates, nor does it purport to project the Group's indebtedness or cash interest expense at any future date. This as adjusted financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Regulation, IFRS or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing or review standards.

In making an investment decision, you must rely upon your own examination of the terms of the offering and the financial information contained in these Listing Particulars. You should consult your own professional advisors

for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in these Listing Particulars.

Certain amounts and percentages presented herein have been rounded and, accordingly, the sum of amounts presented may not equal the total.



## CERTAIN DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms “Group”, “we”, “us” and “our” as used in these Listing Particulars refers to the Issuer and its subsidiaries. Definitions of certain terms and certain financial and operating data can be found below. For explanations or definitions of certain technical terms relating to our business as used herein, see “*Glossary*” on page G-1 of these Listing Particulars.

“2017 Altice Financing Guarantee Facility Agreement” .....	the guarantee facility agreement, dated June 23, 2017, as amended, restated, supplemented or otherwise modified from time to time between, <i>inter alios</i> , Altice Financing, as borrower and guarantor, the lenders from time to time party thereto, J.P. Morgan Europe Limited, as facility agent, and Citibank, N.A., London Branch, as security agent.
“2018 Altice Financing Guarantee Facility Agreement” .....	collectively (i) the guarantee facility agreement, dated July 25, 2018, as amended, restated, supplemented or otherwise modified from time to time between, <i>inter alios</i> , Altice Financing, as borrower and guarantor, the lenders from time to time party thereto, BNP Paribas SA, as facility agent, and Citibank, N.A., London Branch, as security agent; and (ii) the guarantee facility agreement, dated July 26, 2018, as amended, restated, supplemented or otherwise modified from time to time, between, <i>inter alios</i> , Altice Financing, as borrower and guarantor, and Credit Agricole Corporate and Investment Bank, as issuing bank.
“2019 SFR FTTH Senior Facilities Agreement” .....	has the meaning ascribed to such term in “ <i>Description of Other Indebtedness—Indebtedness of Unrestricted Subsidiaries—2019 SFR FTTH Senior Facilities Agreement</i> ”.
“ACS” .....	Altice Customer Services S.à r.l., a private limited liability company ( <i>société à responsabilité limitée</i> ) organized under the laws of the Grand Duchy of Luxembourg, which is the sole shareholder of Intelcia Group S.A., a public limited liability company ( <i>société anonyme</i> ) organized under the laws of Morocco, and its subsidiaries.
“AENS” .....	Altice Entertainment News & Sport S.A., a public limited liability company ( <i>société anonyme</i> ) incorporated under the laws of the Grand Duchy of Luxembourg, and a subsidiary of Altice TV.
“AENS Contract Renegotiation” .....	has the meaning ascribed to such term in “ <i>Certain Relationships and Related Party Transactions—Transactions with Altice TV</i> ”.
“AI Mandatory Convertible Notes” .....	the mandatory convertible notes issued by Altice International for an aggregate nominal principal amount of €2,055 million and subscribed to by the Issuer.
“Altice B2B France” .....	Altice B2B France S.A.S., a French corporation incorporated as a <i>société par actions simplifiée</i> registered under sole identification number 499 662 757 RCS Paris.
“Altice Blue Two” .....	Altice Blue Two S.A.S., a private limited liability company ( <i>société par actions simplifiée</i> ) organized under the laws of France.
“Altice Caribbean” .....	Altice Caribbean S.à r.l., a private limited liability company ( <i>société à responsabilité limitée</i> ) organized under the laws of the Grand Duchy of Luxembourg.
“Altice Dominicana” .....	Altice Dominicana S.A. (formerly known as Altice Hispaniola S.A. and Orange Dominicana S.A.), a corporation ( <i>sociedad anónima</i> ) organized under the laws of the Dominican Republic.
“Altice Europe” .....	Altice Europe N.V. (formerly known as Altice N.V. and Altice S.A.), a public company with limited liability ( <i>naamloze vennootschap</i> ) incorporated and existing under the laws of The

	Netherlands, registered with the Dutch Trade Registry under number 63329743 and having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, and its subsidiaries, unless the context otherwise requires.
“Altice Europe Group” .....	Altice Europe and its consolidated subsidiaries as of the date of the Offering Memorandum.
“Altice Financing” .....	Altice Financing S.A., a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg.
“Altice Financing 2023 Notes” .....	collectively, the \$2,060 million aggregate principal amount of 6 <sup>5</sup> / <sub>8</sub> % senior secured notes due 2023 and €500 million aggregate principal amount of 5 <sup>1</sup> / <sub>4</sub> % senior secured notes due 2023 issued by Altice Financing on February 4, 2015.
“Altice Financing 2026 Notes” .....	the \$2,750 million aggregate principal amount of 7 <sup>1</sup> / <sub>2</sub> % senior secured notes due 2026 issued by Altice Financing on May 3, 2016.
“Altice Financing Guarantee Facilities”	collectively, the guarantee facilities made available under the Altice Financing Guarantee Facilities Agreements.
“Altice Financing Guarantee Facilities Agreements” .....	collectively, the 2017 Altice Financing Guarantee Facility Agreement and the 2018 Altice Financing Guarantee Facility Agreement
“Altice Financing Notes” .....	collectively, the Altice Financing 2023 Notes and the Altice Financing 2026 Notes.
“Altice Financing Notes Indentures” ....	collectively, the indentures governing the Altice Financing Notes, in each case, as amended, restated, supplemented or otherwise modified from time to time.
“Altice Financing Revolving Credit Facilities” .....	collectively, the revolving credit facilities made available under the Altice Financing Revolving Credit Facilities Agreements.
“Altice Financing Revolving Credit Facilities Agreements” .....	collectively, the (i) revolving credit facilities agreement, dated on or about December 9, 2014, among, <i>inter alios</i> , Altice Financing, the lenders from time to time party thereto, Citibank International Limited as facility agent and Citibank N.A., London Branch as security agent, as amended, restated, supplemented or otherwise modified from time to time; and (ii) revolving credit facilities agreement, dated on or about January 30, 2015, among, <i>inter alios</i> , Altice Financing, the lenders from time to time party thereto, Citibank International Limited as facility agent and the Citibank, N.A., London Branch as security agent, as amended, restated, supplemented or otherwise modified from time to time.
“Altice Financing Term Loans” .....	the various term loans established under the Altice Financing Term Loan Agreements.
“Altice Financing Term Loan Agreement” .....	the term loan agreement, dated January 30, 2015, among, <i>inter alios</i> , Altice Financing, the lenders from time to time party thereto and Citibank N.A., London Branch as security agent, as amended, restated, supplemented or otherwise modified from time to time
“Altice Finco” .....	Altice Finco S.A., a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg.
“Altice Finco 2023 Notes” .....	the €250 million aggregate principal amount of 9% senior notes due 2023 issued by Altice Finco on June 19, 2013.
“Altice Finco 2024 Notes” .....	the \$400 million aggregate principal amount of 8 <sup>1</sup> / <sub>8</sub> % senior notes due 2024 issued by Altice Finco on December 12, 2013.

“Altice Finco 2025 Notes” .....	the \$385 million aggregate principal amount of 7 <sup>5</sup> / <sub>8</sub> % senior notes due 2025 issued by Altice Finco on February 4, 2015.
“Altice Finco 2028 Notes” .....	the €675 million aggregate principal amount of 4 <sup>3</sup> / <sub>4</sub> % senior notes due 2028 issued by Altice Finco on October 11, 2017.
“Altice Finco Notes” .....	collectively, the Altice Finco 2023 Notes, the Altice Finco 2024 Notes, the Altice Finco 2025 Notes and the Altice Finco 2028 Notes.
“Altice Finco Notes Indentures” .....	collectively, the indentures governing the Altice Finco Notes, in each case, as amended, restated, supplemented or otherwise modified from time to time.
“Altice France” .....	Altice France S.A. (formerly known as SFR Group S.A. and Numericable-SFR S.A.), a public limited liability company ( <i>société anonyme</i> ) organized under the laws of France, and its subsidiaries, as the context requires.
“Altice France 2024 Notes” .....	collectively, the \$1,375 million aggregate principal amount of 6 <sup>1</sup> / <sub>4</sub> % senior secured notes due 2024 and the €1,250 million aggregate principal amount of 5 <sup>5</sup> / <sub>8</sub> % senior secured notes due 2024 issued by Altice France on May 8, 2014.
“Altice France 2026 Notes” .....	the \$5,190 million aggregate principal amount of 7 <sup>3</sup> / <sub>8</sub> % senior secured notes due 2026 issued by Altice France on April 11, 2016.
“Altice France 2027 Notes” .....	collectively, the \$1,750 million aggregate principal amount of 8 <sup>1</sup> / <sub>8</sub> % senior secured notes due 2027 and the €1,000 million aggregate principal amount of 5 <sup>7</sup> / <sub>8</sub> % senior secured notes due 2027 issued by Altice France on July 31, 2018.
“Altice France Group” .....	the Guarantor and its subsidiaries as of the date of the Offering Memorandum.
“Altice France Intercreditor Agreement” .....	the intercreditor agreement dated on or about May 8, 2014, among, <i>inter alios</i> , Altice France and the security agent party thereto, as amended, restated, supplemented or otherwise modified from time to time.
“Altice France Notes” .....	collectively, the Altice France 2024 Notes, the Altice France 2026 Notes and the Altice France 2027 Notes.
“Altice France Notes Indentures” .....	collectively, the indentures governing the Altice France Notes, in each case, as amended, restated, supplemented or otherwise modified from time to time.
“Altice France Revolving Credit Facilities” .....	the revolving credit facilities made available under the Altice France Revolving Credit Facilities Agreement.
“Altice France Revolving Credit Facilities Agreement” .....	the revolving credit facilities agreement, dated on or about May 8, 2014, among, <i>inter alios</i> , Altice France, the lenders from time to time party thereto and Deutsche Bank AG, London Branch as facility and security agent, as amended, restated, supplemented or otherwise modified from time to time.
“Altice France Term Loans” .....	the various term loans established under the Altice France Term Loan Agreement.
“Altice France Term Loan Agreement” .....	the term loan agreement, dated May 8, 2014, among, <i>inter alios</i> , Altice France, Ypso France S.A.S. and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto and Deutsche Bank AG, London Branch as facility agent and security agent, as supplemented by way of the incremental loan assumption agreements dated July 20, 2015 and October 14, 2015, and as amended by the first amendment to term loan credit agreement dated November 10, 2015, the second amendment to term loan

	credit agreement dated April 7, 2016, the third amendment to term loan credit agreement dated June 21, 2016, the fourth amendment to term loan credit agreement dated November 14, 2016, the fifth amendment to term loan credit agreement dated April 18, 2017, the sixth amendment to term loan credit agreement dated October 31, 2017, the seventh amendment to term loan credit agreement dated August 14, 2018 and the eighth amendment to term loan credit agreement dated August 14, 2018, and as further amended, restated, supplemented or otherwise modified from time to time.
“Altice Group Lux” .....	Altice Group Lux, S.à r.l., a private limited liability company ( <i>société à responsabilité limitée</i> ) organized under the laws of the Grand Duchy of Luxembourg.
“Altice Group Reorganization” .....	the reorganization of Altice Europe’s structure into three reporting groups, which include the Altice France Group, the Altice International Group and a newly formed Altice TV division, following the Separation.
“Altice International” .....	Altice International S.à r.l., a private limited liability company ( <i>société à responsabilité limitée</i> ) organized under the laws of the Grand Duchy of Luxembourg, formerly known as Altice VII S.à r.l. and registered with the Luxembourg Trade and Companies Register under Number B 143725, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.
“Altice International Group” .....	Altice International and its subsidiaries.
“Altice Lux Bis” .....	Altice Luxembourg FR Bis S.à r.l. (formerly known as Altice France Bis S.à r.l.), a private limited liability company ( <i>société à responsabilité limitée</i> ) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under Number B 196.532, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.
“Altice Lux Intercreditor Agreement” ..	the intercreditor agreement dated on or about May 8, 2014, among, <i>inter alios</i> , the Issuer and the security agent party thereto, as amended, restated, supplemented or otherwise modified from time to time.
“Altice Lux Revolving Credit Facility”	the revolving credit facilities made available under the Altice Lux Revolving Credit Facility Agreement.
“Altice Lux Revolving Credit Facility Agreement” .....	the revolving credit facility agreement, dated on or about May 8, 2014, among, <i>inter alios</i> , the Issuer and the security agent party thereto, as amended, restated, supplemented or otherwise modified from time to time.
“Altice Portugal” .....	Altice Portugal S.A., a public limited liability company ( <i>sociedade anónima</i> ) organized under the laws of Portugal.
“Altice TV” .....	a subsidiary of Altice Europe formed in connection with the Altice Group Reorganization which, together with its subsidiaries, encompasses Altice Europe’s content distribution division.
“Altice TV Disposal” .....	Has the meaning ascribed to such term in “ <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2018 compared to the year ended December 31, 2017—Significant Events Affecting Historical Results—Closing of the sale of Altice TV to Altice Group Lux</i> ”.
“Altice USA” .....	Altice USA, Inc., a public company incorporated under the laws of Delaware and an affiliate of the Altice Europe Group.

“Altice West Europe” .....	Altice West Europe S.à r.l., a private limited liability company ( <i>société à responsabilité limitée</i> ) organized under the laws of the Grand Duchy of Luxembourg.
“ARCEP” .....	<i>Autorité de Régulation des Communications Electroniques et des Postes</i> , the French regulatory authority for electronic and postal communications.
“ATS” .....	the consolidated operations of Altice Technical Services S.A. (formerly Parilis S.A.), a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg, other than its consolidated French operations.
“ATS France” .....	the consolidated French operations of Altice Technical Services S.A. (formerly Parilis S.A.), a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg.
“Clearstream” .....	Clearstream Banking, <i>société anonyme</i> .
“Completel” .....	Completel S.A.S., a French corporation incorporated as a <i>société par actions simplifiée</i> registered under sole identification number 418 299 699 RCS Paris, through which we provide wholesale voice, data and internet-related services to corporate clients, telecommunication operators and public authorities.
“Cool Holding” .....	Cool Holding Ltd., (a) a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg and (b) a private limited liability company organized under the laws of Israel.
“Deficom Telecom” .....	Deficom Telecom S.à r.l., a private limited liability company ( <i>société à responsabilité limitée</i> ) organized under the laws of the Grand Duchy of Luxembourg, which was dissolved on December 27, 2018.
“Dollar Notes” .....	the \$1,600 million aggregate principal amount of 10½% senior notes.
“Dominican Towers Transaction” .....	has the meaning ascribed to such term in “ <i>Description of Our Business—Altice International Group—Material Contracts—Dominican Republic—Agreement to Dispose of Dominican Tower Assets</i> ”.
“DTC” .....	The Depository Trust Company.
“ERISA” .....	the U.S. Employee Retirement Income Security Act of 1974, as amended.
“EU” .....	the European Union.
“Euro Notes” .....	the €1,400 million aggregate principal amount of 8% senior notes.
“Euro Paying Agent” .....	Deutsche Bank AG, London Branch.
“Euro Registrar” .....	Deutsche Bank Trust Company Americas.
“Euro Transfer Agent” .....	Deutsche Bank AG, London Branch.
“euro”, “EUR” or “€” .....	the euro, the currency of the EU member states participating in the European Monetary Union.
“Euroclear” .....	Euroclear Bank S.A./N.V., as operator of the Euroclear system.
“European Economic Area” .....	the trading area established by the European Economic Area Agreement of January 1, 1994, comprising the member states of the EU (currently, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg,

	Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) and Norway, Iceland and Liechtenstein.
“Existing Altice Lux 2022 Notes” .....	collectively, the \$2,900 million aggregate principal amount of 7 <sup>3</sup> / <sub>4</sub> % senior notes due 2022 and the €2,075 million aggregate principal amount of 7 <sup>1</sup> / <sub>4</sub> % senior notes due 2022 issued by the Issuer on May 8, 2014.
“Existing Altice Lux 2025 Notes” .....	collectively, the \$1,480 million aggregate principal amount of 7 <sup>5</sup> / <sub>8</sub> % senior notes due 2025 and the €750 million aggregate principal amount of 6 <sup>1</sup> / <sub>4</sub> % senior notes due 2025 issued by the Issuer on February 4, 2015.
“Existing Altice Lux Notes” .....	collectively, Existing Altice Lux 2022 Notes and Existing Altice Lux 2025 Notes.
“Existing Altice Lux Notes Indentures”	collectively, the indentures governing the Existing Altice Lux Notes, in each case, as amended, restated, supplemented or otherwise modified from time to time.
“FOT Business” .....	Altice International’s operations in the French Overseas Territories.
“FOT Transfer” .....	the acquisition of the FOT Business by the Altice France Group from the Altice International Group, consummated on October 31, 2018.
“France Towers Transaction” .....	Has the meaning ascribed to such term in “ <i>Description of Our Business—Altice France Group—Material Contracts—Hivory—Agreement to Dispose of Tower Assets</i> ”.
“French Overseas Territories” .....	collectively, Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.
“Green” .....	green.ch AG (company registration no. CHE-113.574.742), a company limited by shares ( <i>Aktiengesellschaft</i> ) organized under the laws of Switzerland.
“Green Datacenter” .....	Green Datacenter AG (company registration no. CHE-115.555.342), a company limited by shares ( <i>Aktiengesellschaft</i> ) organized under the laws of Switzerland.
“Group” .....	the Issuer and its subsidiaries.
“Guarantor” .....	Altice Luxembourg FR S.A. (formerly known as Altice France S.A.), a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under Number B 135 296, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.
“Hivory” .....	Hivory, a <i>société par actions simplifiée</i> , organized under the laws of France, having its registered office at 124, boulevard de Verdun, 92400 Courbevoie, registered with the registry of trade and companies of Nanterre under number 838 867 323.
“HOT” .....	HOT Telecommunication Systems Ltd. or HOT Telecommunication Systems Ltd. and its subsidiaries, as the context requires.
“IFRS” .....	International Financial Reporting Standards as adopted by the European Union.
“Indenture” .....	the indenture, entered into on May 8, 2019, governing the Notes, among, <i>inter alios</i> , the Issuer and the Trustee.

“Initial Purchasers” .....	refers to Goldman Sachs International, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Morgan Stanley & Co. International plc. and Société Générale.
“Issuer” .....	Altice Luxembourg S.A., a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under Number B197134, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.
“Mobius” or “Mobius Group” .....	Mobius S.A.S., a private limited liability company ( <i>société par actions simplifiée</i> ) organized under the laws of France, and its subsidiaries.
“NextRadioTV” .....	NextRadioTV S.A., with or without its subsidiaries as the content requires.
“Notes” .....	collectively, the Dollar Notes and the Euro Notes.
“Notes Collateral” .....	first-ranking pledges over (i) all of the share capital of Altice International and the Guarantor and (ii) the AI Mandatory Convertible Notes.
“Numericable U.S. LLC” .....	Numericable U.S. LLC, a Delaware limited liability company, having its registered office at 901 N. Market St, Suite 705, Wilmington, County of New Castle, Delaware 19801, United States.
“Numericable U.S. S.A.S.” .....	Numericable U.S. S.A.S, a French corporation incorporated as a <i>société par actions simplifiée</i> registered under sole identification number 801 376 161 RCS Paris.
“Offering Memorandum” .....	the offering memorandum dated May 3, 2018, pursuant to which the Issuer offered the Notes.
“Omer Telecom” .....	Omer Telecom Limited, a private limited company registered with the Register of Companies in England and Wales under number 05721373.
“OMTEL” .....	OMTEL, Estruturas de Comunicações. S.A., a corporation ( <i>sociedade anónima</i> ) organized under the laws of Portugal with registration number 515 006 734.
“Paying Agents” .....	collectively, the U.S. Paying Agent and the Euro Paying Agent.
“Portugal Towers Transaction” .....	has the meaning ascribed to such term in “ <i>Description of Our Business—Altice International Group—Significant Investments and Dispositions</i> ”.
“PT OpCo” .....	MEO—Serviços de Comunicações e Multimédia, S.A. (formerly known as PT Comunicações, S.A. and the surviving entity from the merger of Meo, S.A. into PT Comunicações, S.A. on December 29, 2014), a public limited liability company ( <i>sociedade anónima</i> ) organized under the laws of Portugal with registration number 504 615 947.
“PT Portugal” .....	PT Portugal SGPS, S.A., a public limited liability company ( <i>sociedade anónima</i> ) organized under the laws of Portugal.
“PT Portugal Acquisition” .....	acquisition by the Altice International Group of 100% of the issued share capital of PT Portugal on June 2, 2015.
“PT Portugal Group” .....	PT Portugal and its subsidiaries.
“PTC” .....	PT Comunicações S.A., a public limited liability company ( <i>sociedade anónima</i> ) organized under the laws of Portugal and

	registered with the Commercial Registry Office of Lisbon under the registration number 504 615 947.
“Refinancing Transactions” .....	has the meaning ascribed to such term in “ <i>Summary—The Refinancing Transactions</i> ”.
“Registrars” .....	collectively, the U.S. Registrar and the Euro Registrar.
“Regulation S” .....	Regulation S promulgated under the U.S. Securities Act.
“Revolving Credit Facilities” .....	collectively, the Altice France Revolving Credit Facilities, the Altice Financing Revolving Credit Facilities and the Altice Lux Revolving Credit Facility.
“Rule 144A” .....	Rule 144A promulgated under the U.S. Securities Act.
“Security Agent” .....	Deutsche Bank, AG, London Branch.
“Separation” .....	the separation of Altice USA from Altice Europe consummated on June 8, 2018.
“SFR” .....	Société Française du Radiotéléphone—SFR S.A. a French corporation incorporated as a <i>société anonyme</i> registered under sole identification number 343 059 564 RCS Paris, and, as the context requires, SFR and its subsidiaries.
“SFR Acquisition” .....	the acquisition by the Altice France Group of SFR and certain of its subsidiaries on November 27, 2014.
“SFR Fibre” .....	SFR Fibre S.A.S. (formerly NC Numericable S.A.S.), a French corporation incorporated as a <i>société par actions simplifiée</i> registered under sole identification number 400 461 950 RCS Meaux.
“SFR FTTH” .....	SFR FTTH S.A.S., a French corporation incorporated as a <i>société par actions simplifiée</i> registered under sole identification number 844 717 587 R.C.S. Nanterre with its registered office at 124 Boulevard de Verdun, 92400 Courbevoie, France.
“SFR Presse” .....	SFR Presse S.A.S (formerly known as Altice Media Group France S.A.S.), a French corporation incorporated under the laws of France as a <i>société par actions simplifiée</i> .
“SFR Presse Distribution” .....	SFR Presse Distribution S.A.S., a French corporation incorporated as a <i>société par actions simplifiée</i> .
“Teads” .....	Teads S.A., a public limited liability company ( <i>société anonyme</i> ) organized under the laws of the Grand Duchy of Luxembourg.
“Teads Acquisition” .....	the acquisition by the Altice International Group of a 98.5% interest in Teads on June 22, 2017.
“Term Loans” .....	collectively, the Altice France Term Loans and the Altice Financing Term Loans.
“Towers Transactions” .....	collectively, the France Towers Transaction, the Portugal Towers Transaction and the Dominican Towers Transaction.
“Transfer Agents” .....	collectively, the U.S. Transfer Agent and the Euro Transfer Agent.
“Trustee” .....	Deutsche Bank Trust Company Americas.
“U.S. dollars”, “dollars”, “U.S.\$” or “\$” .....	the lawful currency of the United States.
“U.S. Exchange Act” .....	the U.S. Exchange Act of 1934, as amended.
“U.S. GAAP” .....	generally accepted accounting principles in the United States.
“U.S.” or “United States” .....	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.



“U.S. Paying Agent” .....	Deutsche Bank Trust Company Americas.
“U.S. Registrar” .....	Deutsche Bank Trust Company Americas.
“U.S. Securities Act” .....	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
“U.S. Transfer Agent” .....	Deutsche Bank Trust Company Americas.
“Virgin Mobile” .....	Omer Telecom Limited, the holding company for the group operating in France under the Virgin Mobile brand, and its subsidiaries acquired by Altice France pursuant to the Virgin Mobile Acquisition.
“Virgin Mobile Acquisition” .....	the acquisition on December 5, 2014 by the Altice France Group of Omer Telecom and its subsidiaries, the holding company for the group operating in France under the Virgin Mobile brand.
“Voice Carrier Business” .....	the Group’s international wholesale voice carrier business, prior to its disposal on September 6, 2018.
“Ypso Finance” .....	Ypso Finance S.à r.l, a private limited liability company ( <i>société à responsabilité limitée</i> ) organized and established under the laws of the Grand Duchy of Luxembourg, having its registered office at 121, avenue de la Faïencerie, L-1511 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B161946.
“Ypso France” .....	Ypso France S.A.S., a French corporation incorporated as a <i>société par actions simplifiée</i> registered under sole identification number 484 348 131 RCS Meaux.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate.

The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in these Listing Particulars. Neither we nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last business day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

	U.S. dollars per €1.00			Period End
	Average <sup>(1)</sup>	High	Low	
<b>Year</b>				
2014.....	1.3207	1.3932	1.2098	1.2098
2015.....	1.1031	1.2103	1.0497	1.0856
2016.....	1.1066	1.1569	1.0364	1.0541
2017.....	1.1297	1.2093	1.0492	1.2022
2018.....	1.1782	1.2510	1.1218	1.1467
<b>Month</b>				
January 2019 .....	1.1420	1.1543	1.1304	1.1448
February 2019 .....	1.1346	1.1456	1.1261	1.1371
March 2019 .....	1.1299	1.1413	1.1193	1.1218
April 2019 (through April 23, 2019) .....	1.1252	1.1304	1.1204	1.1227

(1) “Average” means the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages.

For your convenience we have translated certain financial information and operating measures expressed in NIS or Dominican Peso, as applicable, into Euro. We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The exchange rates used herein are set forth below and reflect the periods for which we have presented financial information and operating measures that we have translated into Euro, NIS or Dominican Peso, as applicable.

As of	€ per	NIS
December 31, 2015.....	€ 0.2319	NIS 1.00
December 31, 2016.....	€ 0.2471	NIS 1.00
December 31, 2017.....	€ 0.2394	NIS 1.00
December 31, 2018.....	€ 0.2333	NIS 1.00

Average rate for the	€ per	NIS
Year ended December 31, 2015.....	€ 0.2319	NIS 1.00
Year ended December 31, 2016.....	€ 0.2354	NIS 1.00
Year ended December 30, 2017.....	€ 0.2462	NIS 1.00
Year ended December 30, 2018.....	€ 0.2355	NIS 1.00

As of	€ per DOP	
December 31, 2015.....	€ 0.0202	DOP 1.00
December 31, 2016.....	€ 0.0204	DOP 1.00

As of	€ per DOP		
December 30, 2017	€	0.0173	DOP 1.00
December 30, 2018	€	0.0173	DOP 1.00

Average rate for the	€ per DOP		
Year ended December 31, 2015	€	0.0200	DOP 1.00
Year ended December 31, 2016	€	0.0197	DOP 1.00
Year ended December 30, 2017	€	0.0185	DOP 1.00
Year ended December 30, 2018	€	0.0171	DOP 1.00

## SUMMARY

*The summary below highlights selected information contained elsewhere in these Listing Particulars regarding the Group and the Notes. It does not contain all the information you should consider prior to investing in the Notes. You should read the entire Offering Memorandum carefully, including “Risk Factors” and the financial statements and notes thereto included elsewhere in these Listing Particulars. Please see page G-1 of these Listing Particulars for a glossary of technical terms used in these Listing Particulars.*

*In this section, unless the context otherwise requires, the terms “Group”, “we”, “us” and “our” refer to the Issuer and its subsidiaries, references to the Altice International Group are to Altice International S.à r.l. and its subsidiaries, and references to the Altice France Group are to Altice Luxembourg FR S.A. and its subsidiaries.*

### Overview

We are a multinational broadband and mobile communications, content and media group operating in (i) Portugal, Israel and the Dominican Republic through the Altice International Group and (ii) France and the French Overseas Territories through the Altice France Group.

The Group has major positions in all segments of the telecommunications markets in which it operates, including fixed B2C, mobile B2C, B2B, wholesale and other services, including press activities, media content production and distribution, advertising and customer and technical services. In the geographies in which we operate, we are either the largest or the second largest fixed services provider, and a leading provider of multi-play services offering bundled triple-play (“**3P**”) services and, where possible, quad-play (“**4P**”) services and focus our marketing on our multi-play offerings. As of December 31, 2018, the Group had approximately 26,250,000 mobile B2C subscribers and approximately 9,247,000 total fixed B2C unique customers as well as a fiber/cable network passing approximately 19,840,000 homes in its footprint.

We have expanded internationally through a number of price-disciplined acquisitions of telecommunications businesses, including SFR in France, PT Portugal in Portugal, HOT in Israel, and Altice Dominicana in the Dominican Republic. Our acquisition strategy has allowed us to target fiber/cable and mobile operators with what we believe to be high-quality networks in markets we find attractive from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. Furthermore, this has enabled us to grow acquired businesses organically while we continue to focus on cost optimization and increasing economies of scale and operational synergies as our Group develops. Moreover, as part of our strategy, we also focus on the convergence of telecommunications, media, content and advertising to offer more value to our customers. For example, in June 2017 we completed the Teads Acquisition. Teads is a leading video advertising marketplace with an audience of more than 1,460 million people every month. In Portugal, in February 2017, we acquired a 25% stake in the capital of sports broadcaster SPORT TV, and through our content distribution agreement with Altice TV, we broadcast UEFA Champions League and UEFA Europa League fixtures in France. We have also recently centralized our management services, customer services and technical services operations by creating three new divisions, ATS France, ATS and ACS, following our acquisition of certain historical suppliers of the Group. See “*Description of Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operation*” for more information regarding the significant investments we have made in the businesses that currently constitute the Group.

We have a high quality cable- and fiber-based network infrastructure. In the Altice International Group’s footprint, our fixed-line services are primarily delivered over hybrid fiber coaxial (“**HFC**”) cables that are among the most technically advanced in the markets in which we operate. Together with fiber/cable networks in France and Portugal which offer download speeds of up to 1 Gbps, this allows us to offer advanced 4P services in a vast majority of our service areas. Our cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint outside of the French Overseas Territories and the Dominican Republic. Given the existing technological capability of our networks, in the short to medium term, we expect that the substantial majority of our cable networks will offer significant download speeds with limited network and customer premises equipment upgrades. We believe that our cable networks are well positioned for future technological developments, including our ability to upgrade to the upcoming DOCSIS 3.1 standard, while the fiber/cable networks in France and Portugal are already set up to provide download speeds of up to 1 Gbps. In France, Portugal, the Dominican Republic and the French Overseas Territories, we also provide fixed-line services to a portion of our customer base through a DSL network that we continue to upgrade to fiber/cable. We are focused on increasing our investment in fiber/cable in Portugal and in 2015 we announced a fiber rollout for






600,000 homes per year until the end of 2020. We rolled out over 700,000 new fiber/cable homes passed in 2016, 904,000 in 2017 and a further 463,000 fiber/cable homes in 2018, which we believe leaves us well positioned to reach our target of 5,300,000 fiber/cable homes passed in Portugal by 2020. In France, we offer one of the most advanced end-to-end based fixed networks, capable of delivering an enhanced user experience to subscribers and taking advantage of the expected growth in bandwidth demand, and are expanding our existing fiber/cable network, which is supported by a powerful backbone, having rolled out over 1,600,000 new fiber/cable homes passed in each of 2016 and 2017 and approximately a further 1,344,000 fiber/cable homes passed in 2018 (passing 12,295,000 fiber/cable homes in France as of December 31, 2018, including approximately 1,100,000 fiber/cable homes now passed by SFR FTTH, an associate in which the Group owns a 50.01% interest). For the year ended December 31, 2018, without giving effect to intersegment eliminations we generated fixed B2C revenues of €2,545 million in France, €618 million in Portugal, €581 million in Israel and €101 million in the Dominican Republic.

We own, operate and are accelerating the build-out of our extensive mobile network, which provides 4G coverage for 99.7% of the population of France, 98.3% of the population of Portugal, 99.4% of the population of Israel and 97.5% of the population of the Dominican Republic, in each case as of December 31, 2018. We are also preparing for the introduction of the next generation of mobile telephony with 5G technology in France. We conducted numerous tests in 2016 and 2017 and further tests are scheduled in different cities in France in 2019. In addition, we have relationships with the industry's significant mobile equipment providers and are able to offer customers top-of-the-market mobile equipment. In 2018, we completed the Towers Transactions, through which we monetized the value of our passive mobile infrastructure assets in France, Portugal and the Dominican Republic. For the year ended December 31, 2018, without giving effect to intersegment eliminations, we generated mobile B2C revenues of €4,545 million in France, €562 million in Portugal, €243 million in Israel and €354 million in the Dominican Republic.

For the year ended December 31, 2018, the Group generated total consolidated revenues of €14,279 million, of which, without giving effect to intercompany eliminations, €10,359 million, €2,110 million, €941 million and €590 million was contributed by our France, Portugal, Israel and Dominican Republic geographic segments, respectively, and Adjusted EBITDA of €5,320 million, of which, without giving effect to intercompany eliminations, €3,788 million, €870 million, €406 million and €294 million was contributed by our France, Portugal, Israel and Dominican Republic geographic segments, respectively.

## Overview of Service Portfolio

The table below shows the Group's service portfolio in each of the regions in which we operate.

Geographic Area	France <sup>(1)</sup>	Portugal	Israel	Dominican Republic	French Overseas Territories <sup>(1)</sup>	Other
Countries of Operation .....						Various
Bundling Strategy....	4P and 5P	4P and 5P	3P + Mobile	4P	4P	N/A
Mobile Services Offered.....	<ul style="list-style-type: none"> <li>• 2G, 3G, 4G-LTE, 4G-LTE+</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• 2G, 3G, 4G-LTE, 4G-LTE+</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• UMTS 2G, 3G, 4G-LTE</li> <li>• B2B iDEN mobile services</li> </ul>	<ul style="list-style-type: none"> <li>• 2G, 3G, 4G-LTE</li> <li>• B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>• UMTS 2G, 3G, 4G-LTE<sup>(2)</sup></li> <li>• B2B Services</li> </ul>	N/A
Fixed (Very High Speed Fixed/FTTH/xDSL) Services Offered.....	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• Infrastructure access</li> <li>• ISP</li> <li>• B2B services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> </ul>	<ul style="list-style-type: none"> <li>• B2B services</li> </ul>
Content <sup>(3)</sup> .....	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> <li>• Local Israeli content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing, production and distribution of television content</li> <li>• Advertising</li> <li>• Customer and Technical Services</li> </ul>
Other.....						

(1) The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 include FOT, ATS France and ACS within the France segment. Comparative figures for the year ended December 31, 2017 included in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, were restated from figures presented in previously published audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017, to reflect the consolidation of FOT, ATS France and ACS within the France segment. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017 and 2016 include FOT, ATS France and ACS within the Others segment.

(2) In connection with the SFR Acquisition, we disposed of mobile network assets in La Réunion and Mayotte on July 31, 2015.

(3) On May 15, 2018, the Group consummated the Altice TV Disposal. Altice TV and its subsidiaries, including AENS, generated €28.6 million in revenues and approximately €(75.1) million in Adjusted EBITDA for the year ended December 31, 2018. The Group and AENS, an affiliate of the Group and a subsidiary of Altice TV, have entered into certain content distribution agreements pursuant to which the Group distributes various sports and news content acquired by Altice Europe. See "Description of Our Business—Altice France Group—Material Contracts—Supply Agreements—Content Agreements" and "Description of Our Business—Altice International Group—Material Contracts—General—Content Agreements".

## Our Competitive Strengths

We believe that we benefit from the following key strengths:

### *We benefit from an owner-operator culture.*

We are part of a founder-controlled organization with an owner-operator culture and strategy that is focused on operational efficiency and innovation. In recent years, our management team has moved quickly to, among other things, streamline business processes, centralize functions and eliminate non-essential overhead expenses,

simplify and redesign our product offerings, drive adoption of higher broadband speeds and continue to build out our fiber/cable and 4G networks across our geographic footprint and enter into strategic transactions, such as the Towers Transactions. We continuously strive to improve our operational and financial performance, encouraging communication across the organization while empowering nimble, efficient decision-making that is focused at every level on enhancing the overall customer experience.

***We enjoy leading positions in fixed and mobile services in well-diversified and attractive markets with favorable dynamics for fiber/cable and mobile operators.***

The Altice International Group is the largest or second largest fixed services provider in each of its service areas and the sole fiber/cable provider in a significant majority of its footprint. The Altice International Group is located in markets that we believe have a number of attractive trends for cable and mobile operators. Portugal is the Altice International Group's largest geography by revenue and Adjusted EBITDA. In Portugal, we benefit from PT Portugal's number one market positions in broadband internet, fixed-line telephony and enterprise telecommunications services and number two market position in pay TV, which we provide through a fiber/cable network that passed 4,490,000 homes as of December 31, 2018. We are also the largest mobile operator in Portugal. PT Portugal's mobile network is 4G-LTE enabled, allowing speeds of up to 400 Mbps, and provides nationwide 3G and 2G coverage, with approximately 6,516,000 mobile B2C subscribers as of December 31, 2018. In Israel, we are the leading fiber/cable operator with the number one market position in pay TV and number two market position in broadband internet. There, we benefit from nationwide fiber/cable network coverage, a unique feature in the cable sector, which we believe provides us with significant penetration upside potential.

The Altice France Group has a significant market share across all main segments of the French telecommunications market, acting as the main competitor of the incumbent operator, and is a leading alternative telecommunications operator in Europe. Despite growth in market size, the French telecommunications market has recently declined in value primarily due to price pressure in the mobile market following the arrival of a fourth player in 2012 and the decline in regulated call termination rates. The Altice France Group, however, is the largest operator in the fiber/cable market, with approximately 12,295,000 fiber/cable homes passed as of December 31, 2018, including approximately 1,100,000 fiber/cable homes now passed by SFR FTTH. It is also the second largest mobile telephony operator in France, with approximately 15,064,000 mobile B2C subscribers as of December 31, 2018, and a leading operator in the wholesale telephony segment due to its significant wholesale capabilities in the fiber sector.

All of the countries in which we operate have historically had high consumption of TV, mobile and broadband internet services and we believe that we are well positioned to meet the growing demand for bandwidth-intensive services and premium content offerings in the future. The combination of our very-high-speed fiber/cable networks and our 4G networks enables us to offer attractive flat rate 4P packages to meet the growing demand for speed and bandwidth coming from multi-screen households, for usage both in and outside the home.

***We believe that we benefit from a network advantage in each of our markets, combining highly complementary state-of-the-art fixed and mobile networks.***

We believe that we benefit from a fixed network advantage across the markets in which we operate. Substantially all of the Altice International Group's HFC networks are DOCSIS 3.0 enabled and, in Portugal, we own one of the largest fiber/cable networks by penetration that passed 4,490,000 fiber/cable homes as of December 31, 2018. We also implemented our fiber rollout strategy in Portugal pursuant to which we rolled out over 700,000 new fiber/cable homes passed in 2016, 904,000 in 2017 and a further 463,000 fiber/cable homes in 2018, which we believe leaves us well positioned to reach our target of 5,300,000 fiber/cable homes passed in Portugal by 2020. We believe our state-of-the-art networks allow us to offer attractive and competitive services in terms of picture quality, speed and connection reliability. Outside of the Dominican Republic and the French Overseas Territories, we are able to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. Given the existing technological capability of our networks, in the short to medium term, we expect to offer download speeds of up to 400 Mbps with limited network and customer premises equipment upgrades across a substantial portion of our network. The Altice International Group currently has a network advantage in terms of download speed across a part of our cable service area across geographies (excluding the Dominican Republic), particularly in Israel, where we expect to continue offering faster speeds than our competitor's legacy technology and at par with it in areas where it has deployed fiber/cable. We believe that with our fiber/cable technologies we are well positioned for future technological developments making it possible for us to reach broadband internet download and upload speeds exceeding those offered by competing technologies, without making significant additional investments. We are also the largest mobile operator in Portugal, with a market-leading 4G-LTE

enabled mobile network capable of delivering download speeds of up to 400 Mbps in addition to nationwide 3G and 2G coverage. As of December 31, 2018, we had approximately 6,516,000 mobile B2C subscribers in Portugal.

In France, the Altice France Group's network is the only end-to-end alternative central network to have a local loop infrastructure and is supplemented by our DSL presence and interurban fiber/cable network. This highly advanced fiber/cable network provides high download speeds and is supported by a powerful backbone. We have the largest fiber/cable network in France, passing approximately 12,295,000 homes (which provides broadband speeds of 100 Mbps and higher), including approximately 1,100,000 fiber/cable homes now passed by SFR FTTH, as of December 31, 2018 and we have significantly increased our fiber/cable penetration, in particular through cross-selling fiber/cable offers to existing DSL subscribers. We are also expanding our existing fiber/cable network, having rolled out over 1,600,000 new fiber/cable homes passed in each of 2016 and 2017 and approximately a further 1,344,000 fiber/cable homes passed in 2018. We will continue to focus on rolling out our fiber/cable network through engagement with local communities and governments. Additionally, as the first French operator to offer 4G technology to residential and business subscribers, we believe that we have one of the most expansive and advanced mobile networks of the alternative French players, offering 4G services to 99.7% of the French population. We believe that we are also the leader in terms of 4G mobile antennas in service in France, with 17,229 antennas as of December 31, 2018. We are also updating a large number of our antennas by equipping them with single radio access network ("Single-RAN") technology (that supports 2G, 3G and 4G standards on one network) and fiber transmission, which we believe will reduce maintenance and infrastructure investment costs and ensure the quality of our infrastructure over time. The combination of our extensive, state-of-the-art fixed network and high-quality 4G mobile network allows us to respond to the rapidly increasing demand for data on mobile phones by providing high bandwidth fiber backhaul connections to connect the mobile Single-RAN. Our high level of prior investment and ownership of local networks, metropolitan loops and backbone in France provides us with a cost advantage compared to our alternative operator competitors, who must rely partially on the networks or technology of other operators to provide their services. This also gives us a greater ability to control costs compared to our alternative operator competitors, determine the most accurate incremental capital expenditures and generate higher margins. We believe that we will be able to maintain this cost advantage in France so long as alternative competitors do not undertake significant investment and build their own networks.

In the year ended December 31, 2018, we incurred an aggregate amount of €3,183 million in capital expenditures, which includes network-related capital expenditures to improve our 4G network and continued fiber/cable deployment as well as customer related capital expenditures. We have also capitalized on our passive mobile infrastructure in France, Portugal and the Dominican Republic by consummating the Towers Transactions. See "Description of our Business—Altice France Group—Material Contracts—Hivory—Agreement to Dispose of Tower Assets", "Description of our Business—Altice International Group—Significant Investments and Dispositions" and "Description of our Business—Altice International Group—Material Contracts—Dominican Republic—Agreement to Dispose of Dominican Tower Assets" for more information.

***We are a primary convergence operator and a leading multi-play provider of fiber/cable- and/or mobile-based services in our markets with substantial cross-sell, up-sell and value-add opportunities in fixed and mobile services.***

Building on our technologically advanced networks and innovative offerings, we have developed leading positions in our markets in multi-play offerings by selling our differentiated pay TV, high-speed broadband internet, fixed-line telephony, premium content and, in most instances, mobile telephony services as bundles. We believe that the strength of our fixed and mobile businesses, and our ability to complement these services with premium content offerings, provide an opportunity to increase the penetration of our multi-play and premium packages. The demand for high-speed internet, fixed mobile convergence and high-quality content are key drivers of our cross-sell and up-sell strategy.

We believe that we are well positioned to capitalize on this trend as our network has been built and upgraded specifically to address the increasing speed and bandwidth requirements of our subscribers. We also continue to offer our existing DSL subscribers the option to subscribe to a fiber/cable offering, which provides an opportunity to significantly grow penetration on our network and to create upselling opportunities. Migrating existing DSL subscribers to our fiber/cable network also reduces the costs associated with renting the last mile and enables funds to be reallocated to accelerate the rollout of our fiber/cable network.

The Altice International Group offers a fully integrated fixed and mobile business in Portugal, Israel and the Dominican Republic. In Portugal, we believe that we are well positioned to benefit from convergence between fixed and mobile service offerings by leveraging our high-speed fiber-based fixed network and 4G mobile network.



In Portugal, we have successfully capitalized on cross-selling opportunities through delivery of converged services. We own and operate 3G and 4G mobile networks in Israel and the Dominican Republic, which, in each case, benefit from synergies with our cable networks. The Altice France Group offers its fiber/cable subscribers very-high-speed broadband internet at speeds from 100 Mbps to 1 Gbps. We also provide our subscribers with access to one of the most advanced 4G mobile networks in France, offering high speeds and latency benefits. The combination of our extensive fixed network and high-quality 3G and 4G mobile networks allows us to capture the rapidly increasing demand for data on mobile phones driven by the digitization of everyday life, and in turn to upsell premium data and content services to new and existing mobile customers.

We are also focused on delivering high quality content offerings to complement our fixed and mobile services. For example, in Portugal, we offer a high-quality content package through more than 200 channels and a leading VOD library, and have acquired a 25% stake in SPORT TV and exclusive broadcasting rights to the F.C. Porto matches in the Portuguese Premier League. In Israel, we co-develop and co-own high-quality original local content together with local producers and broadcast it on our proprietary channels. We believe that our high-quality proprietary local content along with premium local content that we purchase and/or distribute, together with our distinctive brand, enable us to attract new and retain existing subscribers to our fixed-based services. Moreover, in France, we have direct long-term relationships with major content providers and television channel suppliers, enabling us to offer bundles that include an extensive array of HD channels as well as the largest VOD catalog in the market, with over 30,000 programs available, and an extensive catalog of HD and 4K/UHD content. We also benefit from Altice Europe's 20 years of experience in sourcing media content, its international footprint, its ability to enter agreements with the largest French and international production companies (including NBCUniversal and Discovery) and our acquisitions of NextRadioTV and SFR Presse, which enable us to expand our catalog of media partners and premium content offerings. For example, Altice Europe has acquired the rights to broadcast and distribute various premium sporting events, including the UEFA Champions League, UEFA Europa League, French Athletics Federation, English Premier League, French Basketball League and English Rugby Premiership, which are commercialized in France via exclusive RMC branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice TV.

#### ***Benefit of a strong brand and extensive retail distribution network***

We believe that our strong brands and our retail distribution networks will enable us to leverage our extensive fixed and mobile infrastructure and best-in-class product offerings to drive growth.

*Strong brand image.* We continue to invest in strengthening our brands, such as SFR in France and the French Overseas Territories, PT Portugal and MEO in Portugal, HOT in Israel and Altice in the Dominican Republic, by focusing on network reliability and high-quality customer care. For example, in France, we observed positive improvements in our technical service operations and infrastructure reliability, including decreases of 15% in the number of dropped calls, 30% in network downtime, 10% in calls rate and 35% in customer complaints, in each case in the year ended December 31, 2018 compared to the year ended December 31, 2017. This turnaround is also driven by the highest level of employee commitment since 2008 according to our latest Human Resource study. We believe these improvements, among other factors, are beginning to make an impact and helped decrease our fiber/cable churn rate in France by more than 30% for the year ended December 31, 2018 compared to the year ended December 31, 2017. See “*Description of Our Business—Altice France Group—B2C Market—Brand Policy*” and “*Description of Our Business—Altice International Group—Marketing and Sales*”.

*Multi-channel distribution network.* We also benefit from a strong distribution network, including physical and digital channels. Our physical distribution channels include an extensive network of stores and other physical points of sale, which we believe offer a compelling customer experience by providing pre-purchase advice on devices and services, subscriptions and customer support, including after-sales service and claims. Our online platforms complement our physical network through value-added services, including technical support and news, and through our online stores, which showcase our product offerings and serve as one of the main distribution channels for certain of our B2C offers. Our multi-channel networks are supported by our customer service and support teams, which offer a comprehensive range of services covering subscribers' needs, such as claim management, technical support, loyalty programs and sales. See “*Description of Our Business—Altice France Group—Marketing*” and “*Description of Our Business—Altice International Group—Marketing and Sales*”.

#### ***Cash flow generation***

We generated Adjusted EBITDA of €5,320 million and incurred capital expenditures of €3,183 million for the year ended December 31, 2018, as compared to Adjusted EBITDA of €5,833 million and capital expenditures of

€3,541 million for the year ended December 31, 2017. See “*Summary Financial Information and Other Data—Capital Expenditures*”. We believe that our large and diversified customer base and predominantly monthly subscription structure provide a certain level of predictability as to future cash flows. We believe that our ability to generate cash is a direct result of our rigorous focus on cost optimization and organizational efficiency as well as a prudent capital expenditure policy.

***We have a proven track record of unlocking value through operational excellence.***

We believe that our entrepreneurial culture and efficient decision making processes allow us to quickly react to changes in our operating environments and to seize business opportunities as they arise. We believe a key driver of our success has been our ability to timely implement best operational practices that drive the previously identified improvements in the profitability of our businesses. In our businesses, we have successfully simplified organizational structures, reduced management layers, streamlined decision-making processes, optimized costs and redeployed resources with a focus on network investment, customer service enhancements and marketing support. We expect to continue to focus on achieving operational synergies, including through the integration of our customer and technical services businesses, ACS, ATS and ATS France.

***We have an experienced management team and supportive shareholder with a proven track record.***

*Experienced management with proven integration track record.* We manage our business by combining the expertise of the Altice Europe senior management team with the local expertise of the CEOs and managers of our operating subsidiaries who have significant experience managing day-to-day operations at cable and telecommunications companies. Altice Europe cross-deploys talent and expertise across its businesses, allowing the Group to benefit from Altice Europe’s senior management’s experience around the world. We believe this diversity of experience differentiates us from our more traditional and localized industry peers. Our senior management team has extensive experience in the cable and telecommunications industry and includes Alain Weill, CEO of Altice Europe, Malo Corbin, CFO of Altice Europe and Armando Pereira, COO of Altice Europe. Dennis Okhuijsen serves as an advisor to Altice Europe on all financing and capital structure activity. For more information regarding the management of the Group, see “*Management*” elsewhere in these Listing Particulars.

*Strong shareholder support.* Altice Europe is supported by an entrepreneurial shareholder, Patrick Drahi, founder of Altice Europe, with over 20 years of experience owning and managing cable and telecommunications companies globally. Mr. Drahi is the President of Altice Europe’s board.

**Our Strategy**

We intend to leverage and continue to modernize our superior network in order to compete in all market segments to address the growing need for high bandwidth, rapid and reliable network access driven by the digitization of everyday life and business. We intend to continue to offer innovative and differentiated products, services and content in order to generate growth and improve user experience. The key components of our strategy are to:

***Grow operating margins and cash flow by leveraging our operational expertise.***

We have a successful track record of improving the performance of cable and telecommunication operators across geographies. We expect to continue to streamline processes and service offerings and to improve productivity by centralizing our business functions, reorganizing our procurement processes, eliminating duplicative management functions and overhead, terminating lower-return projects and non-essential consulting and third-party service arrangements, optimizing the convergence of our product and service offerings and investing in our employee relations and our culture across our organization. We aim to continue to focus on achieving operational efficiencies by (i) investing in our fiber/cable network, migrating existing DSL subscribers to our own network and reducing the need for third party network services, (ii) optimizing our sales channels and simplifying our brand portfolio, (iii) implementing further procurement efficiencies by leveraging our bargaining power and (iv) further reducing overhead costs. We aim to achieve such operational efficiencies and successfully integrate our businesses through our experienced management team, which has a proven track record of delivering such improvements.

***Invest in fixed and mobile infrastructure across our footprint, as well as sales, marketing and innovation, to maintain our competitive advantage and provide best-in-class services and user experience to our customers.***

We aim to remain a technology leader in the jurisdictions in which we operate by providing innovative, best-in-class services to our subscribers. For example, in 2015 we announced our plan to extend our fiber network

coverage in Portugal from by 600,000 homes per year until 2020, creating the most innovative, GPON-technology based fiber network in Europe. We are well positioned to achieve this target, having rolled out over 700,000 new fiber/cable homes passed in 2016, 904,000 in 2017 and a further 463,000 fiber/cable homes in 2018, which we believe leaves us well positioned to reach our target of 5,300,000 fiber/cable homes passed in Portugal by 2020. We are also the largest mobile operator in Portugal, with a market-leading 4G-LTE enabled mobile network capable of delivering download speeds of up to 400 Mbps in addition to nationwide 3G and 2G coverage. As of December 31, 2018, we had approximately 6,516,000 mobile B2C subscribers in Portugal. Moreover, we believe that the Altice France Group's fiber-optic network is the most advanced end-to-end fiber-based fixed network in France, capable of delivering an enhanced user experience to subscribers and taking advantage of the expected growth in bandwidth demands, while optimizing cost structure. As of December 31, 2018, our fiber/cable network passed approximately 12,295,000 homes in France (including approximately 1,100,000 fiber/cable homes now passed by SFR FTTH) where we offer one of the most advanced end-to-end based fixed networks, capable of delivering an enhanced user experience to subscribers and taking advantage of the expected growth in bandwidth demand. We are expanding our existing fiber/cable network in France, having rolled out over 1,600,000 new fiber/cable homes passed in each of 2016 and 2017 and approximately a further 1,344,000 fiber/cable homes passed in 2018. In addition, we aim to leverage our mobile network to offer subscribers the most compelling 4P offers in the French market, in particular, through our state-of-the-art 4G network. We accelerated the build-out of our 4G network over the last two years and achieved 4G population coverage of 99.7% in France as of December 31, 2018. For our residential customers, our focus is on new customer platforms and faster data speeds. For our business customers, we are introducing new value-added services, such as next generation remote voice protocol services, hosting and cloud services, which require high bandwidth and offer higher margins. For our advertising clients, we offer advanced, targeted and multi-screen advertising services and data analytics using our proprietary data and the advanced technology platforms that we have developed and acquired. We have already invested heavily in our network, having incurred significant capital expenditure (between 23.7%, 23.4% and 22.3% of total consolidated revenue) over the years ended December 31, 2016, 2017 and 2018, respectively, in order to improve our mobile network and roll out new fiber/cable homes. We intend to continue to build up our brands and invest in our networks, services and new technologies in order to maintain our competitive advantage and position ourselves to grow in the future.

***Provide a compelling value proposition to B2C subscribers in 3P and 4P.***

*Provide high speed broadband, high quality content and superior mobile services to existing and new B2C subscribers.* We believe that our network leadership, operational excellence and multi-play strategy are key factors to our success in the geographies in which we operate. Our strategy is to continue to increase our multi-play customer penetration. We aim to offer existing and new B2C subscribers market-leading 3P and 4P packages by accelerating investment in both fiber/cable and 4G infrastructure and leveraging our differentiated product offerings, access to premium content, large customer base and premium brands. Our significant investments in media businesses, such as our investments in NextRadioTV and SFR Presse in France and our 25% stake in SPORT TV in Portugal, evidence our strategy to provide premium content across all platforms to complement our fixed and mobile services and thereby drive bundling and convergence to our multi-play offerings. As of December 31, 2018, the Group had approximately 9,247,000 total fixed B2C unique customers and approximately 26,250,000 total mobile B2C subscribers.

*Leverage our large customer base to up- and cross-sell our fiber/cable, mobile and premium content products as well as gain market share from new customers.* Our primary focus is to up- and cross-sell offerings including fiber/cable, mobile and premium content. We believe that our competitive and differentiated product offerings will act as natural drivers of up- and cross-selling. For example, we expect the investments in improvements to our innovative set-top box technology will attract new premium package customers and prompt existing fixed customers to upgrade to our fiber/cable and premium packages which offer these products as standard. In addition, we intend to leverage our leading product offerings, brand image and store network to increase our market share by capturing new subscribers that are in need of higher speeds and bandwidth.

***Selectively invest in key premium content to enrich our communications service offerings and differentiate our offerings in the market place.***

We plan to invest selectively in premium content and accelerate the development of multimedia projects as part of our long-term strategy of converging our telecommunications assets with media channels and content development, production and distribution to offer greater value and differentiated products and services to our customers. For example, at the end of 2015 and at the beginning of 2016, PT Portugal entered into contracts with several first and second division football clubs in Portugal, including F.C. Porto, Vitoria F.C., Rio Ave F.C. and

Boavista F.C. to acquire the exclusive broadcasting rights for the home games of these clubs for up to ten football seasons and in February 2017 we acquired a 25% stake in the capital of the Portuguese sports broadcaster SPORT TV. We also have rights to broadcast and distribute various premium sports events, including the French Athletics Federation, English Premier League, French Basketball League, English Rugby Premiership and, most recently, UEFA Champions League and UEFA Europa League fixtures in certain markets. We believe that these arrangements will enhance our profile in the market and help us differentiate ourselves from our competitors. In addition, we have made notable investments in our French media businesses in 2016 and 2017, including the acquisition of NextRadioTV and SFR Presse, which have strengthened our position as a true content publisher. We have also made substantial investments in other high quality content, which serve to differentiate our service offerings from those of our competitors.

***Leverage our networks to exploit new growth opportunities, including B2B and wholesale markets.***

We believe that our dense fiber/cable network will position us ideally to service new demand from corporate customers and to benefit from the convergence of fixed and mobile usage with relatively lower levels of capital investment compared to some of our peers. We aim to leverage our well-invested infrastructures to offer tailored data solutions and capture profitable growth in these markets, thereby maximizing the return on our network assets. As the B2B telecommunications market shifts to next generation services, including IP VPN, hosting and cloud services, which are more bandwidth intensive and complex and offer higher margins, we will look to opportunistically expand our B2B businesses, which offer important economies of scale and synergies with our B2C operations. Our fiber/cable network is both powerful and flexible, has the high capacity bandwidth necessary to offer these next generation services and is fully adaptable to future services that may require even greater bandwidth capacity and reliability. We intend to capitalize on the combination of our powerful network and expertise in critical network architecture to grow our customer base and increase our offering of higher margin next generation and data products and services.

In addition, as mobile internet traffic is expected to grow, primarily due to the development of smart devices supporting multiple wireless technologies, we believe that our high capacity backbone will differentiate us from our competitors as it enables us to offer a compelling backhaul offload offering to MVNOs. In Portugal, we benefit from PT Portugal's leading enterprise telecommunications infrastructure (including one of the largest data centers in the world) and strong customer relationships, as well as from its leading 4G mobile network and superior scale. In France, we benefit from a full range of services deployed to meet the evolving needs of B2B subscribers and have 11 national data centers. We are also a strong challenger to the incumbent operator in the B2B market and, in recent years, have been able to strategically redeploy our French sales force to fully address, and compete effectively against, the incumbent operator in all B2B market sub-segments. We intend to continue to increase our market share in the B2B segment and address adjacent market segments including cloud services and M2M communications.

**Recent Developments**

***Sale of a 49.99% Interest in SFR FTTH***

On January 31, 2019, Altice France entered into an agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients, and OMERS Infrastructure (together, the “**JV Consortium**”), regarding the sale of a 49.99% interest in SFR FTTH, an alternative FTTH infrastructure wholesale operator. The transaction closed on March 27, 2019, upon which €522 million total assets and 1,100,000 total homes passed were transferred to SFR FTTH. The final proceeds amounted to €1.7 billion, based on an equity value at closing of €3.4 billion. SFR FTTH is accounted for as an associate and therefore will not be consolidated in the Issuer's financial statements.

We believe that SFR FTTH will be the largest alternative FTTH infrastructure wholesale operator in France, with approximately 5 million homes expected to be passed in low density areas in the next four years in addition to any others that may be franchised or acquired. SFR FTTH will sell wholesale services to all operators, including the Group, on the same terms and conditions and with no minimum volume commitments. Altice France will sell technical services to SFR FTTH for the construction, subscriber connection and maintenance of its FTTH network. SFR FTTH is an associate of the Group, has been designated as an Unrestricted Subsidiary under the agreements, instruments and indentures governing the Group's debt, and has been designated as an Unrestricted Subsidiary under the Indenture.

For additional information regarding the Group's sale of a 49.99% interest in SFR FTTH, including certain related debt, shareholder and operational arrangements, see "*Description of Other Indebtedness—Indebtedness of Unrestricted Subsidiaries—2019 SFR FTTH Senior Facilities Agreement*" and "*Description of Our Business—Altice France Group—Material Contracts—SFR FTTH*".

### **Trading Update**

Based on preliminary results, the Group's revenue for the three months ended March 31, 2019 was €3,474 million, a decrease of 1.7% from €3,535 million for the three months ended March 31, 2018, or a decrease of 0.5% excluding the impact of the loss of favorable value added tax ("VAT") treatment on telecom/press bundles in France, which ended in March 2018. The decrease in the Group's revenue was mainly driven by revenue decline in France. For the three months ended March 31, 2019 compared to the three months ended March 31, 2018, the Group's revenue in France decreased by 3.1%, from €2,599 million to €2,518 million, or a decrease of 1.5% excluding the VAT impact. This was primarily due to B2C fixed and mobile revenue decline year on year, as subscriber base growth in both the fixed and mobile segments was offset by ARPU declines. The Group's revenue in Portugal increased by 0.4%, from €507 million to €509 million, primarily thanks to continuing customer additions in the B2C business as well as revenue growth in the B2B information and communications technology business.

Based on preliminary results, the Group's Adjusted EBITDA for the three months ended March 31, 2019 was €1,298 million, a decrease of 0.6% from €1,305 million for the three months ended March 31, 2018, or an increase of 2.8% excluding the VAT impact. The decrease in the Group's Adjusted EBITDA was mainly driven by Adjusted EBITDA declines in Israel primarily due to a decline in ARPU reflecting a continuation of the trends in prior quarters, which offset Adjusted EBITDA growth in France. For the three months ended March 31, 2019 compared to the three months ended March 31, 2018, the Group's Adjusted EBITDA in France increased by 2.0%, from €915 million to €933 million, or an increase of 7.1% excluding the VAT impact, primarily thanks to an improved revenue trend as well as lower operating expenses. The Group's Adjusted EBITDA in France for the three months ended March 31, 2019, include approximately €80 million of operating tax (notably IFR tax) which are recognized fully in January and not over the twelve months of the year. The Group's Adjusted EBITDA in Portugal decreased by 1.4%, from €209 million to €206 million, primarily due to the loss of higher margin revenue in the B2B segment, partly offset by cost control measures.

The Group's cash and cash equivalents as of the three months ended March 31, 2019 was €2,254 million, an increase of 35.3% from €1,666 million for the year ended December 31, 2018.

The financial information under "*—Trading Update*" reflect the adoption of IFRS 15 (*Revenue from Contracts with Customers*) and give pro forma effect to the Altice TV Disposition, the Portugal Towers Transaction, the Dominican Towers Transaction, the disposal of our Voice Carrier Business, the disposal of certain press businesses in France and the disposal of Green and Green Datacenter as if such transactions occurred on January 1, 2018.

The above information is based solely on preliminary results and is not intended to be a comprehensive statement of our financial or operational results for the three months ended March 31, 2019. The preliminary information provided herein is based on information available to management as of the date of the Offering Memorandum. The information for the quarter ended March 31, 2019 is based on management's internal reporting and is subject to adjustment for quarter-end closing procedures. Therefore, the above information may be subject to modification during the preparation of our consolidated financial statements and review thereof by our independent auditors. Accordingly, our actual results for the three months ended March 31, 2019 may vary from our preliminary results above, and such variations could be material. As such, you should not place undue reliance on them. See "*Forward-Looking Statements*" and "*Risk Factors*" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

The above preliminary financial information has been prepared by, and is the responsibility of, our management. Deloitte Audit S.à r.l. has not audited, reviewed, compiled or performed any procedures with respect to such preliminary financial information. Accordingly, Deloitte Audit S.à r.l does not express an opinion or any other form of assurance with respect thereto.

## **The Refinancing Transactions**

The net proceeds from the offering of the Notes, together with net cash proceeds to be received from the unwinding of certain existing swaps relating to the Existing Altice Lux 2022 Notes and the entry into new swaps relating to the Notes, were used to redeem approximately €3,607 million (equivalent) in aggregate principal amount of outstanding Existing Altice Lux 2022 Notes in accordance with the indenture governing the Existing Altice Lux 2022 Notes (the “**Refinancing Transactions**”). See “*Use of Proceeds*”.

## **The Issuer**

The Issuer is a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B197134. The Issuer’s business operations are limited to the management of the operating activities of the Group. The Issuer’s ability to pay principal, interest and premium, if any, on the Notes is dependent upon payments received from its subsidiaries. See “*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Notes Guarantee*” and “*Corporate and Financing Structure*” for more information.

## **Principal Shareholder**

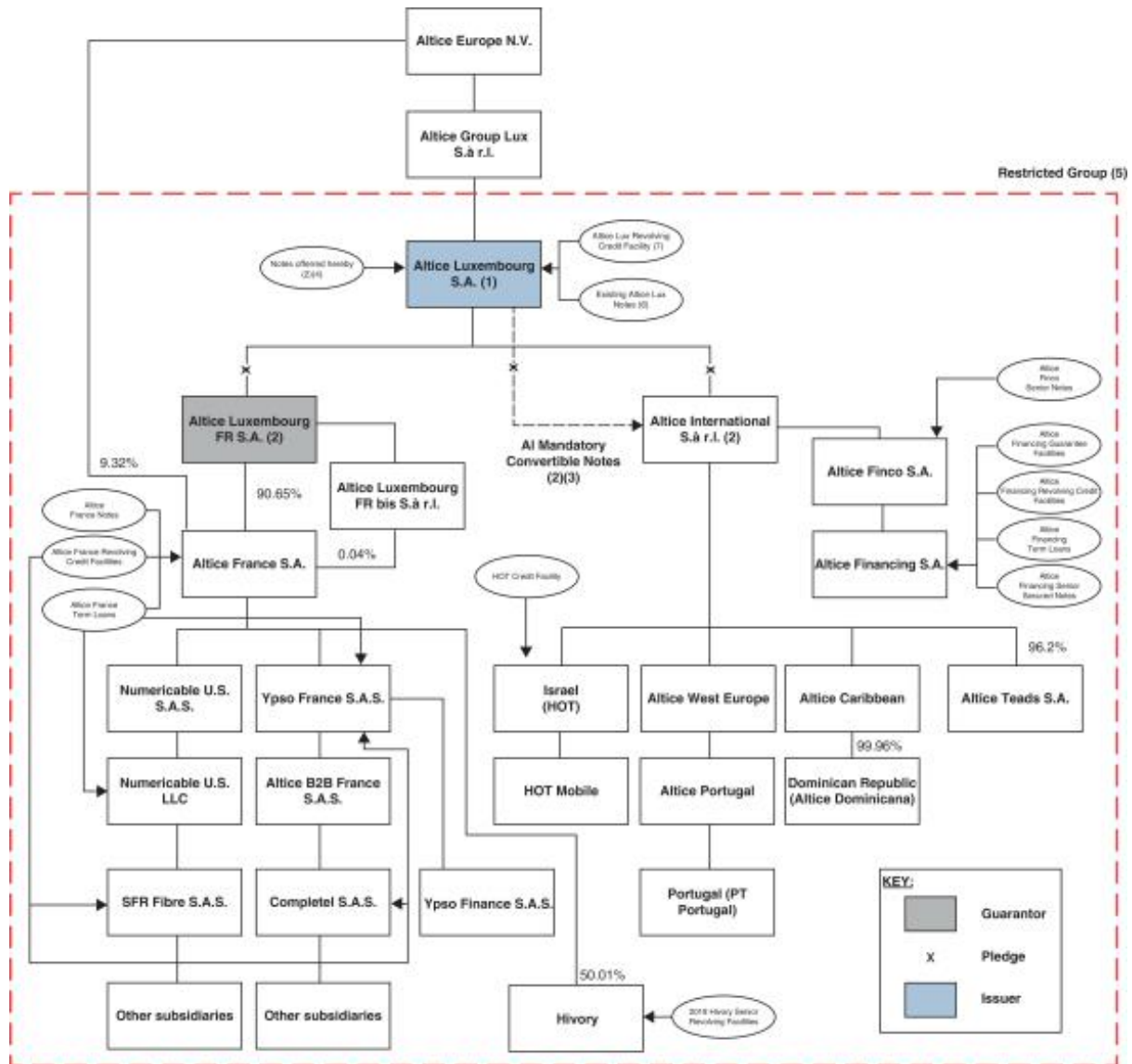
As of the date of the Offering Memorandum, Altice Europe, a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands, registered with the Dutch Trade Registry under number 63329743, having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, owns, through its wholly-owned subsidiary Altice Group Lux, 100% of the Issuer’s share capital and 100% of the voting rights in the Issuer.

Founded by telecommunications entrepreneur Patrick Drahi, Altice Europe is a convergent leader in telecommunications, content, media, entertainment and advertising. Altice Europe delivers innovative, customer-centric products and solutions that connect its over 30 million customers over fiber networks and mobile broadband. Altice Europe is also a provider of enterprise digital solutions to millions of business customers. Altice Europe innovates with technology, research and development and enables people to live out their passions by providing original content, high-quality and compelling TV shows, and international, national and local news channels. Altice Europe delivers live broadcast premium sports events and enables its customers to enjoy the most well-known media and entertainment.

Altice Europe completed an initial public offering of ordinary shares on February 6, 2014, following which its shares are listed on Euronext Amsterdam.

## CORPORATE AND FINANCING STRUCTURE

The chart below is a summary of the Group’s corporate and financing structure after giving effect to the offering of the Notes and the application of proceeds thereof, including the Refinancing Transactions. For further information, please see “Summary—The Refinancing Transactions”, “Use of Proceeds” and “Capitalization”. The following is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in these Listing Particulars. For a summary of the material financing arrangements identified in the following diagram, see “Description of Notes” and “Description of Other Indebtedness”.



- (1) As of the date of the Offering Memorandum, Alice Europe owns, through its wholly-owned subsidiaries, 100.0% of the Issuer’s share capital and 100.0% of the voting rights in each of the Issuer.
  
- (2) The Notes (i) are senior obligations of the Issuer, (ii) rank *pari passu* in right of payment with any existing or future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the Existing Alice Lux Notes and the Alice Lux Revolving Credit Facility, (iii) rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, (iv) are effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness and (v) are structurally subordinated to the indebtedness and other obligations of subsidiaries of the Issuer that do not guarantee the Notes. The Notes are guaranteed on a senior basis by the Guarantor and benefit from first-ranking pledges over (i) all of the capital stock of the Guarantor and Alice International and (ii) the AI Mandatory Convertible Notes (the “Notes Collateral”). The Notes Collateral also secure the obligations of the Issuer under the Alice Lux Revolving Credit Facility Agreement, the Existing Alice Lux Notes and certain hedging obligations. Under the terms of the Alice Lux Intercreditor Agreement, in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such Notes Collateral only after the lenders under the Alice Lux Revolving Credit Facility Agreement and the counterparties to certain hedging agreements have been

repaid in full. Any proceeds received upon any enforcement over any Notes Collateral, after all obligations under the Altice Lux Revolving Credit Facility Agreement have been repaid and such hedging obligations have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Notes, the Existing Altice Lux Notes and obligations under any other Indebtedness of the Issuer and the Guarantor permitted to be incurred and secured by the Notes Collateral on a *pari passu* basis pursuant to the Indenture, the Existing Altice Lux Notes Indentures and the Altice Lux Intercreditor Agreement. In addition, the security interests in the Notes Collateral may be released under certain circumstances. The Issuer is a holding company that does not conduct any operations and is wholly dependent on payments from its subsidiaries to meet its obligations, including under the Notes, the Existing Altice Lux Notes and the Altice Lux Revolving Credit Facility Agreement. See “*Risk Factors—Risks Relating to the Notes and the Structure*”.

As of December 31, 2018, after giving effect to the issuance of the Notes and the application of proceeds thereof, including the Refinancing Transactions, (i) the Altice International Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €8,275 million on a consolidated basis, which is structurally senior to the Notes, (ii) the Altice France Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €16,227 million, which is structurally senior to the Notes, and (iii) the Issuer had total third party debt of €5,844 million, which will rank *pari passu* in right of payment with the Notes. See “*Capitalization*”, “*Use of Proceeds*” and “*Description of Other Indebtedness*.”

- (3) Represents the up to €2,055 million mandatory convertible notes issued by Altice International in favor of the Issuer in connection with the PT Portugal Acquisition.
- (4) The net proceeds of the offering of Notes were used to fund the Refinancing Transactions. See “*Summary—The Refinancing Transactions*” and “*Use of Proceeds*” for more information.
- (5) On the Issue Date, all of the Issuer’s subsidiaries, except for Auberimmo S.A.S and its subsidiaries will be restricted subsidiaries. SFR FTTH, an associate in which the Group owns a 50.01% interest (with the remaining held by the JV Consortium) was designated as an unrestricted subsidiary for the purpose of the Indenture. On March 17, 2019, SFR FTTH entered into a senior facilities agreement, the proceeds of which will be used to fund its ongoing capital expenditure requirements. Altice France has entered into a commitment to purchase equity of SFR FTTH for cash in an aggregate amount not to exceed €68 million to the extent such cash amount is required by SFR FTTH to make certain utilizations under the 2019 SFR FTTH Senior Facilities Agreement. See “*Recent Developments—Sale of a 49.99% Interest in SFR FTTH*”, “*Description of Our Business—Altice France Group—Material Contracts—SFR FTTH*” and “*Description of Other Indebtedness—Indebtedness of Unrestricted Subsidiaries—2019 SFR FTTH Senior Facilities Agreement*” for more information.
- (6) The Existing Altice Lux 2025 Notes comprise \$1,480 million aggregate principal amount of 7<sup>5</sup>/<sub>8</sub>% senior notes due 2025 and the €750 million aggregate principal amount of 6<sup>1</sup>/<sub>4</sub>% senior notes due 2025 issued by the Issuer on February 4, 2015. See “*Description of Other Indebtedness*”.
- (7) The Altice Lux Revolving Credit Facility comprises a €186 million revolving credit facility under the revolving credit facility agreement, dated on or about May 8, 2014, among, *inter alios*, the Issuer and the security agent thereto, as amended, restated, supplemented or otherwise modified from time to time.



## THE OFFERING

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of these Listing Particulars contain a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

<b>Issuer</b> .....	Altice Luxembourg S.A.
<b>Notes</b> .....	\$1,600 million aggregate principal amount of 10 <sup>1</sup> / <sub>2</sub> % senior notes due 2027 (the " <b>Dollar Notes</b> ");  €1,400 million aggregate principal amount of 8% senior notes due 2027 (the " <b>Euro Notes</b> ", together with the Dollar Notes, the " <b>Notes</b> ").
<b>Maturity Date</b>	
<b>Dollar Notes</b> .....	May 15, 2027.
<b>Euro Notes</b> .....	May 15, 2027.
<b>Interest</b>	
<b>Dollar Notes</b> .....	10.500%.
<b>Euro Notes</b> .....	8.000%.
<b>Interest Payment Dates</b>	
<b>Notes</b> .....	Semi-annually in arrears on each of May 15 and November 15, commencing on November 15, 2019. Interest accrues from the Issue Date.
<b>Denominations</b> .....	The Dollar Notes are in denominations of \$200,000 and any integral multiples of \$1,000 above \$200,000. Dollar Notes in denominations of less than \$200,000 are not available. The Euro Notes are in denominations of €100,000 and any integral multiples of €1,000 in excess of €100,000. Euro Notes in denominations of less than €100,000 are not available.
<b>Issue Price</b>	
<b>Dollar Notes</b> .....	100% plus accrued interest, if any, from the Issue Date.
<b>Euro Notes</b> .....	100% plus accrued interest, if any, from the Issue Date.
<b>Ranking</b>	
<b>Notes</b> .....	The Notes: <ul style="list-style-type: none"><li>• are senior obligations of the Issuer;</li><li>• are secured by first-ranking pledges over the Notes Collateral, as set forth under "<i>—Security</i>";</li><li>• rank <i>pari passu</i> in right of payment with any existing or future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including indebtedness under the Altice Lux Revolving Credit Facility, the Existing Altice Lux Notes and certain hedging obligations;</li><li>• rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;</li><li>• are effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness;</li></ul>

- are subordinated in right of receipt of enforcement proceeds of security to existing and future indebtedness of the Issuer that has a super senior security interest in the Notes Collateral pursuant to the Altice Lux Intercreditor Agreement, including the Altice Lux Revolving Credit Facility and certain hedging obligations; and
- are structurally subordinated to all existing and future indebtedness and other obligations of the Issuer’s subsidiaries, including obligations under the Altice Financing Guarantee Facilities, the Altice Financing Notes, the Altice Financing Revolving Credit Facilities, the Altice Financing Term Loans, the Altice Finco Notes, the Altice France Notes, the Altice France Revolving Credit Facilities and the Altice France Term Loans.

**Guarantees .....** The Notes are guaranteed on a senior basis (the “**Notes Guarantee**”) by Altice Luxembourg FR S.A. (the “**Guarantor**”).

**Ranking of the Notes Guarantee ....** The Notes Guarantee of the Guarantor:

- is a senior obligation of the Guarantor;
- ranks *pari passu* in right of payment with any existing or future indebtedness of the Guarantor that is not subordinated in right of payment to the Notes Guarantee, including the Guarantor’s guarantee under the Altice Lux Revolving Credit Facility and the Existing Altice Lux Notes and certain hedging obligations;
- ranks senior in right of payment to any existing or future indebtedness of the Guarantor that is expressly subordinated in right of payment to the Notes Guarantee;
- is effectively subordinated to any existing or future indebtedness of the Guarantor that is secured by property or assets that do not secure the Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and
- is structurally subordinated to all existing and future indebtedness of the Guarantor’s subsidiaries that do not guarantee the Notes, including obligations under the Altice Financing Guarantee Facilities, the Altice Financing Notes, the Altice Financing Revolving Credit Facilities, the Altice Financing Term Loans, the Altice Finco Notes, the Altice France Notes, the Altice France Revolving Credit Facilities and the Altice France Term Loans.

**Security .....** The Notes are secured by first-ranking pledges over (i) all of the share capital of Altice International and the Guarantor and (ii) the AI Mandatory Convertible Notes (the “**Notes Collateral**”).

The Notes Collateral also secures the obligations of the Issuer under the Altice Lux Revolving Credit Facility Agreement, the Existing Altice Lux Notes and certain hedging obligations. Under the terms of the Altice Lux Intercreditor Agreement, in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from such Notes Collateral only after the lenders under the Altice Lux Revolving Credit Facility Agreement and the counterparties to certain hedging agreements have been repaid in full. Any proceeds received upon any enforcement over any Notes Collateral, after all obligations under the Altice Lux Revolving Credit Facility Agreement have been repaid and such hedging obligations have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Notes, the Existing Altice Lux Notes and obligations under any other Indebtedness of the Issuer

and the Guarantor permitted to be incurred and secured by the Notes Collateral on a *pari passu* basis pursuant to the Indenture, the Existing Altice Lux Notes Indentures and the Altice Lux Intercreditor Agreement. In addition, the security interests in the Notes Collateral may be released under certain circumstances.

In the event that the Issuer was required to enter into new security agreements in order to provide security for its obligations under the Notes or the Notes Guarantee, as applicable, such new security agreements would have been entered into within 20 business days after the Issue Date.

**Intercreditor Agreements .....** The Notes, the Notes Guarantee and the Notes Collateral are subject to the terms of the Altice Lux Intercreditor Agreement. See “*Description of Other Indebtedness—Indebtedness of the Issuer—Altice Lux Intercreditor Agreement*”.

**Change of Control .....** Following a Change of Control (as defined in the Indenture) at any time, the Issuer is required to offer to repurchase the Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of the purchase. See “*Description of Notes—Change of Control*”.

**Optional Redemption .....** At any time prior to May 15, 2022, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a “make whole” premium plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time prior to May 15, 2022, the Issuer may redeem up to 40% of the Dollar Notes and/or up to 40% of the Euro Notes at a redemption price set forth herein with the net proceeds from one or more specified equity offerings plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time on or after May 15, 2022, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date.

**Special Optional Redemption .....** At any time on or after the Issue Date, the Issuer may, at its option, following completion of an Exchange Transaction redeem all, but not less than all, of the Notes issued under the Indenture upon not less than 10 nor more than 60 days’ notice (which notice of redemption shall be given no later than 10 business days following the completion of such Exchange Transaction), at a redemption price (expressed as a percentage of the principal amount thereof) of:

- (1) 101% of the principal amount of the applicable Notes (if such redemption is on or before the 24-month anniversary of the Issue Date); or
- (2) 102% of the principal amount of the applicable Notes (if such redemption is after the 24-month anniversary of the Issue Date);

in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

**Redemption for Taxation Reasons.** If certain changes in the law of any relevant taxing jurisdiction after the issuance of the Notes would impose withholding taxes or other deductions on the payments on any series of the Notes, the Issuer may redeem the applicable series of the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to (but

excluding) the date of redemption. See “*Description of Notes—Redemption for Changes in Withholding Taxes*”.

**Additional Amounts .....**

Any payments made with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment under the Notes subject to certain exceptions, the Issuer will pay the additional amounts necessary so that the net amount received by the Holders after the withholding is not less than the amount that they would have received in the absence of the withholding. See “*Description of Notes—Withholding Taxes*”.

**Certain Covenants.....**

The Issuer issued the Notes under the Indenture. The Indenture, among other things, limits the ability of the applicable restricted group to:

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;
- create liens;
- sell assets and subsidiary stock;
- pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt;
- engage in certain transactions with affiliates;
- enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and
- engage in mergers or consolidations.

These covenants are subject to a number of important exceptions and qualifications. See “*Description of Notes—Certain Covenants*”.

In addition, if for such period of time, if any, that the Notes have received investment grade ratings from both Standard & Poor’s Ratings Services (“**S&P**”) and Moody’s Investors Service, Inc. (“**Moody’s**”) and no default or event of default exists under the Indenture, the Issuer will not be subject to certain of the covenants listed above. See “*Risk Factors—Risks Relating to the Notes and the Structure—Certain covenants may be suspended upon the occurrence of a change in our ratings*” and “*Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*”.

**Transfer Restrictions.....**

The Notes and the Notes Guarantee have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in the United States in compliance with Rule 144A and outside the United States in reliance on Regulation S or in transactions that are exempt from or are not subject to the registration requirements of the U.S. Securities Act. Please see “*Notice to Investors*” and “*Plan of Distribution*”.

**Absence of a Public Market for the Notes .....**

The Notes are new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

<b>Use of Proceeds</b> .....	The Issuer is expected to use the proceeds of the Notes as set out under “ <i>Use of Proceeds</i> ”.
<b>Security Agent</b> .....	Deutsche Bank AG, London Branch.
<b>Trustee</b> .....	Deutsche Bank Trust Company Americas.
<b>Euro Paying Agent and Euro Transfer Agent</b> .....	Deutsche Bank AG, London Branch.
<b>Euro Registrar</b> .....	Deutsche Bank Trust Company Americas.
<b>U.S. Paying Agent, U.S. Transfer Agent and U.S. Registrar</b> .....	Deutsche Bank Trust Company Americas.
<b>Governing Law</b> .....	The Notes and the Indenture are governed by the laws of the State of New York. For the avoidance of doubt, articles 470-1 to 470-19 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, are not applicable to the Notes.
<b>Risk Factors</b> .....	Investing in the Notes involves substantial risks. You should consider carefully all the information in these Listing Particulars and, in particular, you should evaluate the specific risk factors set forth in the “ <i>Risk Factors</i> ” section in these Listing Particulars before making a decision whether to invest in the Notes.
<b>Taxation</b> .....	For a description of certain tax consequences of an investment in the Notes, see “ <i>Certain Tax Considerations</i> ”.
<b>Original Issue Discount</b> .....	One or more series of the Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined <i>de minimis</i> amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See “ <i>Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations</i> ”.
<b>Certain ERISA Considerations</b> .....	The Notes and any interest therein may, subject to certain restrictions described herein under “ <i>Certain Employee Benefit Plan Considerations</i> ”, be sold and transferred to ERISA Plans (as defined in these Listing Particulars).

## SUMMARY FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth summary financial information and other data. The consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows presented forth below are derived from the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2018 (which include comparative figures as of and for the year ended December 31, 2017, as described below) and December 31, 2017 (which include comparative figures as of and for the year ended December 31, 2016), each prepared in accordance with IFRS as adopted in the European Union, which have been audited by Deloitte Audit S.à r.l.

The Issuer is a holding company and does not conduct any material business operations.

The summary financial information presented below should be read together with the sections entitled "*Presentation of Financial and Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" as well as the Issuer's Historical Consolidated Financial Information including the accompanying notes, included elsewhere in these Listing Particulars.

The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of financial position, consolidated statement of income, consolidated statement of cash flows and consolidated statement of change in equity as of and for the year ended December 31, 2017 have been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. The financial information as of and for the year ended December 31, 2016 has not been restated for the impacts of IFRS 15 or IFRS 9. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, included elsewhere in these Listing Particulars, for more information.

As a result of certain acquisitions and disposals that have been consummated by the Group during these periods, and the intra-year timing of such acquisitions and disposals, the comparability of the Historical Consolidated Financial Information over each of the periods presented below may be limited. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2018 compared to the year ended December 31, 2017—Significant Events Affecting Historical Results*". Unless otherwise specified, the Historical Consolidated Financial Information does not give pro forma effect to the acquisitions and disposals that have been consummated by the Group during the periods presented in these Listing Particulars, or to any acquisitions and disposals occurring after December 31, 2018, and may therefore differ from the financial information relating to the Issuer publicly reported by Altice Europe and its consolidated subsidiaries for the same periods which does give pro forma effect to certain of such acquisitions and disposals.

## Consolidated Statement of Income

	For the year ended December 31,		
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(in millions of euros)		
<b>Revenues</b> .....	<b>15,380</b>	<b>15,151</b>	<b>14,279</b>
Purchasing and subcontracting costs .....	(4,867)	(4,738)	(4,368)
Other operating expenses .....	(3,139)	(3,064)	(3,114)
Staff costs and employee benefits.....	(1,457)	(1,547)	(1,479)
Depreciation, amortization and impairment .....	(4,037)	(4,349)	(3,846)
Other expenses and income .....	(599)	(1,225)	496
<b>Operating profit</b> .....	<b>1,282</b>	<b>228</b>	<b>1,969</b>
Income relative to gross financial debt .....	(1,943)	(2,210)	(1,677)
Other financial expenses.....	(152)	(232)	(370)
Finance income .....	102	257	128
Net result on extinguishment of financial liability.....	(223)	(135)	(149)
<b>Finance costs, net</b> .....	<b>(2,217)</b>	<b>(2,320)</b>	<b>(2,069)</b>
Net result of disposal of business .....	105	—	—
Share of earnings of associates .....	(1)	(17)	(8)
<b>Loss before income tax from continuing operations</b> .....	<b>(832)</b>	<b>(2,108)</b>	<b>(107)</b>
Income tax (expense)/benefit.....	(107)	425	(68)
<b>Loss for the year</b> .....	<b>(939)</b>	<b>(1,683)</b>	<b>(175)</b>
<i>Attributable to equity holders of the parent</i> .....	(850)	(1,575)	(136)
<i>Attributable to non-controlling interests</i> .....	(89)	(108)	(39)

- (1) The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of income for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. The financial information as of and for the year ended December 31, 2016 has not been restated for the impacts of IFRS 15 or IFRS 9. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, included elsewhere in these Listing Particulars for more information.

## Consolidated Statement of Financial Position

	As of December 31,		
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(in millions of euros)		
<b>Non-Current assets</b>			
Goodwill.....	15,800	15,916	15,747
Intangible assets .....	10,625	8,679	7,676
Property, plant and equipment.....	10,389	10,416	10,005
Contract costs .....	—	241	253
Investment in associates .....	60	49	154
Financial assets.....	2,885	1,262	2,332
Deferred tax assets.....	109	145	154
Other non-current assets .....	156	378	424
<b>Total non-current assets.....</b>	<b>40,024</b>	<b>37,086</b>	<b>36,743</b>
Inventories.....	394	461	422
Contract assets.....	—	302	265
Trade and other receivables.....	4,237	4,441	4,441
Current tax assets.....	176	165	119
Financial assets.....	69	62	53
Cash and cash equivalents .....	720	753	1,666
Restricted cash.....	20	34	36
<b>Total current assets .....</b>	<b>5,615</b>	<b>6,219</b>	<b>7,003</b>
<i>Assets classified as held for sale<sup>(2)</sup>.....</i>	<i>476</i>	<i>602</i>	<i>538</i>
<b>Total assets.....</b>	<b>46,115</b>	<b>43,906</b>	<b>44,284</b>
<b>Equity attributable to the owners of the entity .....</b>	<b>(1,937)</b>	<b>(2,840)</b>	<b>(2,217)</b>
Non-controlling interests .....	775	157	613
<b>Total equity .....</b>	<b>(1,161)</b>	<b>(2,683)</b>	<b>(1,604)</b>
<b>Non-current liabilities</b>			
Long- term borrowings, financial liabilities and related hedging instruments...	32,370	31,805	32,534
Other financial liabilities .....	520	540	816
Provisions.....	1,785	1,307	1,179
Deferred tax liabilities .....	808	495	256
Non-current contracts liabilities .....	—	466	564
Other non-current liabilities.....	782	127	85
<b>Total non-current liabilities .....</b>	<b>36,264</b>	<b>34,740</b>	<b>35,433</b>
<b>Current liabilities</b>			
Short-term borrowings, financial liabilities .....	420	414	102
Other financial liabilities .....	2,173	2,112	2,021
Trade and other payables.....	6,637	7,103	6,756
Contract liabilities .....	—	720	611
Current tax liabilities .....	294	197	247
Provisions.....	535	429	330
Other current liabilities.....	863	343	188
<b>Total Current liabilities .....</b>	<b>10,922</b>	<b>11,317</b>	<b>10,256</b>
<i>Liabilities directly associated with assets classified as held for sale<sup>(3)</sup> .....</i>	<i>89</i>	<i>532</i>	<i>199</i>
<b>Total equity and liabilities .....</b>	<b>46,115</b>	<b>43,906</b>	<b>44,284</b>

- (1) The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The consolidated statement of financial position as of and for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. The financial information as of and for the year ended December 31, 2016 has not been restated for the impacts of IFRS 15 or IFRS 9. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, included elsewhere in these Listing Particulars, for more information.
- (2) Assets held for sale as of December 31, 2018 reflects assets disposed of in connection with the sale of a 49.99% interest in SFR FTTH on March 27, 2019.
- (3) Liabilities directly associated to assets held for sale reflects liabilities directly related to assets disposed of in connection with the sale of a 49.99% interest in SFR FTTH on March 27, 2019.



## Selected Consolidated Cash Flow Data

	For the year ended December 31,		
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(in millions of euros)		
Net cash flow provided by operating activities.....	4,976	4,547	3,964
Net cash flow used by investing activities.....	(4,036)	(3,612)	(2,375)
Net cash flow used in financing activities.....	(848)	(874)	(675)
<b>Net change in cash and cash equivalents.....</b>	<b>94</b>	<b>33</b>	<b>914</b>

- (1) The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The financial information for the year ended December 31, 2018 reflects the change in accounting standards. The consolidated statement of cash flow for the year ended December 31, 2017 has been restated for the impacts of IFRS 15, IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. The financial information as of and for the year ended December 31, 2016 has not been restated for the impacts of IFRS 15 or IFRS 9. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, included elsewhere in these Listing Particulars, for more information.

## Adjusted EBITDA

	For the year ended December 31,		
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(in millions of euros)		
Adjusted EBITDA <sup>(2)</sup>	5,940	5,833	5,320
Adjustment for acquisitions and disposals <sup>(3)</sup>			49
Pro Forma Adjusted EBITDA <sup>(4)</sup>			5,369

- (1) The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The financial information for the year ended December 31, 2018 reflects the change in accounting standards. The financial information for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. The financial information as of and for the year ended December 31, 2016 has not been restated for the impacts of IFRS 15 or IFRS 9. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, included elsewhere in these Listing Particulars, for more information.
- (2) Adjusted EBITDA is equal to operating income, adjusted for certain items as reflected in the table below. The Issuer believes that this measure is useful to investors as it provides them with a measure that excludes certain items that the Issuer considers to be outside its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding the Issuer's earnings and cash-flow generation that allows investors to identify trends in its financial performance. It should not be considered as a substitute measure for operating profit or profit for the period (as determined in accordance with IFRS), cash flows from operating, investing and financing activities or any other measures of performance under IFRS or other generally accepted accounting principles. Adjusted EBITDA as defined by us may not be comparable to similarly titled measures used by other companies. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*" The following table provides a reconciliation of operating income to Adjusted EBITDA.
- (3) Reflects adjustments for certain acquisitions and disposals during 2018, including the Portugal Towers Transaction, the Dominican Towers Transaction, the Altice TV Disposal, the disposal of our Voice Carrier Business and the disposal of certain press businesses in France.
- (4) Certain covenants applicable to our indebtedness are calculated on the basis of Pro Forma Adjusted EBITDA (as defined therein) for the most recent two consecutive fiscal quarters on an annualized basis (i.e. multiplied by 2). The Pro Forma Adjusted EBITDA set forth in these Listing Particulars calculated for the last two quarters ended December 31, 2018 on an annualized basis would have been €5,386 million.

## Reconciliation of operating income to Adjusted EBITDA

	For the year ended December 31,		
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(in millions of euros)		
<b>Operating income.....</b>	<b>1,282</b>	<b>228</b>	<b>1,969</b>
Depreciation, amortization and impairment.....	4,037	4,349	3,846
Share-based expense.....	23	31	2
Other expenses and income.....	599	1,225	(496)
<b>Adjusted EBITDA.....</b>	<b>5,940</b>	<b>5,833</b>	<b>5,320</b>

## Capital Expenditures

	For the year ended December 31,		
	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>
	(in millions of euros)		
Capital Expenditures <sup>(2)</sup> .....	3,648	3,541	3,183
Adjusted EBITDA less Capital Expenditures .....	2,292	2,291	2,137

(1) The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The financial information for the year ended December 31, 2018 reflects the change in accounting standards. The financial information for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. The financial information as of and for the year ended December 31, 2016 has not been restated for the impacts of IFRS 15 or IFRS 9. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, included elsewhere in these Listing Particulars, for more information.

(2) For more information, see Note 4.5 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, Note 4.6 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017 and Note 4.2.4 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2016 respectively.

## Other Operating Data

	As of and for the year ended December 31, 2018					
	France	FOT	Portugal	Israel	Dominican Republic	Total
	(in thousands except percentages and as otherwise indicated)					
<b>Homes Passed<sup>(1)</sup> .....</b>	<b>23,467</b>	<b>178</b>	<b>5,157</b>	<b>2,128</b>	<b>792</b>	<b>31,722</b>
Fiber/cable homes passed <sup>(2)</sup> .....	12,295	172	4,490	2,218	755	19,840
<b>Fixed B2C</b>						
Fiber/cable unique customers <sup>(3)</sup>	2,533	59	803	990	192	4,578
Fiber/cable customer net adds ..	302	1	184	(11)	(11)	464
Total fixed B2C unique customers.....	6,275	83	1,581	990	318	9,247
Total fixed B2C customer net adds .....	333	1	26	(11)	(5)	343
<b>Mobile B2C</b>						
Postpaid subscribers .....	13,530	219	2,959	1,140	568	18,416
Postpaid net adds .....	1,022	27	141	(11)	32	1,212
Prepaid subscribers.....	1,534	52	3,558	159	2,532	7,834
Total mobile B2C subscribers <sup>(4)</sup>	15,064	270	6,516	1,299	3,100	26,250

	As of and for the year ended December 31, 2017					
	France	FOT	Portugal	Israel	Dominican Republic	Total
	(in thousands except percentages and as otherwise indicated)					
<b>Homes Passed<sup>(1)</sup> .....</b>	<b>24,921</b>	<b>178</b>	<b>5,046</b>	<b>2,089</b>	<b>786</b>	<b>33,019</b>
Fiber/cable homes passed .....	10,951	172	4,027	2,089	748	17,987
<b>Fixed B2C.....</b>						
Fiber/cable unique customers <sup>(3)</sup>	2,231	59	620	1,001	204	4,114
Fiber/cable customer net adds ..	193	0	142	(16)	(1)	317
Total fixed B2C unique customers.....	5,943	82	1,555	1,001	323	8,904
Total fixed B2C customer net adds .....	(171)	(6)	(45)	(16)	4	(234)
<b>Mobile B2C .....</b>						
Postpaid subscribers .....	12,508	191	2,817	1,152	536	17,204
Postpaid net adds .....	182	29	95	70	(29)	347
Prepaid subscribers.....	1,842	55	3,658	145	2,717	8,418
Total mobile B2C subscribers <sup>(4)</sup>	14,351	246	6,476	1,296	3,252	25,622

**As of and for the  
year ended  
December 31, 2016**

	<b>France</b>	<b>FOT</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Total</b>
	(in thousands except percentages and as otherwise indicated)					
<b>Homes Passed<sup>(1)</sup></b> .....	<b>25,732</b>	<b>178</b>	<b>4,985</b>	<b>2,454</b>	<b>739</b>	<b>34,089</b>
Fiber/cable homes passed .....	9,316	172	3,123	2,454	640	15,705
<b>Fixed B2C</b> .....						
Fiber/cable unique customers <sup>(3)</sup>	2,038	59	478	1,017	205	3,796
Fiber/cable customer net adds ..	209	4	74	(10)	33	310
Total fixed B2C unique customers.....	6,113	88	1,599	1,017	320	9,138
<b>Mobile B2C</b>						
Postpaid subscribers .....	12,327	162	2,722	1,081	565	16,857
Postpaid net adds .....	(267)	14	46	114	(15)	(108)
Prepaid subscribers.....	2,288	61	3,447	105	2,946	8,847
Total mobile B2C subscribers <sup>(4)</sup>	14,615	223	6,169	1,187	3,511	25,705

- (1) A home is considered “passed” if it can be connected to the transmission system with no additional extension to the network. Total homes passed in France includes unbundled DSL homes outside of the Group’s fiber/cable footprint. Total homes passed in Portugal includes DSL homes enabled for IPTV outside of PT Portugal’s fiber footprint and fiber/cable homes passed includes homes where PT Portugal has access through wholesale fiber operators (approximately 400,000 as of December 31, 2018, 316,000 as of December 31, 2017, 168,000 as of December 31, 2016). Total homes passed in the Dominican Republic includes DSL homes outside of Altice Dominicana’s fiber footprint. In Israel, the total number of homes passed is equal to the total number of Israeli homes.
- (2) As of the year ended December 31, 2018, in France, includes approximately 1,100,000 fiber/cable homes now passed by SFR FTTH. See “Description of Our Business—Altice France Group—Material Contracts—SFR FTTH”.
- (3) Fiber/cable unique customers represents the number of individual end users who have subscribed for one or more of the Group’s fiber/cable based services (including pay television, broadband or telephony), without regard to the number of services to which the end user subscribed. It is calculated on a unique premises basis. The total number of fiber/cable customers does not include subscribers to either the Group’s mobile or ISP services. Fiber/cable customers for France excludes white-label wholesale subscribers. Fiber/cable customers for Israel refers to the total number of unique customer relationships, including both B2C and B2B relationships.
- (4) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Group’s mobile networks.

**Certain As Adjusted Information**

	<b>As of and for the year ended December 31, 2018</b>
	<b>(in € millions)</b>
As adjusted net financial debt (after currency impact of derivative instruments) of the Issuer <sup>(1)</sup> .....	27,455
<i>Pro Forma</i> Adjusted EBITDA .....	5,369
Ratio of as adjusted net financial debt (after currency impact of derivative instruments) of the Issuer to <i>Pro Forma</i> Adjusted EBITDA .....	5.11x

- (1) Reflects consolidated financial debt of the Issuer after taking into account the exchange rate effect of derivative instruments with respect to our existing debt minus cash and cash equivalents, on an as adjusted basis after giving effect to the Refinancing Transactions (including the offering of the Notes, the unwinding of certain existing swaps relating to the Existing Altice Lux 2022 Notes and the entry into new swaps relating to the Notes in connection with the Refinancing Transactions, and the use of proceeds therefrom) and the receipt of net cash proceeds from the sale of a 49.99% interest in SFR FTTH completed on March 27, 2019. It does not give effect to any other changes in consolidated financial debt or cash and cash equivalents after December 31, 2018. See “Summary—The Refinancing Transactions”, “Summary—Recent Developments—Sale of a 49.99% Interest in SFR FTTH”, “Use of Proceeds” and “Capitalization”.

## RISK FACTORS

*An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in these Listing Particulars. If any of the events described below, individually or in combination, were to occur, this could have a material adverse impact on our business, financial condition, results of operations and ability to make payments on the Notes and could therefore have a negative effect on the trading price of the Notes. Described below and elsewhere in these Listing Particulars are the risks considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that could also have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, our past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. These Listing Particulars also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in these Listing Particulars. See “Forward-Looking Statements.”*

*In this section, unless the context otherwise requires, the terms “Group,” “we,” “us” and “our” refer to the Issuer and its subsidiaries.*

### **Risks Relating to our Business, Technology and Competition**

***We face significant competition in each of the industries in which we operate and competitive pressures could have a material adverse effect on our business.***

We face significant competition from market incumbents and new competitors in each of our geographic segments and operational activities. The nature and level of the competition that we face varies in each geographic segment and for each of the products and services that we offer. For our fixed-based services, our competitors include, but are not limited to, providers of television, broadband internet, fixed-line telephony and B2B services using DSL or fiber connections, providers of television services using technologies such as IPTV and satellite, DTT providers, mobile network operators, providers of emerging digital entertainment technologies and other providers of wholesale carrier, infrastructure and white label services. For our mobile services, we face competition from other mobile operators who own and operate a mobile network as well as from providers of VoIP and MVNOs. For our wholesale services, our key competitors include, but are not limited to, wholesale providers of voice, data and fiber services.

In some instances, our competitors may have easier access to financing, more comprehensive product ranges, lower financial leverage, greater financial, technical, marketing and personnel resources, larger subscriber bases, wider geographical coverage for their fixed or mobile networks, greater brand name recognition and experience or longer established relationships with regulatory authorities, suppliers and customers. Some of our competitors may have fewer regulatory burdens with which they are required to comply because, among other reasons, they use different technologies to provide their services, do not own their own fixed-line network, or are not subject to obligations applicable to operators with significant market power.

There has been a trend of consolidation of telecommunications operations in a number of countries in which we operate. Mergers, joint ventures and alliances among franchised, wireless or private cable operators, satellite providers, local exchange carriers and other telecommunication service providers in the jurisdictions in which we operate may provide additional benefits to some of our competitors, for example via access to financing, resources, efficiencies of scale or the ability to provide multiple services in direct competition with us. Public-private joint ventures may also increase competition.

As a consequence of the telecommunications and mobile markets reaching saturation in certain geographic segments, there are a limited number of new subscribers entering the market and therefore in order to increase our subscriber base and market share, we are dependent on attracting our competitors’ existing subscribers, which intensifies the competitive pressures that we are subject to. Moreover, the competitive landscape in our geographic segments is generally characterized by increasing competition, tiered offerings that include lower priced entry-level products and a focus on multi-play offerings, including special promotions and discounts for customers who subscribe for multi-play services. We expect additional competitive pressure from media and telecommunications industries that seek to offer packages of fixed-based and mobile voice, internet and video broadcast services. In addition, we expect competition to increase as a result of changes to the regulatory regimes in the markets in

which we operate, such as those attempting to increase competition by allowing third party access to cable networks on a wholesale basis.

The telecommunications services industry has undergone significant technological development over time and these changes continue to affect our business. Such changes have had, and will continue to have, a profound impact on consumer expectations and behavior. Our products and services are also subject to increasing competition from alternative new technologies or improvements in existing technologies. For example, our pay TV services in certain jurisdictions compete with IPTV service providers in our network areas utilizing DSL or VDSL broadband internet connections. In the broadband internet market, we face competition from mobile operators that are increasingly utilizing a combination of progressively powerful handsets and high bandwidth technologies, such as universal mobile telecommunications system (“UMTS”) and LTE technology. Mobile services providers, including those offering advanced, high speed, high bandwidth technologies and MVNOs also contribute to the competitive pressures that we face in our fixed-based telephony business. In the past, mobile operators have engaged in ‘cord-cutting’ campaigns and have used attractive mobile calling tariffs to encourage customers with both fixed-line and mobile services to retain only their mobile services. This substitution, in addition to the increasing use of alternative communications technologies, negatively affects our fixed-line call usage volumes and subscriber growth. At the same time, incumbent fixed-line operators have also applied resources to ‘win back’ activities that can entice our existing telephony customers, as well as prospective telephony customers, to return or remain with the incumbent by offering certain economic incentives.

New players from sectors that are either unregulated or subject to different regulations (including internet players such as Yahoo!, Google, Microsoft, Amazon, Apple, YouTube, Netflix and other audiovisual players, media players and “over the top” (“OTT”) (of an existing broadband internet network) players) have also emerged as competitors to our video content offering. These players are taking advantage of improved connectivity and platform agnostic technologies to offer OTT and cloud-based services. Telecommunications operators are expected to maintain traditional access services and billing relationships over which users access services from adjacent players such as well-known companies offering music, video, photos, apps and retail. The rapid success of audiovisual content streamed through the telecommunications network and insufficient innovation could lead to the emergence of other content or service providers as well as the saturation of the market, which would put pressure on our revenues and margins while simultaneously requiring us to increase capital expenditures to remain competitive, which could adversely affect our business, financial condition or results of operations.

Moreover, we are also facing competition from non-traditional mobile voice and data services based on new mobile internet technologies, in particular OTT applications, such as Skype, Google Talk, Facetime, Viber and WhatsApp. These OTT applications are often free of charge, accessible via smartphones and allow their users to have access to potentially unlimited messaging and voice services over the internet, thus bypassing more expensive traditional voice and messaging services, such as SMS and MMS, provided by mobile network operators who are only able to charge the internet data usage for such services. All telecommunications operators are currently competing with OTT service providers who leverage existing infrastructures and operate capital-light business models, enhancing their ability to compete with businesses, such as ours, which operate capital-intensive business models. OTT service providers have over the past years become more sophisticated and technological developments have led to a significant improvement in the quality of service, particularly in speech quality. In addition, players with strong brand capability and financial strength, such as Apple, Google and Microsoft, have turned their attention to the provision of OTT audio and data services. In the long term, if non-traditional mobile voice and data services or similar services continue to increase in popularity and if we, or more generally all of the telecommunications operators, are not able to address this competition, this could cause declines in subscriber base and profitability across all of our products and services, among other material adverse effects.

In addition, we may face increasing competition from the large-scale roll-out of public Wifi networks by local governments and utilities and transportation service providers, new and existing Wifi telecommunications operators and others, which particularly benefits OTT service providers. Due to their ability to leverage existing infrastructure and to roll out public Wifi in a cost-efficient way, our competitors may be better positioned to offer their customers public Wifi access at attractive terms and conditions or as part of their current mobile and landline offerings, which may affect our ability to retain or acquire customers. Furthermore, our competitors may realize cost savings by off-loading mobile data traffic onto their own Wifi networks or those of their partners in order to reduce costs and increase bandwidth more quickly or efficiently than we can. An increase in public Wifi networks could also cause declines in profitability as demand for our network and services decreases.

The following is an overview of the competitive landscape in France, Portugal, Israel and the Dominican Republic:

## France

The French telecommunications market is a mature market, marked by very active competition between the main operators and very strong pressure on prices. Despite growth in market size, the French telecommunications market has recently declined in value primarily due to price pressure in the mobile market following the arrival of a fourth player in 2012 and the decline in regulated call termination rates. We face significant competition from established and more recent competitors and may face competition from new entrants and market concentrations in the future. While the nature and level of competition to which we are subject vary according to the products and services that we offer, in each case we generally compete on the basis of prices, marketing, products, network coverage, characteristics of services, and customer service. The main competitor of the Group in the B2C and B2B markets overall is Orange, the incumbent telecommunications operator in France, that has greater financial resources and owns a more extensive network than the Group's and that is unlikely to be duplicated or matched by the Group in the near future. Bouygues Telecom Enterprises ("*Bouygues Telecom*") and Iliad are our major competitors in the B2C market. In the premium pay-TV market, Groupe Canal+ products are available throughout the French territory via satellite, cable, and DTT and DSL technologies. Our main competitor in B2B markets overall is Orange, the incumbent telecommunications operator in France. Orange has greater financial resources and owns a more extensive network than ours which were we are unlikely to duplicate or match in the near future. In the B2B market, in addition to Orange and Bouygues Telecom, we also compete with international telecommunications operators such as Colt, Verizon, AT&T, and BT, which offer multinationals access to their international networks while our network is available only in France.

The Group also has operations in the French Overseas Territories that face competition and competitive pressure risks similar to those described herein.

### 1. Mobile

We compete with service providers that use alternative technologies for internet access, such as satellite technologies or mobile standards such as universal mobile telecommunications system ("*UMTS*") and 3G/4G mobile technologies. These mobile broadband high speed internet access technologies may enable both incumbent and new broadband access providers to provide high bandwidth connection services for voice and data. Furthermore, additional access technologies may be launched in the future that will further increase competition or lead us to increase capital expenditure for additional upgrades. Providers of mobile broadband internet access may be able to offer fast internet access speeds at a competitive cost, with the additional possibility of allowing subscribers to access the internet remotely.

The French mobile telephony market is characterized by competition among well-established mobile network operators such as Orange, Bouygues Telecom and Free and other operators without their own mobile networks ("*MVNOs*"). Competition has intensified, particularly as to price, since Free entered the market in early 2012 with a low-priced unlimited calling package. The mobile telephony market in France is currently undergoing a transformation because of competitive pricing, bundled packages no longer including subsidized handsets and the development of "low cost" brands.

After strong price decreases in 2013 and 2014, which resulted in mobile post-paid prices in France being among the lowest in Europe, price pressure eased in 2015 and 2016 but intensified again in 2017 and weakening slightly in 2018. If price pressure continues to intensify, the Altice France Group's results of operations and financial condition in future periods may be materially adversely affected.

### 2. Fixed

In the French pay-TV market, we compete with providers of premium television packages such as CanalSat, DSL triple-play and/or quadruple-play operators such as Orange, Free and Bouygues Telecom, which provide IPTV, and providers of pay DTT (such as Canal+, which operates across multiple formats: including IPTV, pay DTT, satellite and cable). The growth of IPTV, which is the most popular pay-TV distribution platform followed by satellite and DTT, has changed the market, opening up the provision of pay-TV services beyond the traditional methods of cable and satellite, which is limited by the inability to install a satellite dish on the façade of buildings in certain areas, such as central Paris. We also compete with satellite television services that may be able to offer a greater range of channels to a larger audience, reaching wider geographic areas (especially in rural areas) for lower prices than our prices for cable pay-TV services. Any increase in market share of satellite distribution may have a negative impact on the success of our digital cable television services. We also face competition from satellite distribution of free to air television programming. While pay DTT's share of the pay-TV market is

currently low, providers of pay DTT may in the future be able to offer a wider range of channels to a larger audience for lower prices than we charge.

In the broadband market, we provide high speed internet through our cable network and xDSL network and we compete primarily with xDSL and FTTH providers, with FTTH currently being the most widespread technology used to access broadband internet in France. Orange is the leading DSL provider in France, followed by Free, the Group and Bouygues Telecom. While the Group believes that the superior performance and capacity of its fiber optic/cable network compared to its competitors' xDSL networks and the coverage of their fiber networks currently places the Group at a competitive advantage to exploit the increased demand in France for very-high-speed internet in the areas covered by the Group's fiber optic/cable network, such competitive advantage may be diminished to the extent that xDSL operators roll out FTTH or VDSL2 networks. For further information see *"The deployment of fiber optic networks and/or VDSL2 by our competitors could reduce and ultimately eliminate the gap between the speed and the power of our fiber optic/cable network compared to the DSL networks of its main competitors"*. In addition, our xDSL competitors' networks cover more French households than our network and pricing is very competitive.

### 3. B2B

In the B2B segment our main competitors are Orange (Orange Business Services) and Colt. Bouygues Telecom is also a competitor in the SME segment. The French B2B market for voice services is extremely price sensitive, with sophisticated customers, relatively short term (typically one year) contracts, and vulnerability to cuts in mobile termination rates. The ability to compete effectively is partially a function of network capillarity, and certain of our competitors have a more extensive and denser network than us. In the data market, customers also often seek combined infrastructure and software solutions. As a result, we also compete with software and other IT providers of data and network solutions, which may decrease the value customers place on our infrastructure solutions, leading to a reduction in our prices and margins. IT providers may also partner with our infrastructure telecommunications competitors.

### 4. Wholesale

The French wholesale telecommunications market is dominated by us and Orange, although Orange's and our market shares vary depending on the segment. We also face competition from consortiums of telecommunications operators and construction companies, such as Covage, Vinci, Eiffage and Axiom (who may lay down fiber in construction sites and then lease them on the wholesale market). The wholesale market for data services in France is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement. The wholesale market for dark fiber infrastructure in France is more open than for wholesale voice and data carriage, as providing it does not require having a dense, national network and does not include any services would require technical expertise.

We expect competition in the French telecommunications industry to remain intense and there can be no assurance that we will not be negatively impacted by any future consolidation of our competitors or similar developments in one or more of the markets in which we compete. For further details regarding the competitive environment, in which we operate, see *"Industry"*.

### *Portugal*

In Portugal, we have experienced pressure from our competitors to reduce monthly subscription fees. The competitive landscape has changed significantly as a result of the merger in 2013 of ZON Multimédia—Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("**ZON**"), the largest cable operator at that time, and Optimus SGPS, S.A. ("**Optimus**"), the third largest mobile operator at that time, to create NOS SGPS, S.A. ("**NOS**"), an integrated telecommunications operator in Portugal. We expect to face competition from Cabovisão, which we disposed of in January 2016, under its new ownership. In broadband, we compete with Vodafone Portugal, which is expanding its FTTH footprint, as well as NOS whose high speed broadband coverage is greater than that of PT Portugal. In the fixed telephony market, PT Portugal has experienced, and may continue to experience, erosion of market share of both access lines and of outgoing domestic and international traffic as result of the trend toward the use of mobile services instead of fixed telephone services. Additionally, all mobile players have launched fixed telephony services based on their mobile networks, which are directly competing for the same customers. Competition is intensified by mobile operators NOS and Vodafone with large mobile operations but a limited (although growing) fixed-line network, particularly in light of their recently announced partnership relating to the reciprocal sharing of fiber and mobile towers across Portugal. The new network sharing agreement between NOS

and Vodafone took effect from the beginning of 2018 and contemplates the development and sharing of dark fiber in fixed infrastructure at a national level. This agreement was subsequently extended to the mobile infrastructure, covering mobile towers. These new developments could have a material adverse effect on our business, financial condition and results of operations. Mobile operators can bypass PT Portugal's international wireline network by interconnecting directly with fixed-line and mobile networks either in its domestic network or abroad. Competition is also forcing down the prices of fixed-line voice services for long distance and international calls, as operators have been offering unlimited voice communications for all national and several international fixed destinations. Lowering international call prices has caused a decline in PT Portugal's revenues from international fixed-line voice services. We expect competition from operators with services based on VoIP to also place increasing price pressure on voice tariffs. In addition, in December 2016, ANACOM approved a decision on the fixed termination cost model and imposed a heavy reduction in such fees from €0.001114/min to €0.000644/min, further reducing them to €0.000635/min. effective from October 2017. The decrease in fixed-line voice traffic and lower prices resulting from competition have significantly affected PT Portugal's overall revenues, and we expect these factors to continue to negatively affect revenues in the future.

Furthermore, in its final decision of August 2015, ANACOM approved a new decrease to mobile termination fees to €0.0083/min. Further reductions to €0.0081/min effective from July 2016 and €0.0075/min effective from July 2017 were imposed thereafter. At the retail level, our existing Portuguese mobile competitors, Vodafone and NOS, will continue to market their services aggressively, resulting in similarly priced offers for all major mobile players in the market.

Moreover, on September 1, 2016, ANACOM imposed a heavy decrease in the prices charged by PT Portugal for leasing out its Continent-Azores-Madeira ("CAM") lines by 66% for traditional circuits and 73% for Ethernet circuits. In July 2017 ANACOM decided not to impose further reductions until October 2018.

#### *Israel*

In Israel, in the multi-channel television market, our main competitor is D.B.S. Satellite Services (1998) Ltd, a subsidiary of Bezeq, which provides satellite technology based multi-channel television services under the brand "YES." As of December 2014, Cellcom also began to offer broadcast services to subscribers and, as of July 2017, Partner Communications Company Ltd., ("**Partner**") launched its broadcasting offer to subscribers. Other factors that have a material impact on competition in the market include the availability of free-to-air DTT channels and the increasing availability of video content and services that may be offered via the internet. In addition, we believe that the implementation of certain regulatory changes may have an impact on competition in the market, including the expansion in the number of free-to-air DTT channels, the 'narrow' television package and the increased scope of special broadcasting licenses pursuant to which we are required to broadcast television channels owned by special broadcasting license holders on our network under certain terms. Our high speed broadband internet infrastructure access service competes primarily with Bezeq, which provides high speed broadband internet access over DSL, holds the highest market share in broadband internet infrastructure access in Israel, and offers a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of Bezeq's DSL based broadband internet infrastructure access service to VDSL and potentially even faster DSL variants and the possibility of widespread FTTX installations which it has announced could have a negative impact on our competitive position in the broadband internet infrastructure market and may also require us to revise our marketing strategy and make potentially significant capital expenditures. The regulatory changes since 2015, requiring Bezeq and HOT to provide certain wholesale services to serve providers with a view to create a market for broadband infrastructure access and fixed telephony services, may also result in increased competition from other service providers such as ISPs and IPTV providers who utilize our cable networks to provide internet services. These regulatory changes may have a negative impact on our business, financial condition and results of operations. Competition has also increased following the creation of a public-private joint venture in June 2013 between the government owned Israeli Electric Corporation ("IEC") and a private company ("IBC"), which proposes to use the electric transmission and distribution network in Israel owned by IEC to provide wholesale products to telecommunication services providers via optical fiber, and thus compete with HOT and Bezeq in the wholesale market as well as providing such services directly to large business customers. To the best of our knowledge, the joint venture has commenced the deployment of its optical network in different cities in Israel. In addition to Cellcom and IBC, Partner group has also commenced the deployment of an optical fiber based network in several areas. In December 2018, the Israeli Ministry of Communications published a public hearing regarding the proposed regulatory principles for the policy regarding the deployment of ultra broadband infrastructure in Israel in order to create a competitive environment and establish rules that will promote the deployment of fiber optic networks in Israel.



Competition in providing fixed-line telephony service is intense and is expected to increase as a result of the creation of the wholesale market with providers having introduced substantial price reductions over the past few years. Bezeq, our principal competitor in the Israeli market and the largest provider of fixed-line telephony services, has an extensive fixed-line telephone network throughout Israel, strong market knowledge, high brand recognition and substantial capital resources. Other competitors provide fixed-line telephony services over broadband (“VoB”), among them Cellcom and Partner. In April 2018, a new mobile operator 018 Xphone entered the Israeli market.

In Israel, our mobile service, HOT Mobile, competes with three principal mobile network operators, namely Cellcom, Partner and Pelephone, who between them are estimated to directly represent over 75% of the total market for mobile services in Israel as of December 31, 2017 by number of mobile customers. The three principal mobile operators in Israel benefit from strong brand recognition even though HOT Mobile has been leading the Israeli mobile market in terms of subscriber acquisitions since August 2015. This is a reflection of the increased brand recognition associated with the HOT Mobile brand resulting from our extensive marketing activities and distribution capabilities.

Competition in the provision of internet, data and voice products to business customers is intense, with Bezeq, several local telephony operators through VoB and several international telephony operators among our competitors. In addition to competitive activity, we continue to see challenges in this segment of the market as a result of price erosion in existing products and the need to invest in new product development to satisfy the evolving preferences of prospective customers.

#### *Dominican Republic*

We face significant competition from market incumbents, including Claro which has the largest market share in each of the B2C mobile, B2C fixed and B2B segments, and new competitors. For our fixed-based services, our competitors include, but are not limited to, providers of television, broadband internet, fixed-line telephony and B2B services using xDSL or fiber connections, providers of TV services using technologies such as IPTV and satellite, DTT providers, mobile network operators providing fixed wireless broadband access services, providers of emerging digital entertainment technologies, mobile voice and other providers of wholesale services. For our mobile services we face competition from other mobile operators who own and operate a mobile network as well as from providers of VoIP. For our wholesale services our key competitors include, but are not limited to, wholesale providers of voice, data and fiber services.

While competition in the telecommunications market in the Dominican Republic is relatively highly concentrated, competition in certain segments of the market, such as pay TV, remains fragmented. Mergers, joint ventures and alliances among franchised, wireless or private cable operators, satellite providers, local exchange carriers and other telecommunication service providers may provide additional benefits to some of our competitors, for example via access to financing, resources, efficiencies of scale or the ability to provide multiple services in direct competition with us. Public-private joint ventures may also increase competition.

The competitive landscape in the Dominican Republic is generally characterized by increasing competition, tiered offerings that include lower priced entry-level products and in the fixed-line segment, a focus on multi-play offerings, including special promotions and discounts for customers who subscribe for multi-play services. We expect additional competitive pressure from media and telecommunications industries that seek to offer packages of fixed-based and mobile voice, internet and video broadcast services. In addition, we expect competition to increase as a result of changes to the regulatory regimes in the Dominican Republic, such as those attempting to increase competition by allowing third party access to fixed networks that are considered an essential facility and the obligation to share access to passive elements of mobile networks with other operators.

***The deployment of fiber optic networks and/or VDSL2 by our competitors could reduce and ultimately eliminate the gap between the speed and the power of our fiber optic/cable network compared to the DSL networks of its main competitors.***

We believe that one of our major competitive advantages is the power and speed of our fiber optic/cable network. However, our competitors could deploy fiber and/or VDSL2 networks enabling download speeds and bandwidths that could rival those reached by our network, and thus strongly reducing our competitive advantage.

For example, in France, as of December 31, 2018, our network passed approximately 12,295,000 fiber/cable homes, including approximately 1,100,000 fiber/cable homes now passed by SFR FTTH. In France, our main

competitors (Orange, Free and Bouygues Telecom) have begun to introduce FTTH networks to increase and harmonize their network speed. On March 17, 2015, Orange launched its strategic plan for 2020 and announced that it would invest more than €15 billion in its networks between 2015 and 2018. With regard to very-high-speed fixed broadband, Orange has the objective of tripling its investments in fiber optics between 2015 and 2020 and increasing its connected households from 3.6 million at the end of 2014 to 12 million in 2018 and 20 million in 2022 (source: Orange press release).

Furthermore, other operators may obtain access to the infrastructure deployed by an operator through joint projects for financing. All of the DSL operators have announced various agreements on sharing the deployment of FTTH in given areas. For example, Orange and Free entered into a contract in July 2013 providing for the deployment by Free of a fiber network using Orange's infrastructure in approximately 20 French cities, which allows for open access to all competing operators.

In addition, in 2013 the French government announced a FTTH deployment plan of €20 billion (invested by private operators and local authorities) with the objective of providing very-high-speed internet access to the entire territory in 2022. The government will provide a subsidy package of approximately €3,300 million, partly from funding from the Investments for the Future Program managed by the Office of the General Commissioner of Investment under the 2015 Budget Act. The rollout has been divided in three zones: very dense areas (approximately six million households) and low-density areas (approximately 13 million households), that are already covered or will be covered by FTTH with privately-funded networks; and low-density areas (approximately 15 million households), where private operators will co-invest with public partners. Orange and the Altice France Group will lead the deployment of the very-high speed network in privately-funded, low density areas, with the Altice France Group being in charge of approximately 20% of the network deployment. Various local and regional authorities have already extended subsidies to network operators to install FTTH connections. This trend should continue, as certain departments, municipalities and regions, such as Hauts-de-Seine, Amiens and Louvain, for example, have entered into public-private partnerships to encourage such investments. In such areas, various operators will have access to the network and will be able to compete. In addition, in accordance with the conditions established by ARCEP, third-party operators may have access to the infrastructure used by an operator, including by co-financing projects, for their own very-high-speed internet offers. As a result, FTTH deployment by our competitors could accelerate and the share of FTTH on the high-speed internet market could grow significantly, thereby eliminating or reducing the Group's fixed network advantage. While parts of our network may be eligible for the program, its effects on us and the future of fiber deployment in France are unclear as of the date of the Offering Memorandum. VDSL2 technology has also been implemented in some areas by our competitors. Deployment of VDSL2 only requires adding VDSL2 cards in already deployed digital subscriber line access multiplexers ("DSLAMs") and does not involve physical intervention at the subscriber's premises. Moreover, the deployment of this technology has accelerated since October 2014 given the favorable opinion of the copper experts committee that has allowed the marketing, starting from that date, of VDSL2 in indirect distribution on all lines from a main distribution frame ("MDF") on Orange's local copper loop. As of December 31, 2018, approximately 5,900,000 households were eligible for VDSL2 (source: ARCEP).

If our competitors continue to deploy or significantly increase their fiber optic networks they could compete with us in terms of the offering of high-speed internet and television services of a quality and speed greater than or equal to ours, thus potentially eliminating our current competitive advantage, increasing the pressure upon prices and margins and leading us to make significant investments in order to match the services they offer. Deployment of VDSL2 and/or fiber optic networks by competitors also represents a risk for the B2B segment of the Group, particularly with regard to medium-sized, small-to-medium-sized and very-small-sized businesses to which the Group's DSL and fiber/cable networks network presently represent an advantage. Although we are preparing for this deployment by improving its product range and building out its fiber/cable network, such deployment could have a material adverse effect on our business, financial position and results of operations.

***Changes in competitive offerings for content, including the potential rapid adoption of piracy-based video offerings, could adversely impact our business.***

The market for content is intensely competitive and subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video, sports and other content. The various economic models underlying these channels include subscription, transactional, ad-supported and piracy-based models. All of these have the potential to capture meaningful segments of the content market. Piracy, in particular, threatens to damage our business, as its fundamental proposition to consumers is so compelling and difficult to compete against: virtually all content for free. Furthermore, in light of the compelling consumer proposition, piracy services are subject to rapid global growth. Traditional providers of content, including broadcasters, as well

as internet based e-commerce or content providers are increasing their internet-based offerings. Several of these competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market, or existing providers may adjust their services, with unique offerings or approaches to providing content. Companies also may enter into business combinations or alliances that strengthen their competitive positions. If we are unable to successfully or profitably compete with current and new competitors, our business will be adversely affected, and we may not be able to increase or maintain market share, revenues or profitability.

***Acquisitions and other strategic transactions present many risks, including the risk that we may not be able to integrate newly acquired operations into our business, which may prevent us from realizing the strategic and financial goals contemplated at the time of any such transaction and thus adversely affect our business.***

Historically, our business has grown, in part, through a significant number of selective acquisitions that enabled us to take advantage of existing networks, service offerings and management expertise. Since 2010, we have acquired HOT in Israel, SFR in France, PT Portugal in Portugal, Outremer and Mobius in the French Overseas Territories as well as Tricom and Altice Dominicana in the Dominican Republic. We may continue to grow our business through acquisitions of broadband and mobile communications businesses, content companies and ancillary services that we believe will present opportunities to create value by generating strong cash flows and operational synergies. In addition, we have recently entered into certain strategic transactions, such as the Towers Transactions and the sale of our Voice Carrier Business, to monetize the value of certain of our non-core assets in France, Portugal and the Dominican Republic, and the sale of a 49.99% interest in SFR FTTH to create an alternative FTTH infrastructure wholesale operator. In the future, we may enter into similar transactions in one or more countries in which we operate.

Any acquisition, disposal or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses, amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs or fail to realize all of the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, our management may be distracted by such acquisitions and the integration of acquired businesses. Thus, if we consummate any further acquisitions or fail to integrate any previous acquisitions, there could be a material adverse effect on our business, financial condition and results of operations. There can be no assurance that we will be successful in completing business acquisitions or integrating previously acquired companies. In addition, our debt burden may increase if we borrow funds to finance any future transactions, which could have a negative impact on our cash flows and our ability to finance our overall operations.

Acquisitions or disposals of additional telecommunications companies may require the approval of governmental authorities (either domestically or, in the case of the EU, at the EU level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In the event conditions are imposed and we fail to meet them in a timely manner, the relevant governmental authority may impose fines and, in connection with a merger transaction, may require restorative measures, such as mandatory disposition of assets or divestiture of operations. For example, in connection with the PT Portugal Acquisition, we entered into a commitment with the European Commission to dispose of Cabovisão and ONI which was completed on January 20, 2016. Additionally, in connection with the PT Portugal Acquisition, the European Commission (“EC”) is conducting an ongoing investigation relating to Altice’s alleged infringement of the obligation of prior notification of concentrations under Article 4(1) of the Merger Regulation and/or of the standstill obligation laid down in Article 7(1) of the Merger Regulation. The EC issued a statement of objections on May 18, 2017 alleging that Altice breached the Merger Regulation by implementing the PT Portugal Acquisition before notification or approval by the EC as required under applicable law. On August 18, 2017, Altice submitted a full response to the statement of objections in which it contested all of the objections and requested that a hearing take place. A hearing took place in Brussels on September 21, 2017. On April 24, 2018, the EC notified the Group of its decision to impose upon it a fine of approximately €124.5 million on the basis of a finding that the Group infringed the prior notification obligation of a concentration under Article 4(1) of the EU Merger Regulation as well as the stand-still obligation under Article 7(1) of the Merger Regulation. The Group disputes the EC’s decision and on July 5, 2018, the Group filed an appeal against the decision before the General Court of the European Union (“GCEU”) seeking an annulment of the decision or, at the very least, a significant reduction in the fine imposed. On November 6, 2018, the Council

of the European Union filed an application to intervene in the case. On November 30, 2018, the EC lodged a defence, to which the Group replied on February 25, 2019, in line with the submissions set forth in its appeal. These proceedings do not affect the approval granted by the EC for the PT Portugal Acquisition. On July 25, 2018, the Group issued a bank guarantee to the European Commission. While Altice is the subject of the EC's investigation, the proceedings may have consequential implications for the Group. See "*Description of Our Business—Altice International Group—Legal Proceedings—Regulatory and Civil Proceedings—European Commission investigation into PT Portugal Acquisition*" and "*Description of Other Indebtedness—Indebtedness of the Altice International Group—2018 Altice Financing Guarantee Facility.*"

Although we analyze and conduct due diligence on acquisition targets, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and our inquiries may fail to uncover relevant information. There can be no assurance that our assessments or due diligence of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Moreover, our plans to acquire additional businesses in the future are subject to the availability of suitable opportunities. Our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less favorable terms than we can accept, which may prevent us from acquiring businesses that we target to the benefit of our competitors.

The operating complexity of our business and the responsibilities of management have increased significantly as a result of the growth of our business through acquisitions, which may place significant strain on our managerial and operational resources. We may be unable to allocate sufficient managerial and operational resources to meet our needs as our business grows, and our current operational and financial systems and managerial controls and procedures may become inadequate.

Although we consider the operational and financial systems and managerial controls and procedures that we currently have in place to be adequate for our purposes, we recognize that the effectiveness of these systems, controls and procedures needs to be kept under regular review as our business grows. We will have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Management of growth will also require, among other things, continued development of financial and management controls and information technology systems. The constant growth and increased international operations may strain our managerial resources which may require us to hire additional managerial resources. We may be unable to hire managers with the relevant expertise or the hiring process may require significant time and resources, all of which could result in a disruption in our management, growth, operational and financial systems, managerial controls and procedures and, accordingly, our business, financial condition and results of operations.

***The Group might not be able to effectively implement or adapt its business strategy.***

The Group has based its strategy on its vision of the market, especially the importance of very-high-speed fiber/cable and mobile networks and of fixed-mobile convergence. At the core of its strategy is a return to revenue, profitability and cash flow growth. Key elements of this strategy include: (i) operational and financial turnaround under the leadership of a new management team; (ii) optimizing commercial performance with a particular focus on customer services; (iii) continuing to invest in best-in-class infrastructure commensurate with its market position and (iv) monetizing content investments through various pay TV models and growing advertising revenue. However, the Group is evolving in a market affected by economic, competitive and regulatory uncertainty and it must regularly adapt its business model to take into account market changes such as changes in consumer behavior, introduction of new technology, products or services, competition and the development of specific pricing policies, the adaptation of its structural costs, the streamlining of its operational organization, and the adaptation of its sales strategy. If the measures taken by the Group do not meet the demands, expectations, or habits of the consumer, it will have an adverse effect on the return on investments, financial targets, market share, and revenues generated. Consequently, any development of the Group's business strategy that proves not to be sufficiently adapted to the actual trends and demands, expectations, or habits of the consumer in the telecommunications market may not achieve its desired goals and/or have a material adverse effect on its business, financial position and results of operations.

Moreover, the transformation of the Group following the execution of certain strategic transactions, including non-core asset disposals, strategic acquisitions and investments or entry into joint venture arrangements, could create operational difficulties and unforeseen expenses and could give rise to significant administrative, financial, and managerial challenges involving the activity of the Group. Such strategic transactions may also disrupt its

ongoing business, cause management's attention to be diverted and result in legal, regulatory, contractual, labor, or other difficulties that have not been foreseen or disclosed.

Historically, our business has grown, in part, through a significant number of acquisitions. We may continue to grow our business through selective acquisitions of, or investments in, businesses that we believe will present opportunities to create value by generating strong cash flows and operational synergies. The success of this strategy of pursuing strategic opportunities through selective acquisitions or other combinations depends on our ability to identify the appropriate targets, audit such targets appropriately, negotiate favorable terms, and lastly carry out these transactions and integrate the new acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs or fail to realize all of the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, our management may be distracted by such acquisitions and the integration of acquired businesses. Such transactions may also require the approval of governmental authorities (either domestically or, in the case of the EU, at the European Union level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In addition, future consolidations in the sectors where we operate will reduce opportunities for acquisitions or combinations. We believe that some of its competitors are implementing similar acquisition strategies and these competitors may have greater financial resources to make investments or may be able to accept less favorable terms than us, thus depriving us of opportunities and reducing the number of potential acquisition targets. The implementation of our acquisition strategy could increase the level of indebtedness of the Group, which could create new or intensify existing risks faced by the Group. See “—Risks Relating to our Financial Profile”. Furthermore, our ability to make acquisitions is limited by its financing agreements. See “Description of Other Indebtedness—Indebtedness of the Issuer”, “Description of Other Indebtedness—Indebtedness of the Altice France Group” and “Description of Other Indebtedness—Indebtedness of the Altice International Group”.

We periodically evaluate, and have engaged in, strategic transactions, such as the sale of a 49.99% interest in SFR FTTH to create an alternative FTTH infrastructure wholesale operator, and the disposition of certain non-core assets and businesses, such as the Towers Transactions. Divestitures could involve difficulties in the separation of operations, services, products and personnel, the diversion of management's attention, the disruption of its business and the potential loss of key employees. After reaching an agreement with a buyer for the disposition of a business, the transaction may be subject to the satisfaction of pre-closing conditions as well as to obtaining necessary regulatory and government approvals, which, if not satisfied or obtained, may prevent us from completing the transaction. Divestitures may also involve continued financial involvement in the divested assets and businesses, such as indemnities or other financial obligations, in which the performance of the divested assets or businesses could impact its results of operations. Any divestiture undertaken by us could adversely affect its financial condition and results of operations. In certain cases, the Group has entered into joint venture arrangements with a majority or minority interest in such joint ventures. Even in cases where the Group retained a majority interest, its joint venture partner may have significant influence over policies, including consent rights with respect to certain specified matters. The Group has a lesser degree of control over the business operations of the joint ventures and businesses in which it has made minority investments.

***Revenue from our services is declining, and we may be unable to offset this decline.***

We have experienced declines in the revenue and Adjusted EBITDA generated from our geographic segments and operating activities and may continue to experience further declines which we may not be able to offset with the introduction of new services, depending on technological trends, customer consumption patterns and competitive behavior in the market. On a consolidated basis, for the year ended December 31, 2018, we generated revenue of €14,279 million and Adjusted EBITDA of €5,320 million, compared to revenue of €15,151 million and Adjusted EBITDA of €5,833 million for the year ended December 31, 2017.

***France***

Altice France's total revenues and revenues in the mobile services, fixed, wholesale and media segments declined in the year ended December 31, 2018 compared to the year ended December 31, 2017. Altice France's revenues in the B2C, B2B and wholesale segments also declined in the year ended December 31, 2018 compared to the year ended December 31, 2017. Our Adjusted EBITDA in France remained flat for the year ended December 31, 2018 compared to the year ended December 31, 2017. While we are focused on achieving an operational financial turnaround under the leadership of a new management team at Altice France, there can be no assurance that this trend of declines in revenue will not continue in future periods.

Altice France expects its DSL business with Bouygues Telecom to continue to decline. In particular, churn in Bouygues Telecom's DSL white label customers has already led to a decrease in white label subscribers. If the revenue and profitability loss from such businesses is not offset by revenue and profitability growth in other businesses of Altice France, this could have a material adverse effect on Altice France's business activities, the results of its operation and financial condition.

In addition, Altice France could experience further decreases in customers on its DSL network in the future due to their migration to fiber/cable networks providing them with access to greater internet speeds compared with those available on DSL networks. If the revenue and profitability loss from customers on Altice France's DSL network is not offset by revenue and profitability growth on its fiber/cable network, this could have a material adverse effect on Altice France's business activities, the results of operation and financial condition.

### *Portugal*

PT Portugal's revenue decreased in the year ended December 31, 2018 compared to the year ended December 31, 2017. We believe that the decrease resulted primarily from competitive pressures in the market and the resulting price erosion, notwithstanding an improved performance in the customer net additions in the period. Moreover, our Adjusted EBITDA in Portugal also decreased for the year ended December 31, 2018 compared to the year ended December 31, 2017, due to an increase in operating costs while revenue declined and an increase in infrastructure rental mainly due to the Towers Transactions and subsequent lease of towers.

While we anticipate that the trend of declining revenues and Adjusted EBITDA in certain geographic segments and operating activities may continue, we believe that such declines may be offset in the future by the anticipated benefits of our cost-saving initiatives and our accelerated investment in fixed-based and mobile infrastructure, which we believe will drive growth in our fixed-based and mobile activities going forward. However, there can be no assurance that the initiatives that we undertake to offset revenue and Adjusted EBITDA declines in certain activities will materialize. Our business, financial conditions and results of operations may be adversely affected if we are unable to introduce new, or enhance existing, products and services or implement cost-saving or revenue enhancing strategies.

### ***We have a history of losses and may report losses in the future.***

We have reported historical net losses of €939 million, €1,683 million and €175 million, for years ended December 31, 2016, 2017 and 2018, respectively. We may incur losses in the future due to, among other things, interest expenses, depreciation and capital expenditure. While a portion of any future losses may consist of depreciation and amortization expenses, which do not directly impact our cash flow, future losses may adversely affect our business, financial condition and results of operations and may limit our ability to engage in equity or debt financings.

### ***Customer churn, or the threat of customer churn, may adversely affect our business.***

Our ability to attract and retain subscribers to our fixed-based services or to increase profitability from existing subscribers will depend in large part on our ability to stimulate and increase subscriber usage, convince subscribers to switch from competitors' services to our services and our ability to minimize customer churn. Customer churn is a measure of the number of customers who stop subscribing for one or more of our products or services. Churn arises mainly as a result of the contractual subscription period (generally 12 months in the B2C segment and between one and three years in the B2B segment), competitive influences, the relocation of clients outside of the Group's network area (which is less extensive than our competitors), introduction of new products and technologies, deterioration of personal financial circumstances, price increases and regulatory developments. Customer churn may also increase if we are unable to deliver satisfactory services over our network, or if it modifies the types of services it makes available in a certain region. In addition, customer churn also arises upon the cancellation of services to customers who are delinquent in their payments to the Group. In addition, we outsource many of our customer service functions to third party contractors over which we have less control than if it were performing those tasks itself. We have experienced significant churn in mobile and fixed customers in recent years due to intense competition.

For example, in Israel, the regulatory framework prohibits, among other things, fixed-based service providers and mobile operators from charging exit fees, except in limited circumstances, to subscribers who wish to terminate their services and mobile operators are prohibited from selling locked handsets or linking the terms of sale of handsets to the terms of mobile services, including discounts and other benefits, which has increased churn rates

for many fixed-based service providers and mobile operators. If we fail to effectively communicate the benefits of our networks through our marketing advertising efforts, we may not be able to attract new customers and our efforts to attract and retain customers may prove unsuccessful. In addition, any interruption of our services or the removal or unavailability of programming, which may not be under our control, could contribute to increased customer churn. Further our competitors may improve their ability to attract new customers, for example by offering new product bundles or product offerings at lower prices than us, which would make it difficult for us to retain our current subscribers, and the cost of retaining and acquiring new subscribers could increase. In addition, our B2B operations are also subject to tariff churn (i.e. an existing customer negotiating tariff decreases). Large corporate customers in particular are highly sophisticated and often aggressive in seeking to renegotiate the pricing of their contracts, which tends to result in margin pressure. Increased customer or tariff churn may have a material adverse effect on our business, financial condition and results of operations.

***Our growth prospects depend on continued demand for fixed-based and mobile products and services and increased demand for bundled and premium offerings.***

The use of Internet, television and fixed-line telephony and mobile services in certain of the jurisdictions in which we operate has increased sharply in recent years. We have benefited from this growth in recent years and our growth and profitability depend, in part, on continued demand for these services in the coming years. We rely on our multi-play and premium television services in most of the jurisdictions in which we operate to attract new customers and to migrate existing customers to such services. Therefore, if demand for multi-play products and premium television services does not increase as expected, this could have a material adverse effect on our business, financial condition and results of operations.

***Our future revenue growth depends in part on market acceptance of new product introductions and product innovations.***

In general, the telecommunications industry is characterized by the frequent introduction of new products and services or upgrading of existing products and services, in connection with new technologies, as well as changes in usage patterns and in customer needs and priorities. Our long term results of operations therefore depend substantially upon our ability to continue to conceive, design, source and market new products and services as well as continuing market acceptance of our existing and future products and services. Should we fail to or be significantly delayed in introducing new products and services in the future, if our new products and services are not accepted by customers, or if our competitors introduce more sophisticated or more popular products and services, our business and results of operations may be adversely affected.

***If we are unable to obtain attractive content on satisfactory terms for our services, the demand for these services could be reduced, thereby lowering revenue and profitability.***

The success of pay TV services depends on access to an attractive selection of television programming. For example, the ability to provide movies, sports and other popular programming, including video-on-demand (“VOD”) content, is a major factor that attracts subscribers to pay TV services, especially premium services. We rely on digital programming suppliers for a significant portion of our programming content and VOD services. We may not be able to obtain sufficient high quality programming and other content from third party producers for our digital cable television and other services on satisfactory terms or at all in order to offer compelling digital cable television services. We also rely on certain of our competitors for the provision of certain content offerings. In addition, to the extent that we are unable to reach agreements with certain content providers on terms that we believe are reasonable, we may be forced, or determine for strategic or business reasons, to remove such content from our line-up and may decide to replace them with other programming, which may not be available on acceptable terms or be as attractive to customers. There can be no assurance that our expiring programming and other content contracts will be renewed on favorable or comparable terms or at all, or that the rights we negotiate will be adequate for us to execute our business strategy. Further, with respect to our operations in Israel, we cannot assure you that the local content we are required to develop in conjunction with our voice will continue to be successful. The inability to obtain high quality content, may also limit our ability to migrate customers from lower tier programming to higher tier products, thereby inhibiting our ability to execute our business strategy. In addition, we are currently subject to “must carry” requirements in certain of the jurisdictions in which we operate that may consume channel capacity otherwise available for other services. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, our digital cable television and other content services.

Programming and content-related costs are one of our largest categories of expenses. In recent years, the cost of programming in the cable and satellite video industries has increased significantly and is expected to continue to

increase, particularly with respect to costs for sports programming and broadcast networks. We may not be able to pass these increased programming costs on to our subscribers due to the increasingly competitive environment that we operate in. If we are unable to pass these increased programming costs on to our subscribers, our business, financial condition and results of operations may be adversely affected. Moreover, programming costs typically include a minimum guaranteed amount and a variable amount related directly to the number of subscribers to whom the programming is provided, which may affect our ability to negotiate lower per-subscriber programming costs and which could impact our operating margins. The expiration dates of our various programming contracts are staggered, which results in the expiration of a portion of our programming contracts throughout each year. For example, Altice Europe has acquired the rights to the English Premier League, which are commercialized in France via exclusive RMC branded channels pursuant to a distribution agreement entered into with AENS (a subsidiary of Altice TV), which is due to expire in 2019. Altice Europe may not be able to renegotiate these agreements on terms as favorable as those of the current agreements, or at all, which could result in a decline in the revenue generated or an increase in the Group's costs deriving from broadcaster licences.

We attempt to control our programming costs and, therefore, the cost of our video services we charge to our customers, by negotiating favorable terms for the renewal of our affiliation agreements with programmers. To the extent we are unable to reach agreements with certain programmers on terms we believe are reasonable, we may be forced to, or determine for strategic reasons to, remove certain programming from our line-up and may decide to replace such programming with alternatives which may not be as attractive to consumers or available on acceptable terms. Such negotiations have in the past and may in the future affect our carriage of particular programming services.

Some of our programming contracts require us to pay prices for the programming based on a guaranteed minimum number of subscribers, even if that number is larger than the number of actual subscribers, whereas some of our programming contracts are based on a flat fee irrespective of the popularity of the content purchased under such contract. As a result, if we misjudge anticipated demand for the programming or if the programming we acquire does not attract the number of viewers we anticipated, the profitability of our television services may be impaired. Furthermore, as we purchase a significant portion of our content from various content providers under relatively short term contracts, the prices we pay to purchase such content are subject to change and may increase significantly in the future, which could have a material adverse effect on our results of operations.

Furthermore, program providers and broadcasters may elect to distribute their programming through other distribution platforms, such as satellite platforms, digital terrestrial broadcasting or IPTV, or may enter into exclusive arrangements with other distributors. Such actions may inconvenience some of our subscribers and can lead to customer dissatisfaction and, in certain cases, the loss of customers, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, as long as we continue to develop our VOD and other interactive services, our ability to acquire programs for its free VOD offerings (replay), VOD by subscription, and one-time VOD will become more and more crucial and will depend on our ability to maintain a relationship and cooperation with content providers and broadcasters, for both standard-definition as well as HD content.

If we cannot obtain and keep competitive programs at attractive prices on our networks, demand for our services could decline, thus limiting its ability to maintain or increase the revenue. A loss of programs or an inability to ensure the availability of premium content under favorable terms could have a material adverse effect on our business activities, our financial position and results of operations.

***Our business is capital-intensive and our capital expenditures may not generate a positive return or we may be unable or unwilling to make additional capital expenditures.***

Our business demands significant capital expenditures to add customers to our networks, including expenditures relating to equipment and labor. In particular, we incur significant capital expenses for the deployment of new technologies such as 4G (for the purchase of frequencies and the deployment of network infrastructures) for its mobile operations and fiber optics (for the deployment of the fiber infrastructure) and for its fixed operations. Moreover, as spectrum auctions are infrequent and we may need additional spectrum in the future, we will likely participate in future spectrum auctions even though we might not, at the time of auction, require additional spectrum capacity. Such participation would require significant capital expenditures in the near term as acquiring spectrum is expensive, due in part to the fact that spectrum availability is limited.



Furthermore, new technologies and the use of multiple applications increasing customers' bandwidth requirements could lead to saturation of the networks and require telecommunications operators to make additional investments to increase the capacity of their infrastructures. Moreover, we regularly invest in the content that we offer in order to provide our subscribers with a flexible and diverse range of programming and other content options, including high-quality local content and exclusive premium content, in order to reduce churn.

For example, in France, the structure of the French telecommunications market does not allow telecommunications operators to pass along their investment costs to the end consumer in proportion to the volume of data consumed. Accordingly, telecommunications operators may not benefit from increased revenues from the growing demand for data and content even though they incur the costs of such demand through their investments in infrastructure.

The Altice France Group is also bound by certain obligations of access and/or coverage for its fiber/cable and/or mobile network, particularly under its mobile licences, such as obligations to allow roaming or sharing of networks in certain deployment zones. This requires the Altice France Group to make significant and frequent investments and the conditions for the implementation of these obligations including some prices (such as roaming rates) may be regulated within the EU. Given such constraints, the Altice France Group may not be able to operate its network under economically favorable conditions, which could affect the profitability of its investments. We may be subject to similar obligations in the other jurisdictions in which we operate in the future, which could have a material effect on the manner in which we operate our business and, accordingly, on our outlook, financial position or results of operations.

It cannot be guaranteed that we will continue to have sufficient resources to maintain the quality of our network and of its other products and services, and to expand our network coverage, which are key elements for our growth over the long term. Unforeseen investment expenses, an inability to finance them at an acceptable cost or even an inability to make profitable investments could have a material adverse effect on our business, our outlook, financial position or results of operations.

***We are subject to increasing operating costs and inflation risks which may adversely affect our earnings.***

While we generally attempt to increase our subscription rates to offset increases in operating costs, there is no assurance that we will be able to do so due to competitive and other factors. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow and results of operations. We are also affected by inflationary increases in salaries, wages, benefits and other administrative costs which we may not be in a position to pass on to our customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

***The continuity of our services strongly depends on the proper functioning of our IT and network infrastructure and any failure of this infrastructure could have a material adverse effect on our business, our financial position and our results of operations.***

The reliability and quality (both in terms of service as well as availability) of our information systems and networks, particularly for our mobile and fixed businesses, are key components of our business activities, the continuity of our services and the confidence of our customers. More specifically, the unavailability or failure of information systems we use, our network, the production of "electronic" communications services and television, our website, and our customer service function, could significantly disrupt our business.

A flood, fire, other natural disaster, war, act of terrorism, power failure, cyber-attack, computer virus or other catastrophe affecting a portion of our network could have a material adverse impact on our business and our relations with customers. For example, our business in the French Overseas Territories has experienced network disruptions and other adverse effects in the past, and may experience network disruption and other adverse effects in the future, as a result of extreme weather and other environmental conditions. Measures with the aim of remedying such disasters, safety and security measures, or measures for protecting service continuity that we undertake or may undertake in the future, as well as the effects thereof on the performance of its network, could be insufficient to avoid losses. As we are insured against operating losses only up to a capped amount, any disaster or other damage affecting our network could result in significant uninsured losses. Our network may be subjected to disruptions and to significant technological problems, and such difficulties could escalate over time. For example, although our cable networks are generally built in resilient rings to ensure the continuity of network availability in the event of any damage to our underground fibers, if any ring is cut twice in different locations,

transmission signals will not be able to pass through, which could cause significant damage to our business. In the event of a power outage or other shortage, we do not have a back up or alternative supply source for all of our network components. The occurrence of any such event could cause interruptions in service or reduce capacity for customers, either of which could reduce our revenue or cause us to incur additional expenses. In addition, the occurrence of any such event may subject us to penalties and other sanctions imposed by regulators. Further, we may incur costs and revenue losses associated with the unauthorized use of our networks, including administrative and capital costs associated with the unpaid use of our networks as well as with detecting, monitoring and reducing the incidences of fraud. Fraud also impacts interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

In addition, our business depends on certain crucial systems, particularly our network operations center and our billing and customer service systems. In particular, the support for a large number of systems critical to our network is located at a relatively limited number of sites. While we have extensive backup systems, the risk that these systems may not be sufficient to handle a spike in activity cannot be ruled out, which could lead to a slowdown or unavailability of IT systems for a period of time and, when involving our B2B customers, to financial penalties. Moreover, we may incur legal penalties and reputational damages to the extent that any accident or security breach results in a loss of or damage to customers' data or applications or the inappropriate disclosure of confidential information.

Moreover, our technical projects that are in progress, involving both information systems and networks, and the plans for migrations planned in the short and medium terms for certain pieces of mobile network equipment, may generate an increased risk of failures of networks and information systems. In particular, the quality of the networks could be impacted by the deployment of the 4G network as well as by the concurrent work of renovating 2G and 3G networks, requiring, among other things, frequent technical interventions. Such work could also result in breakdowns or interruptions in services for our customers.

Furthermore, the development of the resources used by consumers (for example, videoconferencing, telepresence, and cloud computing for B2B customers), of the "Internet of Things", and of new terminals (smartphones, tablets, etc.) may generate risks of saturating the networks due to the large volumes of data that such resources generate or promote the use of.

The end-of-year period is an extremely sensitive sales period. A major failure of the information systems or of any component of the chain of production and logistics during that period would have negative consequences on revenues. To reduce the likelihood of this type of risk occurring, we avoid changes to our network and information systems during this period of the year (starting in mid-November until the end of the year), however, there can be no assurance that there will be no failure of our network and information systems during the end-of-year period.

Should all or some of the risks described above materialize, this could have a material adverse effect on our business, financial condition and results of operations.

***We depend on hardware, software and other providers of outsourced services, who may discontinue their services or products, seek to charge us prices that are not competitive or choose not to renew contracts with us.***

We have important relationships with several suppliers of hardware, software and related services that we use to operate our pay TV, broadband internet, fixed-line telephony, mobile and B2B businesses. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. For example, while we continue to promote a rapid take up of our premium multi-play services in several of our geographic segments using a single set-top box, we face potential risks in securing the required customer set-top box equipment to maintain this roll out as we currently rely on a single provider. Currently, we have a sufficient supply of these boxes available, but any future shortages may involve significant delays in seeking alternative supplies, may constrain our ability to meet customer demand and may result in increased customer churn. Further, in the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business in a timely manner, at competitive terms and in adequate amounts. In particular, in the case of an industry wide cyclical upturn or high demand for a particular product, our suppliers of software, hardware and other services may receive customer orders beyond the capacity of their

operations, which could result in delivery delays, particularly where suppliers elect to prioritize other customer accounts. We have, from time to time, experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors as well as quality control problems with service providers. We may also not be able to recover monies paid to such suppliers or obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner.

We also outsource some of our support services, including parts of our subscriber services, information technology support, technical services, and maintenance operations. Should any of these arrangements be terminated by either contract party, this could result in delays or disruptions to our operations and could result in us incurring additional costs, including if the outsourcing counterparty increases pricing or if we are required to locate alternative service providers or in-source previously outsourced services.

Further, we are dependent on certain suppliers with respect to our mobile services in Israel who we may not be able to replace without incurring significant costs. With respect to our 3G/4G mobile operations, we have engaged Nokia Solutions and Networks (“NSN”) as a turnkey contractor to plan and build the UMTS/LTE network core. A cessation or interruption in the supply of the products and/or services by NSN may harm our ability to provide our mobile services to our subscribers.

We are dependent on various third parties in order to provide commercially viable services in the jurisdictions in which we operate. For example, among other agreements, we rely on the Network Sharing Agreement with Partner Communications Company Ltd. to hold, develop and operate an advanced shared mobile network in Israel and a fiber sharing agreement with Vodafone Portugal to deploy, share and manage fiber capacity in Portugal. In France, we depend on Orange to access a portion of its network infrastructure and on Bouygues Telecom for access to certain mobile networks. We are generally dependent on access to sites and network infrastructure owned by third parties, including duct space and antennas used for our networks and facility space (colocation). In addition, our telephony services are reliant on our ability to interconnect with the telecommunications networks of other fixed-line, mobile and international operators globally. We have limited or no control over the quality and consistency of the services that are supplied to us by third parties. Any deterioration in the provision of such services may affect our business, financial condition and results of operations.

Our ability to renew our existing contracts with suppliers of products or services or enter into new contractual relationships with these or other suppliers upon the expiration of existing agreements, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events which may be beyond our control. The occurrence of any of these risks or a significant disruption in our supply of equipment and services from key sourcing partners could create technical problems, damage our reputation, result in the loss of customer relationships and have a material adverse effect on our business, financial condition and results of operations.

***Pressure on customer service could adversely affect our business.***

The volume of contracts handled by our customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on our customer service personnel. Increased pressure on such functions is generally associated with decreased satisfaction of customers.

In the B2B and wholesale markets, customers require service to be extremely reliable and to be re-established within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment. Delays and service problems may result in both penalties and the potential loss of customers. In these segments, we rely on our experienced customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers.

We have in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties. Improvements to customer service functions may be necessary to achieve desired growth levels and if we fail to manage such improvements effectively and achieve such growth, we may in the future experience customer service problems and damage to our reputation, contributing to increased churn and/or limiting or slowing our future growth.

***The operation of our conditional access systems is dependent on licensed technology and subject to illegal piracy risks.***

In order to transmit encrypted digital programs, including our digital pay TV packages and for billing our customers, we generate conditional access systems, which rely on a proper functioning of our conditional access systems. Even though we require our conditional access system providers to provide state of the art security for the conditional access systems, the security of our conditional access systems may be compromised by illegal piracy and other means. In addition, our set-top boxes require smart cards before subscribers can receive programming and our smart cards have been and may continue to be illegally duplicated, providing unlawful access to our television signals. While we work diligently to reduce the effect of piracy, there can be no assurance that we will be able to successfully eliminate the piracy we currently face. In addition, there can be no assurance that any new conditional access system security that we may put in place will not be circumvented. Encryption failures could result in lower revenue, higher costs and increased basic cable subscriber churn or may otherwise have a material adverse effect on our business, financial condition and results of operations.

***If we fail to successfully introduce new technologies or services, or to respond to technological developments, our business and level of revenue may be adversely affected and we may not be able to recover the cost of investments that we have made.***

Our business is characterized by rapid technological change and the introduction of new products and services, and it is difficult to forecast the impact such technological innovations will have on our business. If any new or enhanced technologies, products or services that we introduce fail to achieve broad market acceptance or experience technical difficulties, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover investments that we make in order to deploy these technologies and services. Enhanced fixed service infrastructure access and mobile services provided by competing operators may be more appealing to customers, and new technologies may enable our competitors to offer not only new services, but to also offer existing standard services at lower prices. We may not be able to fund the capital expenditures necessary to keep pace with technological developments. It is possible that alternative technologies that are more advanced than those we currently provide may be developed. We may not obtain the expected benefits of our investments if more advanced technology is adopted by the market. While we attempt to stay ahead of the market, closely following technological developments and making investments implementing such developments, it is difficult to forecast the effect that technical innovations will have on our business. We may also be unable to adapt to new or existing technologies to meet customer needs within an appropriate time frame, or a competitor may do so before us, which could have a material adverse effect on our business, financial condition and results of operations. Even if we adopt new technologies in a timely manner as they are developed, the cost of such technology may exceed their benefits. Our inability to obtain the funding or other resources necessary to expand or further upgrade our systems and provide advanced services in a timely manner, or successfully anticipate the demands of the marketplace, could adversely affect our ability to attract and retain customers and generate revenue.

Furthermore, given the pace of at which we launch new offers into the market and the multitude of our bundled service offerings, we may experience vulnerability to revenue leakage as a result of the dynamic changes in networks, IT systems. Our revenue chain consists of a complex set of inter-related technologies and processes providing a seamless set of services to the end customer. Although we closely monitor the risks related to revenue loss and continuously improve controls in our revenue assurance processes in order to prevent and/or detect cases of revenue leakage, as the set of technologies and business processes grows bigger and more complex, the chance of failure increases in each connection of the revenue chain. Revenue leakage may have an impact on our ability to bill customers correctly for a given service or to receive the correct payment, which may adversely affect our margins and profitability.

We anticipate that, over time, new products and services we may introduce will require upgraded or new customer premises equipment, which may constrain our ability to market and distribute such new products and services. For example, we do not expect that previously installed internet modems or set-top boxes will be able to support all the enhancements we may introduce to our broadband internet or pay TV services over time. A portion of our subscribers will therefore require some form of upgrade or potentially a replacement of their customer premises equipment. Implementing such upgrades may entail additional costs to us and could delay the introduction of enhanced services and therefore reduce our cash flow and profitability, particularly where customers rent such customer premise equipment from us. In addition, we will need to expend significant capital expenditure to fulfill universal service obligations and to upgrade the parts of our networks that are xDSL.

In particular, we must also continue to increase and improve the functionality, availability, and characteristics of our network, particularly by improving its bandwidth capacity and its 4G coverage to meet the growing demand for the services that require very-high-speed telephony and internet services as the telecommunications industry in each of the markets we operate is facing challenges relating to: (i) rapid, significant technological evolution; (ii) frequent improvement of existing products or services resulting from the emergence of new technologies; and (iii) the establishment of new industry practices and standards that make current systems and technologies obsolete. There can be no assurance that we will have sufficient capital to finance such upgrades or that such upgrades will generate a positive return.

We may also be required to incur additional marketing and customer service costs in order to retain and attract existing customers to any upgraded products and services we offer, as well as to respond to competitors' advertising pressure, and potentially more extensive marketing campaigns, which may adversely affect our margins. Any of the above occurrences could have a material adverse effect on our business, financial condition and results of operations.

***We rely on interconnecting telecommunications providers and could be adversely affected if such providers fail to provide these services on a consistent basis and without disruption.***

Our ability to provide commercially viable telephone services in the jurisdictions in which we operate depends upon our ability to interconnect with the telecommunications networks of fixed-line, mobile and international operators in such jurisdictions in order to complete calls between our subscribers and parties on a fixed-line or other mobile telephone network, as well as third parties abroad. Generally, fixed-line telephony, mobile and international operators in the jurisdictions in which we operate are obliged by law to provide interconnection to, and not to discriminate against, any other licensed telecommunications operator. We have no control over the quality and timing of the investment and maintenance activities that are necessary for these entities to provide us with interconnection to their respective telecommunications networks. In Israel, for instance, the implementation of number portability requires us to rely on other providers to a greater extent since our ability to implement number portability and to port numbers between operators is dependent on the manner of number portability implementation by interconnecting local operators.

The failure of these or other telecommunications providers to provide reliable interconnections to us on a consistent basis and under terms that are favorable to us could have an adverse effect on our business, financial condition and results of our operations.

In addition, interconnection agreements and interconnection rates are normally subject to regulation in the jurisdictions in which we operate. Reduced interconnection rates and other decisions by regulators may have a material impact on our business, financial condition and results of our operations.

***Our business activities and our development depend on our ability to enter into and maintain joint arrangements with other players in the telecommunications field.***

#### *Fiber Sharing Agreement with Vodafone Portugal*

In July 2014, we signed an agreement with Vodafone Portugal to deploy, swap of capacity and share fiber networks beginning in December 2014, for an initial term of 25 years. The initial term is automatically renews for four year increments unless a party provides written objection to a renewal two years in advance of the termination date. The agreement includes sharing of dark fiber in approximately 900,000 homes, where each party grants to the other party an exclusive Indefeasible Right of Use ("IRU") for certain PON network cells it owns (totaling approximately 450,000 homes each). Since the model is based on a swap of capacity through IRUs, the title to the PON network cells remains with the granting party, which allows both parties to maintain full autonomy and flexibility in designing retail offers, including the provision of RF (analog) TV signal, and will ensure confidentiality of customer information. As a result of this agreement, we have extended our FTTH network in Portugal by approximately 450,000 homes as of December 31, 2018.

During the first ten years of the agreement, there is an undertaking of partnership between the parties for the construction of new PON network cells. A party must notify the other party if it wishes to build new PON network cells in any geographical area which does not correspond to the PON network cells already covered by the agreement. If the other party is also willing to build new PON network cells, both parties must then commit to the construction of new PON network cells in partnership with each other. This undertaking from each party does not

apply after the first ten years of the agreement, nor when a party decides to build PON network cells in partnership with another operator (provided that such PON network cells are not covered by the agreement).

Additionally, each party may transfer the entirety (but not part) of its PON network cells covered by the agreement to a third-party purchaser, provided that such purchaser also assumes the obligations of the selling party under the agreement. The non-selling party has a pre-emption right where the third party purchaser is a retail operator in the broadband market, which is not in the same “economic group” as the seller. If the selling-party does not comply with the conditions to transfer and the pre-emption right, it will be subject to a penalty. In the event of a material and/or continuous default of one party, the other party may unilaterally terminate the agreement by exercising a call option.

#### *Partner Network Sharing Agreement*

In November 2013, Altice International entered into the Partner Network Sharing Agreement with Partner Communications Company Ltd. (“**Partner**”) pursuant to which HOT Mobile and Partner own equal shares of a PHI Networks, which holds, develops and operates an advanced shared mobile network for both companies in Israel. Regulatory approval for the network sharing agreement was obtained on April 20, 2015 and such agreement remains valid until December 31, 2028. The network sharing agreement provides for automatic renewals in five year increments after December 31, 2028 but may be terminated in the event of a material breach and certain other specific events. In August 2015, following the completion of the tender process related to the allocation of 1.8 GHz spectrum rights, the Israeli Ministry of Communications allocated HOT Mobile a frequency bandwidth of 2 x 5MHz in the 1.8 GHz spectrum, enabling HOT Mobile to provide 4G LTE services to its customers. Pursuant to its network sharing agreement with Partner, HOT Mobile has committed to share the investment costs associated with the upgrade of 4G network infrastructure with Partner. See “*Description of Our Business—Altice International Group—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel.*”

The implementation of the Partner Network Sharing Agreement requires capital expenditures and there can be no assurance that it will generate the expected synergies and that we will be able to make a return on our investment or recoup our costs.

#### *Bouygues Network Sharing Agreement*

On January 31, 2014, Bouygues Telecom and SFR entered into the Bouygues Network Sharing Agreement to share a portion of their mobile networks. See “*Description of our Business—Altice France Group—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*”. This agreement aims to allow the two operators to offer their respective customers better geographic coverage and better quality of service, while optimizing costs and investments.

The first deliveries of cellular plans occurred on April 30, 2014. It was at that time that each operator first became aware of the deployment plans and technical characteristics of its partner’s sites. The French Competition Authority had prohibited the exchange of technical information prior to the signing of the agreement, and the engineering guidelines had been established on the basis of assumptions that proved to be incorrect in some cases. The discussions that followed upon the initial deliveries of cellular plans led, on October 24, 2014, to adaptation of the agreement and, more specifically, of some engineering choices that had been made at the time when the initial agreement was signed. Prior to its completion, the target date for completing the network was delayed by one year, from the end of 2017 to the end of 2018, to account for the time needed to make these adjustments in the target network engineering.

The Altice France Group could be exposed to various risks related to the implementation of the Network Sharing Agreement as it will be dependent upon Bouygues Telecom for the part of its network that it is to be responsible for operating. In particular, it will not have of any direct operational control over the portion of the network managed by Bouygues Telecom that is to be shared. Therefore, we will not be able to control the quality of the network provided to the customers involved or to implement corrective measures necessary in the event of defect and will be exposed to the risk of failure on the part of Bouygues Telecom.

In addition, the Bouygues Network Sharing Agreement implemented could also fail to generate the expected synergies, especially in terms of geographic coverage or quality of service. Any delay in its implementation may affect the ability of Altice France to achieve the aforementioned objectives of geographic coverage and quality of service. The implementation of the Bouygues Network Sharing Agreement will also require significant capital

expenditures and there can be no assurance that Altice France will be able to make a return on such investment or recoup such investment.

Further, in the event of partial or total cessation and/or failure of the joint arrangement, Altice France would have to redeploy a network in the zones covered up to that time by the Network Sharing Agreement so as to maintain its geographic coverage and the quality of its services. Such redeployment could represent a major expense for Altice France. Moreover, Altice France cannot guarantee that it will be able, in such a scenario, to implement coverage equivalent to that enjoyed by customers under the Network Sharing Agreement.

The competent authorities may, in the future, make decisions jeopardizing the overall economics and/or validity of the Network Sharing Agreement. Third parties may also seek to have access to the shared network and take action against Altice France and its partner. On April 29, 2014, Orange filed a complaint with the French Competition Authority with regard to the Network Sharing Agreement, alleging that it constituted an anti-competitive practice. Investigations on the merits are currently underway. For more information on these proceedings, see “*Description of our Business—Altice France Group—Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Orange v. SFR and Bouygues Telecom (Network Sharing Agreement)*”.

#### *Contract relating to the GSM-R mobile telecommunications network*

Altice France holds a 30% minority stake in the company Synérail, which has entered into an agreement for a joint agreement with Réseau Ferré de France (“RFF”) for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile telecommunications network. See “*Description of our Business—Altice France Group—Material Contracts—Wireless Network Agreements—Agreement Related to the GSM-R Wireless Telecommunications Network*”. The GSM-R project aims to set up a private telecommunications network dedicated to the needs of professionals in rail transport. It enables a European network to be created having a single communications system that is compatible and harmonized among the rail networks, replacing the existing national radio systems. This contract, with a term of 15 years starting March 24, 2010 and for a total amount of €1 billion, provides for the gradual deployment of this network. Altice France is also involved as service provider in the operating phase of the GSM-R network. Delays in deployment caused by Altice France or an inability to achieve the targets provided for in the contract could put Altice France at risk under its contractual obligations to its key partners which could have a material adverse effect on Altice France’s business, financial position, results of operations or outlook. For a description of other material contracts related to Altice France’s activities, see “*Description of our Business—Altice France Group—Material Contracts*”.

Altice International has also entered into roaming contracts, which provide our customers with international 3G and 4G roaming services, across our geographic segments. These contracts are generally subject to rights of termination upon sufficient notice, in the event of a material breach or upon the commencement of liquidation or insolvency proceedings. In the event that we are unable to reach agreements with third parties or favorably renegotiate or renew our existing roaming, network sharing agreements or other agreements on terms we believe are reasonable, our fixed-based and mobile services may be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that such agreements will be renewed on favorable or comparable terms. For description of the material agreement that the Group is party to as of the date hereof, see “*Description of our Business—Altice International Group*” and “*Description of our Business—Altice France Group*.”

#### ***The Group is dependent on its national distribution network.***

We distribute our products and services meant for the general public and businesses directly or indirectly through our national distribution network. Within the framework of our B2C activity, such distribution occurs mainly through our spaces. For indirect distribution of our services, we rely on independent partners, in which we directly or indirectly hold minority stakes.

In particular, in France, the telecommunications market is characterized by rapid change in the habits and needs of customers. Therefore, Altice France is committed to adapting its distribution network accordingly in order to respond to new market characteristics. This evolution of the distribution network involves regular adaptation of indirect distribution and thus on the part of all of its independent partners. However, some of them might not have the ability or might not wish to implement the necessary adaptations. In addition, Altice France is engaged in significant disputes with former or current partners, particularly demands to re-characterize agreements for joint arrangements as commercial agent agreements, to obtain compensation due to breakdowns in commercial

relations, and to invoke the status of management employee, as well as demands from its own employees for recognition of Altice France's status as employer and for application of the employment status applicable inside of the "SFR Social and Economic Unit" ("UES") convention. Altice France has already implemented policies for adapting its contractual tools in order to prevent such risks and manage tailored protective policies, however it cannot guarantee that such claims will not increase or that the factual or legal arguments put forward by Altice France to rebut these claims will be received favorably by the courts. In particular, Altice France may be obligated to apply its employment status outside its current UES convention. Such events could have an adverse effect on Altice France's distribution network and compel it to modify it. More generally it could have a significant material adverse effect on the organization, business, financial condition, results of operations or prospects of Altice France. See "*Description of our Business—Altice France Group—Legal Proceedings—Litigation over distribution in the independent network (Consumer market and SFR Business Team)*".

***We rely on third parties for access to, and the operation of, certain parts of our network.***

We are generally dependent on access to sites and land belonging to, and network infrastructure owned by, third parties, including for cable duct space and antennas used for our networks and facility space (colocation). In this respect, we have generally obtained leases, rights and licenses from network operators, including incumbent operators, governmental authorities and individuals. For example, in July 2014, we signed the Vodafone Network Sharing Agreement with Vodafone Portugal to deploy, swap of capacity and share fiber networks beginning in December 2014, for an initial term of 25 years and in January 2016, we entered into the Bouygues Network Sharing Agreement to share a portion of our mobile networks. See "*Description of our Business—Altice International Group—Material Contracts—General—Fiber Sharing Agreement with Vodafone Portugal.*" In France, we are dependent on Orange to access a portion of our network infrastructure, on Bouygues Telecom to access certain mobile networks and on Canal+ Group, with which we have entered into a number of contracts, for the supply of content. Further, we depend on Phoenix Tower International and OMTEL in the Dominican Republic and Portugal, respectively, for access to sites over which we have built our mobile network. See "*Description of our Business—Altice International Group—Material Contracts*". We might not be able to renew these contracts or to renew them under favorable terms.

Our ability to offer our services to customers depends on the performance of these third parties of their obligations under such leases, licenses and rights. If we are not able to renew our current lease agreements for these sites and/or enter into new lease agreements for suitable alternate sites, this could have a negative impact on the coverage of our network. If third parties refuse to or only partially fulfill their obligations under or terminate the licenses granted to us or prevent the required access to certain or all of such sites, it could prevent or delay the connection to sites or customers, limit the growth of our offerings and influence our ability to supply high quality services to our customers in a timely and cost effective manner. In addition, the costs of providing services is dependent on the pricing and technical terms under which we are given such access and any change in such terms may have a material adverse effect on our business, financial condition and results of operations. In many cases, we may not be able to find suitable alternatives at comparable cost or within a reasonable timeframe.

***Our reputation and financial condition may be negatively affected by problems with the quality and availability of our products.***

Many of our products and services including LaBox technology, which we have rolled out in some of geographic segments are produced and/or maintained using complex and precise technological processes. These complex products and services may contain defects or experience failures when first introduced or when new or improved versions are released. Despite the testing procedures we have implemented, we cannot guarantee that faults will not be found in our new products and services after their launch. Such faults could result in a loss of or delay in market acceptance of our products and services, increased costs associated with customer support, delays in service, delayed revenue generation or lost revenue, defective products eliminated from inventories and replacement costs, or could undermine our reputation with our customers and within the industry.

Any loss of confidence by our customers may cause sales of our other products and services to drop significantly. Furthermore, we may have difficulty identifying customers of defective products and services. As a result, we could incur substantial costs to implement modifications and correct defects. Any of these problems could materially adversely affect our business, financial condition and results of operations.

Furthermore, demand for our products or the products we offer as part of our services, including TV decoders, high-speed routers, mobile handsets, among others, may increase rapidly. We may fail to accurately estimate the



demand for those products and services, which could result in a temporary shortage of supply leading to a drop in new subscriptions for our services and could have a material adverse impact on our results of operation.

***Our reputation and business could be materially harmed as a result of, and we could be held liable, including criminally liable, for, data loss, data theft, unauthorized access or successful hacking.***

Our operations depend on the secure and reliable performance of our information technology systems as the nature of our business involves the receipt and storage of information relating to our customers and employees. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target and hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. We may be unable to anticipate these techniques or detect these defects, or to implement in a timely manner effective and efficient countermeasures.

If unauthorized third parties manage to gain access to any of our information technology systems, or if such systems are brought down, unauthorized third parties may be able to misappropriate confidential information, cause interruptions in our operations, access our services without paying, damage our computers or otherwise damage our reputation and business. While we continue to invest in measures to protect our networks, any such unauthorized access to our cable television service could result in a loss of revenue, and any failure to respond to security breaches could result in consequences under the our agreements with content providers, all of which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, as an electronic communications services provider, we may be held liable for the loss, release or inappropriate modification or storage conditions of customer or other data which are carried by our network or stored on our infrastructures. In such circumstances, we could be held liable or be subject to litigation, penalties (including the payment of damages and interest) or adverse publicity that could adversely affect our business, financial condition and results of operations.

***Our reputation is in part dependent on our relationship with our third party providers.***

We rely on third-party suppliers to provide services to our customers and to perform our business activities. We utilize suppliers of equipment and software, including suppliers of TV decoders, conditional access system suppliers, as well as suppliers of high-speed routers and mobile terminals. We also employ the services of subcontractors to maintain our network, manage our call centres, and supply, install, and maintain equipment set up at private households and at the premises of B2B customers. We cannot guarantee the quality of such services or that these services will comply with the quality and safety standards we impose or require. If there are defects in the equipment or software or the services involving these products, or if the tasks of our subcontractors are not performed properly, it may be difficult or even impossible to make a claim against the suppliers or subcontractors, particularly if the warranties provided for in the contracts entered into with suppliers or subcontractors are not as extensive as those contained in the contracts entered into between us and our customers in certain specific cases or if these suppliers or subcontractors are insolvent or have suspended payments. These difficulties could undermine relations between us and our customers, as well as the reputation of our brand.

Any delay or failure by our third parties suppliers in providing services or products, any increase in their prices, or any decision not to renew their contracts with us could lead to delays or interruptions in our activities. In addition, in many cases we make significant investments in the equipment or software of a particular supplier, which makes it more difficult to rapidly change our procurements or maintenance services if our original supplier refuses to offer us favorable prices or ceases to produce equipment or provide services that we require. If any of these risks materialize, technical problems could arise, our reputation could be impaired and customers could be lost, which could result in a material adverse effect on our business activities, our financial position and our results of operations. See “*Description of our Business—Altice France Group—Suppliers*” and “*Description of our Business—Altice International Group—Suppliers.*”

***We may be held liable for the content hosted on our respective infrastructures or transmitted by our networks.***

In our capacity as an internet and/or mobile service provider and host, we could be held liable for claims due to the content hosted on our infrastructures or transmitted by its networks (specifically in connection with infringements in terms of press, invasion of privacy and breach of copyright) and thus face significant defense costs, even if its liability was ultimately not proven (since internet access providers and hosts are covered by a limited exemption from liability scheme). The existence of such claims could also harm our reputation.

***Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.***

We remain attentive to environmental risks that might arise or be discovered in the future and have adopted programs aimed at ensuring compliance with applicable environmental regulations. Environmental and health concerns are expressed in numerous countries and particularly arise in the context of the deployment of mobile technology regarding exposure to electromagnetic fields through telecommunications equipment, relay antennas and Wifi. A number of studies have been conducted to examine the health effects of mobile phone use and network sites, and some of these studies have been construed as indicating that radiation from mobile phone use causes adverse health effects. The World Health Organization has classified the radiofrequency of electromagnetic fields, linked particularly with the use of cordless phones, as “possibly carcinogenic to humans”, but, to date, no adverse health effects have been established as being caused by mobile phone use.

Several lawsuits have been filed against mobile operators and other participants in the mobile industry alleging adverse health effects and other claims relating to radio frequency transmissions to and from sites, handsets and other mobile telecommunications devices, including lawsuits against HOT, which were settled during 2012 with no material expenses incurred in such settlements. The Israeli government has contemplated, and in Portugal the government has adopted, measures to regulate matters related to exposure to electromagnetic waves. These have not, thus far, had a material impact on our business but there can be no guarantee that any future measures adopted in a jurisdiction in which we operate will not have a material adverse impact on our business. The perception of increased health risks related to mobile network sites may also cause us increased difficulty in obtaining leases for new mobile network site locations or renewing leases for existing locations or otherwise in installing mobile telecommunication devices. The fears generated by the potential health risks connected with electromagnetic waves could also lead third parties to act against us by, for example, bringing actions demanding the withdrawal of antennas or towers, which could affect the our conduct of operations and the deployment of our network, and could have a material adverse effect on the our business, financial position and results of operations. If it is ever determined that health risks existed or that there was a deviation from radiation standards which would result in a health risk from sites, other mobile devices or handsets, this would have a material adverse effect on our business, financial condition and results of operations, including through exposure to potential liability, a reduction in subscribers and reduced usage per subscriber. Furthermore, we do not expect to be able to obtain insurance with respect to such liability.

***The possible inability to protect our image, reputation and brand and intellectual property could have a material adverse effect on our business.***

The brands under which we sell our products and services, including “SFR”, “RED by SFR”, Meo, HOT and Altice, are well recognized brands in France, Portugal, Israel, the Dominican Republic and the French Overseas Territories, as applicable. We have developed the brands we use through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. For a description of our brands and offers, see “*Description of our Business—Altice France Group—Suppliers*” and “*Description of our Business—Altice International Group—Suppliers*”.

Our brands have been developed through extensive marketing campaigns, website promotions and customer referrals, and the use of a dedicated sales force and dealer networks. Our success depends on our ability to maintain and enhance the image and reputation of its existing products and services and to develop a favorable image and reputation for new products and services. The image and reputation of our products and services may be adversely affected by several factors, including if concerns arise about (i) the quality, reliability and benefit/cost balance of our products and services, (ii) the quality of our support centers or (iii) our ability to deliver the level of service advertised. An event or series of events that threatens the reputation of one or more of our brands, or one or more of our products could have an adverse effect on the value of that brand or product and subsequent revenues therefrom. Restoring the image and reputation of our products and services may be costly and not always possible.

We rely upon copyright, trademark and patent laws to establish and protect our intellectual property rights, but no assurance can be given that the actions they have taken or will take in the future will be adequate to prevent violation of our intellectual property rights. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of our brand, which could lead to decreased consumer demand and have a material adverse effect on our business, results of operations or financial condition and prospects.

Although we try to manage our brands, we cannot guarantee that our brands will not be damaged by circumstances that are outside our control or by third parties such as hackers, sponsorees, or interfaces with its clients, such as

subcontractors' employees or sales forces, with a resulting negative impact on our activities. In particular, our image is increasingly tied to LaBox and its associated technology, an innovative set-top box which it sources from a third party supplier. A failure on our part to protect our image, reputation and the brands under which we market our products and services may have a material adverse effect on our business and results of operations

***The current macroeconomic environment is highly volatile, and continuing instability in global markets may jeopardize our growth targets, have a material adverse effect on our business, financial condition and results of operations and significantly increase our cost of debt.***

Our operations are subject to macroeconomic and political risks that are outside of our control. The current macroeconomic environment is highly volatile, and continuing instability in global markets, including instability related to sovereign debt issues, the risk of deflation and the stability of the euro, has contributed to a challenging global economic environment. High levels of sovereign debt in the U.S. and certain European countries combined with weak growth and high unemployment could lead to 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 business and financial operations. In Europe, future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the EU Commission to address debt burdens of certain countries in Europe and the overall stability of the Eurozone.

With regard to currency instability issues, concerns exist in the Eurozone with respect to individual macro fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual Eurozone countries. Further, on June 23, 2016, the United Kingdom held a referendum in which voters approved, on an advisory basis, an exit from the European Union commonly referred to as "Brexit." Although the vote was non-binding, the referendum was passed into law on March 16, 2017 and the British government has commenced negotiations to determine the terms of the United Kingdom's withdrawal from the European Union. The withdrawal process has created substantial political uncertainty within the European Union, uncertainty in international financial markets and reduced economic growth in certain jurisdictions. It is possible that other members of the European monetary union could hold similar referendums regarding their membership within the Eurozone in the future. The realization of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries or, in more extreme circumstances, the possible dissolution of the euro entirely, which could result in the redenomination of a portion or, in the extreme case, all of the Group's euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. This could result in a mismatch in the currencies of the Group's assets, liabilities and cash flows. Any such mismatch, together with the capital market disruption that would likely accompany any such redenomination event, could have a material adverse impact on the Group's liquidity and financial condition. Furthermore, any redenomination event would likely be accompanied by significant economic dislocation, particularly within the Eurozone countries, which in turn could have an adverse impact on demand for our products and, accordingly, on our revenue and cash flows. Moreover, any changes from Euro to non-Euro currencies in countries in which we operate would require us to modify our billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow us to timely bill our customers or prepare and file required financial reports. In light of the significant exposure that we have to the Euro through its euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on our business.

Furthermore, continued hostilities in the Middle East and North Africa could adversely affect the Israeli economy. Additionally, the economy of the Dominican Republic depends to a significant degree on global tourism and the health of the U.S. economy and remains vulnerable to external shocks (e.g. economic declines in other emerging market countries). Any decrease in visitors, downturns in the U.S. economy or other similar external shocks could have a material adverse effect on economic growth in the Dominican Republic. Environmental factors, such as disruptions due to natural disasters, have in the past and may in the future have an adverse effect on the economies of the jurisdictions in which we operate, including the Dominican Republic. Negative macroeconomic and political conditions could also adversely affect access to capital and increase the cost of capital. As a result of disruptions in the credit markets, many lenders may increase interest rates, enact tighter lending standards, require more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts) or refuse to refinance existing debt at all or on terms similar to pre-crisis conditions. Changes in interest rates and exchange rates may also adversely affect the fair value of our assets and liabilities. If there is a negative impact on the fair values of our assets and liabilities, we could be required to record impairment charges. Further, on

November 8, 2013 Standard & Poor's Ratings Services downgraded France's sovereign debt rating by one notch to AA, where it currently stands. On December 13, 2014, France was downgraded by Fitch by one notch to AA, where it currently stands. On September 18, 2015, France was downgraded by Moody's by one notch to Aa2, where it currently stands. There can be no guarantee that there will not be a downgrade of France's sovereign debt rating in the future. Poor performance of the French economy, particularly due to a possible resurgence of the Eurozone debt crisis, could have a direct negative impact on consumer spending habits and on businesses in relation to products and their usage levels. Such poor performance could (i) make it more difficult for the Group to capture new subscribers and customers, (ii) increase the likelihood that some subscribers or customers of the Group might reduce the level of subscribed services or terminate their subscriptions and (iii) make it more difficult for the Group to keep its prices at current levels.

Negative macroeconomic developments in the markets in which we operate, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be more difficult to attract new subscribers and more likely that certain of our subscribers will downgrade or disconnect their services. In addition, we can provide no assurances that a deterioration of any of these economies will not lead to a higher number of non-paying customers or generally result in service disconnections. Similarly, a deterioration in economic conditions would be likely to adversely affect the demand for, and pricing of, our B2B and wholesale services as a result of businesses and governments reducing spending. Therefore, a weak economy and negative economic development in the markets in which we operate may jeopardize our growth targets and may have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to local business risks in many different countries.***

We operate our business in multiple jurisdictions, including France, Portugal, Israel, the Dominican Republic and the French Overseas Territories. In addition, we may expand into additional markets in the future by entering into acquisitions or other strategic transactions. Accordingly, our business is subject to risks resulting from differing legal, political, social and economic conditions, regulatory requirements and unforeseeable developments in a variety of jurisdictions, including in emerging markets (which may be more vulnerable to volatility as well as political and economic instability than developed markets). These risks include, among other things:

- differing economic cycles and adverse economic conditions;
- political instability (including expropriation and political violence or disturbance);
- the burden of complying with a wide variety of foreign laws and regulations;
- unexpected changes in the regulatory environment and/or governmental policies;
- varying tax regimes;
- fluctuations in currency exchange, interest rates and inflation (particularly in emerging markets, such as the Dominican Republic, which has historically experienced high rates of inflation);
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- varying degrees of concentration among suppliers and customers;
- insufficient protection against violations of our intellectual property rights;
- foreign exchange controls and restrictions on repatriation of funds; and
- added complexity and risk of deficiency in the risk management and internal control processes;
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force;

- significant oil price increases; and
- challenges caused by distance, language and cultural differences.

Our overall success as a business depends to a considerable extent on our ability to anticipate and effectively manage differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments. We may not continue to succeed in developing and implementing policies and strategies which will be effective in each location in which we do business or may do business in the future.

***The political and military conditions in Israel may adversely affect our financial condition and results of operations.***

Our operations in Israel are affected by political and military conditions. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Hostilities involving Israel, any interruption or curtailment of trade between Israel and its trading partners and political instability within Israel or its neighboring countries are likely to have an adverse effect on our business, financial condition and results of operations. In particular, in recent conflicts, missile attacks have occurred on civilian areas, which could cause substantial damage to our networks, affecting our overall network capacity and reducing our ability to continue serving our customers. In addition, in the event that recent political unrest and instability in the Middle East, including changes in some of the governments in the region, cause investor concern resulting in a reduction in the value of the New Israeli Shekel, our expenses in non-Shekel currencies may increase, which may result in a material adverse effect on our business, financial condition and results of operations.

During an emergency, including a major communications crisis in Israel's national communications network, a natural disaster, or a special security situation in Israel, control of our networks may be assumed by a lawfully authorized person in order to protect the security of the State of Israel or to ensure the provision of necessary services to the public. During such circumstances, the government also has the right to temporarily withdraw some of the mobile spectrum granted to us. Under the Equipment Registration and Mobilization to the Israel Defense Forces Law, 1987, the Israel Defense Forces may mobilize our engineering equipment for their use, compensating us for such use and any consequent damage. This may materially harm our ability to provide services to our subscribers in such emergency circumstances and have a negative impact on our revenue and results of operations.

Moreover, the Prime Minister of Israel may, under powers which the Communications Law (Telecommunication and Broadcasting), 5742—1982 (the "Communications Law") grants him for reasons of state security or public welfare, order us to provide services to the security forces to perform telecommunications activities and to set up telecommunications facilities required by the security forces to carry out their duties.

Some of our officers and employees are currently obligated to perform annual reserve duty. All reservists are subject to being called to active duty at any time under emergency circumstances. In addition, some of our employees may be forced to stay at home during emergency circumstances in their area. We cannot assess the full impact of these requirements on our workforce and business if such circumstances arise.

More generally, any armed conflicts, terrorist activities or political instability in the region would likely negatively affect business conditions and could harm our results of operations, including following the cessation of such conflicts, due to a potential decrease in the number of tourists visiting Israel. Beginning in 2010 and continuing to date, several countries in the region, in particular Syria, have been experiencing increased political instability and armed conflict, which have led to changes in the governments of some of these countries, the effects of which are currently difficult to assess. Further, tensions have increased recently as a result of the nuclear deal between Iran and the United States and following Russia's involvement in the Syrian war.

***Terrorist attacks and threats as well as the escalation of military activity in response to such attacks or acts of war may negatively affect our business, financial condition and results of operations.***

Our business is affected by general economic conditions, fluctuations in consumer confidence and spending and market liquidity which can decline as a result of numerous factors outside of our control, such as terrorist attacks and acts of war. In Israel, the ongoing hostilities with the Palestinians, future terrorist attacks, rumors or threats of war, actual conflicts in which Israel or its allies might be involved, or military or trade disruptions affecting us or our customers may adversely affect our operations.

***Our business is subject to risks of earthquakes, hurricanes, fire, power outages, floods, and other catastrophic events that can be further intensified due to the developing threat of climate change.***

Our networks and operations may be subject to interruptions by natural disasters, including, but not limited to hurricanes, fire, floods, earthquakes and other events beyond our control. As we operate in certain jurisdictions in which existing infrastructure and telecommunications equipment (such as cables and mobile towers) may not be able to withstand a major natural disaster and/or in which emergency response time may be significant, prolonged recovery time could be required to resume operations. Moreover, certain countries and territories in which we operate are exposed to the developing threat of climate change and they may be affected by the environmental impact thereof, such as rising sea and air temperatures, extreme weather conditions or food shortages which, in turn, could have an effect on the habitability of such countries and territories and the cost and feasibility of providing telecommunications services. We have experienced similar disruptions in the recent past in our businesses in the Dominican Republic, French Overseas Territories and Indian Ocean. Moreover, the economies of certain jurisdictions in which we operate, including the Dominican Republic, depend to a significant degree on global tourism, and environmental disruption has in the past and may in the future have an adverse effect on the number of tourists visiting affected areas. The effects of environmental disruption or other catastrophic events on our network infrastructure and equipment and on the economies of the jurisdictions in which we operate may have an adverse effect on our business, financial condition and results of operations.

***We are exposed to economic, political and other risks related to the Dominican Republic.***

The Dominican Republic is an emerging market economy and as such is more vulnerable to market volatility as well as political and economic instability than developed markets. Risks associated with operating in the Dominican Republic include, but are not limited to:

- high interest rates;
- devaluation or depreciation of the currency;
- inflation;
- changes in governmental economic, tax or other policies;
- the potential introduction of exchange controls;
- the imposition of trade barriers;
- dependence on remittances and tourism;
- the scarcity of available foreign exchange;
- significant oil price increases and commodity price volatility (especially with regards to gold);
- economic and political instability; and
- expropriation and political violence or disturbance.

Our operations could be affected by changes in the economic or other policies of the Dominican Republic government or other political, regulatory or economic authorities in the country. Historically, past governments have intervened in the nation's economy. Among other things, past governments have imposed import and export controls. There can be no assurance that controls, such as exchange controls, will not be introduced in the future. Future developments in Dominican Republic politics, such as changes in economic, political or regulatory policies including government induced effects on inflation, devaluation and economic growth, could adversely affect our business, financial conditions or results of operations.

Historically, the Dominican Republic has experienced high rates of inflation. Inflation, as well as government efforts to combat inflation or stabilize the Dominican Peso, has in the past had significant negative effects on the Dominican Republic economy, most recently in 2003 and 2004, when inflation rates, as measured by the Dominican Consumer Price Index (Indice de Precios al Consumidor, or the Dominican CPI) were 42.7% and

28.7%, respectively, resulting from an acute economic crisis precipitated by the collapse of Baninter, the country's second largest commercial bank in terms of deposits, that required the government to finance a bailout. Inflation rates in the last five years, as measured by this index, were 1.6% in 2014, 2.3% in 2015, 1.7% in 2016, 4.2% in 2017 and 1.2% in 2018.

The Dominican Peso has also been subject to volatility in the past and could be subject to significant fluctuations in the future given the prevalence of a free float exchange regime. The main drivers of exchange rate volatility in recent years have been significant fluctuations in commodity prices as well as general uncertainty and trade imbalances in regional and global markets. The value of the Dominican Peso against the U.S. dollar may continue to fluctuate significantly in the future, which may negatively impact the strength of the Dominican Republic's economy and therefore adversely affect demand for our products and services.

The Dominican Republic also has significant external public debt and in the past has been required to restructure such debt, including in 1991 and 2005.

In addition, the Dominican Republic is facing an on-going crisis in the electricity sector. Electricity generators and distributors have been beset by financial problems that have resulted in frequent blackouts, widespread public protests and several temporary and permanent shutdowns of generating plants. As a consequence, the government has nationalized the three distribution companies and is regularly required to partially finance the current deficit of the electricity distributors. This crisis could have a material adverse impact on the Dominican Republic's economic growth, the penetration rate for telecommunication services and the non-availability or higher prices of electricity could directly impact our business and the businesses of our customers.

Each of these factors could, individually or in the aggregate, have a material adverse effect on Altice Dominicana's business, reputation, financial conditions or result of operations.

***Changes in financial accounting standards may cause unexpected revenue fluctuations and affect our reported results of operations.***

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by our management to be reasonable under the circumstances and at the time. These estimates and assumptions form the basis of judgments about the carrying values of assets and liabilities that are not readily available from other sources. Areas requiring more complex judgments may shift over time based on changes business mix and industry practice which could affect our reported amounts of assets, liabilities, income and expenses. In addition, management's judgments, estimates and assumptions and the reported amounts of assets, liabilities, income and expenses may be affected by changes in accounting policy.

- In January 2016, the IASB issued a new standard coming into effect on January 1, 2019, IFRS 16 "Leases," which will supersede the current standard (IAS 17) and its current interpretations. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a sufficiently low value. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The Group has the option to (i) apply IFRS 16 with full retrospective effect or (ii) recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.
- IFRS 16 will have a significant impact on our consolidated statement of financial position due to the recognition of rights of use related to leased assets and corresponding lease liabilities. Moreover, we expect that our consolidated statement of profit or loss will be impacted as operating lease fees will no longer comprise a part of operating expenses, but instead will fall under depreciation and interest expenses. Our consolidated statement of cash flows will also be impacted given that payment for lease liabilities will be presented within financial activities.
- Our preliminary assessment of the impact of IFRS 16 on the Group's statement of financial position as at December 31, 2018 is an increase of the right of use assets in counterpart of an increase in the lease liabilities relating to previous operating lease in a range of €3,700—€4,300 million.

In addition, the Group is assessing the impact of the current discussions at the IFRIC (IFRS Interpretation Committee) relating to subsurfacing rights that can change the IFRS 16 impacts presented above. For further details on new accounting standards that may have a significant impact on our consolidated financial statements, see Note 1.3 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 included in these Listing Particulars.

***We have significant post-retirement benefit and healthcare obligations, the payment of which may have an adverse effect on our business and, therefore, our ability to service our debt obligations.***

Our defined benefits obligations, including pension supplements, healthcare benefits and salaries payable to pre-retired and suspended employees amounted to €917 million in the year ended December 31, 2018, compared to €1,048 million and €1,203 million in the years ended December 31, 2017 and 2016, respectively. Salaries payable to pre-retired and suspended employees are obligations under individual agreements with employees to pay employees a significant portion of their previous existing salary to refrain from working until retirement. In certain jurisdictions in which we operate, such as Portugal, we have launched a voluntary employee reduction program in January 2019, aimed at employees of 50 years old or more, in accordance with which their employment agreements shall be terminated, and those employees will be entitled to receive a monthly fixed compensation up to retirement age corresponding to a significant percentage of their previous remuneration that varies based on the age of the employees. As a result, we have reached agreements with approximately 800 employees as of the period ending March 31, 2019, which will be accounted for as a liability in the first quarter of 2019, corresponding to the present value of salaries payable to those employees up to retirement age. Further, in certain jurisdictions in which we operate, such as Portugal, there is no legislation on the establishment of funds to cover the healthcare obligations and the salaries for pre-retired and suspended employees, and PT Portugal is required to pay for these benefits only when the salaries are paid to pre-retired and suspended employees, or when healthcare expenses are incurred. Accordingly, there is no requirement in Portugal to fund these benefits obligations at present. However, PT Portugal has nevertheless set up a fund managed by a subsidiary, PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A., to finance such healthcare-related post-retirement liabilities. No similar fund has been established to pay salaries owed to pre-retired and suspended employees. The value of the obligations referred to above may also fluctuate, depending on demographic, financial, legal or regulatory factors that are beyond our control. For example, the legal retirement age in certain of the jurisdictions in which we operate, such as Portugal, has been raised in the past and may be raised further in the future, which could increase our obligations to pay salaries to suspended and pre-retired employees. The payment of these obligations may have an adverse effect on our business, financial condition and results of operations. In addition, in Israel, employees are entitled to receive severance pay pursuant to law and we are required to maintain defined benefit plans in respect of such severance pay. For a discussion of certain significant defined benefit plans of the Group, see Note 16.1 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 included in these Listing Particulars.

***The liquidity and value of our interests in certain of our subsidiaries and our ability to take certain corporate actions may be adversely affected by shareholder agreements and other similar agreements to which we are a party.***

Certain of our operations (including, for example, as the result of the France Towers Transaction) are conducted through subsidiaries in which third parties hold a minority equity interest or with respect to which we have provided third parties with rights to acquire minority equity interests in the future. Our equity interests in certain subsidiaries are subject to shareholder agreements, partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those interests. Most of these agreements subject the transfer of equity interests to consent rights, pre-emption rights or rights of first refusal of the other shareholders or partners. All of these provisions will restrict the ability to sell those equity interests and may adversely affect the prices at which those interests may be sold. In addition, the present or potential future shareholders in our subsidiaries have the ability to block certain transactions or decisions that we would otherwise undertake. Although the terms of our investments vary, our operations may be affected if disagreements develop with other equity participants in our subsidiaries. Failure to resolve such disputes could have an adverse effect on our business, financial condition and results of operations.

***We are exposed to risks of consumer fraud.***

As a telecommunications operator, we are exposed to risks of fraud in its various activities. These risks are linked in particular with fraudulent subscriptions and orders for the purchase of subsidized terminals and telephone lines. Furthermore, the change in the usage of mobile telephony services and applications against a backdrop of the



marketing of new offers, as well as the development of new means of payment, could encourage fraud. The occurrence of such fraudulent activity could have a material adverse effect on our business, financial condition and results of operations.

### **Risks Relating to our Financial Profile**

***Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our debt obligations under the Notes or impede our ability to raise additional capital to fund our operations.***

We have significant outstanding debt and debt service requirements and may incur additional debt in the future. As of December 31, 2018, after giving effect to the issuance of the Notes and the application of proceeds thereof, including the Refinancing Transactions, (i) the Altice International Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €8,275 million on a consolidated basis, which is structurally senior to the Notes, (ii) the Altice France Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €16,226 million, which is structurally senior to the Notes, and (iii) the Issuer had total third party debt of €5,844 million, which will rank *pari passu* in right of payment with the Notes. For a description of such changes to our financial profile and our third party indebtedness, see “*Description of Other Indebtedness—Indebtedness of the Issuer*”, “*Description of Other Indebtedness—Indebtedness of the Altice France Group*” and “*Description of Other Indebtedness—Indebtedness of the Altice International Group*”.

Although the Altice International Group and the Altice France Group are both controlled by Altice Europe, the Altice International Group is currently financed, on a standalone basis and constitutes a separate financing group from the Altice France Group. Each of these financing groups are subject to covenants that restrict the use of their respective cash flows outside their respective restricted group (including between the Altice International Group and the Altice France Group and between the Issuer and either of the Altice International Group and the Altice France Group. Consequently, cash flows from operations of the Altice International Group may not be able to be applied to meet the obligations of the Altice France Group or the obligations of the Issuer and other members of the Altice Europe Group and cash flows from operations of the Altice France Group may not be able to be applied to meet the obligations of the Altice International Group, the Issuer and other members of the Altice Europe Group.)

Our significant level of debt could have important consequences, including, but not limited to, the following:

- requiring us to devote a significant portion of its cash flow deriving from its operations to the repayment of its debt, thus reducing the availability of the our cash flows for financing internal growth using working capital and investments and for other general business requirements;
- impeding our ability to compete with other providers of pay-TV, broadband internet services, fixed line telephony services, mobile services and B2B services in the regions in which it operates;
- restricting us from exploiting business opportunities or making acquisitions or investments;
- increasing our vulnerability to a business slowdown or to economic or industrial circumstances;
- limiting our flexibility in planning for or reacting to changes in its business and its sector;
- adversely affecting public perception of the Group and its brands;
- limiting our ability to make investments in its growth, especially those aimed at modernizing its network; and
- in particular, limiting our ability to borrow additional funds in the future and to increase the costs of such additional financing, especially due to restrictive clauses in our current debt agreements.

Any of these factors or their consequences could have a material adverse effect on our ability to satisfy our debt obligations under the Notes.

The terms of the agreements and instruments governing our debt restrict, but do not prohibit, us from incurring additional debt. We may refinance our outstanding debt or increase our consolidated debt for various business

reasons which might include, among other things, financing acquisitions, funding the prepayment premiums, if any, on the debt that we refinance, funding distributions to our shareholders or general corporate purposes. In the event that we incur additional debt, the related risks that we now face will intensify.

***We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, and may be subject to certain tax liabilities.***

Our ability to service our debt and to finance our operations in progress will depend on our ability to generate cash flows. We cannot provide any assurance that our businesses will generate sufficient cash flow from operations or that future debt or equity financing will be available to us in an amount sufficient to enable us to pay our debt obligations when due. Our ability to generate cash flow and to finance our capital expenditures, current operations and debt service obligations depends on numerous factors, including:

- our future operating performance;
- the demand and price levels for our current and projected products and services;
- our ability to maintain the level of technical capacity required on our networks and the subscriber equipment and other pertinent equipment connected to our networks;
- our ability to successfully introduce new products and services;
- our ability to reduce the churn rate;
- the general economic conditions and other circumstances affecting consumer spending;
- competition;
- sufficient distributable reserves, in accordance with applicable law;
- the outcome of certain disputes in which we are involved; and
- legal, tax and regulatory developments affecting our business.

Some of these factors are beyond our control. If we are not able to generate sufficient cash flows, we might not be able to repay our debt, expand our business, respond to competitive challenges or finance its cash and capital requirements, including capital expenditures. If we are not able to meet our debt service obligations, we might have to sell off assets, attempt to restructure or refinance our existing debt or seek additional financing in the form of debt or equity. We may not be able to do so in a satisfactory manner, or at all.

We expect that a portion of our cash flow will consist of payments of dividends or interest by Israeli companies in our Group. In general, payments of dividends or interest by companies that are Israeli residents for tax purposes are subject to withholding tax. With respect to payments to Luxembourg tax residents or residents of other countries who have a tax treaty with Israel, such withholding tax may be reduced from the rates generally applicable under Israeli law to the rates applicable under the tax treaty between Israel and Luxembourg or the other applicable treaty. In order to enjoy the reduced rate of withholding tax, it is necessary to file with the Israel Tax Authority a request for relief from withholding prior to payment of the dividend and/or interest. If a withholding tax exemption or relief certificate is received from the Israel Tax Authority prior to the payment of the dividend and/or interest, the payer will be able to make the dividend/interest payment at such reduced withholding tax rate. However, if such request is denied or delayed and such certificate is not available at the time of payment, withholding will be made at the full statutory rates. Any changes in the tax rates on dividends or interest could significantly affect our ability to meet our debt service obligations under the Notes. In addition, payments of dividends or interests by companies resident in the Dominican Republic are subject to a withholding tax of 10%.

***The agreements and instruments governing our debt contain, and the Indenture contains, restrictions and limitations that could adversely affect our ability to operate our business.***

The terms of the agreements and instruments governing our debt contain, and the Indenture contains a number of significant covenants or other provisions that could adversely affect our ability to operate our business. These covenants restrict, or will restrict, our ability, and the ability of our subsidiaries, to, among other things:

- pay dividends or make other distributions;
- make certain investments or acquisitions, including participating in joint ventures
- make capital expenditures;
- engage in transactions with affiliates and other related parties;
- dispose of assets other than in the ordinary course of business;
- merge with other companies;
- incur additional debt and grant guarantees;
- repurchase or redeem equity interests and subordinated debt or issue shares of subsidiaries;
- grant liens and pledge assets; and
- change our business plan.

All of these limitations are, or will be, subject to certain exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these restrictions may be affected by events beyond our control. In addition, we are also subject to the affirmative covenants contained in certain of the debt agreements we are party to, which require us to maintain specified leverage ratios, see “*Description of Other Indebtedness—Indebtedness of the Issuer*”, “*Description of Other Indebtedness—Indebtedness of the Altice France Group*” and “*Description of Other Indebtedness—Indebtedness of the Altice International Group*”. Our ability to meet these leverage ratios may be affected by events beyond our control and, as a result, we cannot assure you that we will be able to meet these ratios.

In addition to limiting our flexibility in operating our business, the breach of any covenants or obligations under the agreements and instruments governing our debt may result in a default under the applicable debt agreement or instrument and could trigger the acceleration of related debt, which in turn could trigger defaults under agreements governing our other debt. A default under any of the agreements governing our other debt could materially adversely affect our growth, financial condition and results of operations.

***A substantial amount of our indebtedness will mature before the Notes, and we may not be able to repay this indebtedness or refinance this indebtedness at maturity on favorable terms, or at all.***

Of the €30,345 million (equivalent) of total borrowings we would have had outstanding as of December 31, 2018 (excluding certain long term and short term liabilities and without giving effect to the impact of derivative instruments), as adjusted to give effect to the offering of the Notes and the application of the proceeds thereof, it is expected that €26,609 million (equivalent) of our borrowings will mature prior to the maturity dates of the Notes. See “*Capitalization*”.

Our ability to refinance our indebtedness, on favorable terms, or at all, will depend in part on our financial condition at the time of any contemplated refinancing. Any refinancing of our indebtedness could be at higher interest rates than our current debt and we may be required to comply with more onerous financial and other covenants, which could further restrict our business operations and may have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the Notes. We cannot assure you that we will be able to refinance our indebtedness as it comes due on commercially acceptable terms or at all

and, in connection with the refinancing of our debt or otherwise, we may seek additional refinancing, dispose of certain assets, reduce or delay capital investments, or seek to raise additional capital.

***We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.***

We are exposed to the risk of fluctuations in interest rates, primarily under certain existing term loans. In addition, any amounts we borrow under certain revolving credit facilities will bear interest at a floating rate. See “Description of Other Indebtedness—Indebtedness of the Issuer”, “Description of Other Indebtedness—Indebtedness of the Altice France Group” and “Description of Other Indebtedness—Indebtedness of the Altice International Group”. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. We enter into various derivative transactions to manage exposure to movements in interest rates; however, there can be no assurance that it will be able to continue to do so at a reasonable cost. There can be no guarantee that our hedging strategies will adequately protect us from the effects of interest rate fluctuation, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in interest rates.

Following allegations of manipulation of LIBOR, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including, but not limited to, the Revolving Credit Facilities and/or the Term Loans having interest rates that are linked to LIBOR or EURIBOR, as applicable). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest.

***Currency fluctuations and interest rate and other hedging risks could adversely affect our financial results.***

Our business is exposed to fluctuations in currency exchange rates. HOT’s primary transactional currency is the New Israel Shekel. The primary transactional currency of PT Portugal and its subsidiaries and of the Altice France Group is the euro. The primary transactional currency of Altice Dominicana is the Dominican Peso. We conduct, and will continue to conduct, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Our existing debt is primarily denominated in U.S. dollars, euros and New Israeli Shekels although the amounts incurred in euros and New Israeli Shekels do not necessarily match the cash flows generated from operations in such currencies. The exchange rate between the U.S. dollar and the New Israeli Shekel, euro and the Dominican Peso has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Further in the past, the Dominican Republic government has imposed exchange controls and currency restrictions and they may do so in the future. This is beyond our control and may result in the Dominican Peso ceasing to be freely convertible or transferable abroad to service our then outstanding indebtedness or otherwise, or the Dominican Peso being significantly depreciated relative to other currencies, including the U.S. dollar. We have historically covered a portion of our U.S. dollar and euro cash outflows arising on anticipated and committed obligations through the use of foreign exchange derivative instruments. Further, while we manage the risk of certain currency fluctuations in respect of a portion of our existing debt and to hedge our exposure to interest rate changes in respect of indebtedness linked to interest rates, these arrangements may be costly and may not insulate us completely from such exposure. There can be no guarantee that our hedging strategies will adequately protect our operating results from the effects of exchange rate fluctuation or changes in

interest rates, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in exchange rates or interest rates.

***Disruptions in the credit and equity markets could increase the risk of default by the counterparties to our financial instruments, undrawn debt facilities and cash investments and may impact our future financial position.***

We seek to manage the credit risks associated with its financial instruments, cash and cash equivalents and undrawn debt facilities; nonetheless, disruptions in credit and equity markets could increase the risk that our counterparties could default on their obligations to us. If one or more of our counterparties fail or are otherwise unable to meet their obligations to us, our cash flows, results of operations and financial condition could be adversely affected. It is not possible to predict how disruptions in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. In this regard, (i) the financial failures of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all.

***Negative changes in our credit rating and future ratings downgrades of sovereign debt may have a material adverse effect on our financial condition.***

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of such Notes.

A downgrade in our credit rating may negatively affect our ability to obtain future financing to fund our operations and capital needs, which may affect our liquidity. It may also increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur additional debt. In December 2018, the corporate family ratings of the Issuer, Altice France and Altice International, were downgraded by Moody's from B1 to B2. As of the date of the Offering Memorandum, the corporate family ratings of the Issuer, Altice France and Altice International, remain at B2 with Moody's and B with Standard & Poor. There can be no assurance that the Group's corporate rating, or the instrument rating with respect to the Notes, will be maintained at existing levels. See "*Risks Relating to the Notes and the Structure—Credit ratings may not reflect all risks*".

Our credit rating may be impacted by a number of factors, including the effects of the economic conditions in the countries in which we operate and any future rating downgrades of the sovereign debt of these countries. For example, against the backdrop of the Eurozone crisis, Portuguese sovereign debt was consecutively downgraded by the rating agencies.

Because the financial condition, revenues and profitability of our operating subsidiaries are closely linked to the economies of their countries of operations, we expect that the Group as a whole will also be impacted by any downgrading in the sovereign debt rating of such countries. Any deterioration in the economic condition of the other countries in which we operate or any ratings downgrade of sovereign debt of these countries may have a material adverse impact on our business, financial condition and results of operations.

***The Group's long-lived assets may become impaired in the future, which could cause a non-cash charge to its earnings.***

The valuations of certain of the Group's assets in connection with acquisitions have resulted in increases to the book value of long lived assets, including property, plant and equipment, and intangible assets. Amortizable long-lived assets must be reviewed for impairment whenever indicators of impairment exist. Non-amortizable long-lived assets are required to be reviewed for impairment on an annual basis or more frequently whenever indicators of impairment exist. Indicators of impairment could include, but are not limited to:

- an inability to perform at levels that were forecasted;
- a permanent decline in market capitalization;
- an implementation of restructuring plans;
- changes in industry trends; and/or
- unfavorable changes in our capital structure, cost of debt, interest rates or capital expenditure levels.

Situations such as these could result in an impairment that would require a material non-cash charge, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***A significant amount of the Group's book value consists of intangible assets that may not generate cash in the event of a voluntary or involuntary sale.***

As of December 31, 2018, the Group reported approximately €44,284 million of consolidated total assets, of which approximately €7,676 million were intangible (excluding goodwill). Intangible assets primarily include customer relationships, trade names, franchises and patents, software and licences and other amortizable intangibles. While the Group believes that the carrying values of our intangible assets are recoverable, you should not assume that the Group would receive any cash from the voluntary or involuntary sale of these intangible assets, particularly if the Group were not continuing as an operating business.

#### **Risks Relating to Legislative and Regulatory Matters**

***We are subject to significant government regulation and supervision, which could require us to make additional expenditures or limit our revenues and otherwise adversely affect our business, and further regulatory changes could also adversely affect our business.***

Our activities as a cable television, broadband internet infrastructure access provider, ISP, fixed-line and international long distance telephony and mobile operator are subject to regulation and supervision by various regulatory bodies, including local and national authorities in the jurisdictions in which we operate. Such regulation and supervision, as well as future changes in laws or regulations or in their interpretation or enforcement that affect us, our competitors or our industry, strongly influence how we operate our business. Complying with existing and future law and regulations may increase our operational and administrative expenses, restrict our ability or make it more difficult to implement price increases, affect our ability to introduce new services, force us to change our marketing and other business practices, and/or otherwise limit our revenues. In particular, our business could be materially and adversely affected by any changes in relevant laws or regulations (or in their interpretation) regarding, for example, licensing requirements, access and price regulation, interconnection arrangements or the imposition of universal service obligations, or any change in policy allowing more favorable conditions for other operators or increasing competition. There can be no assurance to you that the provision of our services will not be subject to greater regulation in the future. Furthermore, a failure to comply with the applicable rules and regulations could result in penalties, restrictions on our business or loss of required licenses or other adverse consequences.

Although the regulations applicable to our businesses vary depending on jurisdiction, such regulations may include, amongst other things:

- in certain jurisdictions, price regulation for certain of the services we offer, exit fees and cancellation charges;
- rules governing the interconnection between different telephone networks and the interconnection rates that we can charge and that we pay;
- requirements that, under specified circumstances, a cable system carry certain broadcast stations or obtain consent to carry a broadcast station;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses and franchises;
- requirements that we provide or contribute to the provision of certain universal services;

- rules and regulations relating to subscriber privacy and data protection;
- rules and regulations relating to our networks, including universal access obligations imposed on us, co-installation and co-location obligations (including our submarine cable landing stations), right of way and ownership considerations;
- rules governing the copyright royalties; requirements on portability; and
- other requirements covering a variety of operational areas such as equal employment opportunity, emergency alert systems, disability access, technical standards, environmental standards, city planning rules and customer service and consumer protection requirements.

The regulations applicable to our operations within the EU often derive from EU Directives. The various Directives require EU Member States to harmonize their laws on communications and cover such issues as access, user rights, privacy and competition. These Directives are reviewed by the EU from time to time and any changes to them could lead to substantial changes in the way in which our businesses in the relevant jurisdictions are regulated and to which we would have to adapt.

In Israel, we are also subject to, among other things, regulations requiring us to maintain structural separation between our cable television, broadband internet infrastructure access and fixed-line telephony, and between our ISP and mobile subsidiaries, regulations restricting the number of channels we can own and specifying the minimum investment we are required to make in local content productions and requirements that we extend our cable television, broadband internet infrastructure access and fixed-line telephony services to areas of Israel even where it is not economically profitable to do so. The Israeli Ministry of Communications has taken active steps to increase competition in the fixed-line and mobile telecommunications industries, including providing licenses to MVNOs and eliminating termination fees that operators can charge, except in limited circumstances, and prohibiting the linkage of the price and terms of handsets to the services or benefits of the mobile contract. The Israeli Ministry of Communications has also introduced a policy for the establishment of a wholesale market for broadband internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. Further, in November 2014 the Israeli Ministry of Communications has issued regulatory instructions, including the method of setting wholesale service rates and, in the case of Bezeq, the maximum rates that can be collected by Bezeq from other license holders who make use of its infrastructure for the years 2014 to 2018, in an attempt to create a wholesale market for broadband internet infrastructure access and fixed-line telephony services which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. In June 2017, following a hearing, the Ministry of Communications published the maximum tariffs for supplying wholesale services over HOT Telecom's network for the years 2017 and 2018. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and at the same time, competition in the broadband internet infrastructure access market may increase significantly which could negatively affect our business, financial condition and results of operations. In addition, following a hearing published in 2014, the Ministry of Communications published a complementary hearing in August 2017 regarding the mechanism to examine retail offers made by HOT and Bezeq to new or existing subscribers, to avoid 'margin squeeze' practices but no decision was made in this respect. In October 2015, the Minister of Communications appointed an advisory committee to advise on the regulation of the broadcast market. In February 2016, the advisory committee published a report setting out its recommendations in relation to regulations that will apply to new and existing operators in the broadcasting area, regulations that will apply with respect to the commercial channels, the investments rates in local productions and other issues. On June 30, 2016, the Ministry of Communications published the committee's final report. In addition, in March 2016, the Cable & Satellite Broadcasting Council published a decision with respect to a new policy regarding setting tariffs and offerings of HOT. This policy may limit our ability to increase prices in existing plans. Further, on July 10, 2018, certain amendments to the current regulations governing the multi-channel TV market were proposed, in order to adapt to recent technological changes in the market. Such proposed regulations will apply to audio-visual content providers that attain a certain market share.

In addition, we are subject to antitrust rules and regulations and are, from time to time, subject to review by authorities concerning whether we exhibit monopoly power in any of the market in which we operate. To the extent that we are deemed by relevant authorities to exhibit significant market power, we can be subject to various regulatory obligations adversely affecting our results of operations and profitability. Regulatory authorities may also require us to grant third parties access to our bandwidth, frequency capacity, facilities or services to distribute

their own services or resell our services to end customers. Currently, we are considered to have significant market power in the following markets: France, Portugal, Israel and the Dominican Republic. No assurance can be given that we will not be identified as having significant market power in any relevant markets in the future and that we will not be subject to additional regulatory requirements.

***Future regulatory changes could have a material adverse effect on Altice France's business.***

Altice France is subject to the provisions of the French Postal and Electronic Communications Code (“CPCE”), which imposes certain general obligations on all operators and certain specific obligations on mobile operators. The French regulatory framework applicable to operators is also subject to the analysis of the relevant markets carried out by the French telecom regulator (“ARCEP”) which is charged with (i) defining the relevant markets in France, (ii) analyzing the markets or identifying the companies reputed for exercising significant influence on these markets and (iii) deciding whether or not to impose on these companies regulatory obligations to remedy the effects of such influence.

Altice France is not considered by ARCEP to be an operator deemed to have significant influence over a relevant market, except over the markets for voice-call termination on its fixed and mobile networks. Nevertheless, it cannot be guaranteed that Altice France, in the future, will not be identified by ARCEP as an operator deemed to exercise significant power in one or more relevant markets, and that ARCEP will not therefore impose additional regulatory obligations in this regard. For example, the possibility cannot be excluded that, in the future, particularly in the context of a growth in FTTH networks, Altice France may be required to grant competitors some access to its fiber optic network, under conditions to be determined.

At the request of the French Competition Authority, ARCEP has recently issued an opinion addressing the issues raised by the digital revolution currently affecting the audiovisual sector (ARCEP opinion dated October 11, 2018). In this document, ARCEP provided an overview of audiovisual content broadcasting techniques (DTT, copper and fibre networks, satellite, OTT and cable networks) before detailing the sector's recent evolutions at both the operator and consumer ends, emphasizing the necessity to determine a common technical framework for these new services. ARCEP has not provided a timeline for the determination of such framework and has recommended the implementation of a horizontal regulation for all devices allowing access to audiovisual content. As the technical framework develops, the Group may be subject to ongoing obligations.

Altice France is also subject to other individual obligations resulting from the approvals to use frequencies. See *“—We can only operate our business for as long as we have licenses from the relevant authorities in the jurisdictions in which we operate and we may not be able to obtain, retain or renew the licenses and authorizations necessary for conducting our activities.”*

In September 2017, the Government asked ARCEP to begin work on the binding commitments that mobile operators were likely to make, above and beyond their existing rollout plans. Based on ARCEP's proposals, and as part of a dialogue with mobile network operators, the French Government reached an agreement that aims to ensure the availability of a high standard of mobile coverage for every person in France. With respect to these elements, mobile operators have committed to:

- improving reception quality across the entire country, and particularly in rural areas. The new baseline quality standard applied to operators' obligations will be that of “good coverage”;
- increasing the pace of targeted programmes for improving coverage, with each operator deploying at least 5,000 new cell sites across the country to this end, some of which will be shared, which will henceforth go beyond so-called “white areas” and for which operators will now be fully responsible. Over the next three years, we will bring coverage to as many areas as the total number covered by government programmes over the past fifteen years. Government authorities will work closely with local authorities to identify the areas that need to be covered;
- achieving ubiquitous 4G coverage, which will mean bringing it to more than a million additional people in 10,000 municipalities in France, by making every cell site 4G-capable;
- accelerating the coverage of transportation routes, so that all of the major roads and railways have 4G coverage. The agreement also provides for coverage on regional railway lines; and
- achieving ubiquitous indoor telephone coverage, notably by using voice over Wi-Fi.



Facilitated by an increase of network sharing which ensures more efficient rollouts, along with a planned simplification of the measures contained in the new housing bill, stepping up the pace of deployment for new mobile phone equipment will significantly improve the user experience of mobile coverage in every part of the country.

On July 3, 2018, ARCEP handed down a decision (decision no. 2018-0684) setting out the conditions under which licenses for 900 MHz, 1800 MHz and 2100 GHz-band frequencies may be granted in 2021, 2022 and 2024. One of these conditions is that operators are required to take actions to achieve the goals set out in Articles L. 32 et seq. of the CPCE (digital development of the French territory, fair and effective competition between operators on the mobile market and effective management and use of the frequency spectrum).

Mobile operator frequency licences granted in July 2018 are now binding and a failure to meet these new obligations will result in sanctions from ARCEP.

We monitor the regulations to which it is subject; however, the weight of the regulatory burden on “electronic” telecommunications operators, including Altice France, may change and may lead to the application of different obligations in their regard depending on the level of ownership of direct access networks and the level of market power that may be more or less significant to or constrictive upon certain operators by virtue of changes in the technology used for providing services. If Altice France becomes subject to regulations relatively more constrictive than its competitors, this could have a material adverse effect on its business, results of operations or financial position. Furthermore, as an “electronic” telecommunications operator and a distributor of television services, Altice France is subject to special taxes. The burden of such taxes could increase in the future due to changes in legislation. In addition, Altice France cannot guarantee that additional taxes will not be instituted in the telecommunications industry. Any future restrictions on Altice France’s ability to market its products or services in the way it wishes could have a material adverse effect on its business, results of operations or financial position.

***The European Commission’s “Digital Single Market” legislation could adversely affect our business.***

The EU Regulation 531/2012, which initially set a rate for roaming, was further amended through the regulation 2015/2120 of 25/11/2015 to establish the conditions and the viability of a removal of retail roaming charges from June 15, 2017 (“roam like at home” subject to fair-usage). Moreover, the regulation introduces measures relating to “net neutrality”.

Furthermore, the roaming regulation was completed by other pieces of legislation:

- Implementing regulation EU 2016/2286 of 15/12/2016 laying down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges and on the application to be submitted by a roaming provider for the purposes of that assessment; and
- Regulation UE 2017/920 of 17/05/2017 amending Regulation (EU) No 531/2012 with respect to rules for wholesale roaming markets.

The Commission’s proposals on telecommunications markets presented in September 2016 intends to fix rules to support the creation of Gigabit Society. The electronic communications code proposal aims to make investment in very high capacity networks a binding objective and it also aims to promote sustainable long term competition. The Code that is expected to be adopted by end of 2018 (the last trilogue between Commission-Parliament and Council took place on June 5, 2018) sets the rules regarding spectrum, access and end-user rights.

This legislation is expected to have both a positive and adverse effect on revenue generated from our operations due to anticipated price decreases, higher operational costs and increased competition. All of these factors may adversely affect our business, financial condition and results of operations.

*Directive (EU) 2018/1972 of the European Parliament and of the Council of December 11, 2018 establishing the European Electronic Communications Code.*

The European Electronic Communications Code (the “EECC”) was adopted on December 11, 2018 and came into force on December 20, 2018. The EECC brings together the rules on electronic communications networks and services and aligns them with the latest technological developments. The EECC regulates (1) electronic communications networks and services (“ECN” and “ECS”), (2) associated facilities and services, (3) the

authorisation of networks and services, (4) radio spectrum use and numbering resources, (5) access to and interconnection of electronic communications networks and associated facilities, and (6) the protection of end-users.

It aims to:

- Promote connectivity, access to and take-up of very high capacity networks by all citizens and businesses of the EU;
- Promote competition in the provision of electronic communication networks and services;
- Contribute to the development of the internal market in the field of electronic communications networks and services, radio spectrum, and connectivity; and
- Promote the interests of European citizens.

The EECC has singled out citizen connectivity as a key objective for the EU, since it is instrumental in guaranteeing freedom of expression, pluralism, democracy, culture, social cohesion, and even safety.

The EECC also adopts a broader definition of ECS to regulate services delivered via internet (known as “over-the-top” or “**OTT**” services). ECS now includes internet access services, interpersonal communications services (“**ICS**”), and services consisting wholly or mainly in the conveyance of signals.

The EECC also provides for strategic planning and coordination of a radio spectrum policy, as well as for effective management of radio spectrum by Member States.

Finally, national regulation authorities are responsible for ensuring access, interconnection, and the interoperability of services. Consequently, and under certain circumstances, they can impose on undertakings obligations such as interconnecting networks, ensuring the interoperability of their services and granting physical access to their infrastructure.

Member States must enact the EECC into their national laws by December 21, 2020. As of the date hereof, France has not enacted EECC into their national laws.

***The legal status of the Group’s network is complex and in certain cases subject to challenges or renewals.***

The legal status of the Group’s network is complex and the network is mainly governed by public law, which could affect the predictability of the Group’s rights over its network. For a description of the legal status of the Group’s cable network see “*Regulation—Legal Status of Networks*”.

The Group’s telecommunications network is essentially composed of the physical infrastructure (conduits, network head-ends, switches and radio frequency stations) in which telecommunications (mainly cable) equipment is installed. These components of the Group’s network are subject to different legal regimes. As the Group does not own certain land where such physical infrastructures are located and infrastructure is established on public or private property, it has entered into concessions, rights-of-way, leases or even indefeasible rights of use (“**IRUs**”) with the owners of the land. In order to establish a substantial part of its telecommunications network and of its wireless network, the Group has thus entered into public and private property occupancy agreements with public and private entities or holds public property occupancy permits. Under these agreements or permits, the Group may install its network equipment along roads, highways, railways or canals, for example. No transfer of ownership takes place within this framework.

Such agreements are entered into for terms that vary greatly, from 3 to 25 years. The Group does not have any right to renewal of such agreements, although the agreements with the shortest terms generally provide for tacit renewal. The Group’s occupancy of public property, as is the case for all occupants of public property, is always precarious and subject to considerations beyond the Group’s control. The public entities with which the Group has entered into these agreements or that have issued permits to it can thus at any time terminate these public property occupancy agreements for misconduct or for reasons of public interest and some of the agreements even exclude any compensation in such case.

If the Group fails to obtain such renewal, the company involved would be obliged, upon expiration of these agreements, (i) to return the site to its original condition upon the demand of the manager or owner of the public property involved (ii) and/or to transfer to the latter, in certain cases for the payment of compensation and in certain cases free of charge, ownership of the facilities established on the property involved.

If the Group loses all or part of the rights relating to its network, it could have a material adverse effect on the business, financial position, results of operations or outlook of the Group.

***Burdensome regulation in an open market may put PT Portugal at a disadvantage to its competitors and could adversely affect its business***

The Portuguese electronic communications sector is fully open to competition. However, many regulatory restrictions and obligations are still imposed on PT OpCo. On October 9, 2014, the European Commission adopted a new European Relevant Markets Recommendation that replaced the 2007 Recommendation and further reduced the number of relevant markets subject to ex-ante regulation. ANACOM has reanalyzed the retail and wholesale markets identifying which markets are still relevant for regulatory intervention and which electronic communications operators and service providers have significant market power in those markets. The decisions relating to the conclusions of the analysis of markets 3a-3b/2014 (wholesale local and central access at a fixed location) and 4/2014 (wholesale high-quality access at a fixed location) were issued in March 2017 and June 2016, respectively. ANACOM decided not to impose regulatory obligations on PT OpCo's fiber network, concluding that they would not be proportional. ANACOM's latest decisions regarding the revision of markets 1/2014 (FTR), 2/2014 (MTR) and 2/2007 (for fixed call origination under the previous recommendation) were issued in October 2018, June 2018 and October 2018, respectively.

ANACOM has reanalyzed the markets defined under the European Relevant Market Recommendation and issued findings that PT OpCo had significant market power in these markets, namely the wholesale market for call termination on individual public telephone networks provided at a fixed location, the market for call termination on individual mobile networks, the markets for wholesale local and central access at a fixed location and the market for wholesale high-quality access at a fixed location, in which ANACOM included leased lines trunk segments.

In certain cases, such as in markets 3 and 4, ANACOM has segmented the markets into "C" (competitive) and "NC" (non-competitive) segments and issued a finding that PT OpCo had significant market power in the non-competitive segments, imposing remedies to increase competition in those markets. With respect to market 3, the obligations in ANACOM's March 2017 decision extended only to the granting of unbundled access to copper loops, ducts and poles at the national level. However, ANACOM required that the duct and poles offers be made on an equivalence of inputs (EoI) basis.

ANACOM's latest decisions in respect of markets 1/2014 (FTR) and 2/2014 (MTR) imposed *ex-ante* regulatory obligations on PT OpCo; conversely, in its latest decision on market 2/2007, ANACOM decided to end ex-ante regulatory obligations in this market, apart from the maintenance of price control obligations.

We receive correspondence from ANACOM from time to time regarding compliance with such and other regulations. If we are found to be in breach of such regulations, the regulators may impose penalties, fines or additional obligations on us to rectify such breaches which may have an adverse effect on our business operations. Remedies imposed by ANACOM may also require PT OpCo to provide services in certain markets or geographic regions or to make investments that it would otherwise not choose to make. In addition, PT OpCo incurred, and may still have to incur, expenses to adapt its operations to changing regulatory requirements and to ensure regulatory compliance. The resources that may be required to fulfill our regulatory obligations in Portugal could adversely affect our ability to compete.

***We can only operate our business for as long as we have licenses from the relevant authorities in the jurisdictions in which we operate and we may not be able to obtain, retain or review the licenses and authorizations necessary for conducting our activities.***

We are required to hold licenses, franchises, permits and similar authorizations to own and operate our networks and to broadcast our signal to our customers. These authorizations generally require that we comply with applicable laws and regulations, meet certain solvency requirements and maintain minimum levels of service. Should we fail to comply with these, we may be subject to financial penalties from the relevant authorities and there may also be a risk that licenses could be partially or totally withdrawn. The imposition of fines and/or the

withdrawal of licenses could have a material adverse effect on our results of operations and financial condition and prevent us from conducting our business. In addition, such authorizations are generally granted for fixed terms and must be periodically renewed. The procedure for obtaining or renewing these licenses can be long and costly and authorities often demand concessions or other commitments as a condition for renewal. In addition, these licenses may not be obtainable or renewable in a timely manner or at all. In some instances, such authorizations have not been renewed at expiration, and we have operated and are operating under either temporary operating agreements or without an authorization while negotiating renewal terms with the local franchising authorities. Should we not be able to obtain or renew the licenses needed to operate or develop our business in a timely fashion, our ability to realize our strategic objectives may be compromised. In certain cases our mobile licenses require us to comply with certain obligations (population coverage, sharing in certain areas, national roaming) and we may suffer adverse consequences if we are not able to comply with these obligations. In certain countries, we have provided significant bank guarantees to guarantee our performance under our licenses. If we are found to be in material breach of our licenses, the guarantees may be forfeited and our licenses may be revoked.

In France, some of our activities depend on obtaining or renewing licences issued by regulatory authorities, particularly ARCEP in the telecommunications field and CSA in the audiovisual field. Under the licences allocated to Altice France's subsidiaries, the latter have committed themselves to complying with certain obligations (population coverage, sharing in some areas, roaming allowance). Altice France is required to deploy a 3G and 4G generation radio network adhering to certain rates of coverage for the metropolitan population according to a given timetable. Within the framework of its 4G licences, if certain conditions are met, Altice France will eventually have to allow Free Mobile roaming on a portion of its 4G network. Altice France will also have to provide coverage, in conjunction with other 800 MHz band holders and under its 2G licence, for the city centers identified under the "white zones" plan, and accede to reasonable requests for network sharing in a priority deployment zone. Altice France will also have to accede to reasonable requests to allow MVNOs throughout its very-high-speed mobile network open to the public in Metropolitan France. A failure to adhere to any one of these commitments could put Altice France at risk under its regulatory obligations and possibly expose it to penalties (fines, total or partial suspension or withdrawal of licence). This could have a material adverse effect on Altice France's business, financial position, results of operations or outlook of Altice France. To provide the Altice France Group's various stakeholders with certainty over the future of some spectrum resources and with a view to issuing a call for applications that will enable a reallocation of longstanding 2G and 3G frequency bands for a period of 10 years (the licences relating to which will begin to expire in 2021), ARCEP has laid the ground rules for public consultation on the terms and conditions for such reallocation in its decision no. 2018-0684. The frequencies concerned are the frequencies in the 900 and 1800 MHz bands that were allocated to Orange, the Altice France Group and Bouygues Telecom in 2006 and 2009 for 15 years, and the 2.1 GHz band frequencies allocated to these same three operators in 2001 and 2002 for 20 years. Some of the existing 900, 1800 and 2100 MHz frequency licences for Metropolitan France are set to expire in 2021, 2022 and 2024. The terms for allocating frequencies seek to satisfy two main goals: digital regional development and achieving fair and effective competition between operators. The call for applications procedures for the allocation of 900, 1800 and 2100 MHz band frequencies took into account the goal of ensuring fair and effective competition in the mobile market by implementing the conditions needed to ensure that all mobile operators have fair and equal access to spectrum. It has been approved by the Minister responsible for electronic communications who launched the allocation procedure in early August 2018. The licences were awarded by ARCEP on November 15, 2018, and the frequencies will be made available starting in 2021.

In the Dominican Republic, Altice Dominicana was awarded a concession and is licensed to provide telecommunications services. Altice Dominicana's concession was originally granted under a concession agreement with the Dominican State in 1996 and was due to expire on August 1, 2015. Altice Dominicana presented a formal renewal request to Indotel on April 27, 2015. This concession was recently de facto renewed, as all of the criteria for renewal were met by Altice Dominicana. In addition, Altice Dominicana currently holds a number of frequency license certificates issued by Indotel. These licenses have also recently been de facto renewed, as all of the criteria for renewal were met by Altice Dominicana. However, we make no assurances that our concession or licenses will continue to be renewed in the future. Furthermore, certain regulatory approvals, such as new build permits, may be required for Altice Dominicana to operate antenna sites with other frequencies/frequency bands, in particular where the shift is made from a higher frequency band (e.g. 1800 MHz) to a lower frequency band (e.g. 900 MHz). To the extent that Altice Dominicana seeks to operate antenna sites with other frequencies/frequency bands in the future, failure to obtain such regulatory approvals could have a negative impact on the coverage of its network. If Indotel does not continue to renew Altice Dominicana's concession or frequency licenses or if Altice Dominicana fails to obtain any regulatory approvals that are required, our business, financial condition and results of operations could be materially adversely affected.

The acquisition of licences also represents a high cost, the timing of which varies depending on when the frequencies involved are auctioned. Furthermore, this cost could rise due to strong competitive pressure in the telecommunications field. If we fail to obtain or retain, in a timely manner, the licences necessary for performing, continuing or developing our activities, our ability to achieve our strategic objectives could be subjected to alteration. In addition, we may fail to be awarded the desired licences, which could have an adverse effect on our business, financial position, results of operations or outlook.

For further information on the licences and authorizations necessary for performance of the Group's activities, see "Regulation".

***Altice Dominicana's activities may be affected by Indotel's decisions regarding the granting, amendment or renewal of frequency licenses.***

Altice Dominicana's activities as a mobile network operator in the Dominican Republic are subject to regulation and supervision by various Dominican authorities, in particular Indotel. Since 2010, the Executive Power issued Decree 520-11 and Indotel has issued a series of resolutions in order to implement the National Frequency Allocation Plan ("PNAF"), the objective of which is to reorganize the radio spectrum in the Dominican Republic and make more bands available for operators to provide mobile services. Frequency migration is currently in progress and concerns Altice Dominicana, among other operators. For example, Altice Dominicana must migrate from its current 1800Mhz frequency to another frequency to be allocated to it in the 2110-2155Mhz band in order to comply with PNAF provisions, which pair the 1700Mhz frequency with the 2100Mhz frequency and is awaiting the requisite regulatory approvals for such migration. Spectrum entitlement rights relating to the migrated bands remain in dispute among various telecom operators. In addition, Indotel has not confirmed the final step in a frequency swap assigning the 1720-1730 MHz and the 2120-2130 MHz ranges to Altice Dominicana in exchange for other frequencies. On January 23, 2019 Indotel ordered the beginning of a public consultation process to amend the PNAF.

***We may incur significant costs to comply with city planning laws.***

We are subject to planning laws when we upgrade or expand our networks. In particular, our current installation of the UMTS/LTE network in Israel is subject to compliance with the National Zoning Plan 36 (TAMA 36) and the directives issued thereunder, which are aimed at reducing the danger of radiation and the damage to the environment. The cost of complying with TAMA 36 can be substantial and there is currently a regulatory process underway to amend TAMA 36 which would place substantial limitations and further increase the cost of erecting our UMTS/LTE network. In addition, the local loop of our networks is generally located aboveground. Local municipal governments generally have the authority to require us to move these network lines underground. Usually, we are able to coordinate with other utility suppliers to share the costs associated with moving lines underground but no assurance can be given that we will always be able to do so. Nevertheless, the costs of complying with municipal orders can be substantial and may not be subsidized by such municipal government, which may require us to incur significant costs in the future.

***We have had difficulties obtaining some of the building and environmental permits required for the erection and operation of our mobile network sites in Israel. These difficulties could have an adverse effect on the coverage, quality and capacity of our mobile network.***

Our ability to maintain and improve the extent, quality and capacity of our mobile network coverage in Israel depends in part on our ability to obtain appropriate sites and approvals to install our mobile network infrastructure, including mobile network sites. The erection and operation of most of these mobile network sites require building permits from local or regional planning and building authorities, as well as a number of additional permits from other governmental and regulatory authorities. In addition, as part of our UMTS/LTE network build-out, we are erecting additional mobile network sites and making modifications to our existing mobile network sites for which we may be required to obtain new consents and approvals.

For the reasons described in further detail below, we have had difficulties obtaining some of the building permits required for the erection and operation of our mobile network sites.

In addition, as we seek to improve the range and quality of our mobile telephony services, we need to further expand our mobile network, and difficulties in obtaining required permits may delay, increase costs or prevent us from achieving these goals in full. Our inability to resolve these issues in a timely manner could also prevent us from achieving or maintaining the mobile network coverage and quality requirements contained in our license.

Since June 2002, following the approval of TAMA 36, which regulates network site construction and operation, building permits for our mobile network sites (where required) have been issued in reliance on TAMA 36.

We have set up several hundred small communications devices, called wireless access devices, pursuant to a provision in the Planning and Construction Law, which exempts such devices from the need to obtain a building permit. A claim was raised that the exemption does not apply to mobile communications devices and the matter reached first instance courts a number of times, resulting in conflicting decisions. In May 2008, a district court ruling adopted the position that the exemption does not apply to wireless access devices. The mobile telephone operators filed a request to appeal this ruling to the Supreme Court. In May 2008, the Israeli Attorney General filed an opinion regarding this matter stating that the exemption applies to wireless radio access devices under certain conditions. Subsequently, two petitions were filed with the High Court of Justice in opposition to the Israeli Attorney General's opinion. The matter is still pending before the Supreme Court and the High Court of Justice.

In September 2010, adopting the position of the Israeli Attorney General, the Israeli Supreme Court issued an interim order prohibiting further construction of radio access devices for mobile networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until December 31, 2013, provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot. On August 28, 2013, we submitted a formal request with the Israeli Supreme Court, requesting a renewal of the exemption. On September 30, 2013, we received a response from the Supreme Court stating that they had requested a formal reply from the state on this subject matter. On October 1, 2013, the Israeli Supreme Court passed a decree nisi in relation to the petition to which the State filed a response on December 17, 2013, requesting a perpetual injunction to prevent the erecting of access network devices until legislation was put in place by the Israeli Ministry of Interior and the Ministry of Communication to regulate this matter. In its response, the State further claimed that the exemption relating to the erecting of access network devices for HOT Mobile and Golan Telecom should only be valid until June 30, 2014. The Supreme Court has not passed judgment on this, however, and until a final decision has been passed by the Supreme Court HOT Mobile will be allowed to continue the deployment of its UMTS/LTE network. In March 2016, the Supreme Court permitted HOT Mobile and Partner to make several adjustments in to existing access devices in order to enable the companies to operate their joint network.

If a definitive court judgment holds that the exemption does not apply to mobile devices at all, or in case of disagreements with the municipalities where we have installed our devices or a regulatory authority regarding the interpretation of the Supreme Court's decision, we may be required to remove the existing devices and would not be able to install new devices on the basis of the exemption. As a result, our mobile network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

The Israeli Ministry of Environmental Protection notified us of a new condition for all of our 3G/4G mobile network site operation permits, according to which we must install systems software (provided by the Israeli Ministry of Environmental Protection) that continuously monitors and reports the level of power created in real time from the operation of our 3G/4G mobile network sites (the "Monitoring System"). Since May 2012, we started erecting our new UMTS/LTE cell sites according to construction permits received in November 2011. We have also made practical examinations to all our new UMTS/LTE cell sites. All of the examinations showed that our new UMTS/LTE cell sites comply with the safety standard determined by the Israeli Ministry of Environmental Protection. As of August 2012, we began to apply requests for operation permits to our sites to the Commissioner. We also applied to the Commissioner for extended time to connect to the monitoring system. As of November 2012, we started receiving operation permits, which are subject to the demand to connect to the monitoring system no later than February 5, 2013. On February 4, 2013, we were notified by the Israeli Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system. Our mobile network has since been transferred to, and is currently the responsibility of, the JV Entity. See "*Description of Our Business—Altice International Group—Material Contracts—Israel—Mobile Network Sharing Agreement with Partner in Israel*" for more information.

We are of the opinion that all of the antennas that we operate comply with the conditions of the safety permits that we were granted by the Israeli Ministry of Environmental Protection. In addition, if our antennas are found to not meet the conditions of the permits granted to us and the maximum permitted power, the Israeli Ministry of Environmental Protection may revoke existing permits, which would require us to dismantle existing mobile network sites. As a result, our network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

***We may be required to indemnify certain local planning and building committees in Israel with respect to claims against them.***

In Israel, under the Planning and Building Law, 1965, local planning committees may be held liable for the depreciation of the value of nearby properties as a result of approving a building plan. Under the Non-Ionizing Radiation Law, 2006, the National Council for Planning and Building requires indemnification undertakings from mobile companies as a precondition for obtaining a building permit for new or existing mobile network sites. The National Council has decided that until the Plan is amended to reflect a different indemnification amount, mobile companies will be required to undertake to indemnify the committees in full against all losses resulting from claims against a committee for reductions in property values as a result of granting a permit to the mobile network site. On June 1, 2010, the National Council for Planning and Building approved the National Building Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the “Amended Plan”). The Amended Plan is subject to government approval in accordance with the Planning and Building Law.

As of June 30, 2017, we had approximately 346 indemnification letters outstanding to local planning and building committees although no claims have been filed against us under such letters. Calls upon our indemnification letters may have a material adverse effect on our financial condition and results of operations.

In 2007, the Israeli Ministry of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building permit for a mobile network site under the Plan and six months from the construction of a mobile network site. The Israeli Ministry retains the general authority to extend such period further. This extension of the limitation period increases our potential exposure to depreciation claims.

***There are uncertainties about the legal framework under which we own and operate certain of our networks.***

Our systems depend on extensive physical facilities (lines, network, headends, switches and radio stations) in which telecommunication equipment (mainly cables) is installed. Significant portions of those physical facilities occupy public rights of way and are subject to governmental regulations. Other portions occupy private property under express or implied easements or pursuant to leases, and many miles of the cable are attached to utility poles governed by pole attachment agreements or other commercial arrangements. No assurances can be given that we will be able to maintain and use our facilities in their current locations and at their current costs. Changes in governmental regulations or changes in these relationships could have a material adverse effect on our business and our results of operations.

In particular, the legal status of Altice France’s network is complex, mainly governed by public and in certain cases subject to challenges or renewals. Altice France’s telecommunications network is essentially composed of the physical infrastructure (conduits, network head-ends, switches and radio frequency stations) in which telecommunications (mainly cable) equipment is installed. These components of Altice France’s network are subject to different legal regimes. As Altice France does not own certain land where such physical infrastructures are located and infrastructure is established on public or private property, it has entered into concessions, rights-of-way, leases or even indefeasible rights of use (“IRUs”) with the owners of the land. In order to establish a substantial part of its telecommunications network and of its wireless network, Altice France has thus entered into public and private property occupancy agreements with public and private entities or holds public property occupancy permits. Under these agreements or permits, Altice France may install its network equipment along roads, highways, railways or canals, for example. No transfer of ownership takes place within this framework.

Such agreements are entered into for terms that vary greatly in duration from three to 25 years. Altice France does not have any right to renewal of such agreements, although the agreements with the shortest terms generally provide for tacit renewal. Altice France’s occupancy of public property, as is the case for all occupants of public property, is always precarious and subject to considerations beyond Altice France’s control. The public entities with which Altice France has entered into these agreements or that have issued permits to it can thus at any time terminate these public property occupancy agreements for misconduct or for reasons of public interest and some of the agreements even exclude any compensation in such case. If Altice France fails to obtain such renewal, the company involved would be obliged, upon expiration of these agreements, (i) to return the site to its original condition upon the demand of the manager or owner of the public property involved (ii) and/or to transfer to the latter, in certain cases for the payment of compensation and in certain cases free of charge, ownership of the facilities established on the property involved. If Altice France loses all or part of the rights relating to its network, it could have a material adverse effect on the business, financial position, results of operations or outlook of Altice France.

***We are subject to requirements in terms of protection of personal data and data security.***

Within the context of its business activities, we must collect and process personal data.

In the EU, the European Parliament and the European Council adopted the regulation on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, the “GDPR”) on April 27, 2016. The GDPR has been directly applicable in all EU member states since May 25, 2018, replacing Directive 95/46/EC and current national data protection legislation in member states, and was implemented in the EEA countries with effect from the same date. The GDPR significantly changes the EU/EEA data protection landscape, including strengthening of individuals’ rights, stricter requirements on companies processing personal data and stricter sanctions with substantial administrative fines. The GDPR also offers data subjects the option to let a privacy organization litigate on their behalf, including collecting the potential damages.

We do business in the hosting of data relating to the health of individuals, which subjects us to the specific obligations provided for by the Public Health Code such as obtaining and maintaining authorization or certification for the hosting of such data. If we breach our obligations or fail to adhere to the requirements applicable to sensitive data processing, we may be subjected to criminal and financial penalties likely to have a material adverse impact on our business, financial position and results of operations.

In its judgment on October 6, 2015 (known as the “Schrems Judgment”), the European Court of Justice overturned the decision by the European Commission that the transfer of European personal data to the United States under the “Safe Harbor” framework provides an adequate level of protection. The successor “Privacy Shield” agreement recently negotiated by representatives of the EU and the United States has not yet been ratified by either party and, even if ratified, could be overturned by a judgment of the European Court of Justice if the latter finds that such agreement does not assure an adequate level of protection to European personal data. The potential illegality of transferring European personal data to the United States could impact our business and results.

In 2016 the CJEU further clarified what safeguards are required for data retention to be lawful. In the case of *Tele2 Sverige and Home Secretary v. Watson*, the court concluded that Member States cannot impose a general obligation on providers of electronic telecommunications services to retain data, but did not ban data retention altogether. Such retention is compatible with EU law if deployed against specific targets to fight serious crime. Retention measures must be necessary and proportionate regarding the categories of data to be retained, the means of communication affected, the persons concerned and the chosen duration of retention. Furthermore, national authorities’ access to the retained data must be conditional and meet certain data protection safeguards. New data retention rules are currently being discussed at an EU level in response to this decision.

In the case of *Breyer*, the CJEU concluded that Internet Protocol addresses may constitute personal data where the individual concerned can be identified, even where a third party must obtain additional data for the identification to take place. The CJEU also held that website operators may rely on a legitimate interest as a legal basis when retaining and using their visitors’ personal data. This is of major importance for data retention rules; it follows that online media service providers can lawfully store their visitors’ personal data to pursue a legitimate interest, rather than just for the purposes previously outlined in the invalidated Data Retention Directive. Thus, the grounds justifying data retention have become broader.

In addition, the French Data Protection Law of January 6, 1978 (Law no. 78-17), as modified by Law no. 2018-493 of June 20, 2018, its implementing decree no. 2018-687 of August 1, 2018 and its rewriting Order no. 2018-1225 of December 12, 2018 to be adapted to the GDPR, imposes obligations on companies processing personal data in the context of the activities of an establishment in France concerning the conditions in which such a company may process personal data of individuals, the obtaining of their consent with respect to such processing (especially for the use of cookies) and carrying out the necessary measures for disclosure and transfer of data outside of the EU. Any breach of these obligations may lead to criminal and administrative financial penalties against us and damage to our reputation. The French Data Protection Law also requires that providers of “electronic” communications accessible to the public, such as the Group, give notice of any breach in security. Violation of these obligations could lead to legal action against the Group. This article will be repealed on June 1, 2019, as the implementation of GDPR has now extended this obligation to all data controllers.

Regardless of the measures we adopt to protect the confidentiality and security of data, there remains the risk of possible attacks or breaches of data processing systems, which could give rise to penalties and damage our reputation. We could be compelled to incur additional costs in order to protect against these risks or to mitigate



the consequences thereof, which could in turn have a material adverse impact on our business, financial position, results of operations or outlook. Furthermore, any loss of confidence on the part of our customers as a result of such events could lead to a significant decline in sales and have a material adverse impact on our business, financial position and results of operations.

***Our business may suffer if we cannot continue to license or enforce the intellectual property rights on which our business depends or if we are subject to claims of intellectual property infringement***

We rely primarily on copyright, trademark and trade secret laws and licenses and other agreements with our employees, customers, suppliers and other parties to establish and maintain our intellectual property rights in content, technology and products and services used to conduct our businesses. However, our intellectual property rights or those of our licensors could be challenged or invalidated, we could have difficulty protecting or obtaining such rights or the rights may not be sufficient to permit us to take advantage of business opportunities, which could result in costly redesign efforts, discontinuance of certain product and service offerings or other competitive harm.

We have received, and may receive in the future, claims of infringement or misappropriation of other parties' proprietary rights, particularly creative rights with respect to broadcasted programs. In addition to claims relating to broadcasts on channels which we own, we may be subject to intellectual property infringement claims with respect to programs broadcast on the other channels, including foreign channels that we carry. Moreover, the telecommunications industry is characterized by a high concentration of intellectual property rights, which increases the risk of litigation resulting from our activities upon the grounds of prior rights of third parties. Therefore, we are particularly exposed to the risk of proceedings initiated by patent trolls. See "*We may be subject to intellectual property infringement claims by "patent trolls".*"

Any such claims may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. Successful challenges to our rights to intellectual property or claims of infringement of a third party's intellectual property could require us to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be temporarily or permanently prohibited from further use of the intellectual property in question. This could require us to change our business practices and limit our ability to provide our customers with the content that they expect. Even if we believe that the claims of intellectual property infringement are without merit, defending against the claims can be time consuming and costly and may divert management's attention and resources away from our business. An inability on our part to effectively protect certain important elements of our intellectual property rights and of our technology could have a material adverse effect on our activities, financial position, results of operations or outlook.

***We may be subject to intellectual property infringement claims by "patent trolls".***

We may be the target of so-called "patent trolls" (also referred to as "non-practicing entities"), which have as their core business the acquisition of patents and licences, without actively producing goods or providing services, and commonly litigate alleging that such patents or licences have been infringed. We cannot exclude the possibility of risk from contentious claims from patent trolls, which could have a material adverse effect on our business activities, financial condition and results of operations.

***We face risks arising from the outcome of various legal, administrative and regulatory proceedings.***

In the ordinary course of business, we become party to litigation and other legal proceedings, including administrative and regulatory proceedings, and may be subjected to investigations and audits. Some of the proceedings against us may involve claims for considerable amounts and may require that our general management devote time to addressing such issues, to the detriment of managing the business. In addition, such proceedings may result in substantial damages and/or may impair our reputation, which may result in a decline in the demand for our services which could have a material adverse effect on our business. The outcome of these proceedings and claims could have a material adverse effect on our financial position, our results of operations or our cash flows during the years when such disputes are decided or the sums potentially involved in them are paid. We may also be exposed to proceedings that could involve our independent distributor partners, as well as other telecommunications operators which are so exposed.

We are currently involved in number of disputes and proceedings referred to in "*Description of our Business—Altice France Group—Legal Proceedings*" and "*Description of our Business—Altice International Group—Legal Proceedings*". The costs that may result from these lawsuits are only accrued when it is more likely than not that

a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 in respect of lawsuits amounted to €310.5 million in the aggregate, based on a case by case assessment of the risk level of each individual lawsuit, and events arising during the course of legal proceedings may require a reassessment of this risk. Our assessment of risk is based both on the advice of legal counsel and on our estimate of the probable settlement amounts that are expected to be incurred, if such a settlement would be agreed by both parties. Any increase in the frequency or size of such claims could have a material adverse effect on our profitability and cash flows and could have a material adverse effect on its business, results of operations and financial position.

***The Group is subject to the risk or litigation in the event of defective software or a claim by a third party as to software ownership.***

In contrast to more traditional licences of standard (so-called “proprietary”) software, users of open source software (“OSS”) are generally permitted by the licensor to access, copy, modify and distribute the underlying source code. Such broad rights (such as in the GNU General Public Licence) are usually subject to the requirement that users not place any additional restrictions on access to the source code in any onward distribution of the software, and that such onward licensing be on the original licence terms.

OSS is commonly viewed as having two major risks. First, the OSS licence usually also covers onward distributions of derivative works (based on the original OSS), with the result that proprietary software integrated with the OSS becomes “infected” and the entire integrated software program (OSS and proprietary software components) is covered by the OSS licence. One notable result of this is that the publisher or distributor of the derivative work would have to make available the source code of the entire work, including the proprietary software portions. The second commonly viewed risk is that OSS software is usually licenced “as is” without any contractual warranties.

As a result, the Group would bear the risks in the event of defects with any OSS that it utilizes in its products and services without necessarily having any contractual recourse. Further, if the Group integrates OSS into any of the software that it publishes or distributes, then the use by Altice France of OSS could have an impact on the ownership of the intellectual property in such software, particularly in terms of exclusivity, as the refusal to disclose any modifications made could be characterized as an infringement of the OSS licence. Moreover, Altice France cannot rule out any risk of a request for disclosure or the request by a third party to access the modifications of the source code performed on such software. This situation could have a material adverse effect on Altice France’s business, financial position, results of operations or outlook.

***Portugal Telecom SGPS, S.A., the former parent of PT Portugal, is subject to an ongoing investigation by the Central Department of Penal Investigation and Action relating to purchase of commercial paper issued by Rio Forte Investments S.A.***

There is an ongoing investigation by the Central Department of Penal Investigation and Action (“*Departamento Central de Investigação e Ação Penal*”) involving Portugal Telecom SGPS, S.A., which is not a Group company, related to the purchase by PT International Finance BV and PT Portugal (subsidiaries of Portugal Telecom SGPS, S.A. at the date of the purchase) of certain commercial paper issued by Rio Forte Investments S.A. (the “Rio Forte Investigation”). In connection with this process, on January 6, 2015, investigators searched the Lisbon offices of Portugal Telecom SGPS, S.A. The Rio Forte Investigation concerns, among other things, suspicion of aggravated fraud (“*burla qualificada*”). According to the Portuguese media, in September 2017, part of the Rio Forte Investigation was joined to another investigation publicly known as “*Operação Marquês*,” which involves, *inter alia*, a former Portuguese Prime Minister and two former directors of Portugal Telecom SGPS, S.A. Based on public statements by Portugal Telecom SGPS, S.A., they intend to cooperate fully with the authorities. As we did not control PT Portugal during the period to which the Rio Forte Investigation relates, we have very limited information with respect to the facts and circumstances surrounding the subject matter of the Rio Forte Investigation. In addition, because the Rio Forte Investigation is non-public, we do not know who is being investigated or if any PT Portugal employees are the subject of the Rio Forte Investigation. Oi S.A. has warranted in the PT Portugal Acquisition Agreement that, upon closing of the PT Portugal Acquisition, neither PT Portugal nor any of its subsidiaries would be bound by any ongoing obligation towards Portugal Telecom SGPS, S.A. in connection with the commercial paper of Rio Forte Investments S.A. In addition, the PT Portugal Acquisition Agreement contains certain undertakings regarding indemnity of PT Portugal by Oi S.A. for certain adverse consequences which may have been or may be incurred by PT Portugal as a result of the purchase, holding or transfer of the Rio Forte Investments S.A. commercial paper. We intend to assess any risk of liability under

applicable bribery and corruption laws, understand if there has been any historic misconduct which involved PT Portugal and take any remedial measures we deem necessary. We cannot assure you that additional information will not come to light which may materially and adversely affect the value of our investment in PT Portugal or may expose any employees of PT Portugal to liability, sanctions or penalties by the authorities conducting the Rio Forte Investigation. If any such new information comes to light or if a member of management of PT Portugal is found liable and/or subjected to sanctions or penalties, this may have a material adverse effect on the operations of PT Portugal and on our business, financial condition and results of operations.

***The introduction into French law of a class action open to consumer protection associations could increase the exposure of Altice France to material litigation.***

As of October 1, 2014, French law allows consumers to join a class action brought by a consumer protection association in order to obtain compensation for property damage suffered by virtue of the activity of consumption. Considering the B2C activities of Altice France, in the event of a challenge by consumers pertaining to the products or services offered by Altice France, Altice France could be faced, as could all operators in the industry, with possible class actions joining numerous customers desiring to obtain compensation for possible harm. Under such circumstance, if damages or prohibited practices are proven or even merely alleged Altice France could face significant amounts in claims. Moreover, such actions could undermine Altice France's reputation.

***We may have exposure to greater than expected tax liabilities.***

The tax laws and regulations in the jurisdictions in which we operate may be subject to change and there may be changes in the content as well as in the interpretation and enforcement of tax law. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws and regulations are modified by the competent authorities in an adverse manner. In addition, the tax authorities in the jurisdictions in which we operate periodically examine our activities. Any change in local or international tax rules, for example prompted by the implementation of the OECD's recommendations on Base Erosion and Profits Shifting (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax authorities, may have an adverse effect on the Group's tax status and its financial results. Any changes may also affect the return on an investors' investment in the Group and result in changes in personal tax rates and tax relief.

We have structured our commercial and financial activities in compliance with various regulatory obligations to which we are subject, as well as in line with our commercial and financial objectives. Significant judgment is required in determining our tax positions, including, amongst others, corporate income tax and value added tax (VAT). In the ordinary course of business, there are transactions where the ultimate tax determination is uncertain. To the extent that the laws and regulations of the various countries in which our companies are located or operate do not establish clear or definitive positions, the tax treatment applied to its activities or its intra-group reorganizations is sometimes based on interpretations of the applicable tax regulations. We cannot guarantee that our interpretations will not be called into question by the competent tax administrations, which could have a material adverse effect on the financial position or results of our operations. More generally, any breach of the tax regulations and laws of the countries in our companies are located or operate could result in adjustments or the payment of late fees, fines or penalties.

In addition, tax laws and regulations could change and could be subjected to changes in their interpretation and in the application thereof. In particular, in the current macroeconomic environment, governmental authorities could decide to increase tax rates, to eliminate existing tax exemptions, to expand tax bases, or to introduce new taxes. As a result, we could undergo an increase in its tax burden if tax rates rise or if legislation or the interpretation thereof by the administration changes.

In particular, in France, we are exposed to the risk of a further increase in the VAT and might not be able to pass along such increase, in full or in part, through subscription prices, and this would then have a negative impact on overall revenue. Furthermore, any partial or total passing along of a possible increase would expose Altice France to a risk of an increased churn rate on the part of its subscribers and could limit the recruitment of new subscribers. Any such occurrence could have a material impact on our business, financial condition and results of operations.

***The future results of operations of Altice France, French tax rules, tax audits or litigation and possible intra-group reorganizations could limit the ability of Altice France to make use of its tax losses and could thus reduce its net cash position.***

Altice France has significant tax losses. The ability to effectively make use of such losses will depend on a combination of factors, including (i) the ability to earn tax profits and the degree of matching between the level of such profits realized and the level of the losses, (ii) the general limitation under the terms of which the percentage of tax losses that can be carried forward and used to offset the portion of taxable profit exceeding €1 million at 50% as well as certain more specific restrictions on the use of certain categories of losses, (iii) the consequences of present or future tax disputes or audits, and (iv) possible changes in applicable laws and regulations.

The impact of these factors could increase the tax burden upon the Altice France Group and thus have an adverse effect on its cash position, the effective tax rate, the financial position and the results of operations of the Altice France Group.

***French tax rules could limit the ability of Altice France to deduct interest for tax purposes, which would be likely to reduce the net cash position of Altice France.***

As a general rule, Article 39,1-1° of the French Tax Code (*Code général des impôts*) (“**FTC**”) provides that expenses incurred by a French company are deductible provided, among other conditions, that (i) these expenses are incurred in the direct interest of the business performed by this French company and (ii) they correspond to actual and justified expenses. In this respect, French case law has developed the concept of “abnormal act of management”, according to which the expenses incurred by a French company in relation with transactions that are not align with the direct interest of the taxpayer are therefore not tax deductible.

Given the complex relationships among the Group companies, the risk that the French Tax Authorities might try to challenge the deductibility of the interest expenses resulting from an intragroup expenses (e.g., interest expenses on an intragroup loan), considering that such transaction does not respect the direct interest of the business performed by a French company of the group or does not satisfy the arm’s length principle, cannot be excluded.

In addition, pursuant to Article 212 I (a) of the FTC, the deductibility of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC is deductible within the limit of the interest that would have resulted from the application of the maximum tax rate computed as per Article 39, 1-3° of the FTC (i.e., interest computed based on the average effective floating rate on bank loans with a minimum maturity of 2 years), or, if higher, from the rate that the borrower could have obtained from independent financial establishments in similar conditions.

In both of the abovementioned cases of interest and deductibility limitation, non-deductible expenses might be recharacterized as constructive dividends pursuant to Article 109 *et seq.* of the FTC, which may be subject to the withholding tax set out under Article 119 *bis* 2 of the FTC, at a rate of 30% (to be aligned on the standard corporate income tax rate set forth in Article 219-I of the FTC for years beginning as from January 1, 2020) for payments benefiting legal persons, subject to more favorable provisions of any applicable double tax treaty

Pursuant to Article 212 I (b) of the FTC, the deductibility of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC is subject to a specific requirement: if the lender is a related party to the French borrower, the latter shall demonstrate, at the French tax authorities’ request, that the lender is, for the current year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related-party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes, a collective investment scheme referred to in Articles L. 214-1 to L. 214-191 of the French Monetary Code (*Code monétaire et financier*) (which includes UCITSs and AIFs as well as other collective investment schemes such as SICAVs and SPPICAVs with a single shareholder) or, subject to certain conditions, similar entities organized under foreign law.

For the purposes of Articles 212 I (a) and 212 I (b) of the FTC, which refer to Article 39-12° of the FTC, two entities will be regarded as related, (i) if one of the entities holds directly or indirectly the majority of the other

entity's share capital or holds the actual decision authority in that entity, or (ii) if both entities are related (as defined in the previous paragraph) to a same third entity.

Pursuant to Article 223 B of the FTC (generally referred to as the "*Amendement Charasse*"), when the shares of one company are transferred against payment to a company controlled directly or indirectly by the seller (or placed under common control with the seller), and the transferred company and the acquiring company become members of the same tax-consolidated group, a fraction of the interest paid annually by the tax group is considered as non-deductible and is therefore added back to the tax-consolidated income. This add-back of financial costs is applicable over a maximum period of 9 years.

If the limitation applies, the amount to be added back for each FY is decomposed as follows:

$$\text{Financial charges for Altice France} = \frac{\text{Purchase price of the shares}}{\text{Average amount of Altice France's debts}}$$

This limitation deprived Altice France of the ability to deduct financial charges of approximately €19 million in 2018.

For fiscal years opening on or after January 1, 2019, France has transposed a new interest deduction limitation provided in Article 4 of the EU Anti-Tax Avoidance Directive EU/2016/1164 of 12 July 2016 ("**ATAD Directive**"), Article 212 bis of the FTC aims to generally limit the deductibility of net financial charges, which are defined as the portion of financial charges exceeding financial income, accrued by companies that are subject to French corporate income tax, without distinction between third-party debts and related-party debts. Pursuant to this Article and subject to certain exceptions and safeharbour clauses, net financial charges incurred by French companies that are not members of a French tax group are deductible from their taxable result only up to a maximum amount equal to the higher of: (i) €3 million in a given year or (ii) 30% of the company's result before interest, taxes, depreciation, and amortization adjusted for tax purposes ("**Tax EBITDA**").

By exception, where the average amount of the sums made available to a company by all related parties (directly or indirectly) during a financial year exceeds in respect of that financial year one and a half times the amount of its equity (fonds propres) (i.e. where the company is thinly capitalized), the net financial expenses borne by such company are deductible up to the higher of:

- for the portion corresponding to the interest on the debt to unrelated parties and the debt to related parties not exceeding one and a half times its equity: 30% of its tax EBITDA or 3 million euros on a prorata basis ;
- for the portion corresponding to the interest on the debt to related parties exceeding one and a half times its equity: 10% of its tax EBITDA or 1 million euros on a prorata basis.

Under Article 223 B bis of the FTC, the abovementioned limitations apply, *mutatis mutandis*, to companies that belong to French tax-consolidated groups with respect to amounts made available by lenders outside such group.

The above mentioned tax rules may limit Altice France's ability to deduct interest accrued on Altice France's indebtedness incurred in France and, as a consequence, may increase Altice France's tax burden, which could adversely affect Altice France's business, results of operations and financial condition and reduce the cash flow available to service Altice France's indebtedness.

Eventually, on February 22, 2017, the Council of the European Union adopted the EU Directive EU/2017/952 of May 29, 2017, ("**ATAD 2 Directive**"), amending the ATAD Directive, which, *inter alia*, extends the scope of the ATAD Directive to hybrid mismatches involving third countries, which would be applicable as from January 1, 2020, except for certain of its provisions which would be applicable as from January 1, 2022. In the absence of more detail regarding the exact modalities according to which the ATAD 2 Directive would be implemented under French tax law, it is at this stage difficult to anticipate the exact consequences of these new rules on the limitations currently provided by the FTC and, as a consequence, on the future French corporate income tax burden of Altice France.

## **Risks Relating to our Employees and Management, Majority Principal Shareholder and Related Parties**

### ***Our employees may engage in misconduct or other improper activities, which could harm our business***

Given the size and geographic spread of the Group, we are likely to be exposed to instances of employee fraud, including, but not limited to, payroll fraud, falsification of expense claims, thefts of cash, assets or intellectual property, false accounting and other misconduct. Individual employees may also act against our instructions and either inadvertently or deliberately violate applicable law, including competition laws and regulations, by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients, or our internal policies. In addition, because we delegate a number of operational responsibilities to our subsidiaries and our local managers retain autonomy regarding the management of our operations in their markets, we may face an increased likelihood of the risks described above occurring. We also subcontract, through ACS, ATS and certain other Group entities, certain of our maintenance, customer service, installation and other activities to third party suppliers acting on our behalf and instances of fraud perpetuated by employees of these suppliers might also expose us to claims and/or may have a detrimental impact on our brand and reputation. In addition, because we delegate a number of operational responsibilities to our subsidiaries and our local managers retain substantial autonomy regarding the management of our operations in their markets, we may face an increased likelihood of the risks described above occurring.

### ***Our relations with our employees could be affected by changes in the competitive landscape.***

We operate in highly competitive and changing markets, which requires us to constantly adapt, anticipate and adopt new measures in order to preserve our competitiveness and efficiency. This leads to regular changes in our organizational structure and operations, which requires our employees to be flexible in responding to such changes. This process requires mobilization and motivation of teams with the Group's objectives. As a result, our business could be affected by deterioration in labor relations with our employees, staff representative bodies or unions. Our ability to maintain good relations with our employees, staff representative bodies and unions is crucial to the success of our various projects. Therefore, we must continuously consult with staff representatives in order to ensure the success of our current and future projects, which may delay the completion of certain projects. Furthermore, projects may be poorly received by employees and lead to a deterioration in labor relations, which could, in turn, lead to declines in productivity and possible labor disputes (e.g. strikes, disruptions), which could have a material adverse effect on our business, financial condition and results of operations.

In addition, planned decisions may not be well received by employees and may lead to a deterioration of the social climate, causing decreases in productivity and potential social conflicts (work interruptions, disruptions, etc.). Such situations could have a material adverse effect on the business, financial situation and operational results of the Group.

### ***The loss of certain key executives and personnel, failure to apply the necessary managerial and operational resources to our growing business or failure to sustain a good working relationship with employee representatives, including workers' unions, could harm our business.***

We depend on the continued contributions of our senior management and other key personnel and, in particular, Patrick Drahi, who is the President of the Board at Altice Europe and our principal shareholder.

There can be no assurance that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of the support of our founder and controlling shareholder (including the allocation of his time to any other business interests) or any of these key executives and employees could cause disruptions in our business operations, which could materially adversely affect our business, financial condition and results of operations. Any failure to apply the necessary managerial and operational resources to our growing business and any weaknesses in our operational and financial systems or managerial controls and procedures may impact our ability to produce reliable financial statements and may adversely affect our business, financial condition and results of operations.

In our business, we rely on sales forces and call center employees to interface with the major part of our customers. Their reliability is key, as is our relationship with employee representatives. Some of our employees currently belong to organized unions and works councils, and there can be no assurance that more employees will not form or join unions in the future. An increase in the number of our unionized employees could lead to an increased likelihood of strikes, work stoppages and other industrial actions. In addition, we also face the risk of strikes called by employees of our key suppliers of materials or services as well as our installation providers, which could result

in interruptions in the performance of our services. We cannot predict the extent to which future labor disputes or disturbance could disrupt our operations, cause reputational or financial harm or make it more difficult to operate our businesses.

***The interests of the Issuer's controlling shareholder may differ from the interests of the holders of the Notes.***

The interests of the controlling shareholder of the Issuer, in certain circumstances, may conflict with your interests as holders of the Notes. As of the date of the Offering Memorandum, Altice Europe (through its indirect subsidiaries) owns 100% of the Issuer's share capital and 100% of voting rights in the Issuer. When business opportunities, or risks and risk allocation arise, the interests of Altice Europe (or its affiliates) or its controlling shareholder may be different from, or in conflict with, the Group's interests on a standalone basis. Because Altice Europe is the controlling shareholder of the Issuer, Altice Europe may allocate certain of its risks to the Issuer or the Group and the Issuer cannot assure you that Altice Europe or its controlling shareholder will permit the Group to pursue certain business opportunities.

As a result of its controlling position, Altice Europe or its controlling shareholder has, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and day-to-day operations, as well as the ability to elect and change the Group's management and to approve any other changes to the Group's strategy, structure and operations. A change of strategy or management adversely affecting the Group's operations could indirectly have an adverse effect on the Issuer's ability to meet its obligations under the Notes. In addition, Altice Europe or its controlling shareholder has, directly or indirectly, the power to control the Group's ability to enter into any corporate transaction and prevent any transaction that requires the approval of shareholders, regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, Altice Europe or its controlling shareholder could exercise such power to cause us to incur additional indebtedness or sell certain material assets, in each case, so long as the Group's debt instruments and the Intercreditor Agreement permit. The incurrence of additional indebtedness would increase the Group's debt service obligations and the sale of certain assets could reduce our ability to generate revenues, each of which could adversely affect the holders of the Notes.

Furthermore, Altice Europe and its subsidiaries also have substantial indebtedness. To the extent permitted by the Indenture and other agreements governing the indebtedness of the Group, the Board of Directors of the Issuer may (in compliance with their fiduciary duties as directors of a public company) vote to distribute cash to Altice Europe to allow it to service and repay such indebtedness.

Altice Europe and its affiliates or its controlling shareholder are in the business of making investments in telecommunications companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with the Group, or with which it conducts business. Altice Europe and its affiliates or its controlling shareholder may also pursue acquisition opportunities that may be complementary to the business of the Group and, as a result, those acquisition opportunities may not be available to the Group.

The Group also receives certain advisory and management services from Altice Europe and members of its management team and receives additional services from Altice Europe and its affiliates as described under "*Certain Relationships and Related Party Transactions*" and may receive additional services or enter into other related party transactions in the future. The Group may be required to pay management fees, franchise fees, licensing fees or other similar compensation to Altice Europe (including members of its management team) and its affiliates for such services. In addition, the Group may also reimburse Altice Europe and its affiliates for all expenses incurred on the Group's behalf.

You should consider that the interests of Altice Europe and its affiliates may differ from yours in material respects. See "*Certain Relationships and Related Party Transactions*".

***Possible labor conflicts could disrupt our activities, affect our image or make the operation of our facilities more costly.***

As of December 31, 2018, we have 19,163 employees, some of whom are union members. We may have to negotiate at length with unions and works councils, and may suffer strikes, labor conflicts, work stoppages and other labor action, and it may also encounter difficulties in attracting and keeping staff due to local or general strikes. Strikes and other labor action, as well as the negotiating of new collective bargaining agreements or wage negotiations, could disrupt our activities and have a material adverse effect on our business, financial position and results of operations.

We are active in very competitive markets that are constantly evolving, thus requiring our constant adaptation to, anticipation and adoption of new operational practices and technologies to preserve our competitiveness and our efficiency. This entails regular changes in organizations, which requires adaptation on the part of the human resources involved. In particular, this process demands an ability to mobilize skills and motivate and orient teams toward our objectives. As a result, our activities may sometimes be affected by a deterioration of the labor relations with our employees, staff representative bodies or labor unions. In such instances, certain of our entities would have to consult their staff representative bodies, or will have to do so, in order to successfully execute our current and future projects, which is likely to slow down the performance of certain operations.

We also face the risk of strikes called by employees of our main suppliers of equipment or services, as well as our facility providers, the latter generally organized in regional unions, which could lead to interruptions in our services. We cannot guarantee that labor conflicts or difficulties in retaining our staff will not have a material adverse effect our business and, potentially, our results of operations and our financial position.

In 2014, negotiations between Altice International and with representative labor organizations led to the execution of fifteen collective agreements, signed by most organizations. In February 2016, collective agreements were signed by HOT with the workers union and the National workers Histadrut, for a 3 year period. Nevertheless, difficulties in finalizing these collective agreements cannot be excluded.

In France, Altice France has undertaken a simplification of its organization and implemented certain operating synergies measures. This transformation plan involves numerous situations of internal mobility, which may result in employee dissatisfaction or loss of personnel. In addition, Altice France has optimized its workforce and executed a voluntary retirement plan taken up by a significant number of employees. There can be no assurance that these measures will generate the expected efficiencies or benefits. As a result of these initiatives, there can be no guarantee that Altice France will not experience employee dissatisfaction or personnel loss in the future.

#### **Risks Relating to the Notes and the Structure**

***The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Notes Guarantee.***

The Issuer and the Guarantor are holding companies with no business or revenue generating operations of their own. The only significant assets of the Issuer on the Issue Date consisted of cash in its bank accounts and its shares in the Guarantor and Altice International. As such, the Issuer will be wholly dependent upon payments from members of the Group, and the Guarantor is wholly dependent upon payments from its direct and indirect subsidiaries, in order to service its debt obligations under the Notes or the Notes Guarantee, as applicable, to the extent it does not have cash to meet those obligations. Furthermore, the Indenture and the Existing Altice Lux Notes Indentures prohibit the Issuer from engaging in any activities other than certain limited activities. The only significant assets of the Guarantor on the Issue Date consisted of its bank accounts and the shares it holds in Altice France.

The ability of the Issuer and the Guarantor to make payments under the Notes and Notes Guarantee, as applicable, will depend upon the Group's cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "Risk Factors" and elsewhere in these Listing Particulars. Furthermore, the payment of dividends and the making, or repayment, of loans and advances to the Issuer by the Issuer's and the Guarantor's subsidiaries are subject to various restrictions. Existing debt of certain of these subsidiaries prohibits or restricts, and future debt of such subsidiaries may prohibit or restrict, the payment of dividends or the making, or repayment, of loans or advances to the Issuer or its parent entities, including the Altice Financing Guarantee Facilities, the Altice Financing Notes, the Altice Financing Revolving Credit Facilities, the Altice Financing Term Loans, the Altice Finco Notes, the Altice France Notes, the Altice France Revolving Credit Facilities, and the Altice France Term Loans. In addition, the ability of any of the Issuer's and the Guarantor's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws, requirements that dividends must be paid out of reserves available for distribution and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. In some cases, receipt of such payments or advances may be subject to onerous tax consequences. In addition, the Issuer indirectly owns 90.7% of the share capital and voting rights of Altice France with the remaining share capital held by Altice Europe. Any dividends or distributions to shareholders made by Altice France will be paid to its shareholders on a proportionate basis and therefore the



Issuer may not be entitled to receive all of such amounts distributed by Altice France. See “*Description of Other Indebtedness*”.

Certain of the instruments governing the indebtedness of Altice International and Altice France do not contain specific provisions permitting such entities to make payments to the Issuer in an amount sufficient to enable the Issuer to make scheduled interest payments on the Notes. Accordingly, Altice International and Altice France will need to rely on other exceptions and carve-outs in the covenants applicable to such indebtedness of Altice International and Altice France, as applicable. We cannot assure you the instruments governing the indebtedness of Altice International or Altice France will permit the payments required to be received by the Issuer to make payments on the Notes, and if permitted, we cannot assure you that the amount of payments so permitted will be sufficient to meet our obligations under the Notes and the Indenture. Furthermore, Altice International and Altice France have substantial debt obligations of their own.

Although the Indenture, Existing Altice Lux Notes Indentures, the Altice Lux Revolving Credit Facility Agreement, the Altice Financing Guarantee Facilities, the Altice Financing Notes, the Altice Financing Revolving Credit Facilities, the Altice Financing Term Loans, the Altice Finco Notes, the Altice France Notes, the Altice France Revolving Credit Facilities, the Altice France Term Loans and other debt instruments of the Issuer and its subsidiaries limit the ability of the Issuer’s subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer or the Guarantor, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with the Issuer and its subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of the Issuer and its subsidiaries will provide the Issuer or the Guarantor with sufficient dividends, distributions or loans to fund payments under its Notes or the Notes Guarantee, when due. See “*Description of Other Indebtedness—Indebtedness of the Issuer*”, “*Description of Other Indebtedness—Indebtedness of the Altice France Group*” and “*Description of Other Indebtedness—Indebtedness of the Altice International Group*”.

***Your right to receive payments under the Notes may be structurally or effectively subordinated to the claims of certain existing and future creditors of the Issuer’s subsidiaries that do not guarantee the Notes.***

None of our subsidiaries, except for the Guarantor, guarantees the Notes. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Notes Guarantee. In the event of any foreclosure, dissolution, winding up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding of any of our non-Guarantor subsidiaries, holders of their debt (including any intercompany loans to such subsidiaries) and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Notes Guarantee are each structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries.

Our non-Guarantor subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with leverage. If any of our non-Guarantor subsidiaries incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of such non-Guarantor subsidiaries.

As of December 31, 2018, after giving effect to the issuance of the Notes and the application of proceeds thereof, including the Refinancing Transactions, (i) the Altice International Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €8,275 million on a consolidated basis, which is structurally senior to the Notes, (ii) the Altice France Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €16,226 million, which is structurally senior to the Notes, and (iii) the Issuer had total third party debt of €5,844 million, which ranks *pari passu* in right of payment with the Notes. See “*Capitalization*”, “*Use of Proceeds*”, and “*Description of Other Indebtedness*”.

Any of the existing and future indebtedness of the Altice France Group, the Altice International Group or other subsidiaries of the Issuer (excluding the Guarantor) incurred in the future in accordance with the Indenture are structurally senior to the Notes.

***The value of the Notes Collateral may not be sufficient to satisfy our obligations under the Notes and such Notes Collateral may be reduced or diluted under certain circumstances.***

In the event of a liquidation, insolvency, foreclosure, bankruptcy, reorganization or similar proceeding, the proceeds from the sale of the Notes Collateral that secures the Notes and the Notes Guarantee may not be sufficient to satisfy the Issuer's obligations under the Notes and the obligations of the Guarantor under the Notes Guarantee. The value of the Notes Collateral and the amount that may be received upon a sale of Notes Collateral will depend upon many factors including, among others, the condition of the Notes Collateral and our industry, the ability to sell the Notes Collateral in an orderly sale, market and economic conditions, whether the business is sold as a going concern, the availability of buyers and other factors. In addition, the Notes Collateral may be illiquid and may have no readily ascertainable market value. With respect to any shares of our subsidiaries pledged to secure the Notes and the Notes Guarantee, such shares may also have limited value in the event of a bankruptcy, insolvency, liquidation, winding up or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the claims of the Noteholders are effectively subordinated to the rights of our existing and future secured creditors who have priority in respect of proceeds from enforcement of the liens over assets that constitute Notes Collateral to the extent of the value of such assets, including with respect to the Existing Altice Lux Revolving Credit Facility and certain hedging obligations. In addition, courts could limit recoverability with respect to the Notes Collateral if they deem a portion of the interest claim usurious in violation of applicable public policy. As a result, liquidating the Notes Collateral may not produce proceeds in an amount sufficient to pay any amounts due on the Notes. If the proceeds of Notes Collateral were not sufficient to repay amounts outstanding under the Notes, then Noteholders (to the extent not repaid from the proceeds of the sale of the Notes Collateral) would only have an unsecured claim against our remaining assets. See "*—It may be difficult to realize the value of the Notes Collateral securing the Notes*".

No appraisal of the fair market value of the Notes Collateral has been made in connection with the offering of Notes. The book value of the Notes Collateral should not be relied on as a measure of realizable value for such assets. The value of the Notes Collateral could be impaired in the future as a result of changing economic and market conditions, our failure to successfully implement our business strategy, competition and other factors. The Notes Collateral may include intangible or other illiquid assets that by their nature may not have a readily ascertainable market value, whose value to other parties may be less than its value to us, or may not be readily saleable or, if saleable, there may be substantial delays in their liquidation. In addition, the value of the Notes Collateral may decrease because of obsolescence, impairment or certain casualty events.

The Indenture, the Existing Altice Lux Notes Indentures and the Altice Lux Revolving Credit Facility Agreement permit the granting of certain liens other than those in favor of the Noteholders on the relevant Notes Collateral securing the Notes, including in respect of certain future indebtedness. To the extent that holders of other secured indebtedness or third parties enjoy such liens, including statutory liens, whether or not permitted by the Indenture, the Notes Collateral Documents, the Existing Altice Lux Notes Indentures and the Altice Lux Revolving Credit Facility Agreement, such holders or third parties may have rights and remedies with respect to the Notes Collateral that, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes, to the extent such Notes are secured by such Notes Collateral. Moreover, if the Issuer issues additional Notes under the Indenture or Existing Altice Lux Notes Indentures, holders of such additional Notes would benefit from the same Notes Collateral as the Noteholders, thereby diluting Noteholders' ability to benefit from the liens on the Notes Collateral securing the Notes.

The security interests in the Notes Collateral under the Existing Altice Lux Revolving Credit Facility Agreement and under certain hedging obligations have the right to be repaid from proceeds of Notes Collateral prior to holders of the Notes.

The Altice Lux Intercreditor Agreement provides for detailed enforcement mechanisms with respect to the Notes Collateral. Please see "*Description of Other Indebtedness—Indebtedness of the Issuer—Altice Lux Intercreditor Agreement*".

***The security interests in the Notes Collateral have been granted to the Security Agent rather than directly to the holders of the Notes and the ability of the Security Agent to enforce such rights over the Notes Collateral may be restricted by local law.***

The security interests in the Notes Collateral secures our obligations under the Notes and the obligations of the Guarantor under the Notes Guarantee have not been granted directly to the Noteholders but have been granted

only in favor of the Security Agent. The Indenture provides (along with the Altice Lux Intercreditor Agreement) that only the Security Agent has the right to enforce the Notes Collateral Documents. As a result, Noteholders do not have direct security interests and are not entitled to take enforcement action in respect of the Notes Collateral except through the Security Agent who will (subject to the provisions of the Indenture and the Altice Lux Intercreditor Agreement) provide instructions to the Security Agent in respect of the Notes Collateral.

The Notes Collateral Documents are governed by the laws of Luxembourg. Bankruptcy laws could prevent the Security Agent on behalf of the Noteholders from repossessing and disposing of the Notes Collateral upon the occurrence of an event of default if a bankruptcy proceeding is commenced by or against the relevant grantor of such Notes Collateral before the Security Agent repossesses and disposes of the Notes Collateral. See “—*Enforcing your rights as a Noteholder or under the Notes Guarantee or security across multiple jurisdictions may prove difficult or provide less protection than U.S. bankruptcy law*”.

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions, depending on the type of the security interests. Generally, according to article 2(4) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended (the “**Collateral Act 2005**”), a security (financial collateral) may be provided in favor of a person acting on behalf of the collateral taker, a fiduciary or a trustee in order to secure the claims of third party beneficiaries, whether present or future, provided that these third party beneficiaries are determined or may be determined. Without prejudice to their obligations vis à vis third party beneficiaries of the security, persons acting on behalf of beneficiaries of the security, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security aimed at by such law.

***The Noteholders’ ability to recover under the Notes Collateral and the Notes Guarantee may be limited. Before any amounts are available to repay the Notes, lenders under the Altice Lux Revolving Credit Facility and certain hedge counterparties will have a right to be repaid with the proceeds realized following the enforcement of all or part of the Notes Collateral.***

The obligations under the Notes and the Notes Guarantee are secured by security interests over the Notes Collateral which also secure our obligations under the Existing Altice Lux Notes, the Altice Lux Revolving Credit Facility and certain hedging obligations. Pursuant to the Altice Lux Intercreditor Agreement, the lenders under the Altice Lux Revolving Credit Facility Agreement and certain hedging arrangements have priority over the holders of the Notes with respect to the proceeds from the enforcement of the Notes Collateral. In addition, the creditors under the Altice Lux Revolving Credit Facility Agreement and certain hedging arrangements will have priority over any amounts received from the sale of any assets of the Issuer or the Guarantor pursuant to an insolvency event or certain other distressed disposals of the Notes Collateral pursuant to the Altice Lux Intercreditor Agreement. As such, you may not be able to recover on the Notes Collateral if the claims of the lenders under the Altice Lux Revolving Credit Facility Agreement and certain hedging obligations are greater than the proceeds realized from any enforcement of the security interests over the Notes Collateral.

In addition, the Notes Collateral may also secure certain future indebtedness that is permitted to be incurred under the Indenture and our other existing debt agreements on a *pari passu* basis, and certain of that indebtedness may have similar priority to the proceeds of the enforcement of, or certain distressed disposals of, the Notes Collateral. Any proceeds from an enforcement sale of the Notes Collateral by any creditor will, after all obligations under the Altice Lux Revolving Credit Facility Agreement and such priority hedging obligations have been paid from such recoveries, be applied pro rata in repayment of the Notes, the Existing Altice Lux Notes and other senior indebtedness secured on such Notes Collateral. Our ability to incur additional debt in the future secured on the Notes Collateral may have the effect of diluting the ratio of the value of such Notes Collateral to the aggregate amount of the obligations secured by the Notes Collateral. In addition, claims of any secured creditors which are secured by assets that do not also secure the Notes or the Notes Guarantee will have priority with respect to such assets over the claims of Noteholders. As such, the claims of the Noteholders are effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

Subject to certain conditions, any security interest in the Notes Collateral will be automatically released at the time of an enforcement sale of the pledged entity or the assets or shares of any direct or indirect parent entity of such subsidiary. Following such a sale, the Trustee of the Notes and the Noteholders will have no claims in relation to such entity and its direct and indirect subsidiaries under the Notes or the Notes Guarantee. See “*Description of Other Indebtedness—Indebtedness of the Issuer—The Altice Lux Intercreditor Agreement*” for further information.

***It may be difficult to realize the value of the Notes Collateral securing the Notes.***

The Noteholders benefit from security interests in the Notes Collateral that secures the Notes.

The Notes Collateral is subject to any and all exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture and/or the Altice Lux Intercreditor Agreement. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens and other imperfections. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Notes Collateral, as well as the ability of the Security Agent to realize or foreclose on such Notes Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The security interests of the Security Agent are subject to practical problems generally associated with the realization of security interests over real or personal property such as the Notes Collateral. For example, the Security Agent may need to obtain the consent of a third party, including that of competent regulatory authorities or courts, to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Notes Collateral may significantly decrease.

Furthermore, enforcement procedures and timing for obtaining judicial decisions in Luxembourg may be materially more complex and time consuming than in equivalent situations in jurisdictions with which investors may be more familiar.

***Rights in the Notes Collateral may be adversely affected by the failure to perfect security interests in the Notes Collateral.***

Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party or the grantor of the security. The liens on the Notes Collateral may not be perfected with respect to the Notes and the Notes Guarantee, as the case may be, if the Security Agent is not able to or does not take the actions necessary to perfect or maintain the perfection of any such liens. Such failure may result in the invalidity of the relevant security interest in the Notes Collateral securing the Notes, as applicable, or adversely affect the priority of such security interest in favor of such debt against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Notes Collateral. In addition, applicable law may require that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the Security Agent will monitor, or that we will inform the Security Agent of, the future acquisition of property and rights that constitute Notes Collateral, and that all necessary action will be taken to properly perfect the security interest in such after acquired collateral. The Security Agent does not have any obligation to monitor the acquisition of additional property or rights that should constitute Notes Collateral or the perfection of, or to take steps to perfect, any security interest therein. Such failure may result in the loss of the security interest in the Notes Collateral or adversely affect the priority of the security interest in favor of the Notes and the Notes Guarantee against third parties including a trustee in bankruptcy and other creditors who may claim a secured interest in any part of the Notes Collateral.

Additionally, the Indenture and the Notes Collateral Documents entered into in connection with the Notes may require us to take a number of actions that might improve the perfection or priority of the liens of the Security Agent in the Notes Collateral. To the extent that the security interests created by the Notes Collateral Documents with respect to any Notes Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding.

***There are circumstances other than repayment or discharge of the Notes under which the Notes Guarantee and the Notes Collateral will be released automatically, without your consent or the consent of the Trustee.***

Under various circumstances, the Notes Guarantee will be released. See “*Description of Notes—The Note Guarantee*”. In addition, under various circumstances, the Issuer and the Guarantor will be entitled to release the security interests in respect of the Notes Collateral securing the Notes and the Notes Guarantee.

We are also permitted to release and/or re-take any lien on any Notes Collateral to the extent otherwise permitted by the terms of the Indenture, the Notes Collateral Documents, the Existing Altice Lux Notes Indentures and/or the Altice Lux Intercreditor Agreement or any additional intercreditor agreement. Such a release and re-taking of Notes Collateral may give rise to the start of a new hardening period in respect of the Notes Collateral and/or the Notes Collateral may be void under applicable Luxembourg provisions. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Notes Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Notes Collateral and thus reduce your recovery under the Notes. See “*Description of Notes—Notes Security*”.

On the Issue Date, each of SFR FTTH, an associate of the Group in which the Group owns a 50.01% interest, and Auberimmo S.A.S, a French corporation incorporated as a *société par actions simplifiée* and a wholly-owned subsidiary of the Issuer, and each of their respective subsidiaries was designated as an unrestricted subsidiary under the Indenture. The Indenture also permits us to designate one or more of our restricted subsidiaries as an unrestricted subsidiary. If we designate any other restricted subsidiary as an unrestricted subsidiary for purposes of the Indenture, all of the liens on any Notes Collateral owned by such subsidiary or any of its subsidiaries (if any) and any guarantees of the Notes by such subsidiary (if any) or any of its subsidiaries will be released under the Indenture. The designation of an unrestricted subsidiary will reduce the aggregate value of the Notes Collateral securing the Notes to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a senior claim on the assets of such unrestricted subsidiary and its subsidiaries. See “*Description of Notes*”.

***We will in most cases have control over the Notes Collateral securing the Notes and the sale or disposal of particular assets could reduce the pool of assets securing such debt.***

The Notes Collateral Documents allows the Issuer and the Guarantor, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Notes Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantor may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Notes Collateral, such as selling, factoring, abandoning or otherwise disposing of Notes Collateral and making ordinary course cash payments, including repayments of debt. Any of these activities could reduce the value of the Notes Collateral and consequently the amounts payable to you from proceeds of any sale of Notes Collateral in the case of an enforcement of the liens.

***Enforcing your rights as a Noteholder or under the Notes Guarantee or security across multiple jurisdictions may prove difficult or provide less protection than U.S. bankruptcy law.***

The Notes are issued by the Issuer and guaranteed by the Guarantor, each of which is incorporated under the laws of the Grand Duchy of Luxembourg. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in the Grand Duchy of Luxembourg, England and Wales or other jurisdictions. Such jurisdictions may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar, and proceedings in these jurisdictions are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, the Notes Guarantee and the Notes Collateral is subject to such bankruptcy, insolvency and administrative laws and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings. See “—*Risks Related to the Notes and the Structure—The Issuer and the Guarantor are incorporated under and subject to Luxembourg law, and Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions*” and “—*The Notes Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*”.

In addition, in the event that one or more of the Issuer, the Guarantor and any future guarantor, if any, or any other of our subsidiaries experiences financial difficulty, the bankruptcy, insolvency, administrative and other laws of the Issuer’s and the Guarantor’s jurisdictions of organization and location of assets may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether the law of any particular jurisdiction should apply, and may adversely affect your ability to enforce your rights under the Notes, the Notes Guarantee and the Notes Collateral in those jurisdictions or limit any amounts that you may receive.

See “*Limitation on Validity and Enforceability of the Guarantee and the Security Interests and Insolvency Laws of Certain Jurisdictions*”.

***The Notes Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.***

The Notes Guarantee provides the Noteholders with a direct claim against the Guarantor. However, the Indenture provides that the Notes Guarantee is limited to the maximum amount that may be guaranteed by the Guarantor without, among other things, rendering the Notes Guarantee, as it relates to the Guarantor, voidable or otherwise ineffective or limited under applicable law or causing the officers of the Guarantor to incur personal civil or criminal liability, and enforcement of such Notes Guarantee would be subject to certain generally available defenses. See “*Limitation on Validity and Enforceability of the Guarantee and the Security Interests and Insolvency Laws of Certain Jurisdictions*”.

Enforcement of the Notes Guarantee against the Guarantor, or of the security interests in respect thereof, is subject to certain defenses available to the Guarantor in the relevant jurisdiction. Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) void or invalidate all or a portion of the Guarantor’s obligations under its Notes Guarantee or the security interests in respect thereof, (ii) direct that the Noteholders return any amounts paid under the Notes Guarantee to the Guarantor or to a fund for the benefit of the Guarantor’s creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the Notes Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Notes Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the Notes Guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the Notes Guarantee and such Guarantor was: (i) insolvent or rendered insolvent because of the Notes Guarantee; (ii) undercapitalized or became undercapitalized because of the Notes Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the Notes Guarantee was held to exceed financial assistance rules or the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the Notes Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Notes Guarantee against the Guarantor.

We cannot assure you which standard a court would apply in determining whether the Guarantor was “insolvent” at the relevant time or that, regardless of the method of the valuation, a court would not determine that the Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not the Guarantor was insolvent on the date its Notes Guarantee was issued, that payments to Noteholders constituted preferences, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or
- it cannot pay its debts as they become due.

The liability of the Guarantor under its Notes Guarantee is limited to the amount that results in such Notes Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise

being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of the Guarantor. There is a possibility that the entire Notes Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that the Notes Guarantee was a preference, fraudulent transfer or conveyance and voided such Notes Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuer. In the event that the Notes Guarantee is invalid or unenforceable, in whole or in part, or to the extent any agreed limitation of the Notes Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor to the extent of such enforceability or agreed limitation, and if we cannot satisfy our obligations under the Notes or the Notes Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

***We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture.***

Upon the occurrence of certain events constituting a change of control, the Issuer will be required to offer to repurchase all outstanding Notes (and the Issuer could be required to repay the outstanding borrowings under the Altice Lux Revolving Credit Facility Agreement and/or offer to purchase the Existing Altice Lux Notes) at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in our credit facilities or other then existing contractual obligations of the Issuer would allow the Issuer to make such required repurchases. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The Issuer's ability to pay cash to the Noteholders following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when the Issuer is prohibited from repurchasing Notes under the Altice Lux Revolving Credit Facility Agreement, the Existing Altice Lux Notes, the Indentures or any other debt instruments, we may be required to seek the consent of the creditors under such indebtedness to purchase the Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such consent or refinance such borrowings, the Issuer will remain prohibited from repurchasing any tendered Notes.

In addition, we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, which could, in turn, constitute a default under other agreements governing our debt. See "*Description of Notes—Change of Control*".

The change of control provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under "*Description of Notes—Change of Control*", the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries taken as whole to any person other than certain permitted holders (as defined in the Indenture). Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***We cannot assure you that an active trading market will develop for the Notes, in which case your ability to sell the Notes will be limited.***

The Notes are new securities for which there is no market. We cannot assure you as to:

- the liquidity of any market that may develop for the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a Noteholder, regardless of our prospects and financial performance. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obliged to do so, and they may discontinue any market making activities at any time without notice. As a result, there is no assurance that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

***The Notes may not remain listed on the Official List of the Luxembourg Stock Exchange.***

Although the Issuer agreed in the Indenture to use commercially reasonable efforts to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market within a reasonable period after the issue date of the Notes, and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will remain listed. If the Issuer can no longer maintain the listing on the Luxembourg Stock Exchange, the Issuer may cease to maintain such listing on the Luxembourg Stock Exchange, provided that it will use commercially reasonable efforts to maintain the listing of the Notes on another recognized stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, failure to maintain listing or the delisting of the Notes from the Luxembourg Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

***Credit ratings may not reflect all risks.***

The credit ratings assigned to the Notes are an assessment by the relevant rating agencies of the Issuer's ability to pay its debts when due, which is, in respect of payment obligations under the Notes, dependent upon dividends, others distributions and other payments from its subsidiaries to meet its obligations. Consequently, real or anticipated changes in our or the Notes' credit ratings may generally affect the market value of the Notes. Ratings may not reflect the potential impact of all risks relating to structure, market and additional factors discussed in these Listing Particulars, and other factors not discussed herein may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. An explanation of the significance of such rating may be obtained from the applicable rating agency. There is no assurance that such credit ratings will be issued or remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the applicable rating agency's judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with the application of the proceeds of the offering or in connection with future events, such as future acquisitions. Noteholders will have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Notes.

***Certain covenants may be suspended upon the occurrence of a change in our ratings.***

The Indenture provides that, if at any time following the date of the Indenture, the Notes are rated Baa3 or better by Moody's and BBB- or better from S&P and no default or event of default has occurred and is continuing, then beginning that day the following provisions of the Indenture do not apply to the Notes: "*—Limitation on Indebtedness*", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "*—Limitation on Affiliate Transactions*", "*—Additional Guarantors*" and "*—Impairment of Security Interests*" and the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*".



Notwithstanding the foregoing, if the rating assigned by any such rating agency to such Notes should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstated as at and from the date of such rating decline.

If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of Noteholders. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

***The Issuer and the Guarantor are incorporated under and subject to Luxembourg law, and Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions.***

The Issuer and the Guarantor are public limited liability companies (*sociétés anonymes*) incorporated under the laws of Luxembourg and have their center of main interests in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer and the Guarantor may proceed under, and be governed by, Luxembourg insolvency laws. The rights of Noteholders and the responsibilities of the Issuer to the Noteholders under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of the jurisdiction in which the Notes are offered. Additionally, the insolvency laws of Luxembourg may not be as favorable to Noteholders as insolvency laws of jurisdictions with which investors may be familiar.

The following is a brief description of certain aspects of insolvency laws in Luxembourg. Under Luxembourg insolvency laws, the following types of proceedings (together referred to as insolvency proceedings) may be opened against the Issuer or the Guarantor to the extent that an Issuer and the Guarantor has its registered office or center of main interests in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by an Issuer, by any of its creditors or by the Luxembourg public prosecutor. Following such a request, the courts having jurisdiction may open bankruptcy proceedings, if an Issuer (a) is in default of payment (*cessation de paiements*) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court considers that these conditions are met, it may open bankruptcy proceedings, absent a request made by an Issuer or a creditor. The main effect of such proceedings is the suspension of all measures of enforcement against an Issuer except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realization of assets;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors; and
- composition proceedings (*concordat préventif de la faillite*), the opening of which may only be requested by an Issuer (having received prior consent of a majority of its creditors) and not by its creditors. The court's decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by unsecured creditors.

In addition to these proceedings, the ability of the Noteholders to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiements*) or to put an Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The Issuer's liabilities in respect of the Notes, as applicable, will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the Issuer's debts that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law for instance include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and

- remuneration owed to employees.

Assets over which a security interest has been granted in principle are not available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of secured creditors to enforce their security interest may also be limited in the event of controlled management proceedings automatically causing the rights of secured creditors to be frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the Issuer's liabilities in order to take effect.

The Luxembourg act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "**Collateral Act 2005**") expressly provides that all financial collateral arrangements (including pledges) including enforcement measures are valid and enforceable even if entered into during the pre bankruptcy period, against all third parties including supervisors, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting anyone of the parties, save in the case of fraud.

Generally, Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer or the Guarantor during the pre bankruptcy hardening period (*période suspecte*) which is a maximum of six months and the 10 days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce, some specific transactions (in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Collateral Act 2005; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments;
- pursuant to article 21 (2) of the Collateral Act 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg code of commerce, where a financial collateral arrangement has been entered into on the date of the commencement of a reorganization measure or winding up proceedings, but after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, that agreement is enforceable and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it ignored the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the civil code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. However, as of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis á vis the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale, on a pro rata basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs.

***Transfers of the Notes are restricted, which may adversely affect the value of the Notes.***

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been registered under the U.S. Securities Act or any U.S. state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes, as applicable, in an aggregate principal amount of less than \$200,000, in the case of the Dollar Notes, or €100,000, in the case of the Euro Notes. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See “*Book-Entry, Delivery and Form—Transfers*”.

***You may be unable to recover in civil proceedings for U.S. securities laws violations.***

Each of the Issuer and the Guarantor are incorporated under the laws of the Grand Duchy of Luxembourg and some or all of the directors and executive officers of the Issuer and the Guarantor are non-residents of the United States and all or a majority of their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantor or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. Additionally, there is doubt as to the enforceability in many foreign jurisdictions of civil liabilities based on the civil liability provisions of the federal or state securities laws of the United States against ourselves, the Guarantor, the directors, controlling persons and management and any experts named in these Listing Particulars who are not residents of the United States. See “*Service of Process and Enforcement of Civil Liabilities*”.

***You may face currency exchange risks or adverse tax consequences by investing in the Notes denominated in currencies other than your reference currency.***

The Notes are denominated and payable in U.S. dollar and euro. If you are a sterling or other non-U.S. dollar or non-euro investor, an investment in the Notes entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the U.S. dollar or euro relative to sterling or other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the U.S. dollar or euro against sterling or other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investments in the Notes by U.S. investors may also have important tax consequences as a result of foreign currency exchange gains or losses, if any. See “*Tax Considerations—Certain U.S. Federal Income Tax Considerations*”.

***The Notes may be treated as issued with original issue discount for U.S. federal income tax purposes.***

The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined *de minimis* amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, generally in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See “*Tax Considerations—Certain U.S. Federal Income Tax Considerations*”.

***The Notes are held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

Owners of the book entry interests are not considered owners or Noteholders unless and until Notes in registered definitive form (“Definitive Notes”) are issued in exchange for book entry interests. Instead, the common depositary for Euroclear and Clearstream and/or DTC (or their respective nominee) is the sole holder of the Global Notes representing the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Global Notes will be made to the Principal Paying Agent and the US Paying Agent, which will make payments to Euroclear, Clearstream and/or DTC, as applicable. Thereafter, such payments will be credited to Euroclear, Clearstream and/or DTC participants' accounts that hold book entry interests in the Global Notes and credited by such participants to indirect participants. After payment to Euroclear, Clearstream and/or DTC, as applicable, none of us, the Trustee, the Transfer Agent, the Registrar or the Paying Agents will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear, Clearstream and/or DTC, as applicable, or to owners of book entry interests.

Owners of book entry interests do not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from Noteholders, including enforcement of the Notes Collateral. Instead, if you own a book entry interest, you will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear, Clearstream and/or DTC, as applicable, or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis. See "*Book-Entry, Delivery and Form*".

## USE OF PROCEEDS

The expected sources and uses of the funds necessary to consummate the Refinancing Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros and timing of the completion of the Refinancing Transactions. See “*Summary—The Refinancing Transactions.*”

The amounts set forth below are based on an exchange rate as of December 31, 2018, of €1.00 = \$1.1452.

Sources of Funds		Uses of Funds	
	€ in millions		€ in millions
Notes .....	2,797	Refinancing Transactions <sup>(2)</sup> .....	3,620
Cash from Altice France.....	500	Transaction fees and expenses <sup>(3)</sup> .....	98
Net cash from existing swap unwinds for new swaps <sup>(1)</sup> .....	435	Cash on balance sheet .....	15
<b>Total Sources</b> .....	<b>3,732</b>	<b>Total Uses</b>	<b>3,732</b>

- (1) Reflects the estimated amount of net cash proceeds to be received from the unwinding of certain existing swaps relating to the Existing Altice Lux 2022 Notes and the entry into new swaps relating to the Notes in connection with the Refinancing Transactions. The actual amount may differ from the estimated amounts depending on changes in the exchange rate for dollars and euros prior to unwinding such swaps.
- (2) Reflects the aggregate principal amount of the Existing Altice Lux 2022 Notes which have been redeemed in part in connection with the Refinancing Transactions (comprising (i) €2,075 million in aggregate principal amount of outstanding Existing Altice Lux 2022 Notes and (ii) \$2,900 (€2,532 equivalent) million in aggregate principal amount of outstanding Existing Altice Lux 2022 Notes). See “*Summary—The Refinancing Transactions.*”
- (3) This amount reflects our estimate of the fees, expenses and premiums we will pay in connection with the Refinancing Transactions and commitment, placement, financial advisory and other transaction costs and professional fees. The actual amount may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the Refinancing Transactions.

## CAPITALIZATION

The following table sets forth the Group's consolidated cash and cash equivalents and total financial debt as of December 31, 2018, on an actual basis and as adjusted to give effect to the Refinancing Transactions (including the offering of the Notes, the unwinding of certain existing swaps relating to the Existing Altice Lux 2022 Notes and the entry into new swaps relating to the Notes in connection with the Refinancing Transactions, and the use of proceeds therefrom) and the receipt of net cash proceeds from the sale of a 49.99% interest in SFR FTTH completed on March 27, 2019. Amounts reflect the principal amount of indebtedness outstanding and exclude certain items such as transaction costs. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Refinancing Transactions or such other transactions. As adjusted amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros. See "Summary—The Refinancing Transactions", "Summary—Recent Developments—Sale of a 49.99% Interest in SFR FTTH" and "Use of Proceeds".

This table should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Other Indebtedness" and the financial statements and notes thereto included elsewhere in these Listing Particulars.

The amounts set forth below are based on an exchange rate as of December 31, 2018, of €1.00 = \$1.1452.

	December 31, 2018	
	Actual	Adjusted <sup>(18)</sup>
	€ in millions	
<b>CASH AND CASH EQUIVALENTS<sup>(1)</sup></b>		
Altice France Group .....	1,069	2,279
Altice International Group.....	597	597
Altice Luxembourg S.A. stand-alone .....	—	18
<b>Total cash and cash equivalents<sup>(1)</sup> .....</b>	<b>1,666</b>	<b>2,894</b>
<b>ALTICE FRANCE GROUP FINANCIAL DEBT:</b>		
Altice France Notes <sup>(2)</sup> .....	9,511	9,511
Altice France Term Loans <sup>(3)</sup> .....	7,381	7,381
Altice France Revolving Credit Facility <sup>(4)</sup> .....	—	—
Finance Leases and other liabilities <sup>(5)</sup> .....	313	313
<b>Total Altice France Group consolidated financial debt<sup>(6)</sup> .....</b>	<b>17,204</b>	<b>17,204</b>
Exchange rate effect of derivative instruments <sup>(7)</sup> .....	(978)	(978)
<b>Total Altice France Group financial debt<sup>(8)</sup> .....</b>	<b>16,226</b>	<b>16,226</b>
<b>ALTICE INTERNATIONAL GROUP FINANCIAL DEBT:</b>		
Altice International Senior Secured Notes <sup>(9)</sup> .....	4,700	4,700
Altice International Senior Notes <sup>(10)</sup> .....	1,611	1,611
Altice International Term Loans <sup>(11)</sup> .....	1,858	1,858
Altice International Revolving Credit Facilities <sup>(12)</sup> .....	—	—
Finance Leases and other liabilities <sup>(13)</sup> .....	59	59
<b>Total Altice International Group consolidated financial debt<sup>(14)</sup> .....</b>	<b>8,227</b>	<b>8,227</b>
Exchange rate effect of derivative instruments <sup>(7)</sup> .....	48	48
<b>Total Altice International Group financial debt .....</b>	<b>8,275</b>	<b>8,275</b>
<b>Altice Luxembourg S.A. stand-alone financial debt:</b>		
Notes <sup>(15)</sup> .....	—	2,797
Existing Altice Lux Notes <sup>(16)</sup> .....	6,650	3,030
Altice Lux Revolving Credit Facility <sup>(17)</sup> .....	—	—
<b>Total Altice Luxembourg S.A. stand-alone financial debt .....</b>	<b>6,650</b>	<b>5,828</b>
Exchange rate effect of derivative instruments <sup>(7)</sup> .....	(420)	16
<b>Total Altice Luxembourg S.A. stand-alone financial debt .....</b>	<b>6,230</b>	<b>5,844</b>
<b>Total consolidated financial debt .....</b>	<b>32,081</b>	<b>31,259</b>
Exchange rate effect of derivative instruments <sup>(7)</sup> .....	(1,350)	(914)
<b>Total financial debt (after currency impact of derivative instruments) .....</b>	<b>30,731</b>	<b>30,345</b>

(1) As adjusted amount includes €1,710 million of net cash proceeds received by Altice France from the sale of a 49.99% interest in SFR FTTH completed on March 27, 2019 and does not give effect to any other changes in cash and cash equivalents after December 31, 2018. As of March 31, 2019 and April 26, 2019, (i) total consolidated cash and cash equivalents of the Group was €2,254 million and €1,937 million, respectively, (ii) Altice France cash and cash equivalents was €1,624 million and €1,493 million, respectively and (iii) Altice International cash and cash equivalents was €555 million and €445 million, respectively.

- (2) Includes an aggregate principal amount denominated in U.S. dollars of \$8,315 million (€7,261 million equivalent) of Altice France 2027 Notes, Altice France 2026 Notes and Altice France 2024 Notes outstanding as of the date hereof.
- (3) Includes an aggregate principal amount denominated in U.S. dollars of \$6,028 million (€5,263 million equivalent) of outstanding borrowings under the Altice France Term Loan Agreement.
- (4) As of December 31, 2018, there was no indebtedness drawn and outstanding under the Altice France Revolving Credit Facilities and we had €1,125 million of availability under the Altice France Revolving Credit Facilities. As of the date of the Offering Memorandum there is no indebtedness drawn and outstanding under the Altice France Revolving Credit Facilities. In addition, as of the date of the Offering Memorandum, Hivory has drawn €10 million under the 2019 Hivory Senior Revolving Facilities.
- (5) These amounts do not give effect to IFRS 16 (Leases) which applies to reporting periods beginning on or after January 1, 2019. As of December 31, 2018 and March 31, 2019 (without applying IFRS 16), Finance Leases of the Altice France Group were €79 million and €68 million, respectively. As of March 31, 2019 (after applying IFRS 16), Finance Leases of the Altice France Group were €3,056 million.
- (6) Excludes (i) customer deposits of €200 million (of which €37 million is short term) which are deposits by customers renting set-top boxes and broadband routers, repayable when customers return such devices in good functioning order at the end of their contracts, (ii) securitization debt of €229 million, (iii) reverse factoring liabilities of €600 million and (iv) the perpetual subordinated notes issued by SFR Fibre to Vilorex, a subsidiary of GDF Suez (the “Perpetual Subordinated Notes”). The proceeds of the Perpetual Subordinated Notes have been earmarked for financing the construction of plugs in towns located in SIPPAREC’s southern hub (Syndicat Intercommunal de la Périphérie de Paris pour l’Electricité et les Réseaux de Communication). The Perpetual Subordinated Notes bear interest at 7% per annum. Interest is capitalized. The total financial liabilities under the Perpetual Subordinated Notes amounted to €53 million as of December 31, 2018 (excluding accrued interest).
- (7) Reflects the difference in notional amount of derivatives due from counterparty denominated in U.S. dollar converted in euro based on exchange rate as of balance sheet date and the notional amount of the derivatives due to counterparty as disclosed in note 17.3.2.1 of the 2018 Historical Consolidated Financial Information included elsewhere in these Listing Particulars.
- (8) Does not include amounts incurred by SFR FTTH, an associate in which the Group owns a 50.01% interest, under the 2019 SFR FTTH Senior Facilities Agreement. SFR FTTH is accounted for as an associate and therefore will not be consolidated in the Issuer’s financial statements. See “*Summary—Recent Developments—Sale of a 49.99% Interest in SFR FTTH*”, “*Description of Our Business—Material Contracts—SFR FTTH*” and “*Description of Other Indebtedness—Indebtedness of Unrestricted Subsidiaries—2019 SFR FTTH Senior Facilities Agreement*” for more information.
- (9) Includes an aggregate principal amount denominated in U.S. dollars of \$4,810 million (€4,200 million equivalent) of the Altice Financing 2023 Notes and the Altice Financing 2026 Notes outstanding as of the date hereof.
- (10) Includes an aggregate principal amount denominated in U.S. dollars of \$785 million (€685 million equivalent) of the Altice Finco 2023 Notes, the Altice Finco 2024 Notes, the Altice Finco 2025 Notes and the Altice Finco 2028 Notes outstanding as of the date hereof.
- (11) Includes an aggregate principal amount denominated in U.S. dollars of \$1,787 million (€1,561 million equivalent) of outstanding borrowings under the Altice Financing Term Loan Agreement.
- (12) As of December 31, 2018, there was no indebtedness drawn and outstanding under the Altice Financing Revolving Credit Facilities and we had €831 million of availability under the Altice Financing Revolving Credit Facilities. As of March 31, 2019, there was no indebtedness drawn and outstanding under the Altice Financing Revolving Credit Facilities. As of date of the Offering Memorandum, there is no indebtedness drawn and outstanding under the Altice Financing Revolving Credit Facilities.
- (13) These amounts do not give effect to IFRS 16 (Leases) which applies to reporting periods beginning on or after January 1, 2019. As of December 31, 2018 and March 31, 2019 (without applying IFRS 16), Finance Leases of the Altice International Group were €54 million and €51 million, respectively. As of March 31, 2019 (after applying IFRS 16), Finance Leases of the Altice International Group were €933 million.
- (14) Does not include guarantees issued under the Altice Financing Guarantee Facilities, which represents a contingent liability of the Altice International Group. As of December 31, 2018, March 31, 2019 and the date of the Offering Memorandum, the amount of guarantees issued under the Altice Financing Guarantee Facilities was €323 million.
- (15) Reflects the euro equivalent amount of the aggregate principal amount of the Notes.
- (16) Includes an aggregate principal amount denominated in U.S. dollars of \$4,380 million (€3,825 million equivalent) of Existing Altice Lux 2022 Notes and Existing Altice Lux 2025 Notes. As adjusted amount reflects the redemption in part of approximately €3,620 million in aggregate principal amount of outstanding Existing Altice Lux 2022 Notes in connection with the Refinancing Transactions. See “Use of Proceeds”.
- (17) As of December 31, 2018, there was no indebtedness drawn and outstanding under the Altice Lux Revolving Credit Facility and we had €200 million of availability under the Altice Lux Revolving Credit Facility. As of March 31, 2019 there was no indebtedness drawn and outstanding under the Altice Lux Revolving Credit Facility. As of the date of the Offering Memorandum there was no indebtedness drawn and outstanding under the Altice Lux Revolving Credit Facility. As of May 9, 2019, the amounts available under the Altice Lux Revolving Credit Facility will reduce to €186 million.

- (18) Following the Refinancing Transactions, we currently expect to repay up to €1,000 million of indebtedness of the Alice France Group with cash on hand which is not reflected in the adjustments. However, as the Group assesses liquidity needs and spending priorities on an on-going basis, there can be no assurance with respect to such repayment or the timing thereof. See “*Forward-Looking Statements*”.



## INDUSTRY, COMPETITION AND MARKET OVERVIEW

### Introduction

We primarily provide cable and fiber-based services comprising high-quality pay television, high-speed broadband internet, fixed-line and mobile telephony to residential customers, and, in certain countries, mobile and fixed-line enterprise telecom services to corporate and government customers. Across geographies, we benefit from an attractive competitive environment given the superiority of the services we can provide through our cable and fiber networks, in which we have significantly invested, as well as our advanced mobile networks. This has enabled us to (1) develop strong positions in multiple play segments as selling various services as part of bundles has become a growing trend in the markets in which we operate and (2) grow our market share in mobile telephony across our markets (France, Portugal, Israel, Dominican Republic and other geographies).

### *Pay Television*

Cable is the leading platform to distribute pay television in Western Europe and the United States, with a few exceptions, for example in Italy where cable has not been introduced. Technologies that compete with cable include satellite, Internet Protocol television (“**IPTV**”), “over the top” (“**OTT**”) television and digital terrestrial television (“**DTT**”). We believe that cable has certain advantages over these technologies, notably in terms of availability of interactive features, image quality and number of channels. Cable is only matched in quality by IPTV and OTT television when these technologies are delivered over fiber-to-the-home (“**FTTH**”) networks. FTTH networks benefit from substantial bandwidth capabilities that are able to cope with the simultaneous provision of high-speed broadband and high-definition television services.

Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers require a satellite dish, a satellite receiver and a set top box. Pay television services provided via satellite typically require the viewers to use a conditional access smart card. Satellite distribution has certain competitive advantages over cable television services, including a broader range of programs available to a wider geographic area. However, given the lack of an integrated return path, satellite struggles to deliver easy to handle interactive television services, including video on demand (“**VoD**”) services, to subscribers who do not have a broadband internet connection. We believe that satellite has the following additional competitive disadvantages compared to cable: (i) higher up front cost of procuring and installing a satellite dish needed to receive programming, as compared to the “plug and play” convenience of cable television; (ii) absence of an ongoing maintenance service, which cable network operators can offer to their subscribers; (iii) satellite providers of “free to air” satellite services typically do not have strong relationships with the viewers using their service as they do not receive subscription or other fees from them; and (iv) vulnerability of satellite reception to external interference, such as adverse weather conditions.

DTT based pay television packages benefit from the wide coverage of the terrestrial platform but suffer from the structurally limited number of channels available on DTT and the lack of interactive features that can be provided through cable services. Consequently, the success of pay DTT has been limited, even in geographies where free DTT is the primary television platform.

IPTV and OTT television are highly attractive ways of providing television content except when they rely on digital subscriber line (“**DSL**”) networks. IPTV and OTT television that rely on DSL networks present a number of disadvantages compared to cable. For example, adding television services over a DSL network strains the network and decreases the amount of capacity available for other service offerings, particularly bandwidth intensive broadband internet. Under currently available technology, we believe that DSL based triple-play providers will have difficulty providing the same level of services that can be provided over fiber networks (in particular, for HDTV, viewing of TV and VoD on multiple screens or TV and VoD simultaneous viewing and recording) without having to make significant investments in extending fiber closer to the subscriber’s home. When such investments in fiber are made, notably through FTTH networks, IPTV and OTT television are able to offer high quality television to viewers.

Compared to DTH services provided via cable and FTTH networks are characterized by easy to use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Given the trend towards offering bundled media and telecommunications services, the market share of pay television distribution is expected to benefit from cable and fiber’s ability to deliver triple-play services with high bandwidth, high-speed and bi-directional capacity. Compared to standalone DTH, namely without a broadband internet connection, the number of advantages of bi-directional capabilities of digital cable television are

substantial for both the users and the cable operator. Digital cable subscribers can order VoD products and use interactive television while the cable operator is able to track usage patterns and enable their customers, the television channels, to target advertising to customers more efficiently.

### *Broadband Internet*

The main broadband internet access technologies are DSL and cable, with DSL being the leading platform in a number of countries for historical reasons, since internet access was initially provided on telephony copper lines; however is now increasingly provided on FTTH networks. We believe that the increasing demand for very-high-speed broadband internet to cope with advanced applications, such as multi-screen and multimedia, that require higher bandwidth and greater download speeds offer a sizable growth opportunity for cable- and fiber-based technologies in the near term. Furthermore, we believe that we are well positioned to benefit from the expected continued growth of the demand for very high speed internet, given that cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint and our cable and fiber-based networks will be able to handle the increased demand with limited additional upgrades. In contrast, many DSL based operators in some of the geographies where we operate would need to make substantial investments in fiber to meet customer needs; however it is possible, in some coverage areas, to upgrade DSL networks to fiber for a limited cost.

The existing DSL infrastructure offers consumers significantly lower speeds compared to cable maximum speeds of up to approximately 300Mbps on US DOCSIS 3.0, 360 Mbps on Euro DOCSIS 3.0 and up to 1 Gbps on FTTH networks. For most users, the actual speed provided by DSL is lower than the advertised maximum speed as the speed is dependent on the distance between end-users' premises and DSL hubs. Furthermore, the maximum download speed of DSL networks has to be shared between broadband internet and competing simultaneous users of the line, such as IPTV. According to the "Quality of Broadband Services in the EU" report by the European Commission (published in October 2014), cable and FTTx services achieved 86.5% and 83.1% of advertised download speeds, respectively, while DSL based services achieved only 63.3% of advertised download speed.

A substantial challenge facing the expansion of FTTH or FTTB is that introducing such technology is capital and time intensive and requires significant digging and rewiring, with the exception of certain areas and buildings where upgrades can be performed at a limited cost.

Unlike DSL, cable networks are able to deliver consistent speeds irrespective of the distance to the customer. We are currently able to offer download speeds of at least 100 Mbps to a majority of homes passed in most of our footprint.

The DOCSIS 3.1 standard, which is being developed by CableLabs, is a new DOCSIS specification enabling higher spectral efficiency support of up to 10 Gbps downstream and 1 Gbps upstream speeds. DOCSIS 3.1 is expected to work on existing hybrid fiber coaxial ("HFC") plant and be backwardly compatible with previous DOCSIS standards. This double backward compatibility will allow a smooth migration strategy and no plant changes required to deploy DOCSIS 3.1 equipment. Furthermore, limited investment will be needed to further maximize the capacity in the future.

Very-high-bit-rate digital subscriber line 2 ("VDSL2") is the latest and most advanced technology for DSL broadband internet wireline communications. It was originally designed to support the wide deployment of triple-play services such as voice, video, data, HDTV and interactive gaming and was intended to enable operators and carriers to gradually, flexibly, and cost efficiently upgrade existing xDSL infrastructure. VDSL2 allows the transmission of asymmetric and symmetric aggregate data rates of up to 200 Mbps downstream and upstream on twisted pairs using a bandwidth up to 30 MHz and further, allows for significantly lower signal deterioration caused by the distance between the cabinet and the customer's premises when compared to older DSL technologies. VDSL2 enabled networks could theoretically allow for up to 100 Mbps at 0.4 kilometers, 40 to 50 Mbps at 0.7 kilometer and approximately 30 Mbps at 1 kilometer.

The European Union has set Broadband-related objectives set out in the Digital Agenda for Europe, one of the seven flagship initiatives of the Europe 2020 strategy adopted by the Commission in 2010. These objectives are (i) by 2013, to bring basic broadband to all Europeans (from 144 Kbps up to 30 Mbps); (ii) by 2020, to ensure coverage of all Europeans with fast broadband (> 30 Mbps); and (iii) by 2020, to ensure take-up of 50 % or more of European households to ultra-fast broadband (> 100 Mbps).

## *Fixed-line Telephony*

Traditional switched voice lines have been declining steadily in recent years as they are replaced by voice over Internet Protocol (“VoIP”) lines. More generally, fixed-line telephony has become a commodity product that is now bundled into multiple play packages. Accordingly, fixed-line services have become dependent on the quality of the broadband internet offering and rate pricing for fixed-line telephony is now the market standard. Despite these changes, the decline in use of fixed-line telephony has been slow as most households still maintain a fixed-line at home.

## *Mobile Telephony and Mobile Broadband Internet*

Consumption of mobile telephony and data services has continued to rise globally, driven by a growing penetration and a wider availability of smart phones. Mobile data traffic is forecasted to grow at an average rate of 46% between 2017 and 2022 according to third party sources, mainly driven by the development of smartphone devices supporting multiple wireless technologies. As mobile internet usage is mainly in the vicinity of home or office, we believe that operators’ success in the mobile telephony services business will largely rely on their ability to access a high capacity backbone with compelling mobile tower backhaul offload solutions and a strong integration of their mobile telephony offers with residential broadband based offload capabilities to cope with increasing data consumption.

Despite this general trend, each mobile telephony market has a different structure and dynamic, depending on a variety of factors including, among other factors, the number of mobile network operators versus mobile virtual network operators, penetration of post-paid versus pre-paid subscription, regulation, available spectrum, and commercial strategies of operators such as handset subsidies. The success of mobile operators in the various markets is largely dependent on the overall environment and its competitive advantage. As such, we have decided to implement a versatile

mobile strategy that takes advantage of the fixed mobile convergence. As part of this strategy, we own and operate a mobile network in Israel and we expect to benefit from synergies with our scalable cable networks in Israel.

## *Fixed-line Enterprise Telecom Services*

We provide business-to-business (“B2B”) telecom services, including voice and data to Enterprise customers, in a number of our geographies. We are increasingly migrating our Enterprise customers from voice-only products to integrated systems involving data connectivity, information and communications technology (“ICT”) applications and cloud-based solutions. We believe our network infrastructure and pooled experience across the Group give us a competitive advantage in this segment.

### **1. France**

#### *Industry Overview*

The French telecommunications market is the third largest in Europe (*Source: Paul Budde Communication Pty Ltd, www.budde.com.au; France—Telecoms, Mobile and Broadband—Statistics and Analyses, November-2018*), with revenues of approximately €36 billion in 2018 (*Source: ARCEP*). While the Group operates in all segments of the French telecommunications market, its activity focuses on fixed-line very-high-speed internet, pay-TV, mobile and next-generation B2B services (advanced data services, IP VPN, hosting and cloud services).

France is one of the largest European fixed-line high-speed internet markets, with nearly 29.1 million fixed-line high-speed subscriptions as of December 31, 2018 (*Source: ARCEP*). Higher bandwidth is becoming increasingly important for B2C. While only 30.8% of broadband lines were very-high-speed lines as of December 31, 2018, in France, access to very high speed internet continues to rapidly increase with a 29% increase in very high speed subscriptions over the last twelve months (*Source: ARCEP*). As of December 31, 2018, 13.6 million households were eligible for very-high-speed optical FTTH, which corresponds to a 8.1% increase in one quarter and a 31.9% increase over one year (*Source: ARCEP*). Including other alternatives (HFC, VDSL2), 20.1 million households were eligible for very-high speed fixed services as of December 31, 2018, which corresponds to a 2.7% increase in one quarter and a 14.0% increase over one year (*Source: ARCEP*).

In the mobile market, the total number of SIM cards (excluding M2M SIM cards) increased, from 74.6 million cards as of December 31, 2017, to 75.6 million cards as of December 31, 2018 (*Source: ARCEP*), with growth

driven primarily by the postpaid segment. This growth has been sustained by an increase in the rate of penetration of mobile phones, smartphones and tablets and the growth of quadruple play offers. The value of the French mobile market, which had been declining since 2011 after the fourth mobile telephony operator entered the market in early 2012, contributing to a drop in the pricing of mobile offers in France, has remained stable in the last year (-0.1% decline from Q4-2017 to Q4-2018) (*Source: ARCEP*).

In both the B2C and B2B segments, data usage has increased and data needs have become more complex, as the next-generation services require higher speeds and bandwidth capacity.

### *B2C market*

The Group is present in metropolitan France, which as of December 31, 2018 had a population of approximately 67.0 million residents (*Source: INSEE*).

The French B2C internet access segment is a mature one, with 29.1 million fixed-line high-speed subscriptions as of December 31, 2018 (*Source: ARCEP*).

In terms of very-high-speed internet access, which ARCEP defines as internet access for which the peak download speed is greater or equal to 30 Mbps, the French market nevertheless presents a relatively low rate of penetration, with only 30.8% of households having very-high-speed internet access as of December 31, 2018 (*Source: ARCEP*). The Group estimates that such under-penetration could constitute an attractive opportunity for growth, as B2C subscribers are beginning to favor higher speed and bandwidth capacity for their internet use.

The French high-speed internet access market is one of the most competitive in Europe, with significant unbundling and strong incumbent competitors. The Orange fixed-line network includes a local loop serving the entire French population, and the unbundling allows other DSL access providers to access it at a price that is regulated by ARCEP. According to ARCEP, as of December 31, 2018, 11.2 million lines were unbundled (with 86% of all lines being totally unbundled). All operators reputed to exert significant influence are required to offer unbundled access to their local loop and associated infrastructure under non-discriminatory conditions, which leads to increased competition on the market. See “*Regulation—Asymmetric regulation of the fixed telephony markets and fast and superfast broadband markets*”.

The competition on the B2C market has intensified after the president of Bouygues Telecom announced in December 2013 his intention to launch a price war on fixed-line internet offers in 2014, following Free’s ads for its 4G offers and the results of its competitors. Bouygues Telecom introduced a triple play offer at €19.99 per month in February 2014, and in July 2014 launched a FTTH offer at €25.99 including tax per month, with no commitment in terms of duration. In March 2015, Iliad announced the release of a new triple play box under Android TV™, the mini 4K, at the price of €29.99 per month, with no commitment in terms of duration.

As of December 31, 2018, Orange, Free (Iliad) and Bouygues Telecom reported a volume of subscribers with broadband services of 11.5 million, 6.4 million and 3.7 million respectively (*Source: Q4-2018 earnings releases*).

The French B2C mobile telephony market is a mature market, even though it has experienced significant changes in recent years, with the entry of a fourth mobile telephony operator in January 2012. The penetration rate of mobile telephony (excluding M2M SIM cards) in France has continued to increase, in line with historical trends, from approximately 109.7% as of December 31, 2016 for the entire population, to 111.8% as of December 31, 2017 and 112.8% as of December 31, 2018 (*Source: ARCEP*).

## **1.1. Pay Television**

### *Introduction*

The French pay-TV television market is one of the largest in Europe. As with other European markets, the behavior of B2C consumers of television services in France is increasingly centered on digital, innovative, HD, Ultra-HD, and 3D-TV television services, as well as interactive television services such as VOD, which require large bandwidth, along with bi-directional distribution platforms.

## Broadcast platforms

In France, television signal broadcasting platforms include satellite, IP (DSL/FTTH), the cable network of the Group, terrestrial systems (DTT) and OTT. TV viewers who have the appropriate television equipment may receive signals and watch programs on approximately 25 television channels free of charge (with no subscription) through DTT. In order to have access to more channels or content, TV viewers must subscribe to pay-TV services. The pay-TV market in France is divided between standard pay-TV in the form of packages of standard channels, in other words DTT channels, as well as low added-value channels, and premium pay-TV in the form of premium channel offers, which are specialized in sports, cinema and other thematic channels. The incumbent operators of pay-TV must confront growing competition in free television (including DTT) and other alternatives to pay-TV (OTT and catch-up TV), although the competitive advantage of pay-TV (excellent quality programming and premium services) and the loyalty of the existing subscriber base have contributed to its sustainability (low price sensitivity and weak churn).

The growth of IPTV has transformed the market, offering the possibility of providing pay-TV services that go beyond the traditional cable and satellite methods (which is limited by the impossibility of installing a satellite dish on the facade of buildings in certain areas, such as the center of Paris).

Even though pay-DTT (which now concerns only the Canal+ Group) currently represents a low share of pay-TV, providers of pay-DTT could in the future be able to offer a larger selection of channels to a broader audience at a price that is lower than the one billed by the Group for its cable television services.

The Canal+ Group distributes its offers on all broadcasting platforms: DSL, DTT, satellite and the cable network of the Group (in the latter case, only for channels that belong to Canal+, called Les Chaînes Canal+, excluding CanalSat). The Canal+ Group has two additional offers: a premium offer consisting of Les Chaînes Canal+ and a multi-channel package known as CanalSat. These two supplementary offers may be subscribed to individually or together. The Canal+ Group has developed numerous services with high added value to its offerings, such as CanalPlay (TV on-demand not available by satellite but available on the Group's cable network), HD or even multi-screen broadcasting. As of December 31, 2018, the Canal+ Group had 16.2 million individual subscribers, of which 8.4 million individual subscribers are in mainland France (*Source: Vivendi Q4 2018 Results*). The Canal+ Group has negotiated agreements with broadcasters on the broadcasting platforms to which they hold rights.

With regard to Canal+ Group, the Group's pay-TV offers are above all in competition with the CanalSat offers, as the content of their offers is similar (the content of the Canal+ channels is exclusive to the Canal+ Group). There are several CanalSat offers, including CanalSat Panorama (78 thematic channels, €19.90 per month) and L'Intégrale offer, which include all Canal+ and CanalSat channels (€79.90 per month). Last, one may customize its offer adding thematic pack(s) (Family, Canal+ channels, Cinema Series and/or Sport – including beIn) to the main pack (Canal+ and Canal+ Décalé). The Multisports and beIn Sport channels are not included but may, along with other channels, be added as an option.

### (a) Cable

The Group is the only major cable operator in France. The revenue for cable network operators is primarily derived from subscription costs paid by subscribers for services provided. The Group estimates that direct access to its subscribers will allow it to identify and respond locally to their demand for specific products and services more easily, and thus to better serve them. The services provided by the cable networks feature easy-to-use technology, installation that is adapted to equipment at subscribers' homes, and reliable secure signals which are directly broadcast to their homes. Cable television subscribers can access the customer services provided by the cable operator upon request. Cable also offers subscribers a high quality of service, including excellent image quality, multiple HD channels, 3D-TV compatibility and VOD offers.

With the market trending towards group offers for multimedia and telecommunications services, the market share in cable television should benefit from the capacity of cable to provide triple play services that benefit from a broad bandwidth, fast speed and bi-directional capacity.

### (b) DSL/VDSL2

Triple and quadruple play offers from the Group are in competition with DSL offers from Orange, Free and Bouygues Telecom, which are currently offering television services to subscribers connected to the Group's network by using high-speed DSL internet connections, and with CanalSat, which offers premium pay-TV on

DSL and satellite networks. Even though DSL technology covers a potentially larger customer base (covering, for Orange, its local loop, and for the others, the part of Orange's local exchange which was unbundled), the Group estimates that the superiority of its fiber optic/cable technology in terms of quality, reliability and richness of content will allow it to challenge this statement in the years to come in the areas where the Group has rolled out its fiber optic/cable network. See "*Description of Our Business—Network*". The Group estimates that DSL television presents a disadvantage as compared to cable: the addition of television services on a DSL network has the effect of saturating the network and decreasing the available bandwidth for the other services offered, in particular high-speed internet services which require broad bandwidth. However, the roll-out of FTTH could attenuate the effects of this disadvantage.

(c) FTTH

Operators are expanding their FTTH networks, with the most active players being Orange and the Group. As of December 31, 2018, the Group had connected approximately 12.3 million homes with fiber/cable, Orange 11.8 million with FTTH, while Iliad had 9.6 million connectible sockets and Bouygues was marketing 7.2 million FTTH premises. Triple and quadruple play offers from the Group are in competition with fibre offers from Orange, Free and Bouygues Telecom, which are currently offering television services to subscribers connected to the Group's network by using high-speed FTTH internet connections. These offers are more competitive than the historical xDSL offers. As of December 31, 2018, almost 90% of FTTH broadband subscriptions were coupled with a payTV subscription. (*Source: ARCEP*)

(d) Satellite

Satellite holds an important place on the French television market, in particular for premium products. Satellite subscribers may opt for free satellite television or pay satellite television. Satellite operators broadcast digital signals directly to television viewers at the national level. To receive the satellite signal, TV viewers must have a satellite dish, satellite receiver and a TV set-top box. They must also have a "smart card" to access subscription and premium television services that are broadcast by satellite. Satellite operators of free TV have no contractual relationship with television viewers and thus do not collect any subscription fees or other royalties.

Satellite broadcasting presents a certain number of competitive advantages compared to cable television services, in particular a wider range of available programs on a larger geographic zone, in particular in rural areas. Conversely, the Group estimates that satellites are less widely available in urban areas due to restrictions on the installation of satellite dishes. The Group considers that satellites also present the following disadvantages compared to cable: (i) high initial costs of obtaining and installing a dish; (ii) lack of regular maintenance services which, conversely, are provided by cable operators; and (iii) the vulnerable nature of the reception of satellite signals to external interference, such as unfavorable weather conditions.

(e) Pay digital terrestrial television

The Group's cable television services are likewise in competition with the pay-digital terrestrial television ("DTT") operators, such as the Canal+ Group. DTT currently offers only a limited number of channels, and no interactive television service, providing above all free television, although the quality of the image provided is good.

(f) OTT and other emerging technologies

The Group is faced with growing competition for alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast OTT programs on a high-speed network, such as Amazon, Apple, Google and Netflix, have already become competitors and are expected to grow stronger in the future. Connected or "smart" TVs facilitate the use of these services.

OTT refers to high speed broadcasting of video and audio content without the internet access provider being involved in the control or distribution of the program (its role is limited to transporting IP packages), as opposed to the purchase of video or audio programs from an internet access provider such as VOD video services or IPTV. Outside France, OTT has had great success. The extent of the competition these alternative technologies will exert on the Group's cable television system in France is not yet known. In particular, OTT in France is affected by the "media chronology" in France, which forces subscription VOD services to comply with a minimum period of 36 months between when a film comes out in France and when it becomes available in a subscription VOD catalog, although this does not apply to series or films that are not shown in theaters.

Netflix launched offers in France on September 15, 2014, offering a one-month free trial and then flat fees beginning at €7.99 per month for basic definition screens, and up to €13.99 per month for four HD-quality screens. Bouygues Telecom and Orange have signed agreements with Netflix under which their respective subscribers may directly access unlimited on-demand video service on their television via a Netflix subscription as of November 2014 (*Source: Bouygues Telecom and Orange.fr website release*). The television offer with Google Play under the Group's "SFR" brand also includes access to Netflix.

Apple TV is also a competitor, and allows content to be broadcast on the television, with access to available content on iTunes and at other providers (CanalPlay, YouTube).

Google TV is also available, either directly on certain televisions, or with a set-top box, and offers on-demand content as well as access to applications such as YouTube. Amazon has also been available since 2016.

The offers of these providers or of other providers of content and/or technologies could significantly increase the pressure for competition on the French market, impacting the prices and structure of the offers. Nevertheless, such technologies could contribute to increasing the demand for very-high-speed internet access services that are offered by the Group.

## **1.2. Broadband internet**

### *Introduction*

High-speed internet access, often referred to simply as "high-speed internet", is a high-speed data internet connection. Recommendation I.113 of the Standardization Sector of the International Telecommunication Union ("ITU") defines "high-speed internet" or "broadband" as a transmission capacity that is higher than the primary speed of the ISDN, which is approximately 1.5 to 2 Mbps. France, with 29.1 million high-speed internet subscribers as of December 31, 2018 (*Source: ARCEP*), is one of the largest high-speed internet access markets in Europe. However, in terms of very-high-speed internet access, the French market has a relatively low penetration rate, with just 30.8% of households having very-high-speed internet access as of December 31, 2018 (*Source: ARCEP*). The Group estimates that these low penetration rates constitute an attractive growth opportunity for the Group as a reliable very-high-speed internet access provider. Smartphones and tablets are proliferating, and as they are increasingly used for multimedia functions, B2C subscriptions require both more bandwidth (to adapt to the increased average number of screens per household) and quicker download speeds (to adapt to the use of multimedia services).

The main high-speed internet access technologies are DSL (VDSL2) and fiber optics/cable. Digital analog modems, internet access via electric cable and local wireless loop technology are likewise available in France, although to a lesser extent.

### *Main distribution platforms—DSL, VDSL2, fiber optics and cable*

DSL is the first high-speed internet access platform in France, with 19.6 million subscribers as of December 31, 2018, representing approximately 67% of the total French high-speed and very-high-speed market (*Source: ARCEP*). This situation is the result of several factors: the regulatory environment which encouraged competition for DSL thanks to unbundling and regulated wholesale prices; the relatively recent consolidation cable activity in France and the weak cable coverage level (only less than 47% of French households eligible for very-high speed fixed services that are covered by cable as of March 31, 2018) (*Source: ARCEP*); the fact that the modernization of cable networks is relatively recent; and the relatively low levels of roll-out of fiber optics.

DSL currently offers consumers a maximum speed of approximately 29 Mbps (*Source: Bouygues Telecom, [https://www.bouyguetelecom.fr/static/cms/tarifs/Guide\\_Des\\_Tarifs.pdf](https://www.bouyguetelecom.fr/static/cms/tarifs/Guide_Des_Tarifs.pdf)*). The average speeds experienced by subscribers are likely to be lower than the maximum speeds. In particular, DSL speeds depend on the distances between the access point to the local loop and the home.

The Group's network uses both FTTH technology and FTTB technology. Both technologies currently offer consumers a maximum speed of 1 Gbps. The major difference between the FTTH networks and the FTTB network lies in the fact that for FTTB, the vertical connection (within the building) to the subscriber uses a coaxial cable.

The roll-out of FTTH networks in France began slowly. Installation of this type of technology represents an investment of capital and time, and requires civil engineering and cabling work, be it horizontally to increase the

number of residents covered, or vertically within buildings. The government considers the FTTH networks to constitute a significant part of its long-term investment plan and in February 2013 announced an FTTH roll-out program of €20 billion (invested by private operators and local and regional authorities) and the objective of providing very-high-speed internet access to the entire country by 2022. The government expects that FTTH will represent 80% of the very-high speed network deployed (*Source: France Très Haut Débit, <https://www.francethd.fr/le-tres-haut-debit/qu-est-ce-qu-un-reseau-tres-haut-debit.html>*). The government will provide a €3,300 million subsidy package, a portion of which comes from the Investments for the Future Program (*Programme des Investissements d'Avenir*) which is managed by France's General Commissariat for Investments and governed by the 2015 Budget Act. The rollout has been divided in three zones: (i) very dense areas (5.5 million households) (ii) low-density areas (12.5 million households); and (iii) low-density areas (15.2 million households). Very dense areas and low-density areas are expected to be covered with privately-funded networks while private operators are expected to co-invest with public partners in the low-density areas (*Source: ARCEP*). Orange and the Issuer will lead the deployment of the very-high speed network in privately-funded, low density areas, with the Issuer being in charge of 20% of the network deployment (*Source: TeleGeography, <https://www.telegeography.com/products/commsupdate/articles/2018/06/28/orange-altice-ink-new-fibre-sharing-deal/>*). Various local and regional authorities have already extended subsidies to network operators to install FTTH connections. This trend should continue, as certain departments, municipalities and regions, such as Hauts-de-Seine, Amiens and Louvin, for example, have entered into public-private partnerships to encourage such investments. As of December 31, 2018, France had a total of 4.8 million very-high-speed internet subscribers via FTTH, a 47.5% increase in one year (*Source: ARCEP*). The Group signed agreements with Orange, as did Free, relating to the roll-out of fiber optics in less dense zones of France. In accordance with the conditions established by ARCEP, third-party operators may likewise have access to the infrastructure used by an operator, including by co-financing projects, for their own very-high-speed internet offers.

VDSL2 technology is an alternative solution. DSL networks may be improved, and a portion of them have already been improved, thanks to the VDSL2 technology, which the government authorized for use in April 2013, and which may provide maximum bandwidth download speeds of up to 100 Mbps. More particularly, the roll-out of VDSL2 only requires the addition of VDSL2 cards in the DSLAMs that were already rolled out and does not entail any physical intervention at the subscriber's home. As of December 31, 2018, approximately 5,900,000 households were eligible to very-high-speed broadband on VDSL2 (*Source: ARCEP*).

As of December 31, 2018, very-high-speed subscribers represented approximately 30.8% of all high-speed internet subscribers (*Source: ARCEP*), and the Group was the top player in this market. The Group currently offers cable subscribers internet speeds up to 1 Gbps through its modernized network and set top boxes.

The following table shows the distribution between high-speed internet services in France, between December 31, 2017 and December 31, 2018 (*Source: ARCEP*):

	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>
	<b>in millions</b>				
<b>High-speed subscriptions</b>					
xDSL subscriptions .....	20.895	20.576	20.283	19.986	19.563
Other high-speed subscriptions .....	0.537	0.533	0.537	0.573	0.571
<b>Total number of high-speed subscriptions .....</b>	<b>21.432</b>	<b>21.109</b>	<b>20.820</b>	<b>20.560</b>	<b>20.133</b>
<b>Very-high-speed subscriptions</b>					
of which very-high-speed $\geq 100$ Mbits/subscriptions.....	4.597	4.948	5.255	5.626	6.085
of which end-to-end fiber optics subscriptions .....	3.255	3.615	3.935	4.314	4.799
of which cable subscriptions.....	1.342	1.333	1.319	1.312	1.286
of which other very-high-speed $\geq 30$ and $\leq 100$ Mbits/s* subscriptions .....	2.369	2.533	2.592	2.724	2.879
<b>Total number of very-high-speed subscriptions.....</b>	<b>6.966</b>	<b>7.481</b>	<b>7.847</b>	<b>8.350</b>	<b>8.964</b>
<b>Total number of high-speed and very-high-speed subscriptions on fixed-line networks.....</b>	<b>28.398</b>	<b>28.590</b>	<b>28.667</b>	<b>28.910</b>	<b>29.097</b>

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

<b>Annual changes in the total number of high and very-high-speed subscriptions</b>	<u>Q4 2017</u>	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>
Net increase over one year, in millions.....	0.719	0.688	0.632	0.701	0.702
Net increase over one year, in % .....	2.6%	2.5%	2.3%	2.5%	2.5%
Net increase (high-speed), in millions .....	-0.799	-0.968	-1.089	-1.158	-1.297



Net increase (very-high-speed), in millions.....	1.518	1.656	1.720	1.860	1.999
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As of December 31, 2018, the Group had approximately 6,275,000 total fixed B2C subscribers, including approximately 2,533,000 fiber/cable unique customers subscribers.

The Group is also in competition with operators who use alternative technologies for high-speed internet access, such as mobile 3G and 4G internet. As of December 31, 2018, there were a total of approximately 75.6 million SIM cards (excluding M2M) on the French market (including 73.5 million “active” cards) and, as of December 31, 2018, 59.4 million active mobile 3G subscribers and 47.7 million active mobile 4G subscribers (*Source: ARCEP*). The Group, along with Orange, Bouygues Telecom and Free, also rolled out offers based on 4G/LTE, which allow quicker high-speed mobile internet service to be provided. In October 2011, Orange, the Group, Bouygues Telecom and Free obtained licenses for the spectrum range of 2.6 GHz, adapted to the roll-out of the 4G/LTE networks. As of December 31, 2018, the Group believes it is the leader in terms of 4G mobile antennas in service in France with 17,229 antennas and covers 99.7% of the population with 4G. The Group, Orange, Free and Bouygues Telecom have already announced they are preparing the arrival of the next generation of mobile telephony with 5G technology (*Source: Q1 2018—PR Results p.11/18, Orange—Preparing 5G p.1/6, Free—Preparing 5G p.2/4, Bouygues Telecom—Preparing 5G—JV with Huawei and Trials in Bordeaux p.2/4*).

Moreover, alternative internet access technologies could be introduced in the future. These technologies should further increase competition, or could lead operators to increase their investment costs to make additional upgrades. Competition in these alternative technologies, specifically in terms of pricing, could become more intense in the future.

### 1.3. Fixed-line telephony

Traditional switched voice lines have been on the decline for several years, being gradually replaced by VoIP lines and mobile telephony. More generally, fixed-line telephony has become a basic product, which is now generally grouped under multi-play offers. The fixed-line services have consequently become dependent on a quality high-speed internet offer. Flat rates for fixed-line telephony have become the market standard.

The fixed B2C telephony market in France is also facing the pressure exerted by alternate operators, with the decrease in the prices of mobile telephony and interconnection rates, as well as alternative access technologies and other internet telephony methods offered on high-speed internet connections. The Group is expecting competition to be increasingly intense in the future, in particular in terms of pricing.

Fixed-line and mobile telephony traffic dropped approximately 1.0% in Q4-2018, as compared to Q4-2017 (*Source: ARCEP*).

### 1.4. Mobile Telephony

#### *Introduction*

France is one of the largest mobile telephony markets in Europe. At December 31, 2018, there was a total of approximately 75.6 million SIM cards in France (excluding M2M), representing a 112.8% penetration rate in the French population (*Source: ARCEP*), a figure that has consistently increased over the past few years. The historically low mobile telephony penetration rate, combined with the drop in market prices, has led to a significant increase in mobile telephony subscriptions. This growth has been driven by the subscription contract segment, which increased by nearly 3.4% in volume between 2017 and 2018, whereas the prepaid contracts segment declined by 11.4% during the same period (*Source: ARCEP*). The increase in the subscription contract segment and the decline in the prepaid contracts segment are primarily due to customers’ desire to switch to post-paid and to the competition of flat-rate offers free of commitment and at reduced rates. The income from mobile services on the retail market, which dropped since 2011, has been slightly growing in 2017 from approximately €12.9 billion to approximately €13.1 billion, representing a 1.7% growth in 2018 as compared to 2017 (including M2M revenues) (*Source: ARCEP*). This improvement can be partly explained by the steady increase in the number of contracts, whose revenue per SIM card is three times higher than prepaid. The drop in this income that was noted during the 2012-2014 period is primarily attributable to two effects:

- drops in rate are primarily a consequence of the arrival of a fourth mobile network operator, Free, in January 2012. This intensification in competition had the effect of lowering mobile offer rates in France. This trend is particularly found on the retail market, but has repercussions for the business and wholesale markets too;

- call termination fees were divided by 2.5 between 2011 and 2013, and then became stable (*Source: ARCEP—Major Files—call terminations*). Nevertheless, in the future, the impact that a potential decrease in these rates could have on the income of operators should be limited, given the particularly low level achieved in France as compared to the rest of Europe (€0.0076 for a mobile voice call termination in the metropolitan area as of January 1, 2016 for all operators and announced €0.0074 as of January 1, 2017. *Source: ARCEP—Major Files—call terminations; approximately €0.00968 on average in Europe as of January, 2018—Source: Body of European Regulators for Electronic Communications BEREC*). The drop in income drawn from roaming, which is linked to the reduction in wholesale and retail fees for intra-Europe roaming, also had an impact on the sector’s revenues. This drop should continue in the upcoming years, due to the expected decreases in roaming fees, which simultaneously result from regulatory changes and commercial offers from operators.

### *Market segmentation*

Historically, there were only three mobile network operators in France: Orange, the Group and Bouygues Telecom. Iliad was granted the fourth mobile license in 2009, and launched a mobile telephony service in January 2012 under the brand name Free. Free’s entry disturbed the market, intensifying competition due to its price-setting strategy, which introduced new reduced-price commercial offers onto the market. Before Free’s entry, the majority of subscription contracts were based on limited usage (e.g.: four hours of communications) and subsidized cell phones. Free primarily introduced packages without cell phones, which contained limited outsourced services, but while providing unlimited data and communications offers (3G) at a very low cost (€19.99/month for its key offer). The mobile telephony market is currently very competitive in France, with the launch of new 4G offers, a declared hostility between competitors (specifically after the launch by Free and B&You of 4G offers at the same price as 3G offers) and the development of low-cost brands.

Other competitors also introduced low-price brands, such as B&You (Bouygues Telecom) and Sosh (Orange). The Group also adapted its strategy by launching its low-cost “SFR RED” brand. Free quickly gained market share, having attained approximately 13.4 million mobile customers as of December 31, 2018, and a market share of approximately 18%, six years after its commercial launch (*Source: Iliad Q4-2018 Earnings Release and ARCEP*).

The French mobile market is also characterized by an important share of subscription services, i.e., 66.5 million as of December 31, 2018 (excluding M2M SIMs. *Source: ARCEP*). This is primarily due to prepaid offers being replaced by low-priced post-paid offers (e.g.: €2 per month) with a small number of communication hours (e.g.: two hours of communication) and no internet.

Over the past few years, MVNOs such as NRJ Mobile and La Poste Mobile have also used mobile operator networks to sell mobile products that bear their own brand names. The migration of customers to MVNOs seems to have stabilized, with MVNOs representing a combined market share of 10.9% of the mobile market in France as of December 31, 2018 (excluding overseas territories and M2M. *Source: ARCEP*).

As of December 31, 2018, Orange, Bouygues Telecom and Iliad (Free) reported a total of 21.7 million, 16.4 million and 13.4 million mobile customers, respectively (*Source: 2018 earnings releases*) even though the total number of customers of MVNOs on the market reached 7.9 million as of December 31, 2018 (*Source: ARCEP*).

### *Price setting dynamics*

Mobile services revenue, €13.1 billion, excluding VAT, has returned to growth in 2018 (+1.7%, from €12.9 billion in 2017). After having reached a maximum of €19.5 billion in 2010, this income decreased over the next six years, with a decline reaching almost €2 billion in 2013 (*Source: ARCEP*). Indeed, in the past few years, the increased competition on the French mobile market has resulted in a drop in market prices, primarily due to the change in offers of certain subscribers to the benefit of post-paid services.

Part of the reason for the return of revenue growth is the continued increase in the number of postpaid contracts, whose revenue per SIM is three times higher than of prepaid. Income attributable to postpaid, corresponding to €12 billion excluding tax, went up for the second year in a row and represents 95% of all mobile operators’ revenue (*Source: ARCEP*).

## 4G/LTE

The French market has historically been slower than other European markets in terms of mobile data consumption. Despite the high concentration of post-paid subscriptions, the market has been historically slower as concerns data services. Recently, this trend has changed, insofar as the operators have begun to launch 4G offers at reduced prices. As of December 31, 2018, 63% of SIM cards were 4G-enabled, representing an increase of 10 million sim cards to reach 41.6 million sim cards (of which 76% were 3G-enabled) (*Source: ARCEP*).

Free was the first operator to introduce 4G at no additional cost in December 2013. Other operators on the market aligned their prices for 4G with those of Free, with all mobile network operators now offering similar all-inclusive 4G packages at an opening price of €20 per month.

### *Mobile call termination rates*

Mobile call termination rates have been reduced by regulators across Europe. In France, ARCEP announced in 2011 that it would reduce mobile call termination rates (symmetrically for the main operators, which did not include Free because it had not yet launched its commercial operations). In late June 2011, Orange and the Group billed €0.03 per minute while Bouygues Telecom billed €0.034. The new regulations required operators to reduce the rate to €0.02 per minute as of July 1st, 2011, €0.015 as of January 1st, 2012, €0.01 as of July 1st, 2012, €0.008 as of January 1st, 2013, €0.0078 as of January 1st, 2015, €0.0076 as of January 1, 2016 and €0.0074 as of January 1, 2017. Consequently, France has one of the lowest mobile call termination rates in Europe, with limited margin for new rate reductions; in comparison, the average rate in Europe is €0.00968 as of January 2018 (*Source: Body of European Regulators for Electronic Communications*).

### *Mobile spectrum and network coverage*

Mobile communications are provided through the use of a set of frequencies which the regulator allocates to the various operators. Currently, the four main operators benefit from a varied frequency spectrum, ranging from 800 to 2,600 MHz, which allows all 2G, 3G and 4G technologies to be offered.

Four main network operators were thus present on the mobile service market in metropolitan France as of December 31, 2018, with the various virtual network operators (MVNOs) representing a market share of 10.9% (*Source: ARCEP*).

The operating licenses for the spectrum in France are generally granted for a period of twenty years, and the operators can only use the technology covered by the license on each band of the spectrum. The other operators have very similar positions on the spectrum bands, which allows them to effectively compete in all of the technologies. The most recent frequency bid in France was for 700MHz in November 2015.

### *Technological developments*

On mobile networks, in order to accompany the strong growth of mobile internet, operators have committed, in line with the evident desire of the public authorities, to the development of very-high speed-mobile infrastructure, which will supplement the 3G coverage already used. In fall 2012, certain operators opened their fourth-generation networks (4G) by using different frequencies (800 MHz, 2,600 MHz or 1,800 MHz). 4G allows much higher speeds and capacities to be offered (up to theoretical download speeds of 100 Mbps) than those of the previous generation 3G+.

## **1.5. Bundling**

The convergence of the B2C segment in France is the result of consumers' desire to receive multimedia and telecommunications services from a single operator and at an attractive price. In response, operators offer television, high-speed internet and fixed-line telephony services, which are grouped into bundled offers known as "double play" (two services provided together), "triple play" (three services—telephone, internet, television—provided together) or "quadruple play" (telephone, internet, television and mobile telephony provided together). "Quadruple play" offers have been available in the French market since 2009 (Bouygues Telecom). The Group and Orange introduced "quadruple play" offers in 2010. Numericable followed in 2011 and Free did the same in 2012.

These bundled service offerings allow multimedia and telecommunications service providers to satisfy the communication and entertainment needs of consumers, and draw new subscribers thanks to the improved value of the offers. As of December 31, 2017, approximately 30% of mobile customers were subscribing to a mobile and fixed offer (*Source: ARCEP*), while 71% of payTV subscriptions were coupled with broadband subscriptions.

The fiber optic/two-way cable networks are particularly adept at supplying triple play services which require wide bandwidth. Initially designed to transmit significant amounts of data, the hybrid fiber and coaxial cable network of the Group, which is based on FTTB technology, allows it to provide high speeds to the customer, regardless of distance. Conversely, the actual speed of the DSL networks varies according to the distance from the access point to the local loop, since the speed decreases as the geographic distance from the subscriber compared to this access point increases (the maximum speeds noted are for customers located within one kilometer of the nearest access point). In order to increase and align network speeds, Orange began to invest in the construction of an FTTH network. Iliad and the Group also began to roll out FTTH networks. As of March 31, 2018, approximately 4.8 million subscribers were connected to FTTH networks (*Source: ARCEP*).

## **1.6. Enterprise**

Following the liberalization of the French telecommunications market in 1996, a large number of telecommunications operators penetrated the B2B segment, offering fixed telephony services, fixed-line internet access, data access links and, more recently, cloud computing services. The large corporate customer B2B market is very competitive and includes among its main players Orange, the Group, Bouygues Telecom, and Completel as well as international players. The market for other accounts is led by Orange, which competes with local players.

The expectations of B2B customers differ from those of B2C subscribers. B2B customers demand that services be extremely reliable, and that they be able to be quickly reestablished in case of failures (generally subject to financial penalties). B2B customers also require symmetrical bandwidth speeds, even though B2C subscribers are generally satisfied with asymmetrical speeds which provide quicker download times but slower uploads. B2B customers also demand increased security and are able to impose penalties (monetary or other) on operators if the contractual conditions are not respected. These requirements have an impact on the technological solutions offered to B2B customers, and explain the higher prices for the B2B segment.

The penetration of mobile internet is increasing for the B2B market, specifically with more and more smartphones with a flat rate plan including data. In terms of fixed connectivity, the B2B market is now characterized by a growing penetration of fiber optics, which is linked to an increase in data consumption.

Customers' expectations are increasingly for convergent offers combining competitive services: fixed line telephony, which is increasingly converging with data via VoIP, mobile telephony and internet access (with an increasingly strong demand for very-high-speed access). These converging offers are specifically intended for micro-businesses and SMEs seeking all-in-one solutions.

They participate in the development of unified communications services for businesses and are characterized by the convergence of mobile and fixed-line telephony, and the development of collaborative tools (professional messaging service, instant messaging, videoconferencing, sharing tools).

Beyond business services, the operators with a presence on the B2B market offer adjacent and supplementary services, including unified communications services and collaboration tools, as well as call center services or internet presence management, and managed security services, whether hosted or not, which accompany internet protocol (IP) communications services and remote work (including online backup, firewall, management and protection of secure access terminals to resources located in a business network).

In terms of connectivity, the market features a growing penetration of fiber optics, which is linked to the increase in data consumption.

### *Voice*

The B2B segment for voice call services is extremely sensitive to price trends; customers are well informed and contracts are relatively short-term (one year). Being able to face the competition efficiently depends in part on the density of the network, and certain competitors of the Group have a broader and denser network.

In recent years, the B2B market has experienced a structural change marked by a move from traditional switched voice services to VoIP services.

#### *Data services*

On the B2B segment, for data services, being able to transfer large amounts of data and to have access to the newest technologies is extremely important to customers. On the data market, consumption has significantly increased and, currently, customers are often looking for combined infrastructure and software solutions.

Price pressure has been strong in this competitive market. Conversely, the use of data transmission services has significantly increased. The Group is expecting the demand for data services and B2B bandwidth to continue growing, specifically due to the following factors:

- the convergence between voice call and data services, such as VoIP, which leads to greater demand for solid network solutions;
- an increase in the use of smartphones with a flat rate including data;
- the centralization of IT equipment for businesses with operations at several sites, including combining servers at a single site, which increases the connectivity needs of peripheral sites of these businesses;
- the emergence of new professional applications, such as videoconferencing;
- the demand of larger businesses for quicker access, growing virtualization, data centers and improved security services;
- the increase of digitalization in public administrations;
- greater use by medium-size businesses of complex data services, such as cloud computing; and
- professionals' increased use of internal wireless networks.

Customers are currently seeking to optimize and streamline their needs as much as possible through the use of data centers. Large corporations have a tendency to seek out specialized network solutions to control their chain of services end-to-end, and often have their own infrastructure. Other businesses are more apt to act according to their needs:

- (i) with “infrastructure as a service” (or IaaS/cloud) solutions to meet their needs in terms of data availability, storage and security. “Infrastructure as a service” can now offer these businesses data storage and safety solutions which would otherwise be too costly; or
- (ii) a tailored and secure infrastructure up to the “middleware” (“software as a service”) level.

The Group is currently facing competition from software providers and other IT providers of data and network solutions, and the line between them and the suppliers of data infrastructure and solutions like the Group has become increasingly blurred. Partnerships between IT providers and infrastructure providers are becoming more and more common, and are an additional source of competition.

Particular growth is expected in data hosting outsourcing services. The complexity and growing management costs of IT systems are in effect pushing businesses to turn towards cloud solutions. This refers to a set of resources and services that are provided remotely, and which are thus accessible, for the user, in a flexible manner, on various terminals. Operators have already developed partnerships on “independent” cloud projects on French territory. This so-called “independent” cloud is intended for administrations, but also for private French businesses. It should allow sensitive information such as personal administrative data, information linked to e-health or even financial information requiring maximum security, to be stored.

The B2B market also includes the IoT. The IoT covers a set of connected objects: in the broad sense, this includes communication terminals, but also inert objects, equipped, for example, with RFID chips, and machines on which built-in electronic systems equipped with SIM cards have been installed (M2M). These connected objects and

machines are being developed in a certain number of adjacent markets for uses in specific sectors, such as home automation, health and security, but also energy and transportation, which are at the heart of digital city projects. Accordingly, in France, the number of M2M SIM cards has gone from 3.4 million in late 2011 to 6.9 million in late 2013, to 18.2 million as of December 31, 2018 (*Source: ARCEP*).

### *Customers*

The B2B segment is also defined by the different needs of customers, which vary according to a business' size. The major businesses are sophisticated customers, and are very sensitive to price trends. Speed, capacity, security and reliability are also very important. They have a tendency to unbundle services, and frequently subject them to invitations to bid. The smallest businesses are more likely to group them and ascribe more importance to the provider's proximity.

### **1.7. Wholesale market**

The wholesale telecommunications market includes three sectors: voice call connectivity wholesale services (voice), data connectivity wholesale services and dark fiber infrastructure wholesale services. The Wholesale segment of voice services includes fixed-line and mobile call termination services, as well as interconnection for operators whose switched voice network is underdeveloped or non-existent. The wholesale data services segment includes the transportation of data for operators whose network is underdeveloped or non-existent, as well as mobile network services for MVNO operators. The new dark fiber optic infrastructure wholesale market, based on the sale of fiber optic connections, with no service linked to voice or data, is being developed in parallel with the roll-out of FTTH and 4G, and primarily involves horizontal optical fiber links and connection to the backbone. The Group's major competitor on the French wholesale communications market is Orange. The Group is likewise in competition with conglomerates of telecommunication operators and construction businesses, such as Covage, Altitude, Vinci, Eiffage and Axione (which can put optical fiber cables in their construction works in order to rent them on the wholesale market) as well as with public infrastructure networks.

In France, Orange holds a leading position on the wholesale telecommunications market and on the wholesale data market, in which local operators play an important role.

- **Voice.** The wholesale market for voice call services is extremely volatile. Operators generally launch invitations to bid annually and choose the provider only according to availability and prices, due to the lack of difference in terms of quality of services between operators in the voice call services sector. Competition consequently primarily occurs for the prices and density of the network, as well as based on the flexibility of operators and their capacity to offer tailored solutions to their customers. On the wholesale voice segment, pricing is generally based on the increased cost pricing model, with interconnection rates established by ARCEP. The regulated interconnection rates have decreased as the telecommunications sector has matured. See "*Regulation—The European regulatory framework for Electronic Communication*". The wholesale voice market likewise includes wholesale resales for MVNOs and mobile roaming:
- **Wholesale resales for MVNOs:** The provision of end-to-end mobile services for MVNOs is a major issue for operators, and the degree of competition for these services has intensified in recent years. The MVNO wholesale market has evolved, especially after the signing of the first "Full MVNO" contracts in 2011. The status of "Full MVNO" allows virtual operators (for example, NRJ Mobile) to issue their own SIM cards, to have access to the central database managing subscribers' rights, as well as to certain elements of the network backbone. This model offers MVNOs greater control of services and increased commercial autonomy, but also entails higher costs for them (roll-out, technical maintenance). Moreover, the MVNO agreements have affected the flows of traffic and have led to an increase in the volumes of fixed-line telephony traffic to mobile, which generates higher wholesale prices. In particular, Free's arrival onto the mobile market in January 2012 has led to a significant increase in call volume from mobile to fixed lines, as well as intra- mobile.
- **Mobile roaming:** In order to continue offering mobile communication services outside of their country of origin, operators also negotiate roaming agreements. The communication services within the European Union are subject to price caps on both the retail and wholesale markets. In France, mobile roaming services exist between national operators in so-called "white zone" geographical regions, in which a single operator has rolled out a network and takes in the traffic of other network operators. The roll-out of the mobile network as well as the welcome services related thereto are supervised by ARCEP.

- Data services. The wholesale market for data services is less volatile than the voice call services market. Competition is primarily dependent, aside from price, on the quality of services and technological advances.
- Infrastructure. The wholesale market for dark fiber optic infrastructure is more open than the voice connectivity and data wholesale markets, given that the provision of these services does not require having a dense national network, and does not include any service that would require technical expertise. For example, certain cities in France have constructed their own local fiber optic networks and are consequently wholesale providers of infrastructure (i.e., they rent the optical fiber to telecommunications operators).

The growth of the wholesale market is a result of the growth in the demand for network capacity, which has significantly increased in recent years.

Another French market trend consists of developing public-private partnerships between local authorities and infrastructure operators to install or modernize FTTB networks, or roll-out vertical FTTH/FTTO networks. The Group was already selected and hopes to be selected again in the future as the entity in charge of constructing certain new networks, or improving the existing ones.

Operators and consortia of operators and construction businesses have also begun to roll out their FTTH vertical fiber networks in residential buildings in order to rent the usage right from these networks to other telecommunications operators in conformity with the so-called status of building operators through public-private partnerships with local authorities, among other things. The Group intervenes in this area thanks to the relationships it has built from its public services activity, since this is one way of maintaining and building relationships with its customers.

## **2. Portugal**

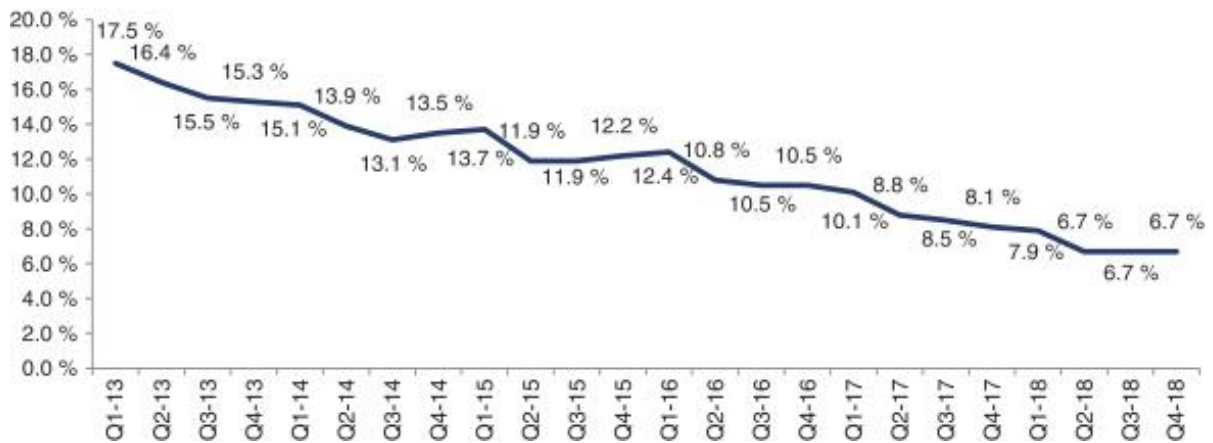
### *Macroeconomic Overview*

Portugal is our largest operating market after France. According to the IMF, Portugal has a population of approximately 10.3 million as of December 2018. It is a developed market economy with a GDP per capita in 2018 of \$23,186, as compared to \$48,264 for Germany, \$42,558 for the UK and \$42,878 for France. In 2018, Portugal's economy expanded by 2.1% according to the IMF. This compares to GDP growth of 1.5% for Germany, 1.4% for the UK and 1.5% for France during the same period. According to the IMF, Portugal's GDP is expected to grow at 1.7% in 2019 and at 1.5% in 2020. This is in line with other developed European economies such as Germany, which is forecast to grow 0.8% and 1.4%, the UK, which is expected to grow 1.2% and 1.4% and France, which is expected to grow 1.3% and 1.4%, respectively over the same periods, according to IMF.

Similarly, Portuguese unemployment has significantly improved, having declined from 17.5% in March 2013 to 6.7% as of December 2018 (*Source: Instituto Nacional de Estatística*). This compares with unemployment rates as of December 2018 of 3.4% in Germany (*Source: IMF*), 9.1% in France (*Source: IMF*), and 4.1% in the UK (*Source: IMF*).

The improved macroeconomic conditions have had a positive impact on consumer confidence, which has increased from 98.30 in January 2014 to 100.49 in February 2019 (based on an index of 100) according to OECD.

## Reduced Unemployment



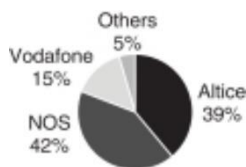
Source: Instituto Nacional de Estatística

## Competitive Overview

Below is an overview of Altice Portugal's main competitors in Portugal:

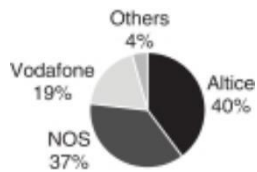
### Market Shares by Subscribers in Portugal (H1 2017)

#### Pay-TV



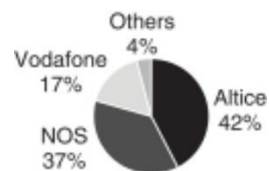
3.9m subscribers

#### Fixed-Line Telephony



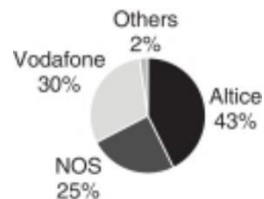
4.0m subscribers

#### Fixed-Line Broadband



3.7m subscribers

#### Mobile Telephony



12.3m subscribers (Excluding M2M)

Source: ANACOM.



## **2.1. Pay Television**

According to ANACOM, as of June 30, 2018, there were approximately 3.9 million pay television subscribers in Portugal, with a penetration rate (as a percentage of households) of 84.3% (*Source: ANACOM*). Pay television penetration has been rising over the past years driven by the high demand for a broad range of pay television channels and the relative weakness of free terrestrial television, which only transmits five channels. Pay television has historically been primarily provided over the cable platform, which has a higher roll out rate than many Western European countries with DTH a complementary platform in rural areas, and more recently, IPTV in areas where fiber is present. FTTH became the main form of access to the service in H1-2018 (38.2% of the total subscribers, followed by cable (34.9%)). Most of the pay television market is divided between two players: NOS, the largest player by number of subscribers, and Altice Portugal. Vodafone is a third service provider, but it has a limited coverage in rural areas. Based on ANACOM research, excluding other small providers, as of June 30, 2018, NOS, Altice, Vodafone and NOWO had approximately 42%, 39%, 15% and 4% of market share nationwide, respectively. In recent years, Altice Portugal has been maintaining market share due to the provision of local and original content as well as innovative features (e.g. multi-screen and non-linear content). Altice Portugal has primarily offered low-priced IPTV, predominately in fiber areas and to a lesser extent on its DSL network; however, it also has a DTH offering for rural areas where its DSL network suffers from technological limitations. Altice Portugal's IPTV offering, sold primarily as part of triple-play packages, has historically not taken customers away from cable. However, it has driven an increase in pay television penetration. Altice Portugal was the provider that, in net terms, captured most subscribers in the first half on 2018 in comparison with the first half year of 2017.

## **2.2. Broadband internet**

### *Introduction*

According to ANACOM, as of June 30, 2018, there were approximately 3.7 million broadband internet subscribers, with a penetration rate (as a percentage of households) of 74.7%. There are a number of operators providing broadband internet services to residential customers in Portugal. Altice Portugal is ranked as the top player in this market with a 40% market share, while NOS has a 37% market share and Vodafone 19% market share as of June 30, 2018 (*Source: ANACOM*). The Portuguese broadband market has strong growth prospects given penetration upside potential. Growth is also expected to be driven by upgrading to higher speed offerings, based on a cable or fiber network infrastructure. According to ANACOM, the number of B2C subscribers to internet accesses has grown at 5.9% from June 30, 2017 to June 30, 2018. FTTH now represents the main form of fixed broadband internet access (42% of accesses as of June 30, 2018, according to ANACOM).

## **2.3. Fixed-line Telephony**

According to ANACOM, as of June 30, 2018, there were approximately 4.0 million fixed-line subscribers in Portugal, with a penetration rate (as a percentage of households) of 88.4% (*Source: ANACOM*). At the same time, PT Portugal's number of subscribers remains stable due to an increase in multiple-play penetration. Altice and NOS are the leading players with market shares of 42% and 37%, respectively, as of June 30, 2018 (*Source: ANACOM*).

## **2.4. Mobile Telephony and Data**

### *Introduction*

According to ANACOM, the Portuguese mobile market had 17.3 million mobile subscribers, representing a penetration level of 168% as of June 30, 2018, and 119% excluding M2M. As of June 30, 2018, in Portugal, mobile internet services had a penetration of 70%. (*Source: ANACOM*).

Altice Portugal is strongly positioned as the market leader with 43% market share, significantly ahead of Vodafone with a market share of 30%, followed by NOS with a market share of 25%, as of June 30, 2018 (excluding M2M). The introduction of Altice Portugal's quad-play offer M4O in January 2013 has helped accelerate market convergence. All three players introduced 4G at the beginning of 2012.

The smartphone penetration stood at 77% of all mobile phone owners as of June 2018. However, Portugal still has a high share of pre-paid with 45% of total subscribers (as at June 2018)

### *Evolution from Pre-Paid to Post-Paid Should Drive Lower Churn and Higher ARPU*



Source: ANACOM

## **2.5. Bundling**

As a consequence of consumer preferences and the parallel consolidation of fixed and mobile players, Portugal's telecommunications market has been transitioning towards convergence relatively faster than other European markets, with an increasing number of residential and B2B customers taking triple-play and quadruple-play services from the same operator (such as the M<sub>4</sub>O offer of Altice). From an operator perspective, offering bundled services from a single point of contact helps increase ARPU, improve customer loyalty and reduce churn. This trend favors integrated players with state-of-the art network and IT platforms that are able to offer innovative bundled offerings to customers.

As of June 30, 2018, bundled services subscribers reached 3.8m (+5.2% compared to June 30, 2017), and 3P/4P/5P bundles represented 87% of the total. As of June 30, 2018, Altice Portugal was the provider with the highest share of bundled offer subscribers (41%), following by NOS (38%) and Vodafone (17%) (Source: ANACOM).

## **2.6. Enterprise**

We own the largest B2B telecom providers in Portugal. Our main competitor in these markets is NOS, a newcomer to the B2B telecom market with an opportunistic strategy leveraging fixed and mobile networks, Vodafone, a mobile telecommunications company, and AR Telecom.

Optimus has historically been one of the most aggressive competitors regarding pricing and through its merger with ZON has gained access to an enhanced backbone, last mile access and an enhanced ability to address both large and smaller companies. Vodafone and AR Telecom have adopted different strategies to realize B2B opportunities, but have both had limited success to date due to lack of knowledge of fixed networks and lack of credibility in the corporate market.

There is a general trend in the Enterprise segment to migrate customers away from voice services to higher margin data services and, increasingly, integrated solutions including ICT and outsourcing. PT Portugal will capture value from the trend to more data-intensive integrated solutions and to provide converged fixed mobile solutions leveraging our integrated HFC, fiber and 3G and 4G mobile networks. We benefit from a large sales force with strong distribution capabilities in the banking and public administrations sectors and broad supplier relationships, which enrich the range of our services.

## **3. Israel**

### *Macroeconomic Overview*

We operate a significant portion of our business in Israel, which has a population of approximately 8.9 million as of December 31, 2018, according to the IMF. According to the IMF, between 2014 and 2018, the population of Israel grew at an average rate of 2.0% per annum and is expected to continue to grow at an average rate of 1.9% per annum from 2018 to 2022, thus providing a natural floor to expansion in the number of inhabitants and households, the target market for our fixed-based and mobile services.

Israel has a developed market economy. In 2010, Israel joined the Organization for Economic Co-operation and Development ("OECD") and in 2018 had a GDP per capita of \$41,644, compared to other European countries

such as \$58,264 for Germany, \$42,078 for France and \$42,558 for the UK, according to the IMF. Since 1992, Israeli real GDP has grown at a rate of 4.1%, according to IMF. This compares favorably as against the average real GDP growth rate in other European countries such as 1.4% for Germany, 1.6% for France and 2.2% for UK, and 2.5% for the U.S. in the same period.

During this period, Israel faced a decline in real GDP in only one year, in 2002. Since the beginning of the global economic slowdown in 2007, the Israeli economy has witnessed a high level of resilience: Israeli real GDP has grown at an average rate of 3.5%. Israel maintains a sovereign AA-, A+ and A1 rating from S&P, Fitch and Moody's, respectively. Israel's real GDP is expected to grow at an average rate of 3.2% per annum from 2018 to 2022 versus an average of 1.3% for Germany, 1.4% for the UK and 1.4% for France according to the IMF. Israel also enjoys high levels of literacy, life expectancy and disposable income as attested by the fact that the country was ranked 22nd on the Human Development Index ("HDI") in 2017, ahead of countries such as France, Spain and Italy. Israel's economy is diversified and competitive in an international arena with a significant level of exports focused around high technology equipment, cut diamonds and agricultural products. Israel usually posts sizable trade deficits, as it imports crude oil, grains, raw materials, and military equipment, predominately offset by tourism and other service exports, as well as significant foreign investment inflows, which contribute to the balance of payments, and a relatively stable currency.

### Evolution of the EUR/NIS Exchange Rate over the last 5 Years

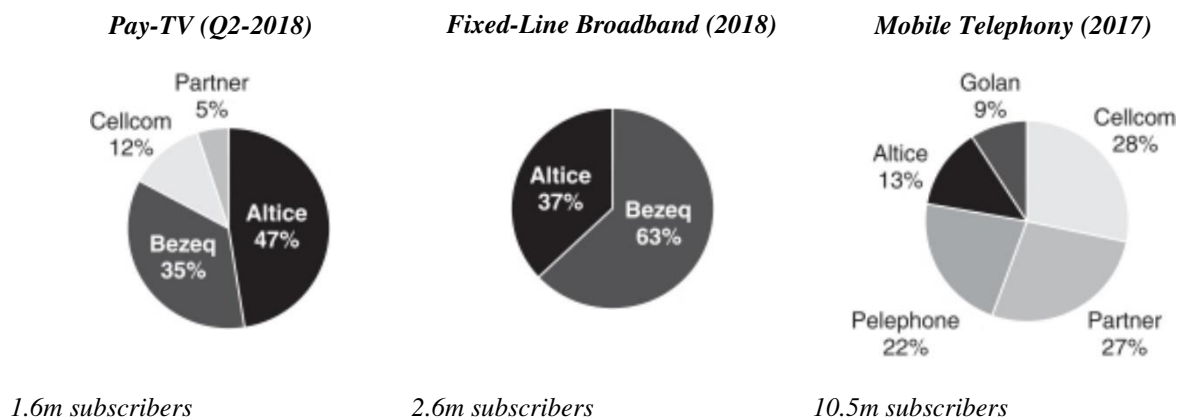


Source: Bloomberg as at April 23, 2019

The Israeli media and telecommunications markets have, over the past several years, slowly been converging as customers were inclined to subscribe to their media and telecommunications services from a single provider. Israel currently has relatively high estimated penetration rates for pay television, broadband internet infrastructure access and mobile telephony of 57% (2018), 127% (2018) and 123% (2017), according to third party estimates. This environment fosters a market for packaged offerings or "multiple-play," whereby television, broadband internet infrastructure access and fixed-line telephony services are bundled into integrated offerings referred to as "dual play" or "double-play" (two services provided together), or "triple-play" (three services provided together). When mobile telephony subscriptions are added to "triple-play" packages, these are known as "quad-play" or "quadruple-play" packages, but currently such packages are prohibited by law in Israel under certain operators' licenses, including ours.

HOT offers triple-play packages including pay television, broadband internet infrastructure across and fixed line telephony in Israel to its Cable/Fiber customers. We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment requirements increases customer loyalty and attract new customers as the value proposition of the offering is enhanced.

**Cable-based Services Market Shares by Subscribers in Israel**



Source: Company Reportings

**3.1. Pay Television**

*Introduction*

Israel’s primary television platforms are dominated by pay television with relatively limited penetration of free platforms such as terrestrial television or free DTH. As a result of the free-to-air platforms being relatively unattractive (given their access to only six channels offered by DTT) and limited local content for free DTH, Israel’s pay television market currently has an estimated penetration level of approximately 57% (source: third-party data). The Israeli pay television market has been stable by the number of subscribers since 2009 at approximately 1.6 million subscribers. Similar to Western European markets, television consumer behavior in Israel is currently focused on digital, innovative, HDTV and interactive television services such as VoD and “start over.”

Most Israeli households subscribe to pay television packages via cable or satellite, mostly digital, provided by HOT and YES, an associate of Bezeq, respectively. The established pay television operators face competition from free television (including DTT) and alternative ways of accessing television channels (such as “over the top” (“OTT”) television). The competitive advantage of pay television via cable or DTH (reliability, image quality, diversified international and local language content and the ability to offer advanced interactive services among others) and the loyalty of the existing customer base lead to the pay television industry having relatively stable subscription revenues when compared to other countries where competition from other platforms is more prevalent. As of Q2-2018, the Israeli pay television market had 1.6 million subscribers, 47% of which accessing through cable (HOT), 35% through satellite (Bezeq) and 17% through IPTV (Cellcom and Partner TV).

*Cable*

HOT is the sole cable operator in Israel with a network covering nearly all Israeli homes (a unique situation in OECD countries) and generates revenues principally from subscription fees paid by customers for the services provided. HOT co-develops and co-owns a number of popular shows, movies and series. It offers a number of proprietary channels as part of its packages giving them a competitive advantage.

*Satellite*

Satellite television is the main alternative to cable television in Israel. Television viewers can receive free to air or paid satellite television, which is offered by YES. The ARPU generated by satellite television customers has historically expanded at a slower pace than cable ARPU. Digitalization and the emergence of a broader offering of channels and additional services will drive the ARPU development going forward.

## *DTT*

DTT is an alternative way of receiving television services and watching certain television channels. Current penetration rates of DTT are low due to several reasons: (i) DTT currently offers access to fewer channels than cable channels only; (ii) there is no access to premium or thematic content, such as sports, movies or children's programming; (iii) DTT has no interactive functionalities such as VoD or "start over"; (iv) DTT has limited capacity to transfer significant number of channels simultaneously; and (v) the quality of its transmission can be affected by weather. The expanded service will use three multiplexes up from the current one. However, we believe that cable television will maintain its advantage over DTT as the increase in the number of channels does not fundamentally address some of the key customer requirements such as interactivity and ability to choose individualized content packages, and DTT channels have struggled to be successful without the revenue generated by customer subscription charges.

## *Other Emerging Technologies*

We face a growing but limited competition from other technologies in Israel when compared to the European markets. Players, such as websites and online aggregators of content that deliver broadcasts OTT of existing broadband internet networks may become significant competitors in the future.

The full extent to which these alternative technologies will compete effectively with our cable television system is not yet known; however we believe that the international IPTV market will have difficulty impacting the Israeli multichannel TV market due to various reasons, including: (i) the availability of certain local language content available through cable or satellite only; (ii) the quality of the signal on certain DSL enabled connections located far from exchanges; (iii) the inability to access HDTV content on most DSL connections during peak times; and (iv) the ability of cable operators to bundle pay television with other fixed-line products.

## **3.2. Broadband internet**

### *Introduction*

Israel is a mid-sized broadband internet market based on penetration compared to the large Western European or North American peer countries, with approximately 2.0 million broadband internet subscriptions (residential and business) as of December 31, 2013, and 2.6 million as of December 31, 2018. The current broadband internet penetration rate in Israel (being the number of broadband internet subscriptions per 100 households in Israel) is 127%, according to third party estimates as of December 31, 2018, compared to 85% as of December 31, 2010.

Broadband internet in Israel is uniquely structured as households wishing to subscribe to broadband internet are required to purchase an internet access service from a licensed internet Service Provider ("ISP") and a broadband internet infrastructure access service from HOT or Bezeq, the only telecommunication operators which own a nationwide physical fixed-line infrastructure.

### *Broadband Internet Infrastructure Access*

Currently HOT and Bezeq are the only fixed-infrastructure owners nationwide. HOT uses cable, while Bezeq is currently building out a fiber network to replace its DSL network. Growth in the Israel broadband internet infrastructure access market has been driven by (i) the number of subscribers to broadband internet infrastructure access increasing steadily from 2.1 million in 2014 to 2.6 million as of December 31, 2018, and (ii) a significant growth in broadband internet ARPUs.

Bezeq is the leading broadband internet infrastructure access provider in Israel, with 1.7 million subscriptions as of December 31, 2018, including business and residential customers. Including business customers, Bezeq represents approximately 63% of the total broadband internet infrastructure access market by total number of subscribers as of December 31, 2018.

On August 29, 2012, Bezeq announced it had decided to broaden the deployment of the optical fibers so that they will arrive as close as possible to the customers through Fiber-to-the-Home (FTTH) or Fiber-to-the-Building (FTTB), to form the basis for the future supply of advanced communication services and with greater bandwidth than currently provided. As of December 31, 2016, Bezeq had already deployed FTTx to 1,500,000 households and businesses in Israel.

As of December 31, 2018, we had a market share of 37% of the broadband internet infrastructure market.

What differentiates us from Bezeq is our ability to offer the highest speeds in Israel on a large scale, allowing our customers to connect several devices (such as computers, tablets and smartphones (via WiFi connection)) simultaneously without impairing the quality of television signals or the speed and quality of the internet connections.

The telecom market in Israel has recently been opened to more competition through wholesale access, offered at a regulated price. The new regulation allows internet service providers to lease infrastructure from Bezeq at a government controlled price, and offer a complete range of services including fixed voice, broadband internet and television.

The wholesale market has gained strong traction since launch in the first quarter of 2015. As of December 31, 2018, Bezeq provided wholesale services to 626 thousand active lines.

### **3.3. Fixed-line Telephony**

Subscribers to fixed-line telephony services include households and enterprises. The number of lines has been declining slowly, which is in line with most Western European countries where fixed-line penetration of households has declined on the back of an increase in number of individuals who use mobile phones only. Bezeq, the incumbent fixed-line telephony service provider in Israel, is the largest provider of fixed-line telephony services. In line with Western European trends, the incumbent Bezeq saw a decline in its market share over the past years.

The market for residential telephony in Israel faces pressure from alternative carriers, declining mobile termination and interconnection rates, as well as alternative access technologies such as Voice over Internet Protocol (VoIP) (e.g. Skype). In recent years, fixed-line telephony services have been largely a commodity and uptake has become increasingly dependent on a quality broadband internet offering by the same provider. Fixed-line telephony is increasingly included in bundles, which benefit HOT because of its ability to provide attractive bundles offerings. Fixed-line telephony has experienced some price erosion over the past few years, partly driven by a reduction in termination fees and pressure from to bundle discount, and resulted in the decline in ARPUs.

### **3.4. Mobile Telephony**

There were approximately 9.9 million mobile telephony customers in Israel as of December 31, 2018. Penetration was estimated to be 123% as of December 31, 2017 (*Source: third-party data*). Approximately 88% of our customers are “post-paid” (purchased subscriptions rather than pre-paid cards fixed number of minutes of use).

There are five licensed Mobile Network Operators (“**MNOs**”) which offer mobile telephony services to the public and several players who operate MVNOs, although MVNOs currently have insignificant market share of the mobile telephony market. Market shares of the top three mobile operators, Cellcom, Partner Communications and Pelephone (Bezeq), have been relatively stable over the past years at approximately 25% each. New entrants, HOT Mobile (previously MIRS) and Golan Telecom, were granted UMTS licenses in 2011 with services launched in the second quarter of 2012 through a combination of proprietary networks and national roaming agreements with existing operators. As of December 31, 2018, HOT Mobile had approximately 1.3 million mobile subscribers, corresponding to a market share of approximately 13% compared to 4% as of December 31, 2011. The ARPU for mobile telephony subscribers of all mobile operators in Israel has declined substantially over the last decade, partly driven by a new mobile termination fee regulation in September 2010 which reduced mobile termination rates.

The Israeli mobile communications market is more competitive than some of the markets in Western Europe, notably given the recent legislation, enacted in April 2012, preventing operators from charging exit fees, except in limited circumstances. As a result, the Israeli mobile market now offers fewer barriers to entry for the new mobile license owners HOT Mobile and Golan Telecom.

The Israeli market features lower ARPUs than in most of the other developed markets, which makes mobile telecom services more attractive to consumers.

## *Mobile Broadband Internet*

Most mobile subscribers today are active 3G and 4G subscribers. Mobile operators' network capability can be further enhanced by Long Term Evolution ("LTE") network roll out, which enable higher speeds for mobile broadband internet. Mobile broadband internet operators, however currently only offer speeds and capacities that are significantly lower than those offered by cable and DSL operators. As a result, we believe that, in the medium term, HFC cable will be the only broadband internet infrastructure access alternative to DSL with an extensive coverage and high bandwidth for the foreseeable future.

## **4. Dominican Republic**

### *Industry Overview*

The Dominican Republic is the third largest economy in the Caribbean and Central America after Cuba and Puerto Rico, with a GDP of \$80.9 billion according to the IMF in 2018, and the third largest country in terms of population after Haiti and Cuba, with a population of 10.3 million according to the IMF. According to the IMF and La Oficina Nacional de Estadística, 32% of the population was living in the Dominican Republic's two main cities, Santo Domingo and Santiago, in 2010. According to the IMF, between 2014 and 2018, the real GDP of the Dominican Republic grew at an average rate of 6.3%. The economy is predominantly based on services, in particular tourism. Its GDP per capita, however, is lower than other countries in the region, including Trinidad & Tobago, Panama and Costa Rica, and real GDP is expected to grow at 5.0% per annum in average between 2018 and 2024 according to the IMF. In addition, the Dominican Republic enjoys a strong commercial relationship with the United States, its largest export and import partner. These factors are expected to continue help drive personal consumption and usage of telecommunications products and services.

The Dominican Republic telecommunications markets is dominated by Claro, the incumbent owned by the Mexican telecom operator America Movil, and its main challenger, Altice, in both the fixed and mobile markets. Both operators own and operate multiple fixed and mobile technologies running in parallel to ensure maximum coverage and reliability to their customers. Other players in the Dominican Republic telecommunications market are relatively small, with less advanced networks and more limited coverage. These include Wind Telecom, a wireless operator, Viva, a mobile operator and Aster, a cable operator.

In the broadband internet market, Altice is the second largest provider next to the incumbent Claro, our main competitor, with national market shares of approximately 38% as of December 2018 (*source: Indotel*). In the mobile market, Altice Hispaniola's key competitor is Claro.

### *Mobile Telephony*

The mobile market is the largest telecom market in the Dominican Republic. Compared to other Western European markets, the Dominican Republic is characterized by a young population with lower purchasing power. According to third party sources, the mobile penetration rate in the Dominican Republic is approximately 83% (as estimated for in 2018), lower than mobile penetration rates in Brazil, Argentina or Chile. Claro enjoys a 58% market share as of 2018, followed by Altice (37%).

Telecom concession attributions are decided by the regulator based on certain administrative criteria and the renewal of these concessions generate no meaningful incremental fees. Frequency licenses attribution and renewal processes typically occur concomitantly with the telecom concession processes. New frequencies are tendered with several parties typically bidding and the new license attributed to the highest bidder while renewal of frequency licenses gives rise to no incremental fees for telecom operators. The regulator does not typically impose MTR reductions and favors such bilateral agreements between operators. The law provides for the possibility of MVNOs. From a telecom infrastructure standpoint, the regulator favors passive and active sharing with bilateral negotiation being the preferred route.

### *Pay Television, Broadband and Fixed-Line Telephony*

According to third party reports, the Dominican Republic has an estimated 28% broadband penetration rate for 2018 and 30% fixed voice line penetration rate for 2018 according to third party data. These penetration rates are typically lower than those measured in a number of Latin American countries and evidence significant potential for growth in the Dominican Republic according to third party reports. Mobile will play an increasingly important role, with only a limited part of broadband uptake expected to be attributable to fixed broadband. In addition,

fixed-line telephony is expected to continue to decline going forward, in particular due to ongoing substitution of fixed-line by mobile services, in line with trends seen in other developed economies.

The pay television market in the Dominican Republic is highly fragmented with over 6 pay television operators, although only a limited number operate a two way network, and a handful of other players have a subscriber base exceeding 10,000. Claro and Altice together represent approximately 70% market share (51% and 19% market share respectively), as of August 2017, delivering services over IPTV and DTH and cable respectively. Other smaller players include Wind through its MMDS technology.

Broadband internet access is typically delivered by a mix of fixed-line infrastructure and mobile access, with the use of mobile broadband being primarily driven by the availability of fixed-line infrastructure in a given location.

The broadband and fixed telephony markets are relatively concentrated, with Claro and Altice together accounting for the large majority of the broadband market and of the fixed telephony market). Claro delivers broadband services through its xDSL and FTTx networks, while Altice uses its xDSL and cable infrastructure. Both Claro and Altice offer fixed-line telephony services using VoIP and PSTN. Other smaller players have a limited presence, with e.g. Wind Telecom's wireless technology.

## **5. French Overseas Territories**

The French Overseas Territories markets are characterized by a young population (approximately 35% of the population is under the age of 20 in the French Overseas Territories, in comparison to 24% in mainland France, according to the United Nations database as of June 2013), price sensitivity and a strong demand for access technologies. Furthermore, infrastructure improvements are supported by subsidies from mainland.

However, the young population and high price sensitivity results in lower mobile ARPUs and higher churn than for operators in continental Europe. The main players in the mobile telephony market include Orange, Axian, Digicel (only in Caribbean area) and SRR (only in Indian Ocean area).

As in mainland France and Western Europe, multiple play and convergence have increasingly become important.



## DESCRIPTION OF OUR BUSINESS

### Overview

We are a multinational broadband and mobile communications, content and media group operating in (i) Portugal, Israel and the Dominican Republic through the Altice International Group and (ii) France and the French Overseas Territories through the Altice France Group.

The Group has major positions in all segments of the telecommunications markets in which it operates, including fixed B2C, mobile B2C, B2B, wholesale and other services, including press activities, media content production and distribution, advertising and customer and technical services. In the geographies in which the Group operates, we are either the largest or the second largest fixed services provider, and a leading provider of multi-play services offering bundled triple-play (“3P”) services and, where possible, quad-play (“4P”) services and focus our marketing on our multi-play offerings. As of December 31, 2018, the Group had approximately 26,250,000 mobile B2C subscribers and approximately 9,247,000 total fixed B2C unique customers as well as a fiber/cable network passing approximately 19,840,000 homes in its footprint.

We have expanded internationally through a number of price-disciplined acquisitions of telecommunications businesses, including SFR in France, PT Portugal in Portugal, HOT in Israel, and Altice Dominicana in the Dominican Republic. Our acquisition strategy has allowed us to target fiber/cable and mobile operators with what we believe to be high-quality networks in markets we find attractive from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. Furthermore, this has enabled us to grow acquired businesses organically while we continue to focus on cost optimization and increasing economies of scale and operational synergies as our Group develops. Moreover, as part of our strategy, we also focus on the convergence of telecommunications, media, content and advertising to offer more value to our customers. For example, in June 2017 we completed the Teads Acquisition. Teads is a leading video advertising marketplace with an audience of more than 1,460 million people every month. In Portugal, in February 2017, we acquired a 25% stake in the capital of sports broadcaster SPORT TV, and through our content distribution agreement with Altice TV, we broadcast UEFA Champions League and UEFA Europa League fixtures in France. We have also recently centralized our management services, customer services and technical services operations by creating three new divisions, ATS France, ATS and ACS, following our acquisition of certain historical suppliers of the Group. See “*Description of Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operation*” for more information regarding the significant investments we have made in the businesses that currently constitute the Group.






We have a high quality cable- and fiber-based network infrastructure. In the Altice International Group’s footprint, our fixed-line services are primarily delivered over hybrid fiber coaxial (“HFC”) cables that are among the most technically advanced in the markets in which we operate. Together with fiber/cable networks in France and Portugal which offer download speeds of up to 1 Gbps, this allows us to offer advanced 4P services in a vast majority of our service areas. Our cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint outside of the French Overseas Territories and the Dominican Republic. Given the existing technological capability of our networks, in the short to medium term, we expect that the substantial majority of our cable networks will offer significant download speeds with limited network and customer premises equipment upgrades. We believe that our cable networks are well positioned for future technological developments, including our ability to upgrade to the upcoming DOCSIS 3.1 standard, while the fiber/cable networks in France and Portugal are already set up to provide download speeds of up to 1 Gbps. In France, Portugal, the Dominican Republic and the French Overseas Territories, we also provide fixed-line services to a portion of our customer base through a DSL network that we continue to upgrade to fiber/cable. We are focused on increasing our investment in fiber/cable in Portugal and in 2015 we announced a fiber rollout for 600,000 homes per year until the end of 2020. We rolled out over 700,000 new fiber/cable homes passed in 2016, 904,000 in 2017 and a further 463,000 fiber/cable homes in 2018, which we believe leaves us well positioned to reach our target of 5,300,000 fiber/cable homes passed in Portugal by 2020. In France, we offer one of the most advanced end-to-end based fixed networks, capable of delivering an enhanced user experience to subscribers and taking advantage of the expected growth in bandwidth demand, and are expanding our existing fiber/cable network, which is supported by a powerful backbone, having rolled out over 1,600,000 new fiber/cable homes passed in each of 2016 and 2017 and approximately a further 1,344,000 fiber/cable homes passed in 2018 (passing 12,295,000 fiber/cable homes in France as of December 31, 2018). For the year ended December 31, 2018, we generated fixed B2C revenues of €2,545 million in France, €618 million in Portugal, €581 million in Israel and €101 million in the Dominican Republic.

We own, operate and are accelerating the build-out of our extensive mobile network, which provides 4G coverage for 99.7% of the population of France, 98.3% of the population of Portugal, 99.4% of the population of Israel and 97.5% of the population of the Dominican Republic, in each case as of December 31, 2018. We are also preparing for the introduction of the next generation of mobile telephony with 5G technology in France. We conducted numerous tests in 2016 and 2017 and further tests are scheduled in different cities in France in 2019. In addition, we have relationships with the industry's significant mobile equipment providers and are able to offer customers top-of-the-market mobile equipment. In 2018, we completed the Towers Transactions, through which we monetized the value of our passive mobile infrastructure assets in France, Portugal and the Dominican Republic. For the year ended December 31, 2018, we generated mobile B2C revenues of €4,146 million in France, €562 million in Portugal, €243 million in Israel and €354 million in the Dominican Republic.

For the year ended December 31, 2018, the Group generated total consolidated revenues of €14,279 million, of which €10,359 million, €2,110 million, €941 million and €590 million was contributed by our France, Portugal, Israel and Dominican Republic geographic segments, respectively, and Adjusted EBITDA of €5,320 million, of which €3,788 million, €870 million, €406 million and €294 million was contributed by our France, Portugal, Israel and Dominican Republic geographic segments, respectively.

### Overview of Service Portfolio

The table below shows the Group's service portfolio in each of the regions in which we operate.

Geographic Area	France <sup>(1)</sup>	Portugal	Israel	Dominican Republic	French Overseas Territories <sup>(1)</sup>	Other
Countries of Operation.....						Various
Bundling Strategy....	4P and 5P	4P and 5P	3P + Mobile	4P	4P	N/A
Mobile Services Offered.....	<ul style="list-style-type: none"> <li>• 2G, 3G, 4G-LTE, 4G-LTE+</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• 2G, 3G, 4G-LTE, 4G-LTE+</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• UMTS 2G, 3G, 4G-LTE</li> <li>• B2B iDEN mobile services</li> </ul>	<ul style="list-style-type: none"> <li>• 2G, 3G, 4G-LTE</li> <li>• B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>• UMTS 2G, 3G, 4G-LTE<sup>(2)</sup></li> <li>• B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Fixed (Very High Speed Fixed/FTTH/xDSL) Services Offered.....	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> <li>• Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• Infrastructure access</li> <li>• ISP</li> <li>• B2B services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> </ul>	<ul style="list-style-type: none"> <li>• Pay TV</li> <li>• Broadband internet</li> <li>• Fixed line telephony</li> <li>• B2B services</li> </ul>	<ul style="list-style-type: none"> <li>• B2B services</li> </ul>
Content <sup>(3)</sup> .....	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> <li>• Local Israeli content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Television content</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing, production and distribution of television content</li> </ul>
Other.....						<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Customer and Technical Services</li> </ul>

(1) The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 include FOT, ATS France and ACS within the France segment. Comparative figures for the year ended December 31, 2017 included in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, were restated from figures presented in previously published audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017, to reflect the consolidation of FOT, ATS France and ACS within the France segment. The audited consolidated financial statements

of the Issuer as of and for the year ended December 31, 2017 and 2016 includes FOT, ATS France and ACS within the Others segment.

- (2) In connection with the SFR Acquisition, we disposed of mobile network assets in La Réunion and Mayotte on July 31, 2015.
- (3) On May 15, 2018, the Group consummated the Altice TV Disposal. Altice TV and its subsidiaries, including AENS, generated €28.6 million in revenues and approximately €(75.1) million in Adjusted EBITDA for the year ended December 31, 2018. The Group and AENS, an affiliate of the Group and a subsidiary of Altice TV, have entered into certain content distribution agreements pursuant to which the Group distributes various sports and news content acquired by Altice Europe. See “Description of Our Business—Altice France Group—Material Contracts—Supply Agreements—Content Agreements”.

## Altice France Group

In this sub-section, unless the context otherwise requires, the terms “we,” “us” and “our” refer to the Altice France Group.

### B2C Market

#### Presentation of the B2C activity

#### Overview and key figures

The Group believes it is the leading alternative telecommunications operator in France in the B2C market. As of December 31, 2018, the Group had approximately 15,064,000 mobile B2C subscribers and approximately 6,275,000 total fixed B2C unique customers. With more than approximately 2,533,000 fiber/cable unique customers, the Group believes it is a leader in the very-high-speed fixed broadband segment in France.

The table below details the Group’s key operating data as of the years ended December 31, 2016, 2017 and 2018.

	As of and for the year ended December 31,		
	2016	2017	2018
	(in thousands except as otherwise indicated)		
<b>Homes Passed<sup>(1)</sup></b> .....	<b>25,732</b>	<b>24,921</b>	<b>23,467</b>
Fiber/cable homes passed <sup>(2)</sup> .....	9,316	10,951	12,295
<b>Fixed B2C</b>			
Fiber/cable unique customers <sup>(3)</sup> .....	2,038	2,231	2,533
Fiber/cable customer net adds .....	209	193	302
Total fixed B2C unique customers .....	6,113	5,943	6,275
Total fixed B2C customer net adds .....	(254)	(171)	333
<b>Mobile B2C</b>			
Post-paid subscribers .....	12,327	12,508	13,530
Post-paid net adds .....	(267)	182	1,012
Pre-paid subscribers .....	2,288	1,842	1,534
Total mobile B2C subscribers <sup>(3)</sup> .....	14,615	14,351	15,064

- (1) A home is considered “passed” if it can be connected to the transmission system with no additional extension to the network. Total homes passed in France includes unbundled DSL homes outside of the Group’s fiber/cable footprint.
- (2) As of the year ended December 31, 2018, in France, includes approximately 1,100,000 fiber/cable homes now passed by SFR FTTH. See “Description of Our Business—Altice France Group—Material Contracts—SFR FTTH”.
- (3) Fiber/cable unique customers represents the number of individual end users who have subscribed for one or more of the Group’s fiber/cable based services (including pay television, broadband or telephony), without regard to the number of services to which the end user subscribed. It is calculated on a unique premises basis. The total number of fiber/cable customers does not include subscribers to either the Group’s mobile or ISP services. Fiber/cable customers for France excludes white-label wholesale subscribers.
- (4) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Group’s mobile networks.

## *Brand policy*

In 2019, the Group streamlined its brand portfolio by focusing on two brands: SFR for the premium offers (with services and multichannel propositions) and Red for digital offers.

### *A strategy focused on very high-speed broadband/wireless and high-quality content*

The Group's ambition is to offer its subscribers a better content "consumption" experience at all times, in all places and from all terminals. This is reflected in the Group's ambitious policy of investment in access networks. As of December 31, 2018, the Group's network passed approximately 23,467,000 homes. The Group increased the number of homes passed by fiber/cable to approximately 12,295,000 as of December 31, 2018 (including approximately 1,100,000 fiber/cable homes now passed by SFR FTTH, an associate in which the Group owns a 50.01% interest, which we believe will be the largest alternative FTTH infrastructure wholesale operator in France) and intends to continue the expansion of its fiber/cable network in France and capitalize its past investments in improved fiber/cable infrastructure

The Group is also investing heavily in the development of its very-high-speed mobile network. 2017 and 2018 were years marked by significant deployments for the Group, which positions itself as the leader in opening 4G sites. The Group has expanded its 4G network coverage to 99.7% of the French population as of December 31, 2018. The Group believes it is also the leader in terms of 4G mobile antennas in service in France with 17,229 antennas as of December 31, 2018.

This ambition is also driven by product innovation. In late 2015, the Group launched a new "all-in-one" box with innovative functions and advanced usages, at the heart of the home ("**LaBox**"). LaBox is notably equipped with a fiber 1 GB/s modem, a TV 4K/UHD set-top box, a 500 GB hard disk for recording and live-broadcast control, as well as 802.11ac Wifi. Alongside the launch, the Group also unveiled a new simple and ergonomic interface designed to offer the best multi-screen TV viewing experience and meet the needs of its subscribers' families as well as a new version of the SFR TV application, which offers continuity at home and when on the move. In 2016 and 2017, product innovation continued with the launch of several new pieces of equipment, including a new DSL and FTTH modem offering the latest generation of Wifi.

Finally, SFR is proactively developing a policy of enriching the content offered to its customers. In 2018, the Group launched various content options, some of which (SFR Presse, RMC Sport, SFR Ciné séries) are available at a reduced price for SFR broadband and wireless customers.

- SFR Presse offers an attractive offer of diversified magazines and newspapers, unlimited and digital, accessible both online and offline.
- BFM offers access to high quality live news and streaming including all BFM channels (such as BFM Business and BFM Paris), a news sports channel with RMC Sport News and international news with i24 channels in three languages.
- RMC Sport, a collection of five exclusive sports channels, offers the largest sporting events (UEFA Champions League, UEFA Europa League, Premier League, Premiership rugby, Portuguese Liga, French basketball, combat sports, extreme sports and others) purchased from an affiliate of the Group. The Group retains exclusive rights to broadcast and distribute premium sports events, including the French Athletics Federation, English Premier League (from 2016 to 2019), French Basketball League, European basketball cup, English Rugby Premiership and the UEFA Champions League and UEFA Europa League (from 2018 to 2021).
- SFR Ciné/séries offers a set of regularly enriched premium content, including a Subscription Video On Demand ("**SVOD**") service and premium channels (Altice Studio, TCM Cinéma, Paramount Channel, Sundance TV). SFR Ciné/séries includes an extensive array of HD channels as well as one of the largest SVOD catalog in the market, with around 5,000 programs available, and an extensive catalog of HD and 4K/UHD contents. The SVOD service includes exclusive and/or unabridged TV series (such as "Tin Star" or Medici: Masters of Florence"), cinema (with more than 1000 films), youth and family content. SFR Ciné/series is one of the leading French SVOD platforms.

The Group also offers a set of over 500 channels and TV services (including more than 100 in HD and more than 60 in replay, some exclusive). Since 2017, the Group became the exclusive broadcaster in France of four

Discovery channels (Discovery Channel, Discovery Science, Discovery Investigation and Discovery Family), three entertainment channels, series and NBCU cinema (13th Street, Syfy, E!) and Altice Studio, a series and cinema channel created and launched by the Group in 2017. In addition, the Group will be able to offer films produced by NBCUniversal, including any next instalments of its popular blockbusters such as “Skyscraper”, “Mamma Mia” and “American Nightmare 4” as well as Paramount Pictures. The Group also offers MY Cuisine, an international cookery channel broadcast exclusively by the Group in France which also comprises a mobile application and a recipe blog.

#### *Fixed activity*

##### *Overview*

The Group, through its various brands and products, offers a number of fixed-line telecommunications services. These are mainly available via fixed-line broadband or very-high-speed broadband internet and its subscriber premises equipment (i.e. a modem and/or set-top box). The Group’s services, in addition to unlimited broadband and very-high-speed broadband internet, include fixed telephony, IP television and access to video content. The Group’s fixed services are generally offered in double-, triple- or quadruple-play bundles over different access technologies (ADSL, VDSL, FTTB and FTTH) depending on particular offers and customer eligibility. The broadband speed offered to subscribers varies according to their access technology and can reach up to 1 GB/s.

As of December 31, 2018, all or part of the Group’s B2C services were marketed under two brands: SFR and Red. As of December 31, 2018, the Group had approximately 6,275,000 total fixed B2C unique customers for its fixed-line broadband and very-high-speed broadband offers. The offers below represent fixed offers provided by the Group as of December 31, 2018.

##### *SFR brand offers*

#### **(a) Internet and telephony bundled offers (“double-play”)**

The Group offers broadband internet services (ADSL, VDSL or FTTx depending on subscribers’ eligibility) as part of double-play bundled offers which also include unlimited telephony services to fixed lines in metropolitan France, the French Overseas Territories and to more than 100 international destinations. These offers can be upgraded with unlimited telephony options to mobile lines and to other international destinations.

The “4G Box” is reserved for homes that have low ADSL speeds but good 4G coverage. The SFR Box 4G includes 200 GB of internet fair use and up to 220Mbit/s and also includes unlimited telephony services to fixed lines in metropolitan France.

#### **(b) Internet, telephony and IP television bundled offers (“triple-play”)**

Triple-play offers comprise the double-play services above and an IP television service. The Group offers three ranges of triple-play offers: Fiber, Fiber Power and Fiber Premium.

These offers notably include broadband internet (ADSL, VDSL, FTTB fiber technology with coaxial termination or FTTH fiber optic technology, depending on eligibility), from 10 GB to 1 TB of “SFR Cloud” storage, unlimited calls to fixed lines and, in the case of the Power and Premium offers, mobile calls in France and more than 100 destinations, unlimited calls to cell phones in France, North America and China, as well as access to “SFR TV” packages, including approximately 160 channels and services under the Starter offers, approximately 200 under the Power offers and approximately 210 under the Premium offer, of which over 130 are accessible in multi-screen option with the SFR TV application.

The set-top box that accompanies such offers also provides access to several add-on services, such as catch-up television, program guide and VOD rental store.

Customers can also subscribe to pay-TV options including over 500 additional channels, optional TV Passes (Découverte, Jeunesse, Cinéma, BeIn Sports, OCS, Canal+, RMC Sport), and ethnic programming packages. The Netflix SVOD service is available for triple-play customers. The SFR Fiber set-top box includes native Netflix and YouTube apps.

**(d) “Home by SFR” offer**

The Group offers two products as part of its “Home by SFR” range, an automation and home surveillance service: the “Video Alarm Package” and the “Premium Video Alarm Package”. The Video Alarm Package includes a management center for connected equipment, a wide-angle camera, an internal siren, a smoke detector, an opening detector and a remote control. The “Premium Video Alarm Package” includes the equipment mentioned earlier, a control keyboard, a 3G key, two motion sensors and 24/7 Europe Assistance support. The camera may be managed remotely from a computer or the Home by SFR application. “Home by SFR” customers can also purchase a set of additional accessories, as well as a “Heating Energy Pack”, allowing intelligent, remote control heating management and usage monitoring.

**(e) Convergent fixed-line/mobile offers (“quadruple-play”)**

To meet customer household needs, the Group offers the opportunity to combine fixed and mobile plans. These offers are provided at attractive rates through “Multi-Pack” discounts per mobile line.

In 2016, the Group launched SFR FAMiLY!, an innovative product designed for the family. SFR FAMiLY! allows customers to share their storage (from 10 GB up to 100 GB according to each customer’s needs) and contents with family members. The owner of the line can easily manage and control, via an application, children’s usage and Internet browsing.

These convergent offers are based on the Group’s broadband price plans, and notably include broadband internet (ADSL, VDSL, FTTB fiber technology with coaxial termination or FTTH fiber optic technology, depending on eligibility), from 10 GB to 1 TB of “SFR Cloud” storage, unlimited calls to fixed lines and, in the case of the Power and Premium offers, mobile calls in France and more than 100 destinations, unlimited calls to cell phones in France, North America and China, as well as access to “SFR TV” packages, including approximately 160 channels and services under the Starter offers, approximately 200 under the Power offers and approximately 210 under the Premium offer, of which over 130 are accessible in multi-screen option with the SFR TV application.

The set-top box that accompanies such offers also provides access to several add-on services, such as catch-up television, program guide, SVOD offers, VOD rental store and cloud gaming.

*Red brand offers*

Red by SFR has been marketing an internet access offer, ‘Red Box’, that provides a premium fiber offer up to 200 Mbps or a standard ADSL/VDSL offer. These offers provide access to the Group’s fixed-line very-high-speed broadband, DSL or FTTx (if eligible) networks, unlimited calls to fixed lines in metropolitan France and to more than 100 destinations in the world. A number of other optional services are available for extra monthly fees, including a standard TV option providing access to approximately 27 channels and a catalog of pay-TV and VoD options, via a TV set-top box or a premium TV option providing access to approximately 100 channels and a catalog of pay-TV and VoD options.

*Mobile activity*

*Overview*

The Group serves the entire French mobile market through its pre-paid and post-paid offers. Post-paid offers account for the bulk of the Group’s mobile activity, with approximately 13,530,000 post-paid subscribers, or 90% of its B2C mobile subscriber base, as of December 31, 2018. In the post-paid market, the Group offers a full range of voice and data solutions through its brands SFR and Red, covering all of the market’s requirements. These offers are provided with or without commitment or a subsidized handset, and with premium or no-frills services. The offers below represent mobile offers provided by the Group as of December 31, 2018.

*SFR brand offers*

**(a) Post-paid premium offers—4G packages**

The SFR brand offers four premium, post-paid, 4G mobile telephony packages with rates ranging from the Starter package of 2H+100 Mb, which includes a 12-month commitment to the premium ‘100GO’ offer, which includes calls to and from international locations, a subsidized handset and a 24-month commitment). All of the Group’s

offers include the option of a subsidized handset, unlimited SMS and MMS and come with a variable volume of voice and internet data according to the selected package. Subscribers to these packages have access to the Group's very-high-speed broadband internet network (3G and/or 4G/4G+).

At entry level, the Group offers two Starter packages, which are offered inclusive of calls within France ranging from 2 hours to unlimited usage and from 100MB to 5GB of mobile internet data in France per month. For more advanced needs, two packages are offered: Power 60GB, Power 100GB. These packages include unlimited calls in France and French Overseas Territories, from 60 GB to 100GB mobile internet, SFR Cloud (100 GB of storage), and access to SFR TV. All of these packages also offer varying voice and data usage from abroad, the extent of which depending on the package.

Customers can also choose one or several content options, including RMC Sport, SFR Presse, SFR Ciné-Séries and Napster. With respect to the broadband offer, Group customers benefit from a special price for these content options. Subscribers to the Group's 4G packages are eligible to receive multi-pack discounts if they also subscribe to a box offer and if they are also eligible for the FAMiLY! offer.

These offers are available across all of the Group's SFR brand's distribution channels.

**(b) Remote access offers—“Connecté Partout” (“Connected Everywhere”)**

We recently launched a one price “pay as you go” offer under which customers are charged 3€ per day for only the time during which the services are used. For subscribers that wish to buy a set-top box or tablets to accompany these offers, the Group offers one “Box de Poche 4G” and tablets. For occasional users, pre-paid “ready to surf” top-up kits are available, offering data between 300 Mb and 8 GB depending on the customer's needs.

**(c) “SFR La Carte” pre-paid offers**

Pre-paid packages are offered under the “SFR La Carte” brand. After a SIM card is purchased it can then be topped up by vocal server, internet, purchasing coupons or tickets at physical points of sale (for example, tobacco shops, newsagents, SFR spaces and certain major food retailers) or through ATMs of certain banks that are partners of the Group. Several pre-paid top-up ranges are available to subscribers, offering voice, SMS, MMS, international calls and data packages.

Other available products also include mobile+ SIM card packs or tourist kits (SIM card with adapted content included).

*Presentation of the Red brand offers*

Commitment-free and handset-free post-paid packages are offered under the Red brand. These offers are available upon subscription mainly via the website redbysfr.fr, with the lines also being managed online via the same website. Subscribers with Red packages have access to the same network technologies as subscribers with SFR mobile offerings. However, Red subscribers do not enjoy services linked to SFR mobile offerings and are not eligible for multi-pack discounts.

**Network**

With the largest fiber/cable network in France, passing approximately 12,295,000 homes, including approximately 1,100,000 fiber/cable homes now passed by SFR FTTH, extending over more than 2,500 municipalities as of December 31, 2018, and a leading mobile network, the Group aims to become the national leader in the convergence of very-high-speed fixed-line and mobile technologies. The Group's ability to provide new or enhanced fixed-based services, including HDTV and VoD television services, broadband internet network access at increasing speeds and fixed-line telephony services as well as UMTS, 3G and 4G mobile services to additional subscribers depends in part on its ability to upgrade its (i) cable and DSL networks by extending the fiber portion of its network, reducing the number of nodes per home passed and upgrading technical components of its network and (ii) mobile networks by building-out its UMTS-network and investing in LTE as well as maintaining agreements with third parties to share mobile networks.

In the area of very-high-speed broadband, the Group intends to maintain its competitive edge and contribute to the success of the French government's very-high-speed internet plan through significant investments into its very-high-speed network and aims to expand its fiber coverage to 22 million homes by 2022. As a result of this

investment, the Group intends to continue to lead the market and support B2C and B2B migration from ADSL to fiber technologies. Over the last four years, the Group has increased its fiber deployment and upgraded a substantial part of its cable networks. As of December 31, 2018, the Group's cable networks are largely DOCSIS 3.0 enabled, which allows it to offer its customers high broadband internet access speeds and better HDTV services across the Group's footprint.

The Group aims to deliver quality experience in broadband and high-speed broadband to all its subscribers both for fixed-line and mobile services. As a result, the Group is investing in its own network infrastructure in order to be able to develop quality, innovative and convergent services while reducing its costs. The Group's networks not only allow the transmission of both fixed-line and mobile voice and data traffic across France, but they are also interconnected to the networks of the rest of the world due to the Group's interconnection arrangements or through transiting carriers.

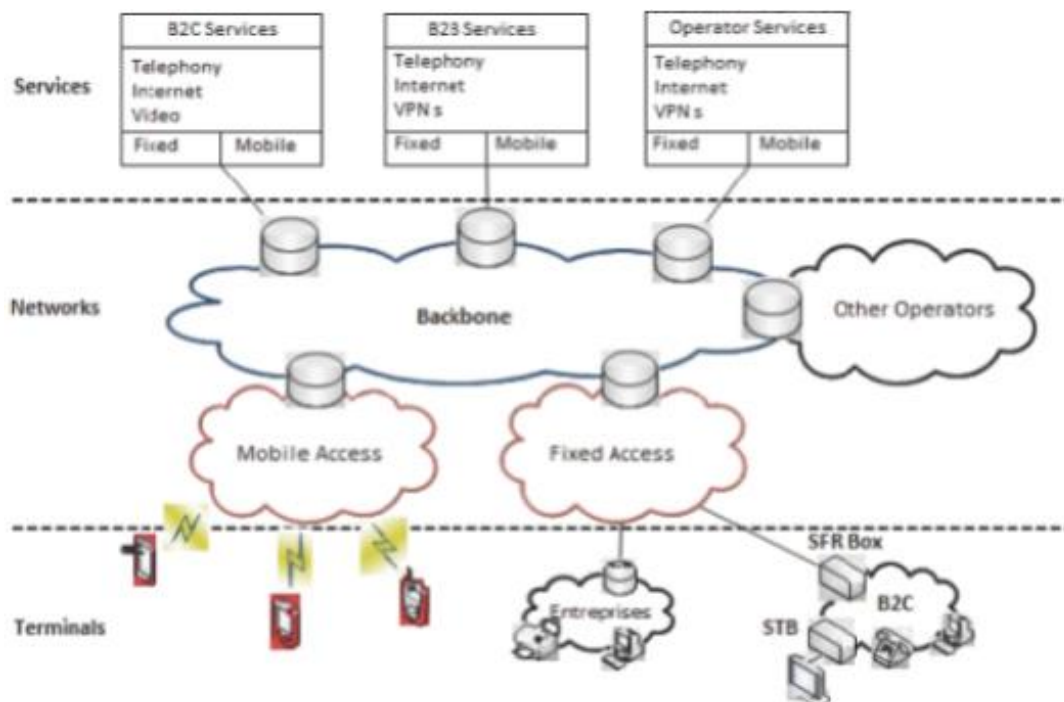
The Group intends to continue investing in cutting-edge technologies that make it possible to anticipate market changes and meet future traffic needs. For example, on May 16, 2018, the Group acquired 100% of the share capital of ATS France from Altice International, a subsidiary of Altice Europe. See "*Certain Relationships and Related Party Transactions*" for more information. ATS France provided services and equipment relating to the deployment, maintenance and modernization of the Group's telecommunications networks.

*Overview of architecture of a telecommunications network*



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

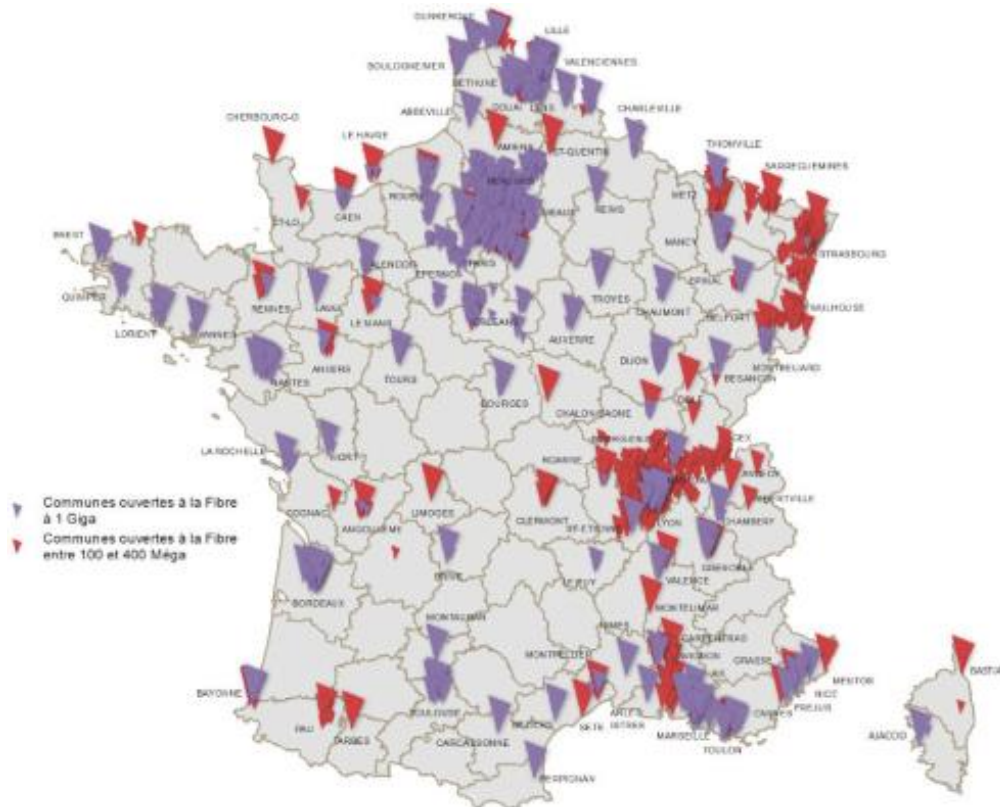
*Overview of the Group's network*





## Fixed-line network

Fiber coverage as of December 31, 2018



## Very-high-speed internet

With regards to very-high-speed internet, the Group is rolling out fiber in all existing technologies (FTTB and FTTH), with the goal of delivering the best quality very-high-speed internet to its subscribers. The Group is actively committed to the success of the French government’s very-high-speed internet plan. With its fiber optic network, the Group provides its subscribers with bit rates of up to 1 GB/s.

The Group owns its network infrastructure, headends, access nodes and other parts of its access network, including the long-distance backbone (see “—Backbone”, below). The technical installations in which the cables of the Group’s network are installed (e.g. pylons) are owned by the Group or Orange (to which the Group has access by means of long-term indefeasible rights of use (“IRUs”). Several telecommunications operators can occupy or use the same technical installation or even the same telecommunications equipment, without affecting the quality of the service provided to end subscribers. As of December 31, 2018, the Group had the largest fiber/cable network in France with approximately 12,295,000 homes passed eligible for fiber/cable. The Group’s fiber/cable services are already marketed in more than 2,500 municipalities across France and in the year ended December 31, 2018, more than 1,344,000 new housing units and business premises were made eligible for access to the Group’s fiber/cable network.

## Fiber to the building (“FTTB”)

With technical performance levels comparable to those of other FTTx technologies, FTTB is the most widespread technology in the world (including in the United States, Germany, Belgium, the Netherlands and other countries).

FTTB seeks to bring fiber optic as close to housing units as possible and to rely on the existing coaxial cable within buildings to connect the end subscriber to the fiber network. FTTB offers two key benefits: first, it allows

for a simplified connection of subscribers and therefore a faster deployment of fiber in France, and secondly it offers a TV service quality recognized to be superior to all other available technologies.

#### *Fiber to the home (“FTTH”)*

Since 2007, the Group has also been deploying its own subscriber connection links by means of FTTH fiber technology, which enables the delivery of bit rates of up to 1 GB/s. The Group’s FTTH technology relies on a network of 600 optical nodes from which the final links depart to connect its private and business customers in optical fiber. FTTH technology presents a significant technical opportunity given that, as with FTTB, network speed is not technically limited by distances to network connection nodes, unlike other technologies such as VDSL where actual speed decreases as the distance between network connection nodes and the end-user increases.

#### *A pragmatic approach to promote deployment*

In order to meet the growing needs of users, the Group is taking a pragmatic approach to the deployment of its very-high-speed broadband offers. In both very densely populated areas itself, and in less densely populated areas by private partnership, the Group is continuing its fiber deployment where it is the leading operator and it continues to co-invest with Orange in areas where Orange is responsible for deployment. The Group also continues to deploy its very-high-speed network in less densely populated areas as part of public initiative networks with local authorities. In 2017, the Group was chosen by the Departements of Seine Maritime and Martinique to operate the new Public Initiative Networks that will allow more than 325,000 households to be connected to the Group’s fiber network. The acceleration of the Group’s fiber deployment in France, notably expanding FTTH coverage in low-density and rural areas, should support better fiber subscriber trends as the addressable market for very high-speed broadband services expands.

#### *DSL*

In providing its DSL fixed-line broadband services, the Group relies on a DSL network of more than 7,000 unbundled main distribution frames (“MDFs”) as of December 31, 2018. While the Group benefits from what has historically been very good DSL technology coverage, the Group also possesses the French market’s largest fiber optic network and, as a result, is looking to support the migration of subscribers from ADSL to fiber optic technologies in order to meet the gradual increase in B2C and B2B subscribers’ internet usage.

#### *Mobile network*

The Group’s mobile access network has more than 15,000 radio sites (excluding mobile network sharing) as of December 31, 2018, each comprising a transmitter/receiver (the base station), transmission equipment and environment infrastructure (for example, pylons, technical rooms, energy workshops and antennas). These radio sites are relayed to the fiber optic backbone through fiber optic connections or radio connections owned either by the Group or through the network links we lease from Orange.

The Group has made investments in mobile frequencies from different mobile spectrum auctions organized by the French regulatory authorities. As a result, the Group has a diversified portfolio of frequencies (which support 2G, 3G and 4G technologies) and a spectrum allocation that covers its current and future mobile network requirements.

Following the spectrum auction organized by ARCEP in 2015 for the allocation of frequencies in the 700 MHz band, the Group expanded its spectrum portfolio with a new 5 MHz block. The Group’s low frequency portfolio now comprises 25 MHz in total, broken down into 5 MHz in the 700 MHz band, 10 MHz in the 800 MHz band and 10 MHz in the 900 MHz band. Together with the 55 MHz the Group owns in high frequencies, the Group’s total portfolio now has 80 MHz (after the refarming of the 1800 MHz band), making it one of the most advanced portfolios on the market. The Group thus believes it will be able to meet subscribers’ coverage and performance needs, in particular in less densely populated areas, with respect to mobile internet and increasing data usage over the coming years.

#### *Mobile coverage*

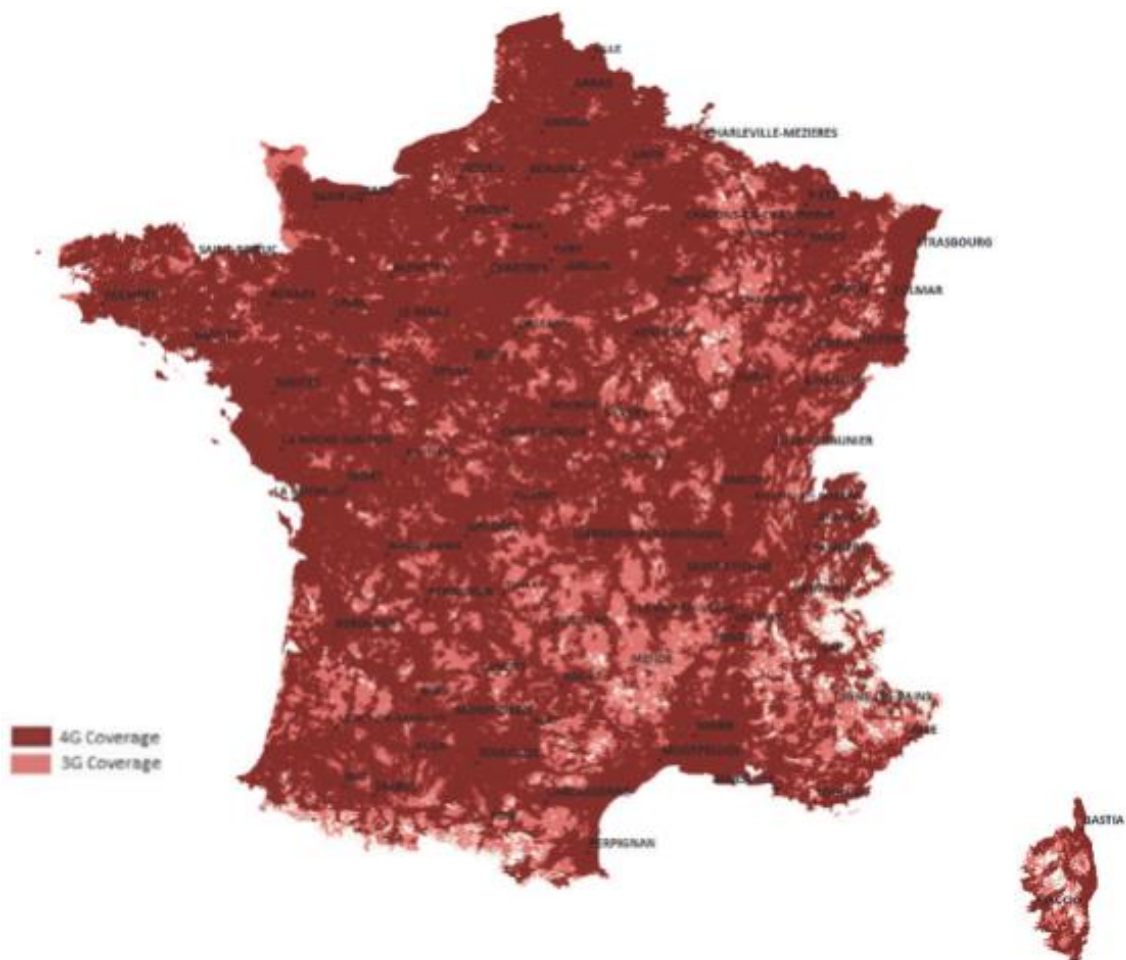
As a result of significant deployments of its radio sites, the Group aims to cover all mobile connectivity needs in mainland France. As of December 31, 2018, the mobile network of the Group covered 99.8% of the French population in GSM/GPRS (2G) and 99.9% of the population on the UMTS/HSPA (3G/3G+) network.

As of December 31, 2018 the Group has access to a 4G network accessible to 99% of the population of mainland France and was the first operator to launch 4G technology in France. The year 2018 was marked by a rapid pace of deployment. This significant deployment allowed the Group to increase its 4G coverage by 4% in 2018 and to cover 99% of the population by the end of 2018. In 2018, the Group continued to expand its 4G/4G+ network and covers 99.7% of the population in 4G as of December 31, 2018.

The Group conducted numerous tests in 2016 and 2017 and further tests are scheduled in different cities in France throughout 2019.

#### *Mobile coverage as of December 31, 2018*

With a view to increasing download speeds, making internet browsing more enjoyable and improving its service quality, the Group is also deploying 4G+ up to 500 Mb/s. Considered to be an updated version of 4G, 4G+ is able to deliver download rates of a maximum theoretical bit rates of 500 Mb/s due to the aggregation of 800 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequencies. 4G+ technology makes it possible to speed up downloads and facilitates the sharing and viewing of HD content on the go.



#### *4G deployment*

##### *Systematic deployment of Single-RAN technology*

The Group's mobile network consists in total of more than 15,000 radio sites (excluding mobile network sharing), equipped with one or more items of transmission/reception equipment (base station), each dedicated to a single technology (2G or 3G) or latest generation equipment ("Single-RAN"), which enables 2G, 3G and 4G technology to be managed by means of a single item of equipment.

The Group uses the deployment of 4G technology as an opportunity to systematically replace its older antennas with Single-RAN technology, enabling its subscribers to benefit from a high-quality, very-high-speed network, while also making the most of the technical and financial benefits of Single-RAN technology.

Single-RAN technology provides certain technical advantages. First, it enjoys higher performance, both in terms of quality of mobile voice and capacity, due to its ability to use optimal technology (3G/4G) and frequencies (specifically 900MHz). The effectiveness and reliability of its connectivity are also optimized due to the use of unique transmission technology. Secondly, it facilitates technological evolution (such as the introduction of 3G 900 or 4G 1800 for example), due to a simple software development which require no intervention with or amendment to the physical technology components.

The use of the Single-RAN technology also provides certain economic benefits, particularly due to the reduced amount of equipment necessary in the Group's mobile network. As a result, the deployment of Single-RAN technology reduces the amount of mobile network sites required in the Group's mobile network, reducing the need for investment, and maintenance work on the Group's network, generating operating savings, whilst at the same time facilitating technological evolution.

Finally, Single-RAN technology also improves customer experiences due to the increases in coverage and availability it delivers and the increased capacity over all frequencies and mobile technologies (2G, 3G and 4G).

#### *Mobile network transformation program*

In 2014, the Group launched a large-scale program to upgrade 2G, 3G and 4G technologies. This program is part of a development phase that is crucial to ensuring that the Group, in the future, has a quality mobile network.

Transforming the Group's mobile network and doing everything possible to offer customers an optimal, and high-quality standard of service is one of the Group's key priorities. The transformation of its network requires that it replaces its 2G and 3G equipment with next generation equipment, deploy 4G and re-allocate a portion of its 900 MHz frequencies to 3G, so as to offer better mobile internet coverage within buildings.

The transformation program will significantly increase the capacity of the Group's 2G and 3G networks, improve coverage and service quality, allow it to deploy 4G in 800 MHz, 1800 MHz, 2100 MHz and 2,600 MHz, and to re-deploy our 900 MHz spectrum in 3G for optimal coverage within buildings.

#### *Mobile networks sharing agreement*

The Group and Bouygues Telecom entered into an agreement on January 31, 2014, whereby they agreed to pool part of their wireless networks. The goal of this agreement is to allow Bouygues Telecom and the Group to offer customers better geographic coverage and service quality, while optimizing costs and investments. The agreement calls for the roll-out of a new shared network in an area corresponding to 57% of the population of France (encompassing the entire territory, other than the 32 largest population centers described above and so-called "white spots"). The first roll-outs of the RAN sharing coverage were in September 2015, and the target network was completed with 11,512 sites rolled out jointly by the Group and Bouygues Telecom by December 31, 2018. See "*Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*" for more information.

#### *Towers*

In December 2018, the Group completed the Towers Transaction through which it monetized the value of its passive mobile infrastructure assets. Hivory, the newly incorporated tower company in which the Group owns a 50.01% interest, is a high-quality telecommunications infrastructure provider with a nationwide presence. It is the largest independent telecommunications tower company in France, benefiting from more than 10,000 strategically located sites with a diversified portfolio of ground-based towers and rooftops. Through Hivory, the Group and its joint venture partner KKR seek to proactively partner with third party mobile operators to develop their coverage and densification objectives, including through the build-to-suit of 1,200 new sites within the next four years. See "*Material Contracts—Hivory—Agreement to Dispose of Tower Assets*".

## ***Backbone***

In order to offer all its customers a top-quality user experience, the Group has developed its own, unique transport network, enabling the routing of all of the Group's mobile and fixed-line traffic. The Group's network is based on a modern, high-quality infrastructure, both with respect to its backbone and its mobile and fixed-line access networks.

The Group has one of the largest backbones in France. This backbone is a national transport infrastructure with more than 80,000 km of fiber optic cable enabling the connection of more than 165 metropolitan loops in the territory as of December 31, 2018. In addition, the Group's backbone is accompanied by a network of 11 national data centers spread across the French territory.

### *Technical characteristics*

The backbone (which provides the main voice and data transmission routes between large, strategically interconnected networks and the network's main routers) is used by the Group to route the digital signals of subscribers throughout France. The data backbone currently functions in "All-IP" and transports all Group communication using specific bandwidths for each of the Group's digital services (digital television, B2B and B2C). The Group believes that its backbone is fully able to meet the needs of its subscribers.

### *Transmission network and IP transport network*

For its optical transmission network, the Group has chosen a "meshed" architecture, namely one that is constructed in the form of inter-linked loops, thereby securing traffic flow as much as possible. In the past, the Group built its optical transmission network on the basis of national agreements with RFF and Voies Navigables de France. The Group has extended this vast transmission network by also renting fibers to third parties (for example, *Réseau de Transport d'Electricité*) and to Orange, specifically for the connection of MDFs.

To be able to handle increasing traffic, the Group has deployed the highest performing optical technology available to date. The Group has constructed an Internet Protocol ("IP") transport network that is multifunctional and features very high capacity. It is situated above the optical transmission network. The backbone routers use Nx100G technology and as a result can support connections of a unitary capacity of 100 GB/s.

The Group network can manage internet services using the addresses in IPv4 or IPv6 format for its Fixed and Wholesale customers. It can also transport voice, data and video flows (for example, television services on multicast IP or VOD).

## ***Data centers***

In order to meet the needs of its B2B customers, the Group has 11 data centers in France. These data centers consist of one or more properties equipped with 24-hour security and surveillance services and include several rooms with cabinets containing the servers, kept at an ideal temperature and with permanent electricity supplies. The servers hold the data and applications to be used by B2B customers, who benefit from a secured connection to the data center servers.

## **Marketing**

### *Overview*

The Group has a robust and multi-channel distribution network, combining local channels (stores, presence in the shelves of major food retailers, as well as door-to-door salespeople) and distance selling channels (such as websites and telesales) allowing it to cover the entire domestic market.

### *Stores*

#### *SFR spaces*

As of December 31, 2018, the Group had approximately 639 "SFR spaces" in France which sell all of the SFR brand's fixed and mobile offers. This network of SFR spaces is operated by the Group's subsidiary, SFR

Distribution, as well as independent partners. Regular investments are made to the SFR spaces network in order to modernize it and maintain the quality of in-store experience.

In addition to offering subscription services, SFR spaces offer subscribers (and prospective subscribers) a range of services including product demonstration and discovery services (such as LaBox workshops) and helpdesks.

The SFR brand has a multi-channel approach to its product marketing. As a result of its “web to shop” service, the Group allows its subscribers to order a product online or through telesales (for example a mobile phone handset as part of signing up for a new subscription or renewing an existing one), and to then collect that product at their nearest SFR space. Depending on the availability of the desired product, the customer may pick it up within 48 hours. Furthermore, we have developed the “*e-propale*” service, which allows estimates to be generated through all sales channels following a customer contact. These estimates can then be finalized by the subscribers themselves, either online or in person in a SFR space.

### ***Door-to-door selling***

Door-to-door selling is another mechanism for marketing of the Group’s offers. The Group’s door-to-door selling teams operate across the country and consist of both the Group’s employees and independent contractors.

### ***Websites***

The Group is present on the internet via the websites of its current and historic brands: sfr.fr and redbysfr.fr. The purpose of the websites is to market offers through online stores, improve customer relations (by providing customer discussion spaces, online assistance and so forth) and to offer services (such as webmail).

The websites of the SFR brands (SFR and Red) have more than 103 million visits monthly, with more than 21 million unique visitors.

### ***Telesales***

The Group also markets its offers via the telesales channel. The Group’s telesales in 2018 generated approximately 1,000,000 outbound contacts and processed approximately 207,000 inbound calls per month.

### ***Customer service***

#### ***Digital customer relations service***

In order to give subscribers the autonomy they demand, the Group continues to develop and promote its digital customer service tools, in particular its “Customer Space” on the web and its MyAccount application for smartphones. These digital services, available 24/7, allow all subscribers to manage their services and find answers to their administrative, sales-related and/or technical questions. With the launch of the innovative self-diagnosis functions of its boxes, the Group now allows its subscribers to monitor the status of their boxes and get online technical support.

#### ***Multi-channel customer relation service***

In addition to its digital solutions, the Group has advisors that help its subscribers on the telephone and/or through other contact modes such as chat-rooms, email, forums and social networks (Twitter, Facebook and others). SFR spaces play a key role in multi-channel customer service, offering subscribers on-the-spot support. The ability of points of sale to better assist its subscribers and resolve their problems is a priority for the Group. To improve the quality of how requests are handled, the Group is streamlining the tools used by its advisors.

### ***B2B Market***

#### ***Overview***

Changes in usage confirm new trends in the B2B market, which raises challenges relating to performance, reliability and, more generally, security. Development of mobility and remote work capabilities, as well as proliferation of exchanges and collaborative work, have resulted in the growth of data usage, specifically in terms

of mobility, for all customer terminals, and have created new needs for digitalization of applications and customers' tools.

The Group offers a full range of fixed and mobile services including voice services for traditional switched voice services and VoIP, data services, such as the provision of very-high-speed internet access, provision of connection services for professional multi-site architectures (IP VPN, LAN to LAN, SAN to SAN, etc.), cloud and hosting services, and various ICT services solutions.

The Group's B2B customers consist of small, medium and large businesses, as well as public administration entities, which often have numerous sites of operation. The Group currently meets the needs of its customers via a portfolio of standardized solutions, completed with an extended know-how on project-based customizations.

The Group has a sales team organized into direct and indirect distribution networks to market and service its B2B customers. The Group's sales representatives combine know-how, motivation and experience, providing a strong regional and local presence, and have close relationships with the local authorities and administration.

The B2B market is addressed through different channels according to customer segmentation:

- a major accounts segment marketed through direct sale only. For major accounts, both public and private, the Group offers, through internal sales teams, tailor-made, reliable and secured solutions based on a combination of standardized products and more specific additional services. This segment is dealt with by the Commercial Department, "Major and International Accounts".
- A regional and local business market dealt with by 3 Regional Zone sales organisations, decentralized and present everywhere in France via direct and indirect channels comprising of:
  - a large businesses and public procurement segment marketed through direct sale only;
  - a small to medium business segment (i.e. businesses with between 20 to 250 employees, "SME") marketed through indirect sales via a network of independent distributors and brokers and through SFR Business Distribution, a wholly-owned subsidiary of the Group;
- a micro-businesses segment (i.e. businesses with between 6 to 19 employees), marketed through:
  - a dedicated nationwide distributed sales force within SFR Business Distribution, centrally organised and managed through the "Division TPE" (= Small Business Division). This new organisation has been designed in Q1 2019 and is going live in Q2 2019 with the ambition of earning significant market share on the Small Business Market in geographical areas where the group is deploying its own optical fiber access network; and
  - a digital channel, including online shop and the telesales.

The Group employs a dedicated department for its B2B customers, in charge of the development and marketing of offers and services as well as assistance for all support and training of commercial engineers. The offers of the Group are adapted to the needs of each of its customers, including small, medium and large companies as well as public entities.

Finally, the Group has and manages its own customer services structure, through a Customer Relations Department and a Customer Technical Support Department, specifically suited to the needs of its B2B customers and which is available 24/7. The Group's digitalized customer management interfaces (in particular Customer Extranet Portal) provide a centralized and multi-channel customer service approach suited to the needs of B2B customers.

The Group's standard service contract for B2B customers includes commitments to restore service, in particular within four hours for fixed-line voice and data services. The Group also offers additional value-added services suited to the needs of B2B customers in terms of roll-out and operation.

### *Mobile Offers (Voice, Data, Management and control services)*

The Group's mobile offers are intended for all segments of the B2B market, which follow the same format as the Group's B2C offers, containing additional options as well as various levels of data usage, in addition to specific data access packages for tablets and computers, which offer internet access ranging from a few GB to several tens of GB depending on the offers.

The Group also offers cost management services to businesses. These include simple tools, such as a dashboard of telecommunications expenses and consumption, which allow businesses to effectively manage their fleet of handsets.

Handset management and security offers are available to all business customers. The Group's Mobile Device Management offer allows business customers to remotely manage and secure their fleet of smartphones and tablets, in particular by erasing the business' information in the event of theft. The handsets are configured in a centralized manner through a Cloud platform.

### *Fixed-line voice offers*

The Group's B2B fixed-line voice offers consist of various fixed-line telephony packages designed to suit all business customers' needs. They include calls to fixed and mobile lines with privileged support: dedicated customer service, guaranteed restoration in less than four hours with the dispatch of a technician if necessary, and the choice of single, consolidated or separate billing.

In 2018, the Group has launched a new service called "Ligne Business IP" (=IP Business Line) which delivers an analog line telephony service over a data access in order to help business customers cope with the phasing out of traditional Switched Voice Services by the french incumbant operator.

The "Pack Business Entreprise" offer is an offer for enterprises, from SMEs to large companies wishing to use the service of a provider handling the overall management of the business communication services (managing telephony service, equipment and telecommunications usage). This package provides not only a standard telephone service including call forwarding, call transfer and conferences, among others, but also the convergence of fixed and mobile services such as single number, single email system and accessibility rules.

The Group provides a dedicated project manager during set-up and installation on the site by licensed technicians.

### *Fixed data offers*

The Group can provide its business customers with a complete range of fixed data offers:

#### *Business private network offers*

- The "IPNet" offer connects businesses' different premises into a single virtual private network (VPN). Connections can be made using DSL or FTTx access technologies. Additional services allowing remote access, centralized and secure internet access or support can be added to this offer.
- The "SFR International IPNet" offer for major accounts and businesses contains multi-site access in France and abroad (virtual private network with data traffic transport and prioritization). It makes it possible to transport and protect information between a company's sites in France and abroad, thereby improving the performance of its applications.
- The "SFR Ethernet" offer, intended specifically for major accounts, connects the business's local networks through a very-high-speed broadband network. It thus makes it possible to allocate and share the network resources (LAN, servers) of the customer, and connect its main sites (head office, datacenters) via a flexible point-to-point architecture, with a broad range of speed and access options.

### *Internet access offers*

- The "Connect" offer, which provides access to the Internet with symmetrical speed and guaranteed broadband up to 1 Gbps and upwards of that through dedicated fiber, SDSL or VDSL.



- The “Access Max” offer is designed to offer affordable access for SMBs and smaller businesses to very high speed internet. “Access Max” gives access to asymmetrical speed of up to 300 Mbps through FTTB and FTTH technologies. In 2018 the Group has launched the “Box Business” offer, an evolution of this service which delivers a Dual Play service (Voice + Internet access).

#### *On-premise network offers*

- These offers bring together all of the services that meet the needs for LAN, enterprise WiFi and WAN network optimization services for companies through packages solutions or through project-based proposals. The “SFR WAN Services” offer brings to major accounts the agility of SD-WAN technology with an easier set-up, more agility in the provisioning of their connections at optimized costs. This offer is often combined with an Internet access offer or a VPN offer.

#### *IT Services*

In addition to connectivity solutions, the Group offers a range of IT infrastructure and telecommunications services in customized or packaged, on-site or as a service, the format depending on the needs and on the business segment. To do so, it partners with the big technology companies in each area of expertise. These offers can be supplemented with consulting and support services.

#### *IT Infrastructure Service Line*

This service line brings together hosting offers in the Group’s datacenters, platform hosting in public or private cloud mode, disaster recovery plan and content acceleration. An Infrastructure as a Service (“**IaaS**”) offer is also available for the customers, especially major accounts. The solution allows the company to host its servers in a shared environment to manage and optimize its information system infrastructure in a secured IT resource solution.

#### *Unified Communications Service Line*

This service line combines video conferencing, audio conferencing, messaging, collaboration and advanced business voice solutions. The portfolio notably includes:

- “Office 365 Collaboration”, which regroups in the same user license Microsoft Office tools (professional messaging, conference and instant messaging, online document sharing site, and office automation applications), and thus makes them accessible online at any time.
- “Business Corporate Pack”, offered specifically to large companies. This cloud unified telephony and communications solution is adaptable to every company and is based on four main pillars: advanced corporate telephony and communications functions, an on-demand service with pay-per-use, the guarantee of a single contact for an end-to-end commitment and a customer space allowing the customer to manage telephony and collaboration services autonomously on a daily basis. The Pack consists of a service platform in the network core and a centralized operator voice access, built on the existing network or the customer’s SFR IPNet. It offers customized end-to-end support for design, roll-out and operation. In addition to corporate telephony and collaboration functions, users will get a softphone service (i.e. telephony software for making calls over the internet) and a single number. They can therefore be reached at any time both within and outside of the company and on all types of fixed and mobile terminals.

The offering also includes the capacity to deploy customized on-site and hosted-mode solutions.

#### *Customer Relationship Management Service Line*

The Group provides several solutions to meet the customer relationship management needs of its B2B customers.

- Special number offers: The Group has been a special number operator for many years. Despite some restrictive changes in French regulation, this activity remains strong within the Group.
- Call center offer/Call contact offer is an interactive voice server and call center solution in cloud mode. Call Contact relies on an intuitive web interface for the call center manager and comes with special numbers.

- Contact center offers (“Genesys by SFR” and “Cross-Channel Contact Center” solutions): The “Genesys by SFR” and “Cross-Channel Contact Center” solutions cover call centers for very large accounts (above 1,000 call center advisors) and standard accounts (50 to 500 call center advisors). These hosted solutions allow companies to manage their in-bound contacts homogeneously, whatever the channel of communication used by the customer (for example telephone, e-mail, mail, fax, chatting, social networks or avatars). Providing customers with a 360-degree view, these solutions require significant integration with the customer’s information system.
- Marketing campaign management offers (“MultiChannel Broadcast” and “Broadcast Pack”): The Group offers two outbound multi-channel marketing campaign management solutions: the “MultiChannel Broadcast” package, intended for large companies, and the “Broadcast Pack”, for SMEs, each allowing the sending of messages (per unit or in direct marketing mode) via a channel best suited to the target (for example, SMS, MMS, e-mail, fax or voice announcement). Campaigns are managed through an online extranet or the Programming Interface Application.

#### *Internet of Things Service Line*

The Internet of Things service line provides standard or tailor-made connectivity integration of professional solutions for businesses. These offers allow a group of fixed or mobile machines to share information with a central server, for example geo-location or bank card payment services. To meet the specific needs of critical, sensitive and/or large volume projects, the Group is able to offer suitable services and pricing according to customers’ needs:

- “Connectivity” only solutions, which can easily connect sensors and devices in the existing infrastructure;
- “Standardized Vertical” Internet of Things solutions, which are ready-to-use offers that are developed for specific needs such as power control, geo-location and employee protection. Each offer includes sensors, connectivity and a complete cloud platform; and
- “DIY IoT” solutions, which are a complete range of tools to create a specific and adapted IoT solution for each company’s needs that includes an ecosystem of sensor vendors, connectivity, data management solutions and an IT development platform for each company’s application.

#### *Security Business Line*

The Group offers a complete range of integrated and managed solutions for internet access protection and security. It works closely with security specialists to meet its customer’s security requirements. The Group also offers secure terminal and remote access management solutions with virtual private networks (“VPN”).

The Group provides answers to advanced cyber-threats such as system intrusion attempts or denial of service attacks (anti-DDos).

The Group’s Service Internet Security range of solutions offers several levels of internet access protection, depending on the size of the company and the desired level of security. These offers are marketed either as packaged with internet access links or dedicated to secure complex multi-operator environments.

### **Wholesale Market**

#### *Overview*

The Group, via its Operator Services Division (“DSO”), is a leading operator next to the incumbent operator in France in wholesale telecommunications services. The Group also has a number of assets in this market, such as the broad spectrum of its catalog, close relationships with its customers and the experience gained over the past 19 years in this specific segment.

The Group is involved in the operator market in France and abroad, dealing more specifically with operators serving the B2C market, the B2B major account market (international and infrastructure operators) and the B2B micro business/SME market.

At the end of 2014, B2C services were impacted by consolidation with the SFR Acquisition and Virgin Mobile Acquisition. This resulted in contraction of the market that can be served by the DSO and, correspondingly, its revenues. However, there remains significant market potential for the DSO, especially through new growth drivers in the very-high-speed fixed-line/mobile broadband and in the contents segment.

The market for the B2B major accounts segment remains dynamic, due to, among others factors, the significant increase of speed and the requests for network security by large companies, increasing the sales volume of the DSO in this segment, and also its technological evolutions, including the replacement of obsolete copper technology with fiber. The Group's significant customers in the B2B major accounts segments are major international incumbent operators.

The SME/micro-business B2B segment is witnessing a number of emerging players every year. This segment has become a preferred target of the incumbent operator. Nonetheless, telecommunications operators in this segment have high growth momentum. The biggest operators in this segment are now offering their own telecommunications services and positioning themselves with respect to all products from fixed voice to fixed and mobile data. The DSO supports them in these evolutions and partly benefits from this growth.

#### *Solutions offered*

Through the DSO, the Group offers domestic and international operators, and in the real estate space, telecommunications solutions to help them meet the needs of their own B2C and B2B customers.

The Group is currently marketing telecommunications infrastructure solutions, fixed voice solutions, fixed data solutions, white label solutions, mobile solutions, and roaming solutions for foreign operators, contents for FVNO (3P ADSL and Very-High-Speed offer) and MVNO, and infrastructure and digital services solutions to the building.

#### *Infrastructure solutions*

The Group has capacities for IT and telecommunications equipment hosting, which it markets in particular to international players, in addition to the connectivity and data transport solutions. Its infrastructure offer also comprises the marketing of access to its ducts or the provision of fiber optics.

This infrastructure allows an operator that wants to develop its own telecommunications network in France to do so using the solutions offered by the Group.

#### *Fixed voice solutions*

The Group meets domestic and international voice transport needs through call transit, collection and termination offers. With these solutions, third-party operators in France can use the Group's network to connect to the networks of other operators.

The Group also offers turnkey solutions to local or national players such as pre-selection, VoIP (end-to-end product offer), resale of the Orange subscription (VGA) and marketing of value-added services (08xx numbers), allowing them to be the single contacts of their end-customers by managing all voice invoices.

#### *Fixed data solutions*

To meet the internet connectivity requirements, the Group offers end-to-end internet access solutions, with or without a router, as well as IP VPN solutions. These solutions allow a third-party operator to use the network and get the Group's support.

The Group also meets collect-mode connectivity needs so that operators can recover data traffic directly on their network. It equally allows international operators to build seamless offers including France in their offerings (international IP VPN).

With these solutions, the Group offers dedicated fiber and shared fiber accesses (FTTB, FTTH) and copper accesses (SDSL, ADSL and LL). The Group proposes to be the single point of contact for its operator customers by integrating Orange access and network solutions (fiber and copper) and PIN (Public Infrastructure Network) access and network solutions in order to complete its coverage of data services.

### *White label solutions*

The Group offers white label broadband and very-high-speed broadband access links in double-play and triple-play to operators wishing to position themselves in the consumer market. These solutions allow these operators to resell, under their own brand, turnkey solutions to their customers.

Triple-play white label service solutions are marketed under long-term contracts and are tailored to the needs and requirements of each of the Group's customers. These contracts include the provision of television content, internet access services and fixed telephony services. The Group also provides certain other products and services such as handset equipment.

### *Mobile solutions*

The Group offers comprehensive offers on the mobile virtual network operators market ("MVNO"). These offers are intended for operators without a network that wish to market a mobile offer. The Group offers Full MVNOs (a voice, SMS and data mobile collection offer), MVNOs light (end-to-end mobile services: national, calls abroad, and roaming, among others) and via MVNO aggregators that provided turnkey solutions.

### *Roaming solutions for foreign operators*

The Group receives roaming traffic of foreign operators on its mobile network in order to ensure continuity of their service in France. The hundreds of agreements that the Group has signed with most foreign mobile operators allow it to cover nearly 258 destinations, and to offer an equivalent service to its subscribers when they are in a foreign country.

This roaming solution is also available to MVNOs that wish to benefit from these agreements to meet the needs of their own subscribers.

### *Content for FVNO and MVNO*

The Group enriches its offerings for FVNO and MVNO by integrating the content developed by the Group (including TV, VoD and press) into its consumer offer.

### *Infrastructure and digital services solutions for the building*

The Group deploys very-high-speed solutions within existing buildings and in new real estate, mainly targeting residential real estate, service residences and the hospitality space (hotels and clinics, among others).

The Group deploys FTTH networks through contracting with the real estate operator for co-owned buildings or low-rent housing and through collective service contracts.

The services offered within the framework of collective services allow the residents of the buildings covered to have a maintenance contract enabling them to access, without individual subscription, either the collective television service or a collective triple-play service.

## **Media**

The Group is focused on delivering high quality content offerings to complement its fixed and mobile services, including proprietary content and exclusive content, as evidenced by its investments in French media businesses NextRadioTV and SFR Presse. In addition, the Group regularly reviews and invests in the content that it offers to provide its subscribers with a flexible and diverse range of programming options, including high-quality local content and exclusive premium content.

On June 12, 2017 the Group announced a multi-year partnership with Netflix, which will allow its customers to watch Netflix's content via eligible devices. In addition, Altice Europe has acquired the rights to broadcast and distribute various premium sporting events, including the French Athletics Federation, English Premier League, French Basketball League English Rugby Premiership, UEFA Champions League and UEFA Europe League, which are commercialized in France via exclusive RMC branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice TV. See "*—Material Contracts—Supply Agreements—Content*

*Agreements*” for more information. The Group also launched a single brand in July 2018 for all of its sports content; RMC Sport Access, which replaced the SFR Sport channel. At the end of 2016, Altice Europe also announced strategic agreements with NBCUniversal International and Discovery which confer certain exclusive distribution rights pursuant to which the Group broadcasts such channels in France, furthering the expansion of the Group’s premium content offerings in France. In April 2017, the Group announced the launch of MY Cuisine, an international cookery channel broadcast exclusively by the Group in France. MY Cuisine also comprises a print magazine, mobile application and a recipe blog.

Furthermore, the Group has formed a partnership with Discovery Communications to launch two new exclusive Discovery channels and has obtained exclusive distribution rights to two existing Discovery channels, including the number one factual pay TV channel in France, and three NBCUniversal channel brands in metropolitan France. Leading 24-hour news is also provided by the Group through its TV news hub bundle, BFM.

The Group intends to continue to selectively invest in local and value-added premium content as well as sports broadcasting and distribution rights in the future to enrich its differentiated and convergent communication services from those of its competitors.

### ***Activities of Société Réunionnaise du Radiotéléphone***

*Société Réunionnaise du Radiotéléphone* (“SRR”), a wholly-owned subsidiary of the Group, operates in Réunion and Mayotte in all mobile and fixed-line B2C and B2B retail markets as well as the Wholesale telephony market.

SRR is a major operator in mobile telephony (historical incumbent) and fixed services in the retail markets in these two territories. SRR ensures proximity to its customers through its 19 shops in Réunion, its six boutiques in Mayotte and a dedicated customer service team.

SRR provides a wide range of different offers with low-cost services under the Redbysfr.re brand as well as premium offers with SFR Presse, BFM, SFR Sport and SFR Play services. SRR also offers packages under the NRJ Mobile brand mainly for young people and under the La Poste Mobile brand for new customers. In addition, the SRR provides data offerings, which include M to M solutions as well as packages for tablets and internet dongles.

Since December 1, 2016, these offers are available in 4G (LTE). As part of the ARCEP 4G frequency allocation procedure, SRR has obtained new frequencies in the 800Mhz, 2.1 Mhz and 2.6 Mhz bands.

In addition, SRR continues to deploy its FTTH network in Réunion, which launched in March 2016.

### ***Activities of Equity-Accounted Affiliates***

The material equity-accounted entities of the Group as of December 31, 2018 include:

#### ***La Poste Telecom***

The Group holds 49% of the share capital of La Poste Telecom that markets, under the La Poste Mobile brand, mobile telephony (subscription and pre-paid cards) as well as fixed services (DSL, very-high-speed internet) through the network of post offices. La Poste Mobile is an MVNO on the Group’s network. See “*Certain Relationships and Related Party Transactions—Transactions with Equity Associates—Transactions with La Poste Telecom*” for more information.

#### ***Synerail and Synerail Construction***

See “*—Material Contracts—Wireless Network Agreements—Agreement Related to the GSM-R Wireless Telecommunications Network*” below and “*Certain Relationships and Related Party Transactions—Transactions with Equity Associates—Transactions with Synerail and Synerail Construction*” elsewhere in these Listing Particulars for more information.

## **Seasonality**

With regards to B2C activity, the year-end period is a period of extremely sensitive sales. A major defect in information systems or in any component of the production and logistics chain during this period would adversely affect revenues. To prevent this risk, the Group avoids working on the network and information systems during this period of the year (from mid-November until year end).

With regards to fixed-line B2C activity, revenues from standard analog pay-TV services and basic and high-end cable pay-TV, as well as broadband internet service, are mostly based on fixed monthly pricing and are therefore not subject to seasonal changes. The increase in the number of customers is generally higher from September to January, reflecting a greater tendency for households to equip themselves during back-to-school and year-end periods.

Sales to B2B customers generally grow in June and December which are periods when private and public-sector businesses create their budgets, while revenues from B2B telephony services tend to reflect the timing of school holidays, with a slight drop during summer and winter vacations as well as during May holidays.

Revenues from the Group's content business, which are mainly derived from advertising and, to a lesser extent, the paid circulation of newspapers (subscriptions, newsstand sales), are subject to seasonal variations. For example, the seasonality of advertising revenues can change each year depending on the economic situation, the school calendar, the general news and the ability to preserve advertising space in a context of high level of news as well as, current or sporting events (tournaments and international competitions).

## **Suppliers**

The Group has introduced a multi-sourcing purchasing policy for some technologies and permanently monitors suppliers in the production chain.

The breakdown of the main suppliers for the major categories is as follows:

- ten main suppliers of mobile handsets and customer premises equipment;
- five main suppliers of telecommunications equipment;
- five primary suppliers for the deployment of this equipment and maintenance;
- ten principal suppliers for IT systems;
- five main suppliers for call centers.

For mobile handsets, the Group works with the best known brands on the market, as well as with Original Design Manufacturers (ODM) for which SFR uses dedicated brands. It is very important for the Group to have access to all the leading brands on the market. Moreover, SFR may, for some very specific products or services, find itself dependent on certain suppliers. SFR considers itself to be commercially dependent on a handset supplier and on an access provider.

For customer premises equipment, the Group works with reputed equipment manufacturer, who produce integrated solutions such as LaBox and set top boxes to the specifications of the Group. The Group owns the IP rights to the technology used to manufacture this equipment.

For telecommunications equipment, the Group has a dual sourcing policy with leading companies in these segments for the network's main equipment, particularly radio equipment. As a result, the Group believes that there is no critical dependence. For the backbone, SFR has more of a mono-sourcing policy, based on the type of equipment, in order to simplify the process and because of smaller volumes of investments. The companies concerned are also leaders in their fields.

For the information systems, the Group uses either solutions recognized in the market (Oracle, SAP), or more advanced solutions for which specific provisions are stipulated in the contracts in order to protect access to the source code. SFR believes there is no critical dependence in this area.

Thus, the Group has developed and maintains relations with various suppliers who contributed to the development of innovations, service quality and operational excellence for its customers to ensure economic efficiency.

The purchasing process consists of five stages that describe the entire life cycle of the relationship between the Group and its suppliers.

The selection of suppliers is one of the critical steps. It is rigorous and applies objective criteria relating to product and service quality, delivery terms and conditions and their costs as part of the total cost of ownership.

This assessment also considers commitments relating to:

- compliance with applicable laws and regulations;
- compliance with rules of confidentiality and loyalty;
- the existence and application of an Environmental and Social Responsibility (ESR) policy suited to the nature of the products and services supplied.

These criteria are explicitly set forth in the contracts that govern the Group's relations with its suppliers.

Governance is set up with the principal suppliers. This enables a long-term, balanced relationship to be established and relates to both the monitoring of performance, the sharing and supervising of targets and the exchange of information regarding market and technology trends.

The SFR entity has been implementing a purchasing policy that takes into consideration the principles of social and environmental responsibility in its relations with its suppliers in order to improve risk control.

The main principles are as follows:

- give priority to suppliers that meet these challenges;
- take these criteria into consideration in supplier evaluations;
- promote and ensure compliance with the code of ethics and commitments published by the Group.

All purchase contracts signed in the last year include a clause on "compliance with laws and regulations—social responsibility". The Group uses the specialized company AFNOR to evaluate its main suppliers on a regular basis.

The use of protected sector businesses (recycling of equipment, telephone contacts, etc.) is an integral part of the purchasing policy and is regularly monitored.

As described above, the Group uses several suppliers in the course of its business activities. The Group believes that it is not dependent on any single supplier and that the loss of one of its suppliers would not have any material adverse effect on the Group's business, and that the Group could replace its main suppliers without any major disturbance to its operations, with the exception of a very small number of suppliers (one terminal supplier and one access supplier).

## **Material Contracts**

A summary of certain material agreements reached by the Group follows.

### ***Telecommunications Agreements***

#### ***Interconnection***

Interconnection is the means by which the Group is connected with third-party operators, enabling the provision of electronic communications services to end users. For a subscriber of a telephone network to be able to call an end user located on another telephone network, the subscriber's network service provider must connect to the end user's network or to the network that transfers the call to the end user's network. As a general rule, the operator

of the network that is transferring the call and the operator of the end user's network (if different to the former) bill the subscriber's service provider for the expenses incurred in transferring traffic and/or call termination. These expenses are calculated based on the rates for call establishment and the duration of the telephone calls. The interconnection rates and expenses are regulated by ARCEP (see "*Regulation—Digital single market—National Regulatory Authorities—ARCEP*" for further information).

The Group has entered into an interconnection agreement with Orange for an indefinite term. The agreement may be terminated by the Group subject to three months' written notice. The Group has also reached interconnection agreements with other operators for routing traffic.

### *Unbundling*

Unbundling consists of the supply by Orange of local copper-wire loops to third-party operators, which then install their own transmission equipment on those local copper-wire loops, allowing such operators to ensure end-to-end management of the network connecting it to its customers. The Group has entered into an agreement with Orange for accessing its local loops.

### *Supply Agreements*

#### *Content Agreements*

The Group has entered into several agreements with publishers for broadcasting digital television channels, including TF1, Groupe M6 and Canal+. These agreements are generally for renewable three-year terms. Different compensation models are applicable, primarily regarding the provision of non-linear TV offerings (e.g. deferred broadcasts and catch-up TV), with compensation being determined on either a flat-rate price or based on the number of subscribers using such services (the latter of which is the market (and Group) trend).

The Group and AENS, an affiliate of the Group, have entered into certain distribution agreements regarding a package of sport and news channels, including the exclusive rights to broadcast the English Premier League Football, French Basketball League and English Rugby Premiership fixtures, and as well as the UEFA Champions League and UEFA Europa League in France. The UEFA rights include exclusive broadcast coverage across free-TV, pay-TV, mobile, internet, over-the-top and digital terrestrial television coverage. All such distribution agreements are entered into on an arms-length basis.

On January 8, 2018, Altice Europe announced that existing sports content wholesale contracts between the Group and Altice TV would be cancelled and replaced by a new revenue sharing contract with a significantly reduced annual minimum guarantee. AENS, a subsidiary of Altice TV, was eligible to receive an indemnity of €300 million as part of the renegotiation. This new arrangement will include the transfer of other premium content contracts from the Group to Altice TV and allow the Group to continue to distribute premium pay TV content to its customers, including SFR Sports and Altice Studio channels. As a consequence of the contract renegotiation with Altice TV, the total commitments of the Group decreased by approximately €1,000 million.

Altice Europe runs its Altice TV division which, with its subsidiaries (including AENS and Altice Picture), encompasses Altice Europe's content distribution division. The Group has entered into various arrangements with Altice TV division, including: (i) exclusive distribution rights in France provided to the Altice France Group with respect to a subscription-based VOD service known as "SFR PLAY" produced by Altice TV division; (ii) exclusive distribution rights in France provided to the Group with respect to certain sports and other channels produced by Altice TV division including RMC Sport 1 through 4, RMC Sport News, BFM Paris, My Cuisine and Altice Studio (amongst others), which includes certain exclusive premium sports content acquired by Altice TV division; (iii) exclusive distribution rights in France provided to the Altice France Group of the following channels Syfy, 13ème Rue, E!; (iv) exclusive distribution rights in France provided to the Group of Discovery Channels (v) non-exclusive distribution rights in France provided to the Altice France Group of Netflix. On January 8, 2018, Altice Europe announced that existing content wholesale contracts between the Group, and AENS, would be cancelled and replaced by new revenue sharing non-exclusive contracts with a lower guaranteed minimum amount payable by the Altice France Group, as applicable ("**AENS Contract Renegotiation**"). This new arrangement includes the transfer of other premium content contracts from the Group to AENS and allows the Group to continue to distribute premium pay TV content to its customers, including RMC Sport channels, BFM Paris, SFR PLAY, Altice Studio, My Cuisine, Syfy, 13ème Rue, E!, Discovery Channels and BeIN.



### *Handset Supply Agreements*

The Group has entered into a number of agreements through which it procures wireless handsets and accessories. Additionally, the Group considers itself to be in a commercially dependent relationship with regard to a handset supplier whose high-visibility products are not replaceable in its customers' eyes.

### *Infrastructure and Network Agreements*

#### *Agreements Regarding the Group's Networks*

For more information on agreements relating to infrastructure and network see "*—Network*".

#### *Agreement Between Orange and the Group Relating to Fiber Optics Roll-Out*

On November 14, 2011, the Group entered into a joint investment agreement with Orange for the roll-out of fiber cable in less densely populated areas in continental France, which account for some 10 million households. Under this agreement, the Group was required to roll out fiber to 2.4 million households and Orange is required to roll out fiber optics to 7.6 million households, each by 2020.

To avoid any overlaps, the agreement designates for each municipality the operator that is in charge of the roll-out, thus ensuring the most optimal timeline and coverage. Each of the parties will become a client of the other by signing IRU agreements in the areas where they will not themselves deploy the fiber. The other operators will have access to these infrastructures through standard operator market agreements. Each party undertakes to cover each municipality within five years of the start of the roll-out.

The French Competition Authority's decision of October 27, 2014 imposed certain obligations on the Group with regards to the implementation of this agreement. As part of the implementation of these commitments, the Group removed part of the exclusivity of deployments from which it benefited on nearly 900,000 homes, thus enabling Orange to supply its own infrastructure in such areas.

On June 27, 2018, Orange and SFR announced that they had reached an agreement ratified by the French Competition Authority pursuant to which the two operators have agreed that 80% of the available homes passed would be deployed by Orange and 20% by SFR. The accord was accepted by the French Competition Authority under the condition that non-compliance could expose both operators to a fine reaching up to 3% of revenues derived in France. This commitment, together with the Group's commitment under the roll agreement, will require the Group to roll out fiber to 2.6 million households by 2020.

#### *Agreement Between Bouygues Telecom and the Group Relating to Fiber Optics Roll-Out*

On November 9, 2010 SFR and Bouygues Telecom entered into a joint investment agreement related to fiber optics roll-out ("**Faber Agreement**"). Under the terms of the Faber Agreement, SFR and Bouygues Telecom committed to jointly invest in the roll-out of a horizontal fiber optic network in a defined number of towns and districts located in high density areas.

By Decision No.14-DCC-160 dated October 30, 2014, the French Competition Authority authorized the SFR Acquisition. As part of this decision, the French Competition Authority asked SFR to provide certain commitments related to the Faber Agreement.

These commitments covered three main points:

- The obligation to provide distribution services for all Distribution Points (DP) delivered as of October 30, 2014 within two years;
- The drafting of a rider to the Faber Agreement allowing Bouygues Telecom to order a list of buildings of its choice for the distribution to Distribution Points delivered after October 30, 2014 within three months (excluding performance constraints);
- The provision of maintenance for the FTTH infrastructure in a transparent and non-discriminatory manner using specially introduced quality indicators.

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

See “—*Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Non-compliance with the commitments entered into by SFR, in the context of the SFR Acquisition, relating to the agreement concluded between SFR and Bouygues Telecom on November 9, 2010*” and “—*Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Bouygues Telecom against SFR (Faber CCI)*” for more information.

### ***Wireless Network Agreements***

#### ***Bouygues Telecom Agreement***

The Group and Bouygues Telecom entered into an agreement on January 31, 2014, whereby they agreed to pool part of their wireless networks. The goal of this agreement is to allow the Bouygues Telecom and the Group to offer their respective subscribers better geographic coverage and service quality, while optimizing costs and investments. The agreement calls for the roll-out of a new shared network in an area corresponding to 57% of the population of France (encompassing the entire territory, other than the 32 largest population centers with more than 200,000 inhabitants and so-called “white spots”).

The agreement is based on two principles:

- (i) The creation of a special joint venture (Infracos) to manage the assets of the pooled radio sites, i.e. the passive infrastructures and geographic areas where the infrastructures and telecommunications equipment are deployed. The Group and Bouygues Telecom preserve the full ownership of their active telecommunications equipment and frequencies; and
- (ii) The mutual provision of RAN-sharing service in 2G, 3G and 4G in the shared territory. Each operator is responsible for the part of the territory in which it assures the design, roll-out, operation and maintenance of the RAN-sharing service.

Under the agreement, the Group and Bouygues Telecom preserve their own innovation capabilities as well as full commercial and pricing independence, and continue proposing differentiated services due to the control of their network cores and frequencies. The agreement to partially pool wireless networks follows many similar arrangements implemented in other European countries.

On January 31, 2014, ARCEP approved the agreement, provided three conditions were met: (i) the preservation of the operators’ strategic and commercial autonomy; (ii) the absence of an eviction effect on certain market competitors; and (iii) an improvement of the services provided to users in terms of both coverage and service quality.

The first roll-outs of the RAN sharing coverage were in September 2015, and 11,512 sites were rolled out by December 31, 2018. The Group estimates that as of late December 2018, this agreement corresponds to approximately €1,194 million in commitments given, and approximately €1,665 million in commitments received, for a net commitment of approximately €471 million, covering the entire long-term agreement. The target network completion date was December 31, 2018.

On April 29, 2014, Orange filed a complaint with the French Competition Authority regarding the agreement, arguing that it constituted an anti-competitive practice. Investigations on the merits are currently underway. For more information on the proceedings, see “—*Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Orange v. SFR and Bouygues Telecom (Network Sharing Agreement)*”.

#### ***Agreement Related to the GSM-R Wireless Telecommunications Network***

The Group holds a 30% share in the company Synérail, along with Vinci Energies and Vinci Concessions (collectively, “**Vinci**”), AXA Infrastructure Investissement SAS, AXA UK Infrastructure Investissement SAS and AXA Infrastructure Partners FCPR (collectively, “**AXA**”) and TDF, which signed with the public-private GSM-R partnership agreement with RFF. Vinci and AXA each hold a 30% share, while TDF holds the remaining 10%.

The agreement, which has a duration of 15 years from March 24, 2010, and an overall value of approximately €1,000 million, consists of ensuring the financing, construction, operation and maintenance of a digital

telecommunications network that will assure communications (voice and data) in conference mode between trains and ground controllers. This allows the creation of a European rail network system with a single, compatible and harmonized communication system that replaces existing national radio systems. The network will be progressively deployed along 14,000 km of traditional and high-speed rail lines in France.

The Group is also a service provider in the construction and operation phase of the GSM-R network through the companies Synérail Construction and Synérail Exploitation, which it holds jointly with Vinci Energies. In the event of a change in control of the Group, Vinci Energies has a purchase option on the stock of these two companies. This option was not, however, exercised as a result of the SFR Acquisition.

#### *Agreement for the Occupation of the Public Domain of Réseau Ferré de France (“RFF”)*

The Group has entered into a set of agreements with RFF regarding public domain occupation, through which the Group occupies the infrastructures to set up its network.

#### *White Label Agreements*

As part of its undertakings following the decision of the French Competition Authority approving the SFR Acquisition, the Group is now party to agreements with, El Telecom (relating to 3P FTTB and FTTH white label services for CIC-Crédit Mutuel Group), La Poste Mobile (relating to 3P DSL and FTTB white label services) and Coriolis Telecom (relating to 3P DSL white label services), under which it provides contents (television, press), very-high-speed internet and telephone services.

Pursuant to the white label agreements, the Group undertakes to abide by certain quality and performance standards, and penalties may be levied against it by its white label clients if these undertakings are not fulfilled. Each of these white label clients pays the Group monthly fees based on the number of end users to whom they sell bundled offers or, in the case of certain voice service agreements, based on usage. The Group’s white label clients must pay additional amounts for any supplementary services they require, including customer and billing services. The billed amounts include (i) the subscription fee, which depends on the type of services subscribed, (ii) telephone service costs, and (iii) VOD costs.

The Group reached an agreement in May 2009 with Bouygues Telecom for the provision of FTTB very-high-speed bitstream services, which expires in March 2021.

#### *MVNO Agreements*

The Group is party to several end-to-end wireless service provision agreements with mobile virtual network operators (“MVNOs”) whose activity depends on access to the mobile network of one or more mobile operators. As of the date of the Offering Memorandum, the Group is party to 12 MVNO agreements, the most important of these being with La Poste Telecom (49% of which is held by the Group and the remaining 51% by Groupe La Poste), El Telecom (CIC Mobile, Crédit Mutuel Mobile and NRJ Mobile), Afone (Leclerc Mobile) and Coriolis Telecom.

#### *SFR FTTH*

##### *Sale of a 49.99% Interest in SFR FTTH*

On January 31, 2019, Altice France entered into an agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients, and OMERS Infrastructure (together, the “**JV Consortium**”), regarding the sale of a 49.99% interest in SFR FTTH, an alternative FTTH infrastructure wholesale operator. The transaction closed on March 27, 2019, upon which €522 million total assets and 1,100,000 total homes passed were transferred to SFR FTTH. The final proceeds amounted to €1.7 billion, based on an equity value at closing of €3.4 billion. SFR FTTH is accounted for as an associate and therefore will not be consolidated in the Altice France financial statements.

SFR FTTH will be the largest alternative FTTH infrastructure wholesale operator in France, with approximately 5 million homes expected to be passed in low density areas in the next four years in addition to any others that may be franchised or acquired. SFR FTTH will sell wholesale services to all operators, including the Group, on the same terms and conditions and with no minimum volume commitments. Altice France will sell technical services to SFR FTTH for the construction, subscriber connection and maintenance of its FTTH network. SFR

FTTH is an associate of the Group, has been designated as an Unrestricted Subsidiary under the agreements, instruments and indentures governing the Group's debt, and will be designated as an Unrestricted Subsidiary under the Indenture.

On March 17, 2019, SFR FTTH entered into a senior facilities agreement, the proceeds of which will be used to fund its ongoing capital expenditure requirements. See "*Description of Other Indebtedness—Indebtedness of Unrestricted Subsidiaries—2019 SFR FTTH Senior Facilities Agreement*".

#### *SFR FTTH Shareholders' Agreement*

On March 27, 2019, Altice France, Altice Europe and PIAF Bidco B.V. entered into a shareholders' agreement governing the rights and obligations of such parties in their capacities as shareholders of SFR FTTH. The shareholders' agreement provides for, among other things, a board of directors, which shall be comprised of four members, with two appointed by Altice France and two appointed by PIAF Bidco B.V., and the make up of which is subject to change if the percentage of ownership of SFR FTTH changes. The shareholders' agreement also contains standard restrictions regarding the transfer of shares. Subject to certain ownership concentrations, SFR FTTH is not permitted to take the following actions, among others, without the due authorization of the board of directors, including the affirmative vote of at least one director designated by PIAF Bidco B.V.: the issuance of equity securities, the entry into agreements in excess of specified thresholds and the incurrence of indebtedness in contravention of SFR FTTH's financing policy. The SFR FTTH shareholders' agreement also grants Altice France an option to purchase from PIAF Bidco B.V. between three and five percent of the share capital of SFR FTTH, subject to certain conditions.

#### *Agreements between SFR FTTH and telecommunication operators*

SFR FTTH has entered into following with SFR S.A., Orange S.A. and Free S.A.S. for the provision of electronic communication infrastructure by SFR FTTH to such operators.

#### **Hivory**

##### *Agreement to Dispose of Tower Assets*

On August 7, 2018, Altice France and Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR, entered into an agreement in connection with the acquisition, by funds affiliated with KKR through Starlight BidCo S.A.S., of a 49.99% interest in the newly incorporated tower company, Hivory (the "**France Towers Transaction**"). The transaction closed on December 18, 2018. The transaction valued Hivory at an enterprise value of €3,600 million. Hivory is a high-quality telecommunications infrastructure provider with a nationwide presence. It is the largest independent telecommunications tower company in France, benefiting from more than 10,000 strategically located sites with a diversified portfolio of ground-based towers and rooftops. Through Hivory, the Group and its joint venture partner KKR seek to proactively partner with third party mobile operators to develop their coverage and densification objectives, including through the build-to-suit of 1,200 new sites within the next four years. Certain of Hivory's capital expenditures will be financed by borrowings under the 2019 Hivory Senior Revolving Facilities. See "*Description of Other Indebtedness—Indebtedness of the Altice France Group—2019 Hivory Senior Revolving Facilities*" for more information. Hivory is accounted for as a subsidiary and therefore fully consolidated in the Altice France financial statements.

##### *Hivory Shareholders' Agreement*

In connection with the disposal of a 49.99% interest in Hivory to funds affiliated with KKR, Altice France and Starlight BidCo S.A.S entered into a shareholders' agreement governing the rights and obligations of such parties in their capacities as shareholders of Hivory. The shareholders' agreement provides for, among other things, standard restrictions regarding the transfer of shares, a board of directors, which shall be comprised of five members, with three appointed by Altice France and two appointed by KKR, and certain consent rights granted to KKR to protect its financial interest over specified matters relating to the operation and financing of Hivory. The shareholders' agreement also provides for a call option granted by KKR to Altice France in the event of a change of control of KKR as well as standard tag-along and drag-along rights.

### *Agreements between Hivory and telecommunication operators*

In connection with the France Towers Transaction, Hivory has succeeded into certain hosting undertakings of SFR S.A. with Orange France S.A., Bouygues Telecom S.A. and Free Mobile S.A.S. and has entered into a 20-year master services agreement with the Group on November 30, 2018 for hosting, site development and ancillary services to be provided by Hivory to the Group as a tenant, in addition to certain agreements with operators relating to the installation of telecommunications equipment.

### *Acquisition of Altice International's FOT Business*

On October 31, 2018, the Group acquired the controlling interest in Altice Blue Two, previously the holding company for Altice International's operations in the French Overseas Territories of Guadeloupe, Martinique, Guyane, Mayotte and Réunion (the "**FOT Business**"). The total consideration received amounted to €481 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Altice Group Reorganization*" for more information.

### *Agreement to dispose of International Wholesale Voice Carrier Business*

On March 12, 2018, Altice Europe and the Group announced that they had entered into an exclusivity agreement with Tofane Global, a Paris-based telecommunications and digital player specializing in international carrier services, for the sale of its international wholesale voice carrier business in France. The sale was completed on September 12, 2018 at a disposal price of €21 million.

### **Call Centers**

In order to optimize services, the Group outsourced certain of its call center operations to ACS. ACS coordinates with and outsources to various call center providers, including Randstad, Outremer Télécom (Mauritius and Madagascar) and Intelcia on behalf of the Group.

On May 16, 2018 the Group successfully acquired a 65% interest in ACS from Altice Europe, thereby internalizing its call center operations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Closing of the previously announced acquisitions of Altice Customer Services ("ACS") and Altice Technical Services France ("ATS France")*" for more information.

### **Properties**

As of December 31, 2018, the Group owned property, plant and equipment with a value of €6,300 million, of which the Group's telecommunications network represented most of this total value. For more information on the Group's network, see "*—Network*", above. The Group leases some of its property, plant and equipment, particularly certain buildings and telecommunications network infrastructure.

The Group's headquarters are located at 16, rue du Général Alain de Boissieu, 75015 Paris, France, which are leased from SCI Quadrans. See "*Certain Relationships and Related Party Transactions—Transactions with our Controlling Shareholder—Transactions with SCI Quadrans*".

### *Technical sites*

The technical sites of the Group are classified in three categories: (1) mobile switching centers ("**MSC**"), (2) radio sites (transmitting/receiving sites with transmitting/receiving antennas) and (3) fiber-optic exchanges.

The Group owns approximately 50 MSC buildings. Its radio network consists of approximately 21,000 sites of various types (existing buildings, undeveloped land, water towers and pylons), of which the Group is lead operator of 15,500. Approximately 4,000 of the Group's sites have been transferred to Infracos, the Group's joint venture with Bouygues Telecom (see "*—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*" for more information). On December 18, 2018, the Group transferred approximately 10,198 tower sites to Hivory (see "*—Material Contracts—Hivory—Agreement to Dispose of Tower Assets*" for more information). Fiber-optic exchanges primarily include small local optical connection nodes, which are a priority acquisition for the Group. The Group owns the optical fiber and coaxial cables of its network, as well as its equipment, head-ends, nodes, switches, connection equipment and certain other parts of the access network, including the long-distance backbone network. The cable infrastructure used in the Group's network (such as

ducts and pylons) is owned by the Group or Orange (in which case Orange makes them available to the Group under long-term IRUs). See “—Network”, above.

### ***Other property***

The Group holds more than 330 commercial leases for its stores located throughout France. In addition, the Group’s assets include movable assets, computer equipment and servers, particularly set-top boxes and other digital terminals and equipment installed on the premises of the Group’s subscribers, of which the Group retains ownership and which must be returned to the Group at the end of customers’ subscriptions. The Group believes that the usage rate of its property, plant and equipment is consistent with its activity and projected growth, as well as with its current and planned investments.

### **Environment and Sustainable Development**

Given the Group’s activities and its current property, plant and equipment, it believes that there are no environmental factors likely to have a significant impact on the use of its current property, plant and equipment. Nevertheless, the Group pays particular attention to its environmental footprint and aims to implement a policy of profitable, sustainable and responsible development with respect to labor, the environment and society at large. The Group has implemented a number of environmental procedures with respect to its activity and its employees and wishes to expand these procedures in the future.

Beyond limiting its direct environmental impact, the Group is also careful to offer its subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, the Group’s set-top boxes represent significant environmental advances in its products given that they combine several functions (TV-HD decoder, TV recording device and removable hard drive).

### **Employees**

The Group has recently optimized its workforce with a view to building a more competitive and efficient organization in order to allow it to adapt more quickly to the demands of the telecommunications market. As of December 31, 2018, the Group had an average full-time equivalent employee headcount of 21,758.9, compared to 16,670.7 as of December 31, 2017 and 17,669 as of December 31, 2016. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results—For the year ended December 31, 2017—Group Restructuring*” for more information.

In addition, on June 22, 2018, the Group entered into an agreement providing a new commitment to the unions to maintain its current number of employees until December 31, 2020. Under this agreement, the Group has also provided a commitment to the effect that if it undertakes any minor restructuring, its employees will benefit from certain support and structured departure processes.

### **Legal Proceedings**

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

A provision is recorded by the Group when (i) there is sufficient probability that such disputes will give rise to liabilities borne by the Group, and (ii) the amount of such liabilities can be reasonably estimated. Certain Group companies are involved in disputes related to the ordinary activities of the Group. Only the most significant litigation and proceedings in which the Group is involved are described below. See Note 31 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, and Note 30 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017, for more information regarding the Group’s current legal and administrative proceedings.

Other than those described below in this section, the Group is not aware of any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Group is aware) that may have or have had in the last twelve months significant effects on the financial position or profitability of the Group.

## **Tax Audits**

### **VAT**

The French tax authorities have conducted audits of various companies of the Group with respect to the VAT rates applicable to the Group's multi-play offerings. Pursuant to the rules applicable in 2010, television services are subject to a reduced VAT rate of 10%, while internet and telephony services are subject to the normal VAT rate of 20%. When marketing multi-play offerings, the Group applies a price reduction on the price the Group would otherwise charge for these services on a stand-alone basis. This discount applies primarily to the internet and telephony services portion of a multi-play offer, while the audited companies offered primarily television service. As a result, the VAT charged to the Group's multi-play subscribers is lower than the VAT that would be invoiced if the discount had to be charged to the portion of the price on its multi-play offers for the television services, or if the discount was prorated across all services. The French tax authorities assert that these discounts should have been calculated and prorated on the stand-alone prices of each of the services (television, broadband internet, fixed-line and/or mobile telephony) included in the multi-play packages of the Group and have proposed adjustments for the year 2010.

The Group has also received proposed adjustments for years 2011 to 2015 for SFR Fibre, Numericable and Est Vidéocommunication, primarily affecting the application of the VAT on multi-play offers, despite the change in rules on January 1, 2011 that supports the Group's practice in this area. The proposed adjustments are based on comparisons between customers with one television service and customers with two or three services including television (television with telephony and/or internet). If the proportion of the number of television service customers is lower than a certain percentage of customers with television and telephony and/or internet services, the VAT on television service is calculated at a 20% rate for these customers.

The National and International Audit Directorate (*Direction des vérifications nationales et internationales*) (the "DVNI") sent notices for the audit of 2015 and 2016.

The Group is disputing all of the proposed reassessments and has initiated appeals and dispute proceedings, which are at different stages for each of the years subject to reassessments.

By a decision from the French State Council on February 8, 2018, the Numericable request to be discharged of tax adjustments related to 2007, 2008 and 2009 was rejected.

The proposed assessments have been provisioned in the Group's financial statements as of December 31, 2018 in the amount of €101 million (of which €68 million is recorded in "Provisions" and the remaining amount in "Trade payables and other current liabilities").

### **Others**

An accounting audit of years 2012 to 2015 led the tax authorities to make various adjustments in the principal amount of the corporate tax. The Group, which is disputing the assessments proposed, recognized a provision of €59 million as of December 31, 2018.

An audit of years 2014 to 2017 on tax on television services, has led to a reassessment in relation to the scope of such tax. The Group, which is disputing the assessments proposed, has recognized a provision of €31 million as of December 31, 2018.

The Group is subject to a tax inspection concerning the years 2014 and 2015. In December 2017, the Group received a proposed tax reassessment about taxes on top remunerations. This proposal gave rise to the booking of a provision of €14 million as of December 31, 2018, and the company is contesting the majority of the contemplated adjustments.

## Civil and Commercial Disputes

### *Wholesale disputes*

*Complaint by Bouygues Telecom against SFR and Orange regarding the wholesale market in mobile call termination and the retail market in mobile telephony*

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

SFR appealed the decision, and the case was argued in the Paris Court of Appeals on February 20, 2014.

The Paris Court of Appeals rendered its judgment on June 19, 2014, dismissing SFR's appeal (the judgment was appealed to the Court of Cassation by SFR on July 9, 2014 and on October 6, 2015, the Court of Cassation rejected SFR's appeal), and asked the European Commission to provide an Amicus Curiae brief to shed light on the economic and legal issues raised by this case. The Paris Court of Appeals postponed a ruling on the merits of the case pending the European Commission's opinion. The European Commission rendered its opinion on December 1, 2014, against SFR. The hearing on the merits of the case was held December 10, 2015. The Court of Appeal delivered its judgment on May 19, 2016, granting a 20% fine reduction to SFR. The French Treasury returned €13 million to SFR. SFR appealed to the Court of Cassation on June 20, 2016.

As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, OMEA and EI Telecom (NRJ Mobile) brought suit against SFR in the Commercial Court for damages. SFR and Bouygues Telecom entered into mediation in June 2014 and the hearing to close the mediation proceedings was held on December 5, 2014. The motion for discontinuance on September 11, 2014, ended the legal action between the two companies. With respect to the claim by OMEA (€68 million) and EI Telecom (€29 million), SFR applied for and obtained a stay on a ruling pending the decision of the Paris Court of Appeals. On May 24, 2016, OMEA withdrew its case. EI Telecom reintroduced its case and updated its loss to up to €28 million. The procedure is pending.

*eBizcuss.com against Virgin Mobile*

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

*Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR and SFR on differential on-net/off-net pricing*

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 French Competition Authority.

On September 15, 2009, the French Competition Authority announced provisional measures against SRR, pending its decision on the merits. SRR discontinued 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 for €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 French Competition Authority rendered its decision for the "Consumers" component of the case, fining SFR and its subsidiary SRR €46 million. On June 18, 2018, the Group agreed on a settlement with Orange, whereby both parties have mutually agreed to desist from certain on-going legal provisions.



*Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SFR and SFR on compensation*

On October 8, 2014, Orange Réunion sued SRR and SFR jointly and severally for €135 million in damages for the loss suffered as a result of the unfair competition practices alleged by the French Competition Authority. To date, proceedings on the merits of the case have not yet begun, and various procedural motions have been filed. A judgment of the Tribunal took place on June 20, 2016 which held that Orange Réunion's claims may not include the period before October 8, 2009 and therefore refused to exonerate SFR.

On December 20, 2016, following the judgment of the Tribunal, Orange updated its estimate of damages that it considers to have suffered after October 8, 2009 to €88 million. On June 18, 2018, the parties entered into a settlement agreement whereby Orange has agreed to desist from their claims in this dispute.

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

On August 9, 2010, SFR filed a complaint against Orange with the French Competition Authority for anticompetitive practices in the business mobile telephony services market.

On March 5, 2015, the French Competition Authority sent a notice of complaints to Orange. Four complaints were filed against Orange. On December 17, 2015, the French Competition Authority ordered Orange to pay a fine of €350 million.

On June 18, 2015, SFR filed suit against Orange in the Commercial Court and is seeking €2,400 million in damages for the loss suffered as a result of the practices in question in the proceeding with the French Competition Authority. On June 21, 2016, Orange filed an injunction to disclose several pieces of confidential data in SFR's economic report for July 21, 2016. On June 28, 2017, the judge ruled on this procedural issue.

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

*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 €310 million in contractual damages. It accused SFR of deliberately organizing overflows onto the Orange network for the purpose of economically optimizing its own network (underdesigning the Primary Digital Block). In a ruling on December 10, 2013, the Court ordered SFR to pay Orange €22 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 million. On January 13, 2017, SFR appealed to the Court of Cassation.

On August 11, 2014, SFR also petitioned the District Court, which rendered its decision on May 18, 2015 by ordering SFR to pay €600,000 as a penalty for 118 instances of unfair "overflow" practices.

On July 24, 2017, Orange summoned SFR before the Paris Commercial Court in order to obtain the payment of €12 million by application of contractual penalty clauses concerning alleged breaches between July 2011 and July 2014. Orange also summoned Completel before the same Court on the same date for the same reasons and basis, but for an amount of €10 million.

By pleadings dated January 30, 2018, SFR and Completel asked for a ruling deferment in order to await the Court of Cassation judgment (expected in the second semester of 2018).

On June 18, 2018, the parties entered into a settlement agreement whereby Orange has agreed to desist from their claims in this dispute.

*Non-compliance with the commitments entered into by SFR, in the context of the SFR Acquisition, relating to the agreement concluded between SFR and Bouygues Telecom on November 9, 2010*

Following a complaint by Bouygues Telecom, the French Competition Authority took legal action on October 5, 2015, to examine whether SFR fulfilled its commitments made to the French Competition Authority, in connection

with the SFR Acquisition, under its co-investment agreement with Bouygues Telecom for the deployment of optical fiber in very densely populated areas (the “**Faber Agreement**”).

A session before the French Competition Authority board was held on November 22, and then on December 7, 2016.

On March 8, 2017, the French Competition Authority imposed a financial sanction of €40 million against Altice Europe and the Group for not having complied with the commitments set out in the Faber Agreement at the time of the SFR Acquisition. This amount was recognized in the Group’s financial statements as of March 31, 2017 and was paid during the second quarter. The French Competition Authority also imposed injunctions, including mandating a new schedule to supply all outstanding access points with progressive penalties imposed in the event of non-compliance.

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

The French Competition authority is currently controlling the compliance by SFR of the commitment set out in the Faber Agreement.

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

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

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

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

On April 12, 2016, the French Supreme Court quashed the judgment of the Court of Appeal and referred the case to the Court of Appeal of Paris. Orange returned €53 million to SFR on May 31, 2016. Orange reintroduced the case in the Court of Appeal of Paris on August 30, 2016. On June 8, 2018, a decision of the Court of Appeal has confirmed the decision and confirmed the payment made by Orange to SFR. On December 24, 2018, Orange refiled the appeal with the Supreme Court.

*Orange v. SFR and Bouygues Telecom (Network Sharing Agreement)*

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

In a decision dated September 25, 2014 the French Competition Authority dismissed all of Orange’s requested injunctions to stop SFR and Bouygues Telecom from implementing the agreement they had signed to share part of their mobile networks.

Orange appealed the French Competition Authority’s decision to dismiss its injunction requests.

The Court of Appeals upheld this decision on January 29, 2015. Orange appealed the matter to the Court of Cassation. The Court of Cassation rejected the appeal filed by Orange on October 4, 2016. The procedure is pending.

### *Claim by Bouygues Télécom against SFR Fibre and Completel*

In late October 2013, SFR Fibre (formerly NC Numericable S.A.S.) and Completel received a claim from Bouygues Telecom regarding the “white label” contract signed on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play very-high-speed offers. In its letter, Bouygues Telecom claimed damages totaling €53 million because of this contract. Bouygues Telecom alleges a loss that, according to Bouygues Telecom, justifies damages including (i) €17 million for alleged pre-contractual fraud (providing erroneous information prior to signing the contract), (ii) €33 million for alleged non-performance by the Group companies of their contractual obligations and (iii) €2 million for alleged damage to Bouygues Telecom’s image. The Group considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed.

On July 24, 2015, Bouygues Telecom filed suit against SFR Fibre and Completel concerning the Group’s performance under a contract to supply Bouygues Telecom with double- and triple-play very high-speed offers. Bouygues Telecom alleged SFR Fibre and Completel of abusive practices, misrepresentation and contractual non-performance, and sought nullification of certain provisions of the contract and indemnification of €79 million. On June 21, 2016, Bouygues Telecom increased its claims for indemnification to a total amount of €180 million.

In a counter-claim, SFR Fibre and Completel are seeking €11 million in addition to the contractual interest as well as €24 million in royalties due for fiscal years 2015, 2016 and 2017.

SFR Fibre and Completel have since made a new counterclaim based on the abrupt termination of business relations for an amount up to €33 million. SFR Fibre and Completel filed their pleadings on January 30, 2018. On December 5, 2018, the Group concluded a settlement with Bouygues Telecom in order to close this litigation.

### *Bouygues Telecom against SFR (Faber CCI)*

On October 19, 2017, Bouygues Telecom submitted a request for arbitration to the secretary of the International Chamber of Commerce (“**ICC**”) relating to a disagreement regarding the Faber Agreement between Bouygues Telecom and SFR.

Bouygues Telecom claims that SFR breached certain contractual duties and commitments made before the French Competition Authority relating to the Faber Agreement (namely, certain delays and not having connected certain categories of buildings, thereby causing damage to Bouygues Telecom).

In a letter dated June 15, 2018, Bouygues Telecom alleged that it suffered prejudice of €165 million. The Group fully disputed these claims. The Group presented its counter claims on October 15, 2018 and prepared the estimate of its own prejudice suffered and analyzed the prejudice mentioned by Bouygues Telecom in collaboration with an independent expert. As of September 30, 2018, the Group considered that the risk was difficult to estimate reliably and was hence considered to be a contingent liability under IAS 37.

On December 5, 2018, SFR and Bouygues reached a settlement agreement through which both parties agreed to mutually put an end to the Faber disputes. As part of the agreement, both parties agreed to draw up new guidelines for the deployment of the fiber network under the terms of the Faber contract. Bouygues Telecom received a one-off indemnity as part of the settlement, amounting to an aggregate amount of €58 million.

### *SCT against SFR*

On October 11, 2017, SCT summoned the Group before the Paris Commercial Court alleging certain dysfunctions and failings in the delivery of the Group’s Fixed services, and the loss of certain clients as part of the supply of MVNO services

SCT is claiming damages in the amount of approximately €48 million (comprised of €25 million for the fixed services, €15 million for loss of clients, €2 million for loss of revenues, €1 million for deployment delays, €4 million for dysfunctions which led a negative impact on their internal management, €1 million for overcharging, €1 million for purchases with Orange and €200,000 for damages to their image).

This case was subject to a conciliation proceeding between the parties. After the failure of this proceeding, the case was sent to be tried on the merits and the Group communicated its conclusions in response on March 13, 2018. SFR concluded its defense pleadings on February 26, 2019. SCT has until May 7, 2019 to respond.

### ***Consumer Disputes***

#### *CLCV complaint against SFR*

On January 7, 2013, the consumer association CLCV filed a complaint against SFR in the Paris Commercial Court. CLCV claimed that some of the clauses in SFR's general terms of subscription, and those of some other telephone operators, were unfair. It also sought compensation for the collective harm inflicted.

On February 24, 2015, the Paris District Court ruled that eight clauses included in the general terms of subscription were unfair and ordered SFR to publish the ruling on its website and three daily print publications. SFR was also asked to pay €30,000 in damages to the CLCV. This decision was not executory and SFR appealed the ruling on April 16, 2015. The case was pleaded before the Paris Court of Appeals on October 19, 2017.

On March 30, 2018, the Paris Court of Appeals ruled that seven (of the fifty or so clauses which the CLCV originally alleged were unfair or abusive) were unfair and ordered that SFR publish the entire ruling on its website. It also ordered SFR to remove said clauses from the general terms of subscription.

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

On May 21, 2012, Free filed a complaint against SFR in the Paris Commercial Court.

Free challenged the subsidy used in SFR's "Cross" offers sold over the internet between June 2011 and December 2012, claiming that the subsidy constituted a form of consumer credit and that SFR was therefore liable for unfair practices by not complying with the consumer credit provisions, in particular in terms of providing relevant information to customers.

Free asked the Paris Commercial Court to order SFR to provide customers with the relevant information and pay €29 million in damages. On January 15, 2013, the Commercial Court dismissed all of Free's requests and granted SFR €300,000 in damages. On January 31, 2013, Free appealed the decision.

On March 9, 2016, the Paris Court of Appeal upheld the judgment of the Paris Commercial Court and dismissed all of Free's claims. The amount of the compensation to be paid by Free to SFR increased from €300,000 to €1 million. On May 6, 2016, Free filed an appeal. SFR's defense was filed on November 8, 2016.

The Court of Cassation rendered a decision on March 7, 2018. This decision overturned and partially cancelled the decision rendered by the Court of Appeal and referred the case back to the Court of Appeal. The Court of Cassation considered that the Paris Court of Appeal had based its prior judgment on improper motives to exclude the mobile subsidy provided by the Group on its subscriptions from the scope of consumer credit. In addition, the Court of Cassation reaffirmed the sentencing for Free mobile to pay €1 million for the defamation suffered by the Group. The Group is awaiting the reintroduction of Free mobile's request before the Court of Appeals.

#### *SFR v. Iliad, Free and Free mobile: unfair practices by disparagement*

On May 27, 2014, SFR filed a complaint against Iliad, Free and Free Mobile in the Paris Commercial Court for unfair competition, claiming that since Free Mobile was launched, Iliad, Free and Free Mobile were liable for unfair practices by disparaging SFR's services. SFR claimed €493 million in damages.

On September 9, 2016, Free argued that SFR denigrated their capacities and services and claimed €475 million in damages. The Paris Commercial Court rendered its judgment on January 29, 2018. The Court sentenced Free Mobile to pay to SFR €20 million as moral damage as a result of unfair competition made by disparagement. In addition, the Paris Commercial Court ordered that SFR pay €25 million to Free Mobile as moral and material damage as a result of unfair competition made by disparagement. This decision was executed and the Group paid the €5 million net amount to Free in June 2018. SFR appealed this decision and the case is still pending.

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

Following the transfer of customer call centers in Toulouse and Lyon to Infomobile, and the transfer of the Poitiers call centers to a subsidiary of the Bertelsmann Group, the former employees at those sites filed legal actions at Human Rights Tribunals in each respective city, claiming that their employment contracts were unfair and constituted fraud under Article L. 1224-1 of the French Labor Code and that their dismissals were in breach of the legal provisions regarding dismissal for economic reasons.

The rulings in 2013 were mixed. The Toulouse Court of Appeals penalized SFR and Téléperformance in half of the cases, while the Lyon and Poitiers courts ruled in favor of SFR. The cases are now at various stages of proceedings in the Labor Tribunal, Court of Appeals and Court of Cassation.

### *Litigation over distribution in the independent network (consumer market and SFR's Business Team)*

Like many other companies operating an indirect distribution model, SFR faces complaints from a number of its current and former distributors. These complaints revolve around claims of sudden breach of contract, unfair economic dependency, demands for reclassification as a sales agent, and more recently, demands for reclassification as a contractual branch manager or as SFR-contracted point-of-sale staff.

### *Free v. SFR*

In July 2015, Free filed suit against SFR seeking to prevent SFR from using the word "Fiber", claiming that the solution marketed by SFR is not an FTTH solution. Free considers SFR's communication to be materially deceptive and, on that basis, is asking the court to find that SFR is engaging in free-riding and unfair competition.

On January 29, 2018, a decision was rendered requesting SFR to:

- pay €1 million as moral damages;
- communicate, within 90 days following the date of the judgment notification, to each client having subscribed to SFR or Numericable, an offer including the term "fiber" (excluding FTTH offers) on IT support and paper support information relating to (i) the precise nature of its connection to optical fibre; (ii) the number of subscribers sharing coaxial connection; and (iii) the average connection speed at peak hours and off-peak hours;
- inform, within 90 days following the date of the judgment notification, each client having subscribed to SFR or Numericable, an offer including the term "fiber" (excluding FTTH offers) that they benefit from a possibility of immediate termination as a result of default in previous information provided about the exact characteristics of the offer;
- pay €100,000 pursuant to article 700 of the French Code of Commerce.

The court considered that it made a material error in failing to mention provisional enforcement in the judgment. Accordingly, the court decided, by judgment dated February 12, 2018, that provisional enforcement applies for all convictions in this case.

Notification of judgment has been made by Free, and SFR is currently preparing the summons in summary proceedings for the First President of the Court of Appeal in order to cease provisional enforcement in this case and will lodge an appeal.

### *Familles Rurales v. SFR*

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

On November 12, 2015, SFR argued the nullity of the summons. On April 15, 2016, the judge of the *Mise en Etat* declined the request of SFR by ordinance. On April 29, 2016, SFR appealed this ordinance to the Paris Court of Appeals. On April 20, 2017, the Paris Court of Appeals confirmed the ordinance of the judge of the *Mise en Etat*.

On May 17, 2017, SFR deposited its second pleadings to the judge, to which Familles Rurales provided their responses on November 14, 2017. Familles Rurales represents about thirty individual cases and based on the fact that ARCEP revealed dysfunctions in SFR's 4G network, that they were entitled to claim reimbursement for their mobile phones and their 4G subscription fees. Familles Rurales asked the Court to publish the relevant information in order to allow any subscriber to join this class action after judgment and thus, to obtain such reimbursement Familles Rurales requested a provision of €100,000. On February 27, 2018, the closing injunction was pronounced for SFR, followed by an audience with the judge of the *Mise en Etat* on March 7, 2018. The pleadings were heard on July 4, 2018. On October 3, 2018, the *Tribunal de Grande Instance* of Paris rendered a judgment rejecting the requests of Familles Rurales and sentenced the Familles Rurales association to pay €0.02 million based on Article 700 of the *Code de Procédure Civile*. The closing ordinance occurred on April 11, 2019, and the case was pleaded concomitantly in collegiate before the Court of Appeal of Paris. A new procedural calendar is awaited.

#### *Tracotel and Intermobility v. SFR*

In May 2017, Tracotel and Intermobility sued SFR before the "Tribunal de Commerce de Paris" in order to obtain compensation for the damage allegedly suffered by the two contracting parties in the context of the response to the tender procedure of the Vélib DSP. They accuse SFR of not having filed the joint offer and are seeking damages in the amount of €69 million. The Group is challenging the merits of these claims. In November 2018, at the time of the submission of summary conclusions, Tracotel and Intermobility requested that, in the event of rejection of their principal claim, the Group will be ordered to pay a minimum of €3 million. The conclusions of SFR in response were filed on January 25, 2019. The hearing date is not yet fixed.

#### **Other disputes**

##### *French Competition Authority SFR Acquisition and Virgin Mobile Acquisition Sanction*

On November 8, 2016, the French Competition Authority ordered the Altice Europe Group to pay €80 million for violating the suspensive nature of the control of concentrations during the SFR Acquisition and Virgin Mobile Acquisition. The practices denounced, which aimed to make the new entity operational as quickly as possible after the acquisitions were authorized, were implemented in good faith and in an uncertain legal context. To limit the financial risk to the Group, the Group chose not to dispute the allegations and paid the fine in full in February 2017. In this context of the Virgin Mobile Acquisition, we have recently received a claim from a competitor alleging that such activities resulted in Altice France winning the tender process for the acquisition and seeking monetary damages. We are in the process of assessing the merits of the claim and expect to challenge the claim in proceedings recently initiated by the competitor.

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

On July 17, 2013, the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to SFR Fibre (formerly NC Numericable S.A.S.) was consistent with European Union government aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives the latter an economic advantage not enjoyed by its competitors, and that it therefore constitutes government aid within the meaning of the rules of the European Union. The free-of-charge transfer of the cable networks and ducts by 33 French municipalities to SFR Fibre, therefore, it was argued, confers a benefit of this type and constitutes government aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union. The Group firmly denies the existence of any government aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (approximately 200,000), the majority of which have not been migrated to EuroDocsis 3.0 and only allow access to a limited number of the Group's television services.

The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of this process both in terms of comments from third parties as well as those from the parties to the proceedings as to the allegation of the existence of aid and its extent, with the Group firmly challenging the existence of any government aid.

### *Dispute with Orange concerning certain IRUs*

The Group entered into four non-exclusive IRUs with Orange dated May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the Group's acquisition of certain companies operating on cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly ducts), are made available to the Group by Orange through these non-exclusive IRUs.

Each of these IRUs covers a different geographic area, and each was signed for a term of 20 years.

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

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

On October 7, 2010, the Group initiated parallel proceedings against Orange in the Commercial Court of Paris, claiming damages of €2,700 million for breach and modification of the IRUs by Orange.

On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures imposed on the Group by Orange, under the terms of its general technical and commercial offer published on September 15, 2008. Numericable appealed this decision to the Paris Court of Appeals. The Group claimed the same amount of damages in the Paris Court of Appeals as it had in the Paris Commercial Court. Orange counterclaims that these proceedings materially impaired its brand and image, and is seeking €50 million in damages.

In a ruling dated June 20, 2014, the Paris Court of Appeals dismissed the Group's appeal, which was then referred to the Court of Cassation on August 14, 2014. On February 2, 2015, the Court of Cassation overturned the ruling of the Paris Court of Appeals and referred the case back to the Paris Court of Appeals. The decision is still pending.

### *Actions by Colt, Free and Orange against the European Commission regarding DSP 92*

Colt, Free and Orange filed three separate motions against the European Commission (the "**Commission**") before the General Court of the European Union ("**GCEU**") seeking to annul the 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 state aid within the meaning of the rules of the European Union. The Group is not party to these proceedings. Its subsidiary Sequalum, as well as the French government and the department of Hauts-de-Seine, are acting as civil parties. In three rulings dated September 16, 2013, the GCEU dismissed all three actions and confirmed the aforementioned decision of the Commission. Free and Orange have appealed to the Court of Justice of the European Union.

### *Litigation between Sequalum and Hauts-de-Seine General Council regarding DSP 92*

A disagreement arose between the Hauts-de-Seine General Council ("**CG92**") and Sequalum regarding the terms of performance of a utilities concession contract signed on March 13, 2006 between Sequalum, a subsidiary of the Group, and the Hauts-de-Seine General Council, to create a very-high-speed fiber optic network in the Hauts-de-Seine region.

The Hauts-de-Seine General Council decided in its on October 17, 2014 meeting to terminate the public service delegation agreement signed with Sequalum "for gross misconduct by the delegatee for which it is solely responsible".

By two judgments dated March 16, 2017, the Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum against the two demands issued by the Hauts-de-Seine General Council for the penalties in the

amounts of €52 million and €45 million. Sequalum appealed the two decisions before the Administrative Court of Versailles, but paid €97 million over the month of July.

On October 16, 2014, Sequalum filed a motion in the Administrative Court of Cergy Pontoise to have the public service delegation rescinded on the grounds of force majeure due to irreversible disruption of the contract, and for a payment of compensation.

Sequalum claims that the termination was unlawful, and is continuing to perform the contract, subject to any demands that the delegator may impose. If the courts decided against Sequalum, Sequalum may have to (i) repay the public subsidies received for the DSP 92 project, equal to the outstanding component of the subsidies (Sequalum has received €25 million), (ii) pay the proceeds of advances (estimated to be €32 million by the Department of Hauts-de-Seine) and (iii) compensate the Department of Hauts-de-Seine for damages suffered (estimated to be €212 million by the Department of Hauts-de-Seine). The Hauts-de-Seine General Council received the returnable assets of the DSP 92 project on July 1, 2015. If the courts decided in favor of Sequalum, the Hauts-de-Seine General Council would have to pay compensation to Sequalum in an amount equal to the net value of the assets.

On December 31, 2015, the assets were removed from Sequalum's account in an amount of €116 million. A receivable in the amount of €139 million related to the expected indemnification due to Sequalum was also recognized and fully provisioned.

On July 11, 2016, the Department of Hauts-de-Seine issued a detailed account of all sums it believed to be due by each party in respect of the various disputes, and issued securities on the basis of the said account. The various sums were the subject of a decision of the public accountant dated July 13, 2016, with the final approved amount totaling €182 million. This statement, the securities and the compensation decision were the subject of motions for annulment filed by Sequalum before the Administrative Court of Cergy Pontoise on September 10, 12 and 14, 2016.

These applications remain pending, except for the application for annulment relating to the breakdown (the Court having considered that the breakdown was not a measure which could be appealed but Sequalum appealed this decision before the Versailles Administrative Court of Appeals). The Group outlined that it had its own optical fibre in the Haut-de-Seine department enabling it to serve its customers.

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

- Order of an amount of €23 million for the unamortized portion of the subsidies (SFR's appeal was dismissed);
- Order of an amount of €32 million for deferred income (SFR's appeal was successful); and
- Order of an amount of €6 million for amounts received as prepayment for connections (SFR's appeal was dismissed).

The Department issued a revenue order of €212 million for damages suffered as a result of the faults based on which the contract was terminated. The judgment was rendered on February 15, 2018, and reduced the indemnity by €187 million and the amount of the revenue order to €26 million. The department appealed this decision. The judgement rendered on July 5, 2018 granted Sequalum's request for the cancellation of the compensation. On the other hand, the request for repayment was rejected. This rejection was appealed.

#### *Canal Plus Group (GCP) against SFR and SFR Fibre*

On October 4, 2017, GCP summoned SFR and SFR Fibre (formerly NC Numericable S.A.S.) before the Paris Commercial Court. GCP claimed that both SFR and SFR Fibre breached their contractual obligations and notably:

- marketed substitute products to the GCP, allowing customer poaching from GCP to the benefit of the Group;
- decreased GCP's promotions;
- promoted the migration of the subscriber base in favor of FTTB, which does not allow access to Canalsat offers;



- carried out misleading advertising;
- refused to set up new offers;
- changed the numbering of GCP's channels; and
- denigrated GCP channels on SC platforms.

GCP requested the termination of the above under financial penalty of €30,000 per day, and damages in the amount of €174 million. On September 18, 2018, the two parties signed a contract allowing GCP to distribute sports channels produced by the Group via satellite. As part of this agreement, both parties decided to mutually desist from all open legal proceedings, thus ending the aforementioned litigation.

### **Altice International Group**

*In this sub-section, unless the context otherwise requires, the terms “we,” “us” and “our” refer to the Altice International Group.*

### **Significant Investments and Dispositions**

We have expanded the Altice International Group internationally through a number of price-disciplined acquisitions of telecommunications businesses. Set forth below is a list of the significant investments we have made in the businesses that currently constitute or previously constituted the Altice International Group:

- In 2008, we acquired Le Cable Martinique and Le Cable Guadeloupe, established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe since 1994. In connection with the FOT Transfer, we disposed of our FOT Business to the Altice France Group on October 31, 2018, as further described below.
- In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of business-to-business (“**B2B**”) solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter and in October 2016 we acquired the remaining equity interests. On February 12, 2018, we completed the sale of Green and Green Datacenter, as further described below.
- In May 2010, we acquired MIRS Communications Ltd. (“**MIRS**”), an Israeli company providing iDEN-based mobile services. In March 2011, we acquired a controlling interest in HOT. In November 2011, HOT acquired MIRS from us and renamed the company HOT Mobile Ltd. In December 2012, we completed the take-private transaction of HOT whereby we acquired substantially all of the equity interests in HOT that we did not previously own (the “**Take-Private Transaction**”).
- In 2012, we purchased a 17% stake in Wananchi Group Holdings Ltd. (“**Wananchi**”), a cable telecommunications provider with operations in Kenya, Tanzania and Uganda. On October 2, 2014, we invested an additional \$11 million into Wananchi through Altice Africa as part of a fully convertible subordinated notes issuance by Wananchi. Altice Africa pledged to fund up to \$40 million in three tranches. If fully converted, the new tranches, when fully funded, will give Altice Africa an approximate 21% shareholding in Wananchi.
- In July 2013, we expanded our presence in the French Overseas Territories by acquiring Outremer, a leading mobile services provider and xDSL provider of telecommunications services. On July 31, 2015, we completed the sale of the mobile assets of Outremer, as further described below. In connection with the FOT Transfer, we disposed of our FOT Business to the Altice France Group on October 31, 2018, as further described below.
- In October 2013, we acquired Ma Chaîne Sport S.A.S. and SportV S.A. (later rebranded as Altice Entertainment News & Sport, or “**AENS**”), both producers of sports-related content. On May 15, 2018, we completed the sale of AENS, as further described below.
- On January 15, 2014, we completed, through our subsidiary Altice Blue Two, the acquisition of the Mobius Group, a telecommunications operator in the French Overseas Territory of La Réunion which provides internet access to professional clients under the “Mobius Technology” brand and double-play and triple-play

services based on xDSL technology to residential (“**B2C**”) customers under the “**IZI**” brand. In connection with the FOT Transfer, we disposed of our FOT Business to the Altice France Group on October 31, 2018, as further described below.

- On March 12, 2014 and April 9, 2014, we completed, through our subsidiary Altice Caribbean, the acquisition of Dominican telecommunications providers Tricom and Altice Hispaniola. Altice Hispaniola was renamed Altice Dominicana S.A. (“**Altice Dominicana**”) in November 2017. Altice Dominicana and Tricom merged with effect from January 1, 2018 to form the combined Altice Dominicana business.
- On June 2, 2015, we acquired all of the outstanding equity interests in PT Portugal, Portugal’s incumbent telecoms provider, through which we currently offer telecom services in Portugal.
- On November 25, 2016, we completed the acquisition of 51% of the share capital of our former supplier, Parilis S.A. (“**ATS France**”), an all-around technical services company offering, among other things, network deployment, upgrade and maintenance services. On April 20, 2018, Altice International has exercised its call option and purchased the remaining 49% of ATS France. Total consideration transferred to the vendors amounted to €158 million on a cash-free and debt-free basis. On May 16, 2018, we completed the sale of ATS France, as further described below.
- On December 22, 2016, we completed the acquisition of 88.87% of the share capital of our former supplier, Intelcia Group S.A., a French-language-focused operator in the customer relationship management outsourcing sector. The remaining 11.13% stake was acquired on January 30, 2017. Certain managers in Intelcia Group S.A. subsequently reinvested part of their proceeds to acquire a 35% interest in Altice Customer Services (“**ACS**”), the entity holding 100% of Intelcia Group S.A. We have the option to purchase, and the managers have the option to sell, such 35% interest in the event of termination of their offices or as of the sixth anniversary of the closing date of the acquisition, provided that such options be exercised partly before that date (50% of their interest on the fourth anniversary of the closing date and the remaining 50% on the fifth anniversary of the closing date) (the “**ACS Put and Call Options**”). Total consideration transferred to the vendors amounted to €28 million (excluding purchase price adjustments) on a cash-free and debt-free basis. On May 16, 2018, we completed the sale of our 65% stake in ACS and the transfer of the ACS Put and Call Options, as further described below.
- On December 30, 2016, we acquired Altice Management International S.A. (“**AMI**”), a company based in Switzerland, which provides management services to group entities. The assets and liabilities of AMI were transferred at their net book value. On January 31, 2018, we completed the sale of AMI to Altice Group Lux, as further described below.
- On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12 million. SPORT TV is a premium sports broadcaster based in Portugal. Following this investment, SPORT TV’s shareholders are PT Portugal, its main competitors NOS and Vodafone, and Olivedesportos, each of which holds a 25% interest.
- On June 22, 2017, we completed the Teads Acquisition. As of December 31, 2018, we hold a 96.2% financial interest in Teads, with the remaining 3.8% held by managers of Teads. Teads is a major online video advertising marketplace with an audience of more than 1,460 million people every month. The acquisition valued Teads at an enterprise value of up to €285 million on a cash-free and debt-free basis. The acquisition purchase price was €302 million, subject to Teads achieving certain targets in 2017, and was due 75% at closing, with the remaining 25% earnout subject to Teads obtaining defined revenue performance in 2017, which targets have been met. The first earn-out payment of €49 million was made to the sellers in the second quarter of 2018 and an additional earn-out payment of €42 million was made on July 3, 2018. Following the earn-out payments, the former owners of Teads reinvested €5 million into the share capital of Teads.
- In November 2018, Altice West Europe signed a sale and purchase agreement with Deficom Invest S.à.r.l. for the acquisition of the remaining stake in Deficom Telecom. The total transaction value was €23 million. As a result of the purchase, Altice West Europe became a 100% owner of Deficom Telecom which was subsequently dissolved on December 27, 2018.

From time to time we may dispose of our interests in certain businesses within the Altice International Group. Set forth below is a list of the significant dispositions we have recently made or expect to make:

- On July 31, 2015, we concluded the Outremer Mobile Disposal for an enterprise value of €81 million (post-price adjustments). The disposal comprised part of the conditions imposed by the European Commission on the Altice Europe Group as part of the approval of the SFR Acquisition.
- On January 20, 2016, we completed the sale of Cabovisão and its subsidiaries, including the ONI Group. The disposal comprised part of the regulatory conditions imposed by the European Commission on the Altice International Group as part of the approval of the PT Portugal Acquisition. Total consideration received for the disposal amounted to €138 million (including purchase price adjustments), of which €64 million was for the shares of Cabovisão and its subsidiaries.
- On May 12, 2016, we disposed of our 49% minority stake in NextRadioTV, held through Altice Content Luxembourg as a co-investor in the joint venture Groupe News Participations (“GNP”) with Alain Weill (who owns the remaining 51% of GNP), to the Altice France Group. The Altice France Group’s interest in NextRadioTV was acquired at cost relative to the original price paid by the Altice International Group.
- On June 19, 2017, we completed the sale of Coditel Belgium and Coditel Luxembourg, its telecommunications businesses in Belgium and Luxembourg, to Telenet Group BVBA on a cash-free and debt-free basis (the “**Coditel Disposal**”). After the final post-closing price adjustments, the Group received €281 million from the transaction, and recognised a loss on sale after transaction costs of €24 million.
- On January 31, 2018, we completed the sale of 100% of the share capital of AMI to Altice Group Lux. The transaction value was 1 CHF.
- On February 12, 2018, we completed the sale of Green and Green Datacenter to InfraVia Capital Partners (the “**Green Disposal**”). Total proceeds received in relation to the sale amounted to €156 million (including purchase price adjustments).
- On May 15, 2018, we completed the sale of 100% of the share capital of Altice TV to Altice Group Lux. Total consideration received for the disposal amounted to €1.
- On May 16, 2018, we completed the sale of 100% of the share capital of ATS France to the Altice France Group. Total consideration received for the disposal amounted to €175 million.
- On May 16, 2018, we also completed the sale of 65% of the share capital of ACS to the Altice France Group for a total consideration of €30 million. In addition, we transferred the ACS Put and Call Options to the Altice France Group.
- On September 4, 2018, we completed the sale of a 75% stake in the newly incorporated company OMTEL, Estruturas de Comunicações, S.A. (“**OMTEL**”), comprising the mobile telecommunications passive infrastructure, corresponding to 2,961 mobile sites previously operated and demerged from PT OpCo. The above-mentioned stake in this tower business was sold to a consortium that included Morgan Stanley Infrastructure Partners and Horizon Equity Partners (the “**Portugal Towers Transaction**”). The transaction valued this tower business at an enterprise value of €660 million. The purchase price of €648 million included a cash consideration for the disposal of the 75% stake in the amount of €540 million and the acquisition of a 25% stake in OMTEL by PT Portugal measured at a fair value of €108 million. In connection with the Portugal Towers Transaction, PT Portugal and the consortium entered into a shareholder agreement in relation to the holding company that indirectly owns a 100% interest in OMTEL. The shareholder agreement establishes that certain decisions (including those regarding the issuance of equity securities, dissolution and the amendment of the company’s organizational documents) are not be permitted to be made without a favorable vote by PT Portugal, subject to certain conditions. In addition, the shareholder agreement contains a lock up period following which certain rights (such as rights of first refusal, rights of first offer, drag along and tag along rights, in addition to customary preemption and anti-dilution rights, as well as other restrictions to the transferability of shares) may be exercised.
- On September 6, 2018, we completed the sale of the Altice International Group’s international wholesale voice carrier business in Portugal and the Dominican Republic to Tofane Global, a Paris-based telecommunications and digital player specializing in international carrier services. Total consideration received for the disposal amounted to €7 million.

- On October 3, 2018, we completed the sale of 100% of the share capital in the tower company Teletorres del Caribe, which comprises 1,039 sites operated by Altice Dominicana, to Phoenix Tower International, a portfolio company of Blackstone (the “**Dominican Towers Transaction**”). Total consideration received for the disposal amounted to \$168 million.
- On October 31, 2018, we disposed of, and the Altice France Group acquired, Altice Blue Two, the holding company for our FOT Business (the “**FOT Transfer**”). The total consideration received for the year ended December 31, 2018 amounted to €481 million in cash.

Our acquisition strategy has allowed us to target cable, FTTH or mobile operators with what we believe to be high-quality networks in markets we find attractive from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. Furthermore, our acquisition strategy has enabled us to organically grow the businesses we acquire while we continue to focus on cost optimization and increasing economies of scale and operational synergies as the Altice International Group develops. Moreover, as part of our strategy, we also focus on the convergence of telecoms, media, content and advertising to offer more value to our customers.

### *Products and Services*

Through the various Altice International Group companies we provide cable and fiber-based fixed services and mobile telephony services in all of the geographies in which it operates. In addition, we offer a variety of wholesale and other services across its footprint, including advertising services. We also invest in specific content to complement and enrich the services we provide.

We offer a variety of services over our fixed-line and mobile infrastructure, including, but not limited to, pay TV, broadband internet access, fixed-line telephony and mobile telephony to our B2C customers, and, to a lesser extent and depending on the geography, telecom services to our B2B customers. In certain geographies we also provide wholesale services. We track the performance of our business by geography and further analyze our revenues by segment, which, with effect from January 1, 2017, included “fixed B2C,” “mobile B2C,” “B2B,” “wholesale” and “others” and, with effect from January 1, 2018, include “fixed B2C,” “mobile B2C,” “B2B,” “wholesale” and “others.” See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Group—Basis of Presentation—Operational Activities*” for a discussion of our revised presentation of our operational activities.

Our fixed-based services (high-quality pay TV, broadband internet and fixed-line telephony) are provided over our cable- and fiber-based network infrastructure which are either DOCSIS 3.0, DOCSIS 2.0 or DSL FTTH enabled, offering download speeds of between 30 Mbps and 1 Gbps depending on geography. As of December 31, 2018, our cable services passed 7.5 million fiber/cable homes, with 2.0 million fiber/cable unique customers. We also offer mobile-based services in the geographies in which we operate, through 2G, 3G and 4G Long-Term-Evolution (“**4G-LTE**”) technology, and we had 10.9 million mobile B2C customers (of which 4.7 million were post-paid customers) as of December 31, 2018.

We are also focused on delivering high quality content offerings to complement our fixed and mobile services, including proprietary content and exclusive content. For more information regarding our content offerings, see “*Other Services—Content*” below.

In all geographies in which we operate, we are focused on the convergence of fixed and mobile services by cross-selling and up-selling our offerings to further increase our multi-play penetration. Our cable, fiber and mobile technologies enable us to offer premium digital services, attractive interactive features (such as our “*Meo Go!*” offering in Portugal) and high-quality content. We have leveraged our network advantage to drive our multi-play strategy and offer an attractive combination of content, speed and functionality. We offer our B2C customers bundled double- and triple-play services comprising pay a combination of TV, broadband internet access and fixed-line telephony services at what we believe are attractive prices. We believe the demand for our multi-play packages is primarily driven by the inherent quality of the various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe our products offer the best value for money and cost-savings for customers when purchased as part of multi-play packages, we typically also offer most of these services on a stand-alone basis in most of our geographies.

We use a variety of brands, trade names and trademarks to market our services, and, in each case, several associated trademarks. For more information regarding our branding strategy, see “—Marketing and Sales” and “—Intellectual Property” below.

In 2016, we implemented the Altice Labs initiative which aims to leverage our engineering talents and centralize and streamline innovative technological solutions development for the entire Group. Under the initiative, our development team across all of the jurisdictions in which we operate (i) create products and technology to facilitate the build-out of our fixed and mobile network, (ii) develop systems to improve customer experience and handle disturbances and outages with speed and precision allowing for a near uninterrupted usage of our services and (iii) create user friendly and high quality customer interfaces and products, including new generation set-top boxes, portals and IoT. Altice Labs was first based in Portugal and now has presence in Israel and will continue its expansion in the Dominican Republic. The Altice Labs teams work closely across geographies under the roadmap and leadership provided by the Altice International Group, and share technologies and products to enhance the services we provide in each of the jurisdictions in which we operate. To promote further innovation, we also take part of various forums and groups throughout Europe and have a strong relationship with other service providers in order to enhance the infrastructure products and services we offer.

## **Fixed Services**

### ***B2C***

We offer a variety of fixed B2C services, primarily as part of multi-play packages, with available offerings depending on the bandwidth capacity of our cable networks in a particular geography (which consist primarily of hybrid fiber coaxial (“HFC”) cable infrastructure).

### ***Pay TV***

Across our geographies, we offer digital television services which include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, spanning from VoD to near-VoD (“NVoD”), digital video recorders (“DVR”), high-definition (“HD”) television (“HDTV”) services and, in some cases, exclusive content. Our cable networks enable us to offer interactive digital services to most of our customers. Our pay TV offerings include content and channels purchased from a variety of local and foreign producers and we continue to focus on broadcasting high-quality content over all of our cable networks. To ensure we cater to local demand for content, we tailor both our basic and additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

### ***Portugal***

In Portugal, our television strategy is based on a multiplatform concept that aims to provide consistent content and user experiences across television, personal computers (“PCs”) and mobile phones. “Meo” is our TV brand across the various platforms, primarily at home (through IPTV and satellite), mobile telephones (through *Meo Go! Mobile*) or PCs (through *Meo Go!*). *Meo* provides access to a comprehensive content offering, with more than 200 TV and radio channels and thousands of VoD titles. We offer tiered packages of channels, as well as on-demand availability that can be subscribed for, in real time, directly through the TV set. *Meo* also provides access to advanced features, such as digital recording and pause live-TV. The set-top boxes in the *Meo* service are all HD-compliant, using MPEG4. We were the first operator in Portugal to introduce HDTV and a 4K experience in pay TV. In March 2018, we announced the launch of (1) a 4K WiFi portable set top box more easily adjusted to the customer’s needs in each home division, (2) a new TV interface, which is based on content discovery, personalization and speed, including, among others, features that allow customers to access more easily their most viewed channels and recently viewed programs and to select programs based on theme and type of content, and (3) a new customer digital experience, including a new Video Chat.

Our quad-play offer of converged fixed-mobile services by *Meo* includes TV, broadband, fixed telephone and mobile telephone services under the brand “M4O.” *Meo* designed this product after studying trends in the Portuguese market which revealed increasing consumer preference for quad-play services all reflected on the same invoice, a desire to include the entire family in a single plan and the importance of high-quality connectivity to the internet. The entry-level *M4O* currently offers approximately 150 TV channels, 100 Mbps broadband speed, unlimited national calls and 1,000 minutes to 50 international destinations, as well as one to four mobile SIM cards, including free of charge calls (500 minutes), text messages to all wireline and wireless networks and 500 MB of mobile data, using our 3G and 4G networks. There are three additional *M4O* offers, with higher fixed

internet speeds and mobile internet allowances. The high end offer is the recently launched “*M40 Giga*,” with 1 Gbps broadband speed and 10 GB of mobile data. There is also the “*M50 Giga*” plan, a multi-play offering which, in addition to increased mobile data allowances, also includes up to 30 GB of mobile broadband. *Meo* was the first operator to launch Giga offers, supported on the most advanced router on the Portuguese market, providing 10x faster WiFi. *Meo* was the first player in Portugal to launch convergence offers, in 2013 through a quad-play offer, and according to Anacom currently leads the market of bundle offers, both for quad play and triple-play offers.

In May 2018, we launched *MEO BY*, an innovative and entirely digital offer that allows customers to customize their *Meo* package based on their preferences and needs, with no mandatory loyalty period, representing an extremely flexible offer with more than 16,000 possible combinations between fixed and mobile communications, fixed and mobile internet and television services.

*Meo*’s content offering includes thousands of VoD titles and a variety of interactive offerings based on anchor programs. For example, we offer interactive applications which focus on news, sports and music, other interactive portals such as our children’s portal which provides access to combined VoD, music, games and educational content tailored to children audiences, as well as “red button” interactive applications (whereby viewers press a button on their remote controls to receive additional interactive services) often linked to popular TV programs. In January 2013, *Meo* also launched *Gravações Automáticas*, a recording feature that allows customers to record programs and access those recordings up to seven days after the programs were broadcast. We have also developed other innovative smart home solutions, such as *Meo Smart Home*, a home security service very easy to self-install that can be controlled in real time via smartphone, tablet or TV. Between the end of 2015 and early 2016, we have acquired broadcasting rights for new sports programming in Portugal and in July 2016, we have reached an agreement with certain other Portuguese telecom operators, such as NOS Comunicações, NOS Audiovisuais, Vodafone Portugal and Cabovisão (currently Nowo), for the reciprocal sharing of broadcasting rights of football-related content for a period of eight years. See “—*Material Contracts—Portugal— Contracts with football clubs*” for more information. Additionally, our global partnership with Netflix allows us to make Netflix’s content available to our customers in Portugal as of November 2017, and certain of the other jurisdictions in which we operate. In November 2018, we launched a new *MEO Series* service aimed at broadcasting exclusive and other important series. Throughout the years 2017 and 2018, we added new channels to our portfolio, some of which exclusively such as the Disney Channel Forever.

### *Israel*

We are the largest provider of pay TV services in Israel based on number of subscribers. We offer primarily digital television services in Israel under the “HOT” brand. Our standard digital television package consists of 92 base television channels and certain radio channels and gives customers the option to purchase extra content packages which give access to additional channels. We believe our standard offering includes more channels than that offered by our competitor and we offer a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels, as well as channels in Arabic and Russian to address demand from the culturally diverse population of Israel. Our standard package includes the HOT suite of channels and others such as Eurosport, Fox News, BBC Entertainment, MTV MUSIC and Zee TV as well as all the “must carry” channels that we are required to carry on our network under existing regulation. We regularly update our standard digital television package to reflect changes in viewer interest. Our higher-end packages include all six of our extra content packages as standard and exclude premium channels such as premium sport channels and other channels which are marketed a la Carte, depending on the subscription. We also offer up to 42 television channels in HD.

In addition to a high-quality and diversified linear television offering, we offer our customers a variety of advanced services featuring interactivity. These are available to customers whether or not they also purchase our broadband internet services. In all of our digital television packages we provide customers with a replay service for certain television channels, enabling a viewer who misses the start of a program to replay it while the broadcast is in progress (“start over”), as well as “start next” service, enabling the viewer to start watching the next show prior to its scheduled broadcast. Our digital television offering also includes an extensive VoD library containing approximately 50,000 titles as of December 31, 2018. In addition, we offer access to additional content libraries not included in our standard VoD service on either a pay-per-view or monthly subscription basis.

According to an order issued by the Israeli Ministry of Communications, from February 23, 2014, until February 24, 2019, we and the local satellite company “YES” were required to offer a fixed-price, narrow-base package at a price not to exceed NIS 120 (approximately €28) per month. Although such obligation was not

extended, according to the Cable and Satellite Council's decision dated March 27, 2019, we and "YES" are entitled to continue to offer our customers narrow packages at our option, for one year. Our current narrow offering provides subscribers access to more than 20 basic channels.

Having previously offered analog services during 2015, we phased out this service which will allow us to free up bandwidth over our network enabling us to further expand our digital services.

We bolster our Israeli pay TV service offering by significant investments in procurement and co-development of original local content which we undertake in partnership with local production partners and broadcast on our proprietary suite of channels. We package such original and purchased content into a range of television channels that we own and broadcast under the "HOT" brand to our television customers. The HOT suite of channels includes HOT 3, where we broadcast our co-developed local content, HOT HBO, four movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children's channels, which we believe are highly popular in Israel, and run shows with top television ratings such as Zaguri Empire, Very Important Person, Asfur, The Arbitrator, Shababnikim, Juda, Foolish, Golestar, Connected and Malcote. We also purchase rights to broadcast popular foreign channels over our network. We believe the quality of content we provide over our network generally, and the HOT television channels in particular, has been a critical factor in attracting new customers, maintaining our existing customers and minimizing churn. Under existing regulations, we are subject to certain ownership restrictions that limit the number of television channels we are permitted to own. In addition, we are required by regulation to invest a minimum of 8% of our annual pay TV revenues from subscriber fees in the production of original local content. We have been, and are, in compliance with these regulatory requirements in all material respects.

In 2017, we launched internet-based content packages intended to be viewed using smartphones, tablets and computers under the Next TV brand, which include our local productions, movies and leading foreign series. As of August 2017, we have also been marketing an internet-based content package which in addition to local and foreign contents also includes over 40 channels for direct viewing, and may also be viewed on a television set.

#### *Dominican Republic*

We offer pay television services through our HFC broadband and xDSL networks and we also launched our DTH services in regional areas covered by our mobile network in May 2017 enabling us to provide these services near-nationwide. Our HFC broadband network, which passes through densely populated urban areas, enables us to offer interactive digital services to most of our customers. In addition, we provide GPON-based services to our high value residential customers. We offer over 270 channels through a choice of five different plans. Of those channels, approximately 56 are available in HD, which we believe represents one of the most extensive HD offering available in the Dominican Republic as of December 31, 2018.

#### *Others*

We also offer our broadband internet subscribers IPTV services via an unbundled xDSL network. In connection with the FOT Transfer, we disposed of our FOT Business to the Altice France Group on October 31, 2018.

#### ***Broadband Internet Access and Fixed-Line Telephony***

We provide broadband internet access and fixed-line telephony services across our cable (and in certain areas xDSL) footprint, with a majority of homes passed benefitting from download speeds of at least 100 Mbps. In the short-to-medium term, we expect that the portions of our networks that are DOCSIS 3.0-enabled can offer download speeds of up to 200 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our B2C and B2B customers who demand higher download speeds.

Our fixed-line telephony services are based on either PacketCable or VoIP technologies. We offer a wide range of telephony packages and our triple-play offers tend to include flat-rate telephony packages with a significant number of minutes of use included in the price. We provide national and international connectivity to our customers either through our own interconnection capabilities or through our partners. We tend to phase out stand-alone telephony packages as our strategy is to offer fixed-line telephony as an add-on product in our multi-play packages.

## *Portugal*

At the end of 2014, we extended our fiber network in Portugal by approximately 450,000 homes pursuant to our fiber sharing agreement with Vodafone (which is further described below under “*Material Contracts—Portugal—Fiber Sharing Agreement with Vodafone Portugal*”). We also implemented our fiber rollout strategy in Portugal, reaching approximately 4,490,000 homes as of December 31, 2018, which we believe leaves us well-positioned to reach our target of 5.3 million fiber homes passed by 2020. Our network is a strategic investment to improve our competitiveness among B2C customers, where we can offer distinctive pay TV and bundled offers. In Portugal, we have also tested NG-PON2 technology, which we believe will significantly increase the bandwidth and robustness of our network in the coming years. We are currently preparing for a rollout of NG-PON2 technology.

Over the last decade, total traffic on our fixed-line network has decreased, primarily because consumers have increasingly used mobile services instead of fixed-line services and due to the migration of dial-up internet users to Asymmetric Digital Subscriber Lines (“**ADSL**”). The number of active mobile SIM cards exceeds the number of fixed-line main lines in Portugal. We have responded to this trend by encouraging the use of our fixed-line network for bundled services, including triple-play packages that include fixed-line telephone services, broadband internet access and pay TV services.

Additionally, we are required to provide carrier selection to our customers for all kinds of traffic. Carrier selection has been an additional factor that has contributed to the reduction in traffic on our network.

## *Israel*

Internet service in Israel is structured into two segregated elements comprised of infrastructure or network access services and internet service provider (“**ISP**”) services. Infrastructure access service relates to access to the physical network infrastructure within Israel that is required to connect the customer’s device to the infrastructure access provider’s operator. This service is provided exclusively by us and Bezeq, the only telecommunication operators in Israel that own a national fixed-line network infrastructure. ISP services, which can be provided by any licensed provider, consist of providing access to the customer from the infrastructure provider’s operator, through its own operator, to the local and global internet network. ISPs generally also provide certain value-added services such as data protection services, security solutions, e-mail services and system administration services. A customer wishing to subscribe to internet services in Israel effectively needs to purchase each of these services and may choose to subscribe to the broadband internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer, including to customers of other broadband internet infrastructure access providers, on equal terms. From February 2015, Bezeq and HOT are required to provide wholesale services to service providers, which enable them to offer a full internet service to their end-users (infrastructure and ISP services). In June 2017, the Israeli Ministry of Communications set the maximum tariffs for the provision of wholesale services over HOT’s network.

We offer ultra-fast broadband internet infrastructure access services to our B2C customers under our “HOT” brand over our DOCSIS 3.0-enabled cable network which can theoretically support download speeds of up to 500 Mbps with new customer premises equipment and certain limited modifications to network equipment, which will allow us to easily upgrade our services in the future. Currently we offer our customers download speeds ranging from 30 Mbps to 200 Mbps at competitive prices and our customers can choose from our single, double and triple-play packages which include broadband internet infrastructure access services along with our television and fixed-line telephony services. We provide ISP services under the “HOTnet” brand. Unlike our competitors who generally offer ISP services at prices that increase depending on access speeds, we offer our ISP services at a competitive monthly flat-rate irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently only permitted to provide ISP services on a stand-alone basis and as part of a package with mobile services and not as a part of our other multi-play packages.

Fixed-line telephony in Israel is segregated into two separate services comprised of domestic fixed-line telephony services and international long-distance services, each of which requires a separate license. We are currently licensed to provide both. Our domestic license is valid until 2023 and our international license is valid until 2032, and both may be extended for additional ten-year periods subject to the approval of the Israeli Ministry of Communications.

We provide fixed-line telephony services using PacketCable technology on our secure cable network by offering individual lines to our B2C customers under our “HOT” brand, either on a stand-alone basis or as part of our multi-play packages. Our services include several ancillary value-added features for end users such as caller



identity, call waiting and call waiting with caller identity, “follow me” (a call forwarding service enabling the user to be reached on several phone numbers), conference calling, last call return, blocking of calls with no caller identity, blocking of caller identity for outgoing calls and voicemail services.

### *Dominican Republic*

In the Dominican Republic, we offer consumers broadband and fixed-line telephony services over our HFC broadband and xDSL networks. Our HFC broadband network which is 95.3% Docsis 3.0-enabled, passed 792,000 homes in densely populated urban areas as of December 31, 2018, enabling us to offer current download speeds of up to 200 Mbps. We selectively deployed new customer premise equipment in the first half of 2018 in order to support our broadband Internet service to eligible customers which increased download speeds up to 200Mbps and can also support further increases in download speeds up to 400Mbps in the medium term. We also plan to leverage the large spectrum allocations available to Altice Dominicana, which are technology neutral and enable high mobile broadband speeds, by rolling out fixed wireless broadband access services in regional areas covered by our mobile network to complement our broadband services over our HFC broadband network concentrated in urban areas, thereby offering near-nationwide broadband coverage.

We offer both pre- and post-paid fixed-line telephony plans, which include unlimited calls within our network. While we continue to utilize our xDSL network to provide fixed-line telephony services, we also offer VoIP to homes passed by our HFC broadband network. We also leverage our wireless network to transmit fixed-line voice services.

### **B2B**

#### *Portugal*

In a global context of fast replication of new products and services, in which customers are increasingly demanding, knowledgeable and omnipresent, service convergence has been B2B’s main product driver. Further, B2B has been in a unique position to lead the digital transformation process, providing customers and partners with the technology and expertise required to succeed in the upcoming business context. This gave B2B a deliberate new positioning, igniting research, development and product delivery in fields so diverse as Internet of Things (“**IoT**”) and sector specific offers such as Fleet Management, Smart City Management, among others. At the same time, as customers try to focus their efforts in dealing with new digital challenges, B2B has tried to position itself as a Business Process Outsourcing (“**BPO**”) provider of choice in areas such as Contact Centers, Receivables Management, among others. At core, B2B has evolved its service setup at the level of existing technologies aiming to improve network efficiency and management, to serve customers, businesses, cities and government services.

Our B2B services in Portugal comprise: (i) network and voice services, which include fixed voice services, fixed and mobile convergence services, broadband data, Ethernet services, digital leased lines and VSAT services, business high band fiber-based internet, VPN accesses and applications, and global services for multinational customers; (ii) IT services, which include datacenter services (such as housing and hosting), cloud-based solutions (primarily public and private virtual servers, remote backup and storage, hosted e-mail and web hosting), security managed services based on a Security Operations Center, business continuity services and disaster recovery, IT infrastructure outsourcing and IT and security consultancy; and (iii) business solutions and applications, which include unified communications, IP Centrex and voice servers, digital signage, Corporate TV, messaging and interaction solutions, business video communications and telepresence solutions, IoT managed connectivity, BPO, vertical solutions for special customer clusters (e.g. hospitality, health care, public sector, among others), special bundling services for small and medium-size enterprises (e.g. *Global Connect Pack* product) and outsourcing. In the end of 2017, we launched *Cloud Office 5.0*, an innovative “*as a service*” package linked to the digital transformation of the workplace based on 5 pillars: productivity, cooperation, technical support, safety and equipment.

Global Connect Pack, one of B2B’s most successful integrated packaged offers, adds to the convergent positioning the possibility of having a virtual IP based call management console able to manage calls/contacts between mobile and fixed users of a specific master account. All packaged options come with a virtual domain, baseline email, cloud storage space per user and online fax; IPTV can also be added.

B2B’s offer setup is based on a three-tiered approach targeting the following customers groups: (i) SOHO and Small Business customers, with an offering based on the convergence of voice, broadband, TV and mobile

services through our MxO offer; (ii) Multi-Connected customers, served mainly with multi-employee connectivity services, including mobility solutions for traveling employees, and simple software solutions; and (iii) Integrated customers, served with a full range of telecommunications and technological services, such as unified communications, outsourcing of information and communications technology (“ICT”) services, application integration, IoT and specific IT/IS solutions, BPO and IT consultancy.

The provision of services to our corporate customers is guided by the following strategic objectives: (i) maximize value from traditional telecommunications services by upselling additional services, including fixed-mobile convergence on FTTH, VPN, LAN management and video services; (ii) IT transformation accelerated by cloud computing, where we aim to build upon partnerships with key suppliers to enable business process transformation and cost reductions to our corporate customers, with a special focus on “system on a chip” based security solutions; (iii) use specialization to achieve gains from scale, including by focusing on outsourcing and BPO to improve productivity; and (iv) introduce a business consulting approach in order to extend the services provided to corporations to video, multiscreen and other convergent services.

### *Israel*

We provide fixed and mobile telephony services and a range of advanced telecommunications solutions to our B2B customers in Israel. Other than our iDEN-based mobile services which we market under the “MIRS” brand, we market all of our B2B services in Israel under the “HOT” brand. Our fixed-line telephony services include offering individual lines to businesses as well as primary rate interface trunks (consisting of up to 30 voice lines per trunk) to our B2B customers. We also provide business numbering services allowing for toll-free calls from anywhere in Israel to 1-800 numbers and a split billing calling service to businesses (1-700). Our portfolio of advanced telecommunications services include data and video transmission and VPN services aimed at B2B customers and other telecommunication providers using synchronous digital hierarchy Synchronous Digital Hierarchy (“SDH”) technology or IP technology. Among the solutions we offer are network services for transferring data from point to point, transferring data between computers and between different communications networks, communications network connection to the internet and remote business access services. In addition, we offer our B2B customers, directly or through our subcontractors, complementary products and services such as telephony switchboards, security cameras, information security solutions and integration services, among others.

According to the Israeli Ministry of Communications’ decision dated April 18, 2019, we are now entitled to offer to our B2B customers bundles of our fixed services with our mobile and ISP services, subject to the terms specified in the decision.

### *Dominican Republic*

We provide a variety of mobile and fixed B2B telecommunication services in the Dominican Republic, focused on high margin services in growth segments, with a high quality and diversified customer base. For our large commercial and public enterprise customers B2B services typically include SIP trunks, IP television, M2M dedicated data circuits and GPON-based services. For SMEs and SOHOs we provide IP Max and other HFC- and DTH-based services.

We are growing our B2B offerings and continue to roll-out new products and services. We service our B2B customers through a fiber GPON network which we expect to build out opportunistically depending on demand. The key areas of focus with respect to our B2B business are to increase penetration in the SOHO and SME segments while maintaining market share in the large, medium and public client segment and to drive convergence levels of our B2B services by cross-selling our services.

### **Wholesale Services**

On September 6, 2018, the Altice International Group completed the sale of its international wholesale voice carrier business in Portugal and the Dominican Republic to Tofane Global, a Paris-based telecommunications and digital player specializing in international carrier services. See “—Significant Investments and Dispositions”.

### **Mobile Services**

We own and operate mobile infrastructure in each of our geographies. The pre-paid subscriptions market represented 57.2% of our B2C mobile customer base as of December 31, 2018, while the post-paid subscriptions

market represented 42.8% of our B2C mobile customer base as of December 31, 2018. Depending on geography and network technology deployed, we offer 2G, 3G and/or 4G-LTE services on a variety of plans, from “no frills” offers with no commitment or handset, to premium mobile telephony offers with varying voice and data limits, if any, at attractive prices. In some of our markets we provide wireless broadband plans through nomadic broadband internet, giving customers access to our very-high-speed mobile networks.

## **B2C**

We offered mobile services to approximately 10,916,000 B2C customers across our geographies as of December 31, 2018. In Israel, due to current regulations, we offer our mobile services only on a stand-alone basis and in a bundle with ISP services and not as part of a multi-play cable offering.

### *Portugal*

In Portugal, in our B2C customer segment, we offer a range of mobile products and services including: (i) a variety of voice and data tariff plans, both prepaid and post-paid, designed to integrate unlimited voice and data plans targeted at high-value post-paid customers and, in the prepaid market, to discourage migration to low-value tariff plans by offering additional voice and data services; (ii) a portfolio of smartphones, including exclusive handsets, with the capability to use an array of value-added and convergent services (mobile TV, music on demand, navigation app, social network aggregator, cloud storage, etc.); and (iii) mobile broadband offers of up to 400 Mbps speed, using 4G technology and offering free access to our national WiFi network. We also offer prepaid and discount products which remain popular. As of December 31, 2018, approximately 55% of our subscribers were using prepaid mobile products in Portugal.

Our 4G offering currently allows: (i) speeds of up to 400 Mbps; (ii) access to live TV channels through *Meo Go!*, a service that allows access to live TV channels on PCs, tablets and smartphones, complementary broadband coverage through ADSL/DTH, enabling customers to access our high speed mobile broadband network in areas outside of our FTTH footprint; (iii) multi-play customers to access a catalog of millions of music tracks through our multi-platform music streaming service, *Meo Music*; (iv) *Multi-SIM*, for sharing of traffic among various devices, including PCs, through wireless dongles, tablets and smartphones and (v) *Meo Drive*, a navigation app available in iOS and Android marketplaces. Our 4G and 4G+ services are respectively available to 98.3% and 74.6% of the Portuguese population as of December 31, 2018.

Following the launch of the *M4O* quad-play offering, *Meo* repositioned its voice and data tariff plans as a result of which we now offer four unlimited voice and tiered data bundles in the post-paid category, at different price points: (i) the *unlimited S*, offering 500 MB of mobile internet, unlimited voice/SMS plus 250 minutes or SMS on all other networks; (ii) the *unlimited M*, offering 1 GB of mobile internet plus unlimited voice and SMS and 500 minutes or SMS on all other networks; (iii) the *unlimited L*, offering 3 GB of mobile internet plus unlimited voice and SMS on all networks; and (iv) the *unlimited XL*, offers 30 GB of mobile internet plus unlimited voice and SMS. All of these plans include unlimited WiFi access, which otherwise costs an additional fee.

In the prepaid market, *Meo* extended its daily and weekly tariff plans offering a range of tariff plans from “zero obligations” (daily plans without inclusive data) to frequent user plans (billed weekly with inclusive minutes and SMS), in which the customer can choose add-on data services for a fee, to address consumers who opt not to enter into post-paid loyalty contracts. *Meo* also extended the *Moche* offering targeted at customers below the age of 25. The *Moche* tariff plans include minutes and SMS and enables the customer to choose a variety of data allowances for different prices, and include traffic to a number of apps, including WhatsApp, Facebook and Instagram.

*Meo*'s tariff structure was established in response to price movements in the market and is aimed at maintaining *Meo*'s competitive position in the market. We believe that mobile services in Portugal are priced lower than the European average and are among the lowest in Europe. Fixed-to-mobile and mobile-to-mobile interconnection charges are regulated by ANACOM and have a significant impact on our business. Since 2005, when ANACOM declared all mobile operators to have significant market power in call termination in mobile networks market, ANACOM has accordingly imposed price controls on interconnection rates for the termination of calls on mobile networks. Since the imposition of price controls, interconnection rates have been reduced steadily. ANACOM has issued successive decisions that have reduced mobile termination rates over time. In March 2012, ANACOM issued a decision reducing mobile termination rates progressively to €0.0127/min by December 2012. In August 2015, ANACOM issued a further decision approving an additional reduction to €0.0083/min. ANACOM further reduced the mobile termination rates to €0.0081/min. as of July 2016 and €0.0075/min. as of July 2017. On July 21, 2018, ANACOM approved its decision regarding the specification on price control obligations in the wholesale

market for voice termination on individual mobile networks (Market 2/2014). The maximum price to be applied by the three mobile operators considered to have significant market power was set at €0.42/min., billed per second from the first second and independent of the origin of the call. From July 1, 2019, that price will decrease to €0.40/min., following the yearly update of the inputs used in the model to determine such price. Moreover, on September 18, 2018, ANACOM issued a decision reducing the fixed termination rate to €0.00047/min., such rate set to remain in force until September 30, 2020. These reductions have had, and are expected to continue to have, a significant impact on our interconnection revenues and consequently our cash flows and earnings.

### *Israel*

We provide mobile services in Israel to B2C customers under the “HOT Mobile” brand mainly on our Universal Mobile Telecommunications System (“UMTS”) and LTE network. Due to current regulations, we currently only offer our mobile services either on a stand-alone basis or in a bundle with ISP or international call services.

We offer B2C subscribers unlimited local calls (subject to fair usage), text messaging and internet access for what we believe to be an attractive and competitive monthly fixed price as well as unlimited international calls to selected destinations for an additional fee. Prices for these services are subject to changes, predominantly driven by the competitive nature of the Israeli telecommunications market. We also offer users pay-as-you-use packages which charge customers on a per-unit-used basis. Since the launch of our UMTS-based 3G mobile services in May 2012 and the launch of our UMTS prepaid services in April 2015, we added approximately 1.3 million UMTS and LTE subscribers in the B2C market as of December 31, 2018. In addition, we have approximately 5,000 iDEN subscribers in the B2C market as of December 31, 2018.

### *Dominican Republic*

In the Dominican Republic, we currently offer 2G, 3G and/or 4G-LTE services on a variety of pay-as-you-go and monthly plans, from “no frills” offers with no commitment or handset, to premium mobile telephony offers with varying voice and data limits, if any, at attractive prices. We are a pioneer in unlimited data and offer a comprehensive range of data plans up to 125 GB, free unlimited data for social apps and exclusive access to premium apps such as HBO GO, Altice Music, VOD/OTT to be launched in the second quarter of 2019. In the pre-paid mobile segment, our strategy focusses on a volume-driven approach aimed at increasing top-up frequency and value while maintaining a healthy rate of customer growth. We also aim to monetize data service to offset a downward trend in mobile voice and SMS usage. As such, we aim to continually offer customers innovative voice, SMS, data and roaming add-ons to the core plans. We also offer a range of wireless broadband internet services (through dongles and Wi-Fi devices) and Flybox, our customer premises equipment, as well as capacity-based plans and voice and data bundles on 3G and 4G-LTE.

We believe our strong footprint in areas with low mobile penetration makes positions us well to capture future growth. As of December 31, 2018, we had a total of 3.1 million mobile subscribers of which 2.5 million subscribe through pre-paid plans and 0.6 million subscribe through post-paid plans.

To service the Dominican Republic’s significant tourist traffic, we also provide users of foreign mobile connections with international roaming services. We have entered into roaming agreements with various international telecom service providers for voice, internet, data, pre-paid, roaming hub on 2G, 3G and 4G-LTE services. Currently, we have agreements in place with leading international telecom companies from over 152 countries. We also attract international incoming traffic through our long-distance business.

### **B2B**

In addition to offering mobile services to our B2C customers, we offer focused B2B services to large, SME and very small enterprise business customers in Portugal, Israel and the Dominican Republic. Our B2B mobile products often include professional telephony services (such as business directory services, fleet management customer areas, usage alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service.

### *Portugal*

We offer B2B network and voice services, which include fixed and mobile voice convergence services through PT OpCo.

B2B's offer setup is based on a three-tiered approach targeting the following customer groups: (i) SOHO and Small Business customers, with an offering based on the convergence of voice, broadband, TV and mobile services through our MxO offer; (ii) Multi-Connected customers, served mainly with multi-employee connectivity services, including mobility solutions for traveling employees, and simple software solutions; and (iii) Integrated customers, served with a full range of telecommunications and technological services, such as unified communications, outsourcing of information and communications technology ("ICT") services, application integration, IoT and specific IT/IS solutions, BPO and IT consultancy.

The provision of mobile services to our corporate customers is guided by the objectives of maximizing value from traditional telecommunications services by upselling additional services, including fixed and mobile convergence on FTTH, VPN, LAN management and video services and capturing mobile data growth through 4G-based solutions and new IoT projects.

### *Israel*

We provide mobile services in Israel targeted primarily at business subscribers both under the "MIRS" brand on our iDEN network and under the "HOT Mobile" brand on our UMTS and LTE network. We continue to experience a decrease in the number of B2B iDEN customers, offset by increases in the number of B2B UMTS and LTE customers.

### *Dominican Republic*

We have a significant presence in the Dominican Republic's B2B market. We are growing our post-paid and business offerings and continue to roll-out new products and services, including new tariffs featuring unlimited data. We have also continued to expand our offerings to include data packages for pre-paid tariffs, launched value-added services and additional features such as mobile-to-mobile connection services, enhanced data security and telepresence.

For information on enhancements being made to our network to support our B2B offerings in the Dominican Republic, please see "*Fixed Services—B2B—Dominican Republic.*"

### **Other Services**

We also offer a number of other services, depending on geography, such as bulk services to housing associations and multiple dwelling unit managers, cloud storage, such as on-demand IaaS services, computer security services and storage and backup solutions. In various jurisdictions in which we operate, we also generate revenues from selling advertising time to national, regional and local customers.

### **Content**

We are focused on delivering high quality content offerings to complement our fixed and mobile services, including proprietary content and exclusive content. For example, on June 12, 2017 we announced a multi-year partnership with Netflix which will allow customers to watch Netflix's content with eligible devices in Portugal, Israel and the Dominican Republic. Additionally, we intend to further develop and offer proprietary content through our "HOT 3" channel (in Israel), and through AENS we purchase and broadcast a diverse range of content including live broadcasts of sports events and other sports-, health- and wellbeing-related programs. We offer the channels distributed by AENS as part of our pay TV packages in several of our geographies. In addition, through channels and packages purchased from AENS, we broadcast and distribute various premium sports events, including rights in France and Monaco for the English Premier League, French National Basketball games, ski world championship events, Rugby Premier League fixtures, French Athletics Federation events, World Series of Boxing events, F. C. Porto matches in the Portuguese Premier League and, most recently, the exclusive football broadcasting rights in France to UEFA Champions League and UEFA Europa League for seasons 2018 through 2021. See "*Material Contracts—Portugal—Contracts with football clubs,*" "*Material Contracts—Supply Agreements—Content Agreements*" for more information. We continued to broaden our media presence with the acquisition of a 25% stake in SPORT TV, and we intend to continue to selectively invest in more value-added premium content in the future in order to differentiate our telecoms bundles.

## ***Customer Premises Equipment***

In our fixed B2C business we believe advanced customer premises equipment is playing an increasingly crucial role as it enhances customer experience by facilitating access to a wide range of user-friendly features, offers a reliable channel for selling add-on and on-demand services, allows for multi-screen television viewing and broadband internet usage by multiple parties and, when set-top boxes and modems are combined in one box, allows cable operators to significantly reduce customer service expenses. Accordingly, we have continued to roll out advanced set top boxes, in Portugal, Israel and the Dominican Republic. Our innovative integrated set-top boxes and cable routers developed by Altice Labs are offered to customers subscribed to our premium multi-play packages. For example, Altice Labs has developed a fiber gateway device (joining the fiber modem together with a home router) that enables a premium home network and WiFi experience by using the novel 802.11ax wireless standard (now called WiFi 6), allowing set-top-boxes to be connected to this new gateway without the need for physical cables. This gateway is part of an ecosystem that provides an enhanced WiFi experience with Smart Mesh capabilities, enabling customers to access and control any of their networked equipment. The set-top boxes in all of the Altice International Group's markets can deliver very-high-speed internet, digital television services with a capacity of up to 300 channels and fixed-line telephony with two telephone lines, four tuners to allow subscribers to record two television programs simultaneously while watching another (as well as watching different channels in different rooms), high definition and 3D capability and include an 802.11n WiFi router, a removable 160 GB PVR or optional 500 GB PVR which allow it to hold over 125 hours of HD or approximately 190 hours of standard definition ("SD") programming. Additional features include an optional Blu-Ray DVD player, access to social networking features on television and a VoD price comparison engine and intelligent content search. Smartphones and tablets can act as "remote controls" for certain of our set-top boxes, allowing users to navigate the interface with their personal handheld device as well as to switch on and off the recording of television programs remotely through the application "TV Mobile".

## **Marketing and Sales**

Our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. We market our B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, SMEs, nursing homes, hospitals and hotels. Our primary marketing channels are media advertising, including commercial television, telemarketing, e-marketing, door-to-door marketing, billboards, newspaper advertising and targeted mail solicitation. We continuously evaluate our marketing channels to allocate our resources most efficiently.

Our marketing strategy is based on increasing the penetration of multi-play services within our subscriber base, increasing distribution of television-based value-added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. We highlight our multi-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multi-play packages. We believe that customers who subscribe for more than one service from us are significantly more loyal to us, thus reducing churn and associated subscriber acquisition costs. Our marketing and sales efforts are always geared towards demonstrating the high-quality and speed of our networks. In November 2015, we announced an exceptional partnership with Cristiano Ronaldo, four-time World Footballer of the Year and the current captain of the Portuguese national team, whereby he agreed to act as a brand ambassador across the markets in which we operate. Our partnership with Cristiano Ronaldo is illustrative of our ambition for success and our desire for excellence across our brands.

We use a broad range of distribution channels to sell our products and services throughout our operations, including retail outlets owned and run by the Altice International Group as well as third parties, dedicated sales booths, counters and other types of shops, door-to-door sales agents, inbound and outbound telesales and, in certain countries, our websites.

In Portugal, we market our B2C services through approximately 1,600 points of sale as of December 31, 2018, which include our own stores (managed either directly by us or by our partners or agents), shops in large retailers and through separate dealers, which represent approximately 5%, 20% and 65% of the total points of sale, respectively, as of December 31, 2018. In addition, we also market our B2C services through door-to-door sales. In Israel, our sales distribution channels include dedicated sales booths, which are owned by the Altice International Group and some of which are operated by external dealers. Some of these sales booths also have service centers and other dealer outlets. We also use telemarketing and operate a door-to-door sales team, and in the ultra orthodox sector we market our mobile services through an external distributor. In the Dominican Republic, our distribution network comprises approximately 506 retail points of sale as of December 31, 2018, including 36 stores owned and operated by Altice Dominicana, as well as dedicated sales booths or kiosks operated in a number

of stores owned by franchisees or dealers. Though still a minor channel, online sales in the Dominican Republic are expected to grow as traffic on our website has been experiencing strong growth and we plan to launch a digital sales channel in 2019 that will include new plan activations and plan upgrades features, in addition to e-care services allowing customers to handle bill payments, check balances and speak directly with representatives.

We use a variety of brands, trade names and trademarks to market our services, including “Meo” and “M4O” in Portugal and “HOT” in Israel, in each case, several associated trademarks. In November 2017, we commenced a rebranding exercise in the Dominican Republic pursuant to which we sell all of our services under the “Altice” brand in place of the “Orange” and “Tricom” brands, in order to benefit from a fully integrated business model following the merger of Tricom and Altice Dominicana.

We have been investing in digital marketing to accommodate for the consumption trends associated with new media, which include a greater emphasis on mobile services, social media and digital video, and have leveraged our digital profiling and segmentation capabilities in order to streamline our approach to new customer acquisitions.

### **Customer Contracts and Billing**

We typically enter into standard-form contracts with our B2C customers. We review the standard rates for our services on an on-going basis. In certain of our geographies, in addition to the monthly fees we charge, customers generally pay an installation fee upon connecting or re-connecting to our cable network. The terms and conditions of our contracts, including duration, termination rights, the ability to charge early exit fees, and the ability to increase prices during the life of the contract, differ across our operations primarily due to the different regulatory regimes our business is subject to in each of the jurisdictions in which we operate. Contracts with our B2B customers are standard form contracts or bespoke, negotiated contracts, depending on the nature of the service.

We monitor payments and the debt collection process internally. We perform credit evaluation of our B2C and B2B subscribers and undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections executed by our employees, direct collections executed in co-operation with third party collection agencies and pursuing legal remedies in certain cases.

### **Customer Service**

Our customer service strategy is to increase customer satisfaction and decrease churn with high product quality and dedicated service offered through locally and internationally operated service centers and personnel. We have vertically integrated one of our main historical customer care suppliers, Intelcia Group, as well as one of our main historical suppliers in the area of the network deployment and maintenance, Parilis, in order to have more end-to-end control over processes and to optimize our operational risks and costs. The integration of Intelcia Group and Parilis enhanced our expertise in these areas and ensure further quality of service improvements to our customers. We have also launched and started to implement initiatives aimed at improving our customers’ experience, including enhanced customer relationship management systems, which allow us to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers. We aim to integrate operations and centralize functions in order to optimize processes and to correlate sales incentives to churn, net promoter score (“NPS”) as opposed to more traditional criteria of new sales, in order to refocus the organization away from churn retention to churn prevention. In order to pro-actively address proper churn prevention, a dedicated task force was put in place in 2018, composed of top managers from different services (marketing, network, call center, etc.).

In April 2018 Altice N.V. exercised its call option for the acquisition of 49% in Altice Technical Services Europe and as a result of the exercise of this call option, Altice N.V.’s ownership in Altice Technical Services Europe increased to 100%. The closer integration of these suppliers will allow for further quality of service improvements. Subsequently, Altice Technical Services France and Altice Customer Services have been transferred from Altice International to Altice France in May 2018. In connection with this centralization process, we are currently in the process of establishing a global purchasing subsidiary. See “—*Significant Investments and Dispositions*” above for more information regarding our investment in each of ACS and ATS.

The customer service function for our fixed and mobile services is carried out by call centers located in Yakum, Beer Shera, Haifa, Nazareth, Jerusalem and Migdal Ha’omek, Israel (servicing our Israeli customers) and Casablanca, Lisbon, Coimbra, Porto, Beja and Castelo Branco (key call centers servicing our customers in Portugal). The customer service function for our fixed and mobile services in the Dominican Republic is carried

out by call centers located in the free zone of Santiago for the commercial calls. The Technical Call Center for the Dominican Republic (both for the fixed and mobile part) remains internal. Our customer care centers function as an integrated system and utilize software programs that provide increased efficiencies and limited wait-times for customers requiring support. Our field technicians and schedulers utilize the same software programs for customers requiring in-person support. In most of the countries in which we operate, we provide service to our customers 24 hours a day, seven days a week, and we have systems that allow our customer care centers to be accessed and managed remotely in the event that systems functionality is temporarily lost, which provides our customers access to customer service with limited disruption. We also utilize our customer portal to enable our customers to view and pay their bills online, obtain useful information and perform various equipment troubleshooting procedures. Our customers may also obtain support through our on-line chat, e-mail functionality and social media websites, including Twitter and Facebook.

Visits to customers' premises are performed by a mix of in-house and outsourced technicians. In geographies where we offer B2B services, our institutional and business subscribers are served by dedicated business service and technical centers.

We have also launched and partially implemented initiatives aimed at improving our customers' experience. These initiatives include enhanced Customer Relationship Management systems, which allow us to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers.

## **Network**

### ***Portugal—Fixed***

In Portugal, the PT Portugal Group owns one of the largest FTTH networks by penetration in Europe reaching approximately 4,490,000 homes as of December 31, 2018, including approximately 450,000 homes reached as a result of the sharing agreement with Vodafone Portugal. See “—*Material Contracts—General—Interconnection Agreements.*” We are generally able to offer download speeds of at least 100 Mbps but we also offer 200 Mbps, 400 Mbps and 1 Gbps to a vast majority of homes passed in our footprint with limited network and customer premises equipment upgrades across a substantial portion of our network. We are focused on increasing our investment in FTTH and in 2015 we announced a fiber rollout for 600,000 homes per year until the end of 2020. In 2016 and 2017 we rolled out approximately 700,000 and 750,000 new FTTH homes passed, respectively. We believe that we are on track to reach our target of 5.3 million FTTH homes passed by 2020. PT Portugal provides B2B and B2C services over the largest IP/Multiprotocol Label Switching (“**IP/MPLS**”) backbone in Portugal, with almost 200 points of presence and a total capacity of more than 120 Tbps (equivalent interfaces) and high-speed 10/100 Gbps interfaces. Our fiber backbone supports transmission services directly over fiber cables or using Dense Wavelength Division Multiplexing (“**DWDM**”) technology with a total capacity of more than 39 Tbps (equivalent ports) and high speed 10/100 Gbps interfaces, SDH technology or IP/MPLS technology.

We own an IP/MPLS International Backbone co-located with the key Internet exchange points, namely in Miami, Washington, Madrid, London (two sites), Amsterdam and Frankfurt, with a total capacity of more than 6 Tbps (equivalent interfaces), with direct peering to more than 650 ISPs worldwide and direct transmission to three tier 1 and one leading transit provider. We have equity interests in nine international submarine cable consortiums with a total length of 166,000 km and a transport capacity of 275Gbps, seven of which have landing points in Portugal (Sesimbra, Carcavelos and Seixal), and own a total of approximately 6,380 km of domestic cables with a transport capacity of 1Tbps between the Portuguese mainland and the islands of Azores and Madeira. This data transmission network provides high capacity, flexibility and security and can progressively incorporate current data infrastructures at lower costs than alternative networks. We also provide high-speed internet access through ADSL and Ethernet (copper and FTTH).

In 2008, pursuant to the European Commission's proposal to cease analog transmissions in all member states by 2012, ANACOM launched a public tender to grant the rights of use of frequencies allocated to the transmission of digital terrestrial television, or DTT, signals. Following a public tender launched by ANACOM in 2008, our subsidiary PTC (now PT OpCo) was granted the frequency usage rights for DTT associated with the transmission of the signal for free-to-air television programs, the so-called “Multiplex A” or “Mux A.” This right allows us to have national geographic extension and is valid until December 2023. There is a coverage obligation associated to the right of frequency use, namely 87.2% of national territory covered by terrestrial platform (Mux A) and 12.8% by complementary means (satellite). On October 1, 2015, ANACOM published a decision related to the coverage obligations above, specifically on the evaluation methodology and technical parameters to be measured, which



may result in PT OpCo bearing additional costs and undertaking additional investments. Moreover, in May 2013, ANACOM decided that the single frequency network, due to changes in spectrum international planning (700 MHz band), will evolve to a Multi Frequency Network (“MFN”) topology. Migration is to be concluded by 2020 and may also result in additional costs.

We launched DTT (using DVB-T, or terrestrial signals) in 2009, initially covering 29 municipalities and over 40% of the population. By the end of 2011 we achieved 100% coverage of the Portuguese population (using approximately 90% DVB-T and 10% DVB-H (satellite signals)). The analog television network switch-off in Portugal occurred on April 26, 2012.

DTT only encompasses broadcasting of free-to-air television programs, while our Meo offering comprises both free-to-air television programs, as well as pay TV channels provided over FTTH, ADSL and DTH technologies.

### ***Portugal—Mobile***

We provide mobile telephone services using GSM, UMTS, and LTE technologies (2G, 3G and 4G, respectively). Within our GSM offering, we provide services in the 900 MHz and 1800 MHz band spectrums. Following a multiband auction for LTE technology spectrum, ANACOM formally allocated to us rights to the 2 × 10 MHz in the 800 MHz band, 2 × 14 MHz in the 1800 MHz band and 2 × 20 MHz in the 2.6 GHz band, each for 15 years. These rights are reflected in a license that includes and supersedes our previous GSM and UMTS licenses and which imposes certain requirements on us, including MVNO, national roaming and coverage obligations with respect to our 800 MHz spectrum. The backhaul for our 3G and 4G networks is provided through IP technology and the backhaul for our 2G is provided over SDH. Overall, approximately 96% of the sites are served by fiber optic as of December 31, 2018, and 3.5% of sites are using Microwave solutions. Our 2G, 3G and 4G networks cover approximately 99.8%, 96.5% and 98.3% of the population, respectively, as of December 31, 2018. Currently, our mobile network supports the following radio capacities: 2G/GSM: EDGE (240 Kbps); 3G/UMTS: HSPA+ Carrier Aggregation (42 Mbps); and 4G/LTE: Carrier Aggregation (300 Mbps).

Through roaming agreements, our subscribers can make and receive mobile calls throughout Europe and in many other countries around the world. As of December 31, 2018, we have entered into roaming agreements with approximately 660 operators in 219 countries.

On September 4, 2018, we completed the Portugal Towers Transaction. OMTEL, the newly incorporated tower company in which the Altice International Group owns a 25% interest, comprising 2,961 sites previously operated by PT OpCo. In addition, a build-to-suit agreement for 400 new sites was signed between PT OpCo and OMTEL. See “—Material Contracts—Portugal—Agreement to Dispose of Portuguese Tower Assets”.

### ***Israel—Fixed***

We provide our fixed services through our extensive fully-owned cable network which passes most of Israel’s 2.4 million households and which we believe is one of most technologically advanced networks in the EMEA region. The fiber-rich characteristic of our network, which is fully DOCSIS 3.0-enabled, generally gives it inherent capacity, speed (of up to 200 Mbps to B2C customers and 500 Mbps which is currently available to B2B customers across all the country) and quality advantages as compared to copper-based xDSL networks. Our cable network allows the provision of fiber optic transmission services using DWDM technology, SDH technology or IP technology. We completed the migration process of switching telephony customers to a new telephony environment based on Genband (Class 4) and Broadsoft (Class 5) switches with advanced SIP switch which is used to create and control communication sessions over an IP network. We are currently upgrading our cable network to advanced technologies, including by way of segmentation or by deploying fibers closer to the subscribers’ homes, in order to allow for expansion of the transmission capacity on the network. Part of our cable network runs through ducts and poles owned by Bezeq and we are party to certain continuing arrangements with Bezeq relating to their installation and maintenance.

### ***Israel—Mobile***

HOT Mobile historically provided mobile services using an iDEN-based mobile network infrastructure providing nationwide coverage.

The roll-out of our 3G and 4G mobile services has enabled us to compete effectively in the mobile services market as we are able to provide up-to-date services to customers, including faster data transmission services (up to 525

Mbps) with a higher data rate. Our customers also have the option of using a wide range of devices compatible with our network, including Android based and Apple branded handsets. Currently, we are able to expand the range of value-added services we offer to include a wide variety of applications and content requiring higher data bandwidth and more advanced devices. Our Israeli fixed business, which we run under the “HOT” brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

Our GSM/UMTS/LTE network is operated and maintained by the JV Entity (as defined below) and is among the most advanced nationwide networks in Israel. When we originally launched our mobile services in Israel in May 2012, we had relied on Pelephone’s network to provide in-country roaming services to our customers in areas not covered by our UMTS network. On July 2, 2014 the Israeli Ministry of Communications initiated a tender process for 4G-LTE frequencies comprising a total of eight frequency bands in the area of 1,800 MHz to enable delivery of mobile services using LTE technology. The process was concluded on August 9, 2015, when two frequency bands at the width of 5 MHz in the 1.8 GHz were allocated to HOT Mobile, as a result of which HOT Mobile launched its LTE service.

The Network Sharing Agreement with Partner Communications Company Ltd. (“**Partner**”) was approved by the Israeli Antitrust Authority and the Israeli Ministry of Communications on April 20, 2015 and is valid until December 31, 2028, and provides for automatic renewals in five year increments after December 31, 2028. For further details, please see “—*Material Contracts—Israel—Mobile Network Sharing Agreement with Partner in Israel.*” HOT Mobile also has a number of roaming contracts with cellular companies outside of Israel that provide our 3G and LTE customers with international roaming capabilities. For further details, please see “—*Material Contracts—General—Agreements relating to mobile roaming services.*”

#### ***Dominican Republic—Fixed***

Our fixed network is generally designed with an HFC architecture that has proven to be highly flexible in meeting the increasing needs of our customers. As of December 31, 2018, we delivered HFC-based services to 792,000 homes in the Dominican Republic primarily in urban areas, including Santo Domingo, Santiago, San Francisco, La Vega, La Romana and San Pedro de Macoris. As of December 31, 2018, we had upgraded 95.3% of our HFC broadband network to bi-directional capability, with a substantial majority of homes passed on 750 MHz or 1,000 MHz. Our HFC broadband network extends over 7,230 kilometers and includes approximately 1,674 kilometers of optical fiber and 2,932 optical nodes with up to a maximum of 750 homes served by each optical node in our network. We believe that our HFC broadband network is currently underutilized and there is substantial room for increased penetration within our existing footprint without significant additional investment in the network. We service our B2B customers through a fiber GPON network including 112 OLTs and 648 active ports. We plan to migrate our xDSL customers to our HFC or fixed wireless network in the future.

Though tropical storms, hurricanes and earthquakes are frequent in the Dominican Republic, our fiber network, which we estimate is 90% above ground, benefits from high redundancy (notably self-healing rings).

#### ***Dominican Republic—Mobile***

We offer our mobile services through our 2G GSM/GPRS, 3G UMTS/HSPA and 4G-LTE mobile access network comprising approximately 1,500 antenna sites with approximately 1,453 2G GSM/GPRS base stations (BTS), approximately 1,419 3G UMTS/HSPA base stations (node-B) and 1,478 4G-LTE mobile base stations as of December 31, 2018. We achieved 97% population coverage through our 2G network, which is fully EDGE capable, 96% population coverage through our 3G network and 97% population coverage through our 4G network as of December 31, 2018. Based on current deployment plans, we expect to achieve almost 98% population coverage through our 4G network by the end of 2019. Our 2G, 3G and 4G services are capable of supporting mobile download speeds of up to 0.1 Mbps, 10 Mbps and 100 Mbps, respectively.

We are continuing to invest in our mobile network, including beginning the migration to the latest generation equipment (“**Single-RAN**”) in April 2018, which enables 2G, 3G and 4G technology to be managed by means of a single item of equipment, and by connecting an increasing numbers of sites (currently 67% with fiber). Single-RAN technology enables our subscribers to benefit from a high-quality, very-high-speed network and offers certain other economic benefits, particularly due to the reduced amount of equipment necessary in our mobile network.

All of our mobile towers are Category 3 hurricane proof (resistant to sustained winds of 209-251 km/h) and have a back-up energy system (battery, generators, or both).

On October 3, 2018, we announced the closing of the Dominican Towers Transaction. Altice Dominicana sold its 100% stake in the tower company Teletorres del Caribe, comprising 1,039 sites operated by Altice Dominicana to Phoenix Tower International. In addition, Altice Dominicana as tenant also entered into a 20-year master agreement with Teletorres del Caribe. See “—*Material Contracts—Dominican Republic—Agreement to Dispose of Dominican Tower Assets*”.

## **Suppliers**

While historically, purchasing activities were carried out at a local level, we have recently begun to globalize and streamline our procurement processes by combining our aggregate purchasing power to leverage the combined scale of the Altice Europe Group and negotiate more favorable pricing and other commercial terms from suppliers. We believe that this will allow us to realize significant cost savings going forward. However, while we progress the globalization of our procurement functions, our businesses continue to purchase certain products and services under locally negotiated contracts, for example, due to the need for geography-specific products and services.

We have relationships with a number of suppliers across our geographies that provide us with hardware, software and various other products and services necessary to operate our businesses. We use a limited number of subcontractors to maintain our network, operate our call centers and supply, install and maintain installed consumer and on-site business and public sector terminals, with Altice International Group employees performing only a small portion of installations. Certain services can be self-installed by our customers, but most still require a professional installer. Our agreements with third-party providers generally require subcontractors to maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of these services on a regular basis.

## ***Customer Premises Equipment***

We purchase set-top boxes and other customer premises equipment from a number of suppliers. For example, in Portugal, we obtain telephones and equipment for our voice, broadband and pay TV services from suppliers such as Arris, Nokia Solutions and Networks, Huawei and Cisco, we use systems and networks in partnership with, among others, Nokia Solutions, Ericsson, Huawei, Cisco, Microsoft, SAP, IBM and have agreements with a number of manufacturers that sell mobile handsets, including Samsung, Huawei, Apple, Sony, TCT Mobile and Mobiwire. In Israel, Genband and BroadSoft provide us with equipment and services relating to telephony switches and Technicolor and Sagemcom provide us with modems and set-top boxes. Moreover, Altice Labs has developed a fiber gateway device (joining the fiber modem together with a home router) that enables the evolution of the home network environment into a new WiFi experience by using the novel 802.11ax wireless standard (now called WiFi 6) allowing set-top-boxes to be connected to this new gateway without the need for any cable. This same gateway is part of an ecosystem that provides an enhanced WiFi experience to the customer giving the power to control the access of any equipment, and establishing rules and policies to use the WiFi connectivity using Smart Mesh capabilities

We currently deploy our set-top boxes in Portugal, Israel and the Dominican Republic. We purchase the set-top boxes from Sagemcom and Panatel, among others, for use across our operations.

In March 2011 in Israel, HOT entered into an agreement with Sagemcom Broadband SAS for the development and purchase of the “HOT Box”, a product which combines the functionality of an internet modem, telephony modem and wireless router. In return for a fixed amount per set top box, Sagemcom develops the product and grants licenses to us to use the product software as well as provide a warranty and maintenance services. The agreement is for a term of four years and is automatically renewed for successive periods of one year unless notice of termination is given by either party. As of the date of the Offering Memorandum, the agreement remains in place. We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal and the Dominican Republic.

## ***Network Connectivity and Mobile Operations***

We have entered into a number of interconnection agreements with fixed-line and mobile telephony operators in the geographies in which we operate. In certain countries, such as Israel, we have also entered into agreements

providing for domestic roaming services and other roaming agreements with foreign mobile operators. We may also look to third-party suppliers for network infrastructure solutions and the provision of mobile handsets.

In Portugal, we use systems and networks in partnership with Nokia Solutions and Networks Portugal, Alcatel-Lucent, Ericsson, Huawei, Cisco Systems, Nortel Networks, Critical Software, Microsoft and SAP, among others, and have agreements with a number of manufacturers that sell mobile handsets, including Nokia, Samsung, ZTE, Huawei, Apple, Sony, LG and RIM. In Israel, Bezeq provides us with design, installation and maintenance services relating to certain parts of our cable network which pass through ducts and poles that they own. The main suppliers for our iDEN-based mobile operations are Motorola Solutions which owns the rights to the iDEN technology and is the primary manufacturer of infrastructure equipment for iDEN technology, and Motorola Mobility, which assigned its distribution rights to Hi-P (Singapore) Technology Pte. Ltd which manufactures and distributes end-user equipment for iDEN technology. Please see “—*Material Contracts—General—Agreements relating to mobile roaming services* and “—*Material Contracts—Israel—Mobile Network Sharing Agreement with Partner in Israel*” for more information. We also purchased our network infrastructure and 2G base stations from Alcatel and our 3G/4G base stations are sourced from Nokia Siemens. We source our handsets from Samsung (through the importer Sunny) and Apple.

### ***Content***

We obtain television content, including premium channels, from AENS and a number of national and international suppliers, and purchase rights to broadcast channels on our network and content for our TV services. In Israel, we contract with suppliers for the purchase of television programming content that we package and broadcast under the HOT suite. We also purchase rights to broadcast content for our VoD service. See “—*Other Services—Content*” above for additional information regarding our recent investments in, and partnerships with, new content suppliers.

Several different relationships govern the content that we provide to our cable television subscribers. The terms and conditions of our contracts governing the payments and content providers of copyright fees to broadcasters vary by jurisdiction. We also enter into transportation and distribution agreements with commercial broadcasters. Through transportation contracts, we agree to carry a commercial broadcaster’s signal across our fiber backbone to our head-end stations, where the signal is subsequently delivered to our subscribers. Broadcasters who transmit their signal to us by satellite can elect to deliver their signal directly to our head-end stations and, as a result, do not need to enter into a transportation agreement with us. We also enter into distribution arrangements with all of the commercial broadcasters whose channels we carry on our networks, pursuant to which we agree to carry the broadcaster’s signal from the head-end station to our cable television subscribers. A variety of compensation arrangements have been made in respect of the contracts we enter into with the commercial broadcasters. In some situations, we do not charge the broadcasters any fee for transmitting their signal to our subscribers. Instead, the broadcasters benefit from increased advertising revenue they receive from reaching our basic cable television subscribers and we benefit by providing our subscribers added content. In certain situations, we pay broadcasters for the channels they transmit over our network. In other instances, we have entered into revenue-sharing arrangements or subscriber-based fixed fees. In addition to these arrangements, we have also entered into contracts with certain broadcasters pursuant to which we currently pay a fee in order to have the right to broadcast their signal on any digital cable television service that we may offer in the future.

We pay copyright and carriage fees to the foreign, national and thematic broadcasters carried on our cable television networks. In general, these fees are paid in part to copyright collection agencies and to broadcasters based on a combination of per program fees and the number of subscribers to our cable service. We also typically pay royalties based on our subscribers’ usage of on-demand content.

### **Material Contracts**

The agreements described below are of material importance to the Altice International Group. The summary of each agreement set forth below is an overview of certain material terms of such agreement as in effect as of the date hereof.

#### ***General***

##### ***Interconnection agreements***

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network and, as the case may be, through a third telephony network. For a subscriber located

on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication. Interconnection fees are typically regulated by the telecommunications regulator in each of the countries in which we operate. Regulators also commonly impose on all participants in the fixed-line telephony and mobile telephony markets an obligation to negotiate in good faith interconnection agreements with every requesting operator who is seeking to provide a publicly available electronic communication service. Generally, the cost of interconnection fees that we pay is taken into account in the price we charge our subscribers.

We have entered into various domestic and international reciprocal interconnection agreements for our fixed-line telephony, mobile operations and ILD services with other providers of electronic communications services. Our interconnection agreements generally have terms that continue for the duration of the parties' licenses to pursue telecommunication activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

#### *Agreements relating to mobile roaming services*

Currently, we receive roaming services around the world from various network operators. Our roaming agreements enable our mobile customers to access other mobile networks while abroad. Although the particular terms depend on the country in which roaming services are accessed, the agreements regulate billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreements may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings, among other things.

#### *Content Agreements*

##### *Transactions with Altice TV*

Altice Europe runs its Altice TV division which, with its subsidiaries (including AENS and Altice Picture), encompasses Altice Europe's content distribution division. The Altice International Group has entered into various arrangements with Altice TV division, including: (i) exclusive distribution rights in Portugal provided to the Altice International Group of My Cuisine produced by Altice TV division; (ii) non-exclusive distribution rights in Portugal, Israel and Dominican Republic provided to the Altice International Group of Netflix and Discovery Channels.

On May 15, 2018, the Altice International Group completed the sale of 100% of the share capital of Altice TV to Altice Group Lux. Total consideration received for the disposal amounted to €1.

#### **Portugal**

##### *Agreements governing the reciprocal sharing of broadcasting rights with Portuguese competitors*

In July 2016, PT Portugal reached an agreement with certain other Portuguese telecom operators, such as NOS Comunicações, NOS Audiovisuais, Vodafone Portugal and Cabovisão (currently Nowo), for the reciprocal sharing of broadcasting rights of football-related content for a period of eight years, with the cost of such broadcasting rights split among all operators based on their market share. Accordingly, PT Portugal will pay its competitors a portion of the distribution and broadcasting rights based on PT Portugal's market share, and is entitled to recharge other operators the cost of its own exclusive broadcasting rights based on the market share of such operators.

##### *Distribution agreement with SPORT TV*

In July 2016, PT OpCo entered into a distribution agreement with the Portuguese sports premium channel SPORT TV for a two-season period, pursuant to which PT Portugal is committed to pay a non-contingent fixed price plus an additional variable fee component based on the number of subscribers and penetration rate. PT OpCo's subsequent acquisition of a 25% stake in SPORT TV, as described under "*—Significant Investments and Dispositions*", has not affected the parties' respective rights and obligations under this agreement. In July 2018, PT OpCo entered into a new distribution agreement with SPORT TV for a two-season period, the terms of which follow a similar methodology as the previous agreement.

### *Contracts with football clubs*

At the end of 2015 and in the beginning of 2016, PT Portugal entered into contracts with several first and second division football clubs in Portugal, including F.C. Porto, Vitoria F.C., Rio Ave F.C., Boavista F.C. and three second division clubs. Under these contracts, we (i) acquired the exclusive broadcasting rights for the home games of these clubs for up to ten football seasons for certain clubs, (ii) acquired the broadcasting rights of “Porto Canal” (F.C. Porto’s own TV Channel) for a period of twelve and a half years from January 2016 onwards and (iii) we entered into sponsorship agreements for periods of up to ten football seasons. The total value of these contracts amounts to €620 million (excluding VAT). The amounts payable under these contracts may change depending on the rank of the teams at the end of the season, particularly in case of promotion or relegation. Key agreements include:

- The agreements entered into with F.C. Porto, F.C. Porto-Futebol SAD and FCP Media, under which we (i) acquired the broadcasting rights of the games of these clubs for ten seasons (2018/2019 to 2027/2028), (ii) acquired the broadcasting rights of the Porto Canal for a period of twelve and a half years (January 2016 to June 2028) and (iii) obtained sponsorship rights for seven and a half seasons (January 2016 to June 2023).
- The agreement entered into with Vitoria Sport Clube-Futebol SAD under which we (i) acquired the broadcasting rights of the games of these clubs for ten seasons (2018/2019 to 2027/2028) and (ii) obtained sponsorship rights for ten seasons (2018/2019 to 2027/2028).
- The agreement entered into with Rio Ave Futebol Clube-Futebol SDUQ, Lda, under which we (i) acquired broadcasting rights for the games of this club for ten seasons (2018/2019 to 2027/2028) and (ii) obtained sponsorship rights for twelve and a half seasons (January 2016 to June 2028).
- The agreement entered into with Boavista F.C.-Futebol SAD, under which we acquired broadcasting rights for the games of this club for ten seasons (2016/2017 to 2025/2026).
- The agreements entered into with three second division clubs, under which we (i) acquired broadcast rights of the games of these clubs for three seasons (2016/2017 to 2018/2019) and (ii) obtained sponsorship rights for three seasons (2016/2017 to 2018/2019).

### *Fiber Sharing Agreement with Vodafone Portugal*

In July 2014, we signed an agreement with Vodafone Portugal to deploy, swap of capacity and share fiber networks beginning in December 2014, for an initial term of 25 years. The initial term is automatically renews for four year increments unless a party provides written objection to a renewal two years in advance of the termination date. The agreement includes sharing of dark fiber in approximately 900,000 homes, where each party grants to the other party an exclusive Indefeasible Right of Use (“IRU”) for certain PON network cells it owns (totaling approximately 450,000 homes each). Since the model is based on a swap of capacity through IRUs, the title to the PON network cells remains with the granting party, which allows both parties to maintain full autonomy and flexibility in designing retail offers, including the provision of RF (analog) TV signal, and will ensure confidentiality of customer information. As a result of this agreement, we have extended our FTTH network in Portugal by approximately 450,000 homes as of December 31, 2018.

During the first ten years of the agreement, there is an undertaking of partnership between the parties for the construction of new PON network cells. A party must notify the other party if it wishes to build new PON network cells in any geographical area which does not correspond to the PON network cells already covered by the agreement. If the other party is also willing to build new PON network cells, both parties must then commit to the construction of new PON network cells in partnership with each other. This undertaking from each party does not apply after the first ten years of the agreement, nor when a party decides to build PON network cells in partnership with another operator (provided that such PON network cells are not covered by the agreement).

Additionally, each party may transfer the entirety (but not part) of its PON network cells covered by the agreement to a third-party purchaser, provided that such purchaser also assumes the obligations of the selling party under the agreement. The non-selling party has a pre-emption right where the third party purchaser is a retail operator in the broadband market, which is not in the same “economic group” as the seller. If the selling-party does not comply with the conditions to transfer and the pre-emption right, it will be subject to a penalty. In the event of a material and/or continuous default of one party, the other party may unilaterally terminate the agreement by exercising a call option.

### *Agreement to Dispose of Portuguese Tower Assets*

On July 18, 2018, PT Portugal reached an agreement with a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners for the sale of a 75% stake in the newly incorporated tower company called OMTEL, comprising PT OpCo's mobile telecommunications passive infrastructure corresponding to 2,961 sites previously operated by PT OpCo. The transaction valued this tower business at an enterprise value of €660 million. The purchase price of €648 million included a cash consideration for the disposal of the 75% stake in the amount of €540 million and the acquisition of a 25% stake in OMTEL by PT Portugal measured at a fair value of €108 million. The agreement with the consortium includes an additional deferred payment based on an earn-out structure upon exit by the consortium.

In connection with this transaction, PT OpCo entered into a 20-year agreement with OMTEL for the use of the above-mentioned 2,961 sites and the other sites to be built, for a monthly fee dependent on the type and location of each site.

In addition, a build-to-suit agreement for 400 new sites was signed between PT OpCo and OMTEL.

### ***Israel***

#### *Agreement with the State of Israel relating to ownership of our cable network*

In July 2001, our predecessor companies entered into an agreement with the State of Israel pursuant to which they agreed to waive all claims against the State of Israel arising out of the grant of a satellite broadcast license to D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq which provides satellite technology based multi-channel television services under the "YES" brand. In exchange, the State of Israel agreed to waive all of its claims and rights concerning cable infrastructure, such that our predecessor companies would hold all rights and title to the cable infrastructure in their respective concession areas and have the right to operate the cable network even after the end of the concession periods. The agreement, which was transferred to the Altice International Group as part of the Israeli cable consolidation process, sets out a payment mechanism based on revenues deriving from the use of the cable infrastructure pursuant to which we were required to make annual payments to the State of Israel until January 1, 2015. As of 2015, we are no longer obligated to pay such annual payments. In addition, we are required to pay certain amounts to the State of Israel, as provided in the agreement, in the event we sell any of our cable network assets or operations carried out via the cable infrastructure or in the event we issue securities through a public offering, investment or similar transaction.

#### *Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*

In relation to the addition of frequencies to our mobile license enabling us to provide UMTS-based 3G services, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. For the remaining NIS 695 million, we were required to provide the State of Israel with a bank guarantee. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 million to an amount of NIS 80 million. As a result of the successful LTE tender, the bank guarantee was replaced with a new bank guarantee of NIS 80 million so that it would cover HOT Mobile's commitment to the Israeli Ministry of Communications regarding the license. In August 2018, the amount of the guarantee was reduced to NIS 40 million. We have also provided bank guarantees to the State of Israel for an amount of approximately NIS 27 million and \$7 million as surety for the compliance with the terms of our broadcasting licenses and fixed-line licenses, respectively.

#### *Agreements with Bezeq relating to installation and maintenance of portions of our cable network*

In the 1990s, certain of our predecessor companies entered into agreements with Bezeq for the purpose of planning, installing and maintaining the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to the Altice International Group as part of the Israeli cable consolidation process. The agreements are valid until we have valid broadcasting licenses.

Under the terms of the agreements, Bezeq is required to maintain the portion of our cable network that passes through its ducts on an on-going basis and is also responsible for repairing breakdowns in the network. The scope of the agreements extends to the possibility of expanding the cable network to additional sites, connecting new homes and connecting new neighborhoods. Bezeq is permitted to terminate the agreements if we breach the

agreements and have not cured such breach within six months of written notice from Bezeq. The agreements set forth a payment mechanism pursuant to which we pay Bezeq an annual amount representing capital expenditure and maintenance costs based on the length of the cable network passing through its ducts as well as one-time payments in respect of certain services provided by Bezeq. Capital expenditure costs are staggered over a 12-year period and the amounts payable to Bezeq are accordingly reduced by approximately 65% after 12 years of the delivery of each segment of the cable network. We incurred total costs of NIS 50 million, NIS 49 million and NIS 50 million in 2016, 2017 and 2018, respectively, for services provided by Bezeq under these agreements.

#### *Agreement with Nokia Solutions and Networks relating to installation of the UMTS/LTE network*

In June 2011, we entered into an agreement with Nokia Solutions and Networks (“NSN”) for the establishment of the new UMTS network infrastructure pursuant to which we provide 3G mobile services to our customers. Under the terms of the agreement, NSN has agreed to plan and erect the new network infrastructure on a turnkey basis. NSN has also agreed to provide maintenance with respect to our mobile network.

In the first stage, completed in 2012, NSN satisfied its requirement to complete the network with coverage extending to 20% of the Israeli population according to our mobile license requirements. During 2013 and 2014, several amendments were made to the agreement with NSN postponing payments due under the agreement in return for an obligation which was issued in favor of NSN and guaranteed by HOT. In this framework of agreements HOT Mobile also confirmed receipt of a final installment of key parts in relation to the aforementioned project.

In July 2014, an agreement was signed between HOT Mobile and NSN for the provision of equipment, hardware and software. In addition, HOT Mobile acquired the construction and integration services of the LTE core network for purposes of providing domestic roaming services and for adapting its network pursuant to the requirements of the Network Sharing Agreement with Partner Communications Company Ltd. (“Partner”). In July 2016, an amendment was made to the agreement regarding purchase of additional equipment and software as well as maintenance services for the core of the network for the years 2016 and 2017. We are currently negotiating an extension on this agreement.

#### *Mobile Network Sharing Agreement with Partner in Israel*

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the “**Network Sharing Agreement**”) with Partner Communications Company Ltd. (“Partner”) pursuant to which HOT Mobile and Partner own equal shares of Phi Holding (“**JV Entity**”), a newly formed limited partnership, that holds, develops and operates an advanced shared mobile network for both companies. Each party is required to maintain and operate its own core network and independently provide mobile communication services, including marketing and sales of such services, to its respective customer base.

On April 20, 2015, the Israeli Antitrust Authority and the Israeli Ministry of Communications provided regulatory approval for the Network Sharing Agreement subject to certain conditions including, among others, the prevention of the transmission of business information and technology (which does not require joint activity), and conditions relating to the management of the JV Entity. The decision further stipulated that each party shall be entitled at all times, and at its sole discretion, to call a third party for provision of mobile communication services which are used in the core network of such party, and that the JV Entity will not be a party to the agreement and shall not be entitled to payments made thereunder. However, from May 22, 2021 the Commissioner may revoke such regulatory approval if the Commissioner finds the partnership, its existence or its actions harm competition.

On August 9, 2015 the JV Entity received its license to render Radio Cellular Infrastructure services for a period of 10 years.

The Network Sharing Agreement, among other things, regulates the management and development of the shared network and the management and governance of the JV Entity (including a mechanism for appointing directors, the approval of business plans and certain decisions that require the approval of both parties). As consideration, HOT Mobile was required to pay Partner an initial amount and, thereafter, each party bears half of the capital expenditures required to establish and upgrade the shared network. The shared network operational expenditures are allocated in accordance with a prescribed mechanism based on, *inter alia*, the traffic volume usage of each party. HOT has provided a guarantee with respect to HOT Mobile’s obligations under the Network Sharing Agreement and the Altice International Group may be required to provide an additional guarantee or a bank



guarantee to Partner in the event that the Altice International Group's corporate rating is downgraded below a specified level.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five-year increments after December 31, 2028. However, at any time after the eighth anniversary of the effective date of the Network Sharing Agreement, either party may terminate the agreement by providing 24 months' prior notice. The Network Sharing Agreement may also be terminated by a non-defaulting party upon certain specified events, including a material breach, failure of a party to meet its funding obligations, termination of a party's license by the Israeli Ministry of Communications and the occurrence of certain insolvency events. The Network Sharing Agreement also provides for an exit plan upon termination.

### ***Dominican Republic***

#### *Agreement to Dispose of Dominican Tower Assets*

On July 30, 2018, Altice Dominicana entered into an agreement with Phoenix Tower International, a portfolio company of Blackstone (the "**Dominican Tower Purchasers**"), for the sale of 100% of the shares of Teletorres del Caribe, comprising 1,049 sites then operated by Altice Dominicana (the "**Dominican Towers Transaction**"). The transaction valued Teletorres del Caribe at an enterprise value of \$170 million. The closing of the Dominican Towers Transaction was announced on October 3, 2018. The consideration received was \$168 million.

In connection with the Dominican Towers Transaction, Altice Dominicana and Teletorres del Caribe also entered into a 20-year master agreement relating to the continued deployment of Altice Dominicana's mobile network, pursuant to which Altice Dominicana has committed to building 150 build-to-suit sites over the next three years.

### **Seasonality**

Although our businesses are not subject to significant seasonal effects, revenue from our pay TV, broadband internet access and fixed-line telephony operations tend to be slightly higher in the fourth quarter of the year and slightly lower in the third quarter of the year. As such, a major failure in the information systems or any part of the production and logistics chain during the year-end period could have a significant adverse effect on revenues due to the concentration of sales during this period. In Portugal, promotional campaigns at the time of the Easter and Mother's Day holidays also tend to increase our revenues in the second quarter and our revenues from our operations tend to be lower during the third quarter when the Portuguese summer holidays occur.

### **Intellectual Property**

We use a variety of trade names and trademarks in our business, including "*Meo*" and "*M4O*" in Portugal, "*HOT*" in Israel, "*Altice Labs*," "*Altice Customer Services*," "*Altice Technical Services*" and "*Teads*" and, in each case, several associated trademarks. Historically, we used the "*Orange*" and "*Tricom*" and several associated trademarks in connections with our services in the Dominican Republic. The Orange tradename was used pursuant to a license from France Telecom which expired in December 2017. We own all of the trademarks we use. All of our trademarks are protected in the jurisdictions in which we operate. We also rely on our access to the proprietary technology of Altice Labs. We do not possess any material patents, nor do we believe that patents play a material role in our business.

We license some of the television programming content for our pay TV offering from third-party providers. We own the copyright that subsists in the content developed or co-developed by us.

### **Employees**

The Altice International Group has optimized its workforce with a view to build a more competitive and efficient organization in order to allow it to adapt more quickly to the demands of the telecommunications market. As of December 31, 2018, we had 19,163 full time employees, compared to 17,682 as of December 31, 2017.

### ***Labor Relations***

We are subject to various labor laws in each of the jurisdictions in which we operate which typically govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal

opportunity and anti-discrimination laws and other conditions of employment. Further, we are generally required to provide severance pay upon the retirement, death or dismissal of an employee. We are also required to make national insurance payments on behalf of our employees to the government in each of the jurisdictions in which we operate.

Some of our employees in certain countries in which we operate belong to organized unions and works councils. In certain jurisdictions our operating companies are also subject to collective bargaining agreements with trade unions (for example, Portugal and Israel). In certain jurisdictions we have, in the past, faced several strikes by personnel as a result of headcount optimization or changes in our workforce. Some of these strikes disrupted our business and attracted adverse publicity.

In Israel, since July 2014, HOT recognizes the New General Histadrut of Workers as an organization representing the workers of HOT and HOT Telecom. On February 10, 2016, HOT signed collective agreements with the workers union and the New General Histadrut of Workers for a three year period, pursuant to which, among other things, the following items were agreed: (i) salary increases of up to 16% on average during the period of the agreement, including one-time increases of up to 10% for persons having a monthly salary less than NIS 9000 and who have been employed for more than three years with HOT; (ii) a variety of miscellaneous benefits, such as protection against dismissal and giving preference to internal workers for promotions and appointments to managerial positions; and (iii) support for workers and their families, such as additional salaries to finance childcare, summer camps and health insurance. Subsequently, on October 31, 2016 a new collective agreement was signed between HOT Mobile, the HOT Mobile workers' committee and the New Workers' Histadrut, as the representative organization for HOT Mobile, the key points of which are as follows: (i) the agreement became effective on October 31, 2016 and has a three-year term; (ii) the employees (as defined in the agreement) shall be entitled to salary increases averaging up to 1.5% in the first two years of the agreement, with the salary increase in the third year of the agreement being negotiable; and (iii) the employees shall receive a variety of benefits, including: (a) increased employee welfare budgets and signing bonuses; (b) employment security, such as arranging for a termination protection mechanism and arranging for placement while giving preference to internal workers; and (c) employee support, such as salary increases to finance summer schools, health insurance and an increased holiday bonus.

We consider our relations with our employees to be satisfactory.

### ***Employee Benefit Plans***

Depending on the laws and practices in force in the countries in which we operate, we are subject to a variety of employee benefits obligations. For more information regarding our employee benefit obligations, see *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Defined Benefit and Defined Contribution Pension Plans”* and the Audited Financial Statements included elsewhere in these Listing Particulars.

In Portugal, we are liable for certain post-retirement benefits, including pension supplements, healthcare benefits and remuneration of employees under suspension and pre-retirement agreements (which remuneration is paid on a monthly basis until such suspended/pre-retired employees reach the statutory retirement age). Under several defined benefit plans, PT OpCo is responsible for paying pension supplements to a group of employees. In order to finance these pension supplement obligations, PT OpCo incorporated various funds which are supervised by the Portuguese Insurance and Pension Funds Supervisory Authority and are not fully capitalized. Additionally, under a defined benefit plan, PT OpCo is responsible for paying healthcare expenses to a group of employees (covering 20,727 beneficiaries as of December 31, 2018, approximately 22% of which are still in service) and their relatives (covering 8,009 beneficiaries as of December 31, 2018). In 2004, PT Portugal established PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A., an autonomous fund to finance these obligations, which is managed by a subsidiary of PT Portugal. These obligations are not subject to any legal funding requirements and the autonomous fund is not supervised by the Portuguese Insurance and Pension Funds Supervisory Authority.

In Israel, our employee benefit plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans. We have defined contribution plans under which we pay 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, we have a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law, 5723-1963, according to which employees are entitled to receive severance pay upon dismissal or retirement.

In respect of our severance pay obligations to certain employees, we make current deposits in pension funds and insurance companies. Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies and are not available to the Altice International Group's own creditors and cannot be returned directly to the Altice International Group.

## **Properties**

We lease and own certain properties for our corporate offices, sales offices, broadcast centers, communication rooms, customer service centers, sales stores, mobile network sites, hubs, switches and head-end sites. The corporate offices with respect to our Portuguese operations are located in Lisbon, Portugal, our Israeli operations in Yakum (near Tel Aviv) and our Dominican Republic operations in Santo Domingo.

In each of the jurisdictions in which we operate we own or lease a mixture of real estate assets, including "office" sites made up of customer service centers or offices, "mixed" sites made up of both offices and technical sites, "technical" sites and premises for the hosting of telecommunications equipment and IT servers and "commercial" premises and sites of brick-and-mortar stores. Our principal network assets consist of cable operating plant and equipment, including signal receiving, encoding and decoding devices, headend facilities, fiber optic transport networks, coaxial and distribution systems and equipment at or near customers' homes or places of business for each of our networks. We also own datacenters in a number of countries in which we operate.

We believe that our properties meet our present needs and are generally well-maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises.

## **Environmental Matters**

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our mobile services. While we could incur costs, such as clean-up costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed in *"Risk Factors—Risks Relating to Our Business, Technology and Competition—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment."*

Furthermore, we are also careful to offer our subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, our set-top boxes represent a significant advance in this respect, since they combine several functions (Blu-Ray TM reader, TV-HD decoder and removable hard drive) into one device.

## **Insurance**

We maintain a property insurance policy with wide coverage based on "extended fire" wording to cover our property on a new replacement basis. In certain of our geographies, including Israel, we also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including general liability, comprehensive third-party liability, products liability and professional liability, multimedia liability and employer's liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have directors' and officers' liability insurance policies that cover all members of the Altice International Group's executive management and the members of the majority of our local management boards. We do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the telecommunications sector (subject to the wording of the policies, conditions and exclusions). However, we cannot guarantee that no losses will be incurred or that no

claims will be filed against us which go beyond the type and scope of the existing insurance coverage. With respect to the majority of our businesses, we do not insure against war and terrorism risks, but we believe we are covered in Israel by the Property Tax and Compensation Fund Law 1961.

## **Legal Proceedings**

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by employees and claims by the regulatory bodies whose jurisdiction we are subject to in the countries in which we operate. In Israel, a majority of legal proceedings against us are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss for the Group and the amount of such a loss can be reasonably estimated. Other than as discussed below, as of the date hereof, we are not aware of any administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) that are likely to have, or have had, over the course of the last twelve months a material adverse effect on our financial condition or results of operations. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

Based on the opinion of its internal and external legal counsel, the Group recorded provisions amounting to €136 million as of December 31, 2018 for those claims and legal actions to cover the Altice International Group's probable future cash outflows.

### ***Portugal***

As at December 31, 2018, there were several claims, legal actions and tax contingencies against PT Portugal Group for which the risk of loss is considered probable. Material litigation involving the PT Portugal Group is further described below.

#### ***Tax proceedings***

We estimate that the cumulative balance of probable tax contingencies arising from tax audits conducted by Portuguese tax authorities on various companies within the PT Portugal Group amounted to €59.1 million as of December 31, 2018.

The provision covers risks related mainly to the deductibility of capital losses on the disposal of financial investments and VAT on indemnities charged as result of the breach of loyalty contracts, entered into with post-paid customers. The VAT contingency relates to both the fixed and mobile businesses and covers years since 2012. The assessment for the VAT of the mobile business in 2012 has been submitted to an arbitral tribunal, which decided to refer the matter to the Court of Justice of the European Union (“**CJEU**”) for a preliminary ruling. On November 22, 2018, CJEU issued a decision which was unfavorable to PT OpCo, concluding that, under certain circumstances, indemnities should be charged with VAT, and at the same time concluding that ultimately VAT should only be assessed based on indemnities received from customers. The tax assessments of the fixed-line business in 2012 and both the mobile and fixed-line businesses in 2013 and 2014, were submitted to the arbitral tribunal as well, and all proceedings were suspended pending the decision of the CJEU. Following the CJEU's decision, PT OpCo was notified of the arbitral tribunal's decisions on the 2013 fixed and 2012 mobile actions, both unfavorable but both concluding that VAT should only be assessed based on indemnities received from customers, which is less than 20% of the overall indemnities invoiced. PT OpCo will appeal against both these decisions before the Administrative Central Court. For the year 2015, the contingency was annulled following the voluntary tax payment of approximately €1 million in 2018 made by PT OpCo under that year's tax inspection.

A similar approach was followed in relation to the year 2016. There are still no tax assessments for the years 2017 and 2018.

In addition, we have received certain tax assessments from the tax authorities questioning the deductibility of certain interest expenses incurred between 2004 and 2010 for income tax purposes (€226 million as of December 31, 2018). We strongly disagree with these assessments and believe, based on the opinion of our tax advisors, that there are solid arguments to oppose the position of the tax authorities. We do not consider the losses related to these tax contingencies to be probable.

### *Regulatory and Civil Proceedings*

#### *Optimus—Interconnection agreement*

In 2001, Optimus—Comunicações S.A. (now “NOS”) brought an action against Telecomunicações Móveis Nacionais (“TMN”) relating to prices charged by TMN for mobile interconnection services. TMN transferred the receivables from NOS to PTC (PT Portugal’s fixed operation at the time, now PT OpCo) and subsequently PT OpCo offset those receivables with payables due to NOS. NOS argued for the annulment of the offset amount and claimed the amount of payables originally due to NOS plus accrued interest. In August 2015, the court decided that the transfer of the interconnection receivables from TMN to PT OpCo, and consequently the offset of such receivables, was invalid. The court therefore ruled against PT OpCo, ordering the payment of approximately €35 million in payables and interest. PT OpCo appealed to the Court of Appeal in October 2015. In September 2016, PT OpCo was notified of the decision from the Court of Appeal which confirmed the initial ruling against PT OpCo, as a result of which PT OpCo decided to appeal to the Supreme Court. On March 13, 2017, PT OpCo was notified of the Supreme Court’s decision of dismissal of its appeal, following which it has appealed to the Constitutional Court. On January 8, 2018, the Constitutional Court notified PT OpCo that it has dismissed the appeal. PT OpCo subsequently appealed to the Constitutional Court Conference which has decided not to accept the appeal. In July 2018, PT OpCo paid €41 million to NOS as a result of these proceedings. NOS claimed an additional amount of interests during the judicial procedure and is now claiming an additional payment of €5 million. PT OpCo is contesting this claim and the parties are waiting for the preliminary hearing to be scheduled.

#### *ANACOM litigation*

PT OpCo is subject to several outstanding proceedings filed by ANACOM, although PT OpCo has not yet received formal notifications for some of these proceedings. The proceedings include matters such as the violation of rules relating to portability, DTT, the non-compliance of obligations under the universal service obligations (fixed voice and public phones) and restricting the access to phone numbers starting at 760. Historically, PT OpCo 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.

We are regularly involved in regulatory inquiries and investigations involving our operations, including by ANACOM, regarding our compliance with applicable laws and regulations. See “*Risk Factors—Risks Relating to Legislative and Regulatory Matters—We are subject to significant government regulation and supervision, which could require us to make additional expenditures or limit our revenues and otherwise adversely affect our business, and further regulatory changes could also adversely affect our business*” and “*Risk Factors—Risks Relating to Legislative and Regulatory Matters—We can only operate our business for as long as we have licenses from the relevant authorities in the jurisdictions in which we operate and we may not be able to obtain, retain or review the licenses and authorizations necessary for conducting our activities.*”

As of December 31, 2018, we had ongoing administrative proceedings initiated by ANACOM in an aggregate amount of approximately €30 million (though the maximum possible fine for an individual proceeding is capped at €5 million). We believe that most of the complaints that have resulted in such investigations should be dismissed due to the nature of the alleged abuses. However, if we are found to be in violation of applicable laws and regulations in these or other regulatory inquiries and investigations, we could become subject to penalties, fines, damages or other sanctions.

#### *Zon TV Cabo Portugal—Violation of portability rules*

In 2011, NOS (known as Zon TV Cabo Portugal at the time of the proceeding) initiated legal proceedings against PT OpCo, claiming that the latter had not complied with the rules applicable to the portability of fixed numbers.

NOS is seeking €22 million in damages corresponding to profits allegedly lost due to unreasonable rejections by PT OpCo and the delay in providing the portability of numbers. An expert appointed by each party as well as a third party expert evaluated this matter and presented a final report to the court in January 2019. As of the date of the Offering Memorandum, the parties are awaiting the date of the preliminary hearing.

#### *TV Tel – Restricted access to the telecommunication ducts*

In March 2004, TV TEL Grande Porto—Comunicações, S.A. (“**TV TEL**”, subsequently acquired by NOS), a telecommunication company based in Oporto, filed a claim against PT Comunicações, S.A. (now PT OpCo) in relation to the alleged unlawful restriction and/or refusal of access to PT OpCo’s telecommunication ducts in Oporto. TV TEL claimed an amount of approximately €15 million from PT OpCo for damages and losses allegedly caused and yet to be sustained as a result of the delay in the installation of its telecommunications network in Oporto. In December 2018, PT OpCo received the Supreme Court decision which ordered PT OpCo to pay €0.7 million (€ 1.6 million with interest added). Payment by PT OpCo to NOS occurred in January 2019.

#### *Municipal taxes and rights-of-way*

Pursuant to a statute enacted on August 1, 1997, as an operator of a basic telecommunications network, we were exempt from municipal taxes and rights-of-way and other fees with respect to our network in connection with our obligations under the concession. The Portuguese government has advised us in the past that this statute confirmed the tax exemption under our concession and that it will continue to take the necessary actions in order for us to maintain the economic benefits contemplated by the concession.

Law 5/2004, dated February 10, 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 whose network infrastructures are located in each such municipality. Meanwhile, Decree-Law 123/2009, dated May 21, 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 Supreme Administrative Court of Portugal in several legal actions.

Some municipalities, however, continue to hold the position that Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish because Law 5/2004 is not applicable to public municipalities. Currently, there are legal actions with some municipalities regarding this matter and some of the municipalities have initiated enforcement proceedings against us to demand the payment of those taxes.

#### *Disposal of PrimeSys*

In 2005, Portugal Telecom Brasil (“**PT Brasil**”), a subsidiary of PT Portugal, disposed of its 100% stake in PrimeSys Soluções Empresariais, S.A. (“**PrimeSys**”) to Embratel. Pursuant to such disposition, PT Brasil agreed to indemnify Embratel for certain future tax contingencies. In December 2008, PT Brasil was notified that PrimeSys had been fined a total amount of R\$288 million relating to VAT issues between 2004 and 2008. PT Brasil’s liability is limited to the lesser of (i) amounts due prior to the disposition of PT Brasil’s stake in PrimeSys in 2005 and (ii) R\$103 million. In 2019, PrimeSys has been notified of a favourable decision. Tax authorities can still appeal against this decision.

#### *Vodafone Portugal—Network Sharing Agreement*

In 2014, Vodafone Portugal and PTC (now PT OpCo) signed an agreement for the acquisition of exclusive rights of use of the PON network. The agreement contained the possibility of access to the installed infrastructure owned by each of the parties to offer new generation services and integrated offerings of voice, internet and television services autonomously in the retail market. In 2015, PT OpCo informed Vodafone Portugal that it has decided to individually develop a new plan for the expansion of its fiber optic network, both in geographical areas already covered by a new generation network and in other geographical areas, while continuing to comply with their agreement. Vodafone nonetheless states that this was a breach of the agreement and submitted a claim for damages of approximately €132 million to an arbitral tribunal. In June 2018, PT OpCo filed a defence to the claim in which it opposed Vodafone Portugal’s submissions. The parties are currently waiting for the arbitral tribunal to schedule a date for a preliminary hearing and to determine the next steps in the proceedings.

### *Opway—Construction of Covilhã Data Center*

In connection with the construction of the Data Center in Covilhã, PT Data Center had contracted Opway-Somagage consortium (“**Opway**”) as its main contractor responsible for the project, while Opway contracted Isolux as a subcontractor. Isolux filed an action against Opway for alleged delays in the construction works and changes to the initial project that resulted in higher costs for Isolux. The amount claimed in this action is approximately €17.4 million. PT Data Center is only an accessory intervener in these proceedings and thus no amount can be directly claimed from it as a result. Following the action filed by Isolux, Opway filed an action against PT Data Center in late 2016 for an amount of €16.7 million, claiming that PT Data Center orientations caused changes to the work plan and other changes in the realization of the construction plan that were never paid for and caused damage to Opway.

By an extra-judicial agreement between Opway and the PT Data Center, signed in December 2018, all open issues that involved the construction of the Covilhã Data Center have been closed, including certain facts not at issue in the judicial proceedings, and the final reception of the contract took place. PT Data Center made a single payment, in face of the commitment of both parties that there was nothing more to claim from each other, and that they would desist from all legal proceedings. The process has been finalized since the beginning of February 2019, as Opway submitted a request to the court to terminate the process.

### *Invesfundo II—Disposal of plots of land*

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

### *European Commission investigation into PT Portugal Acquisition*

After having approved the PT Portugal Acquisition on April 20, 2015, the European Commission (the “**EC**”) initiated an investigation into infringement by Altice Europe 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 EC issued a statement of objections on May 18, 2017 alleging that Altice Europe breached the Merger Regulation by implementing the PT Portugal Acquisition before notification or approval by the EC as required under applicable law. On August 18, 2017, Altice Europe submitted a full response to the statement of objections in which it contested all of the objections and requested that a hearing take place. A hearing took place in Brussels on September 21, 2017. On April 24, 2018, the EC notified the Altice Europe Group of its decision to impose upon it a fine of €124.5 million on the basis of a finding that the Altice Europe Group infringed the prior notification obligation of a concentration under Article 4(1) of the EU Merger Regulation as well as the stand-still obligation under Article 7(1) of the Merger Regulation. The Altice Europe Group disputes the EC’s decision and on July 5, 2018, the Altice Europe Group filed an appeal against the decision before the General Court of the European Union (“**GCEU**”) seeking annulment of the decision or, at the very least, a significant reduction in the fine imposed. On November 6, 2018, the Council of the European Union filed an application to intervene in the case. On November 30, 2018, the EC lodged a defence, to which Altice Europe replied on February 25, 2019, in line with the submissions set forth in its appeal. These proceedings do not affect the approval granted by the EC for the PT Portugal Acquisition. On July 25, 2018, the Altice International Group issued a bank guarantee to the European Commission in relation to the fine for an amount of €124.5 million.

### *Potential claims*

PTC is subject to a potential compensation claim brought by Estradas de Portugal relating to PTC’s use of a technical road channel between 2007 and 2014. As of the date of the Offering Memorandum, no formal legal proceedings have been initiated with regards to these claims.

### *Israel*

#### *Certain class action suits in Israel*

From time to time, HOT and its subsidiaries are involved in class action litigation relating to claims arising out of its operations in the ordinary course of business. As of the date hereof, certain of the material pending class action suits filed against HOT and its subsidiaries included:

- (i) in February 2011, a suit seeking NIS 666 million was filed for alleged breaches of certain subscribers' agreements and misleading subscribers when increasing the prices of services;
- (ii) on December 12, 2013, a suit for NIS 100 million was filed alleging that HOT offers various benefits selectively to its customers contrary to its broadcasting license;
- (iii) on December 2, 2015, we received notice of a class action suit based on the claim that HOT unlawfully charges for VOD content library by automatically extending purchases on a monthly basis;
- (iv) in August 2016, we received notice of a suit and a motion to approve a class action filed at the Beersheba District Court. The applicants claim that we are unlawfully billing customers for content ordered over VOD while violating our alleged obligation to allow customers to block the ordering of paid content in the VOD service. The estimated damages are NIS 338 million.
- (v) in September 2016, we received notice of a lawsuit and a motion to approve a class action filed at the Central District Court. According to the applicants, we have not upheld our alleged obligations to (i) establish, maintain and operate a public, nation-wide telecommunications network, and (ii) use the network to provide telecommunications services and multi-channel television services to public subscribers throughout the country, and specifically in Arab communities. The applicant estimates the sum of non-monetary damage caused to each of the class members at NIS 500, and the monetary damage due to price differences between HOT's prices and those of its competitors at: (i) NIS 267 per year per class member consuming internet services; (ii) NIS 837 per year per class member consuming internet and telephone services; and (iii) NIS 877 per year per class member consuming internet, telephone and television services.
- (vi) in March 2017, we received notice of a claim and a motion to approve a class action that was filed against Charlton Ltd., the Sports Channel, YES and HOT at the Tel-Aviv District Court. According to the plaintiffs, certain of the sports channels broadcasted by us include commercials in violation of the relevant regulation. The estimated damages are NIS 100 million.
- (vii) in May 2017, we received notice of a claim and a motion to approve a class action that was filed against HOT Net at the District Court in Jerusalem. According to the plaintiff, due to a technical failure in HOT Net's ISP services, its subscribers experienced disruption in sending and receiving email messages for a period exceeding seven days. The plaintiff estimates damages in the amount of NIS 80 million.
- (viii) in August 2017, we received notice of a claim and a motion to approve a class action that was filed against HOT Mobile at the Central District Court. According to the plaintiff, we unlawfully charge our subscribers for SIM cards at the end of their subscription. The estimated amount of the claim is NIS 99 million;
- (ix) in August 2018, the Central District Court approved a motion to approve a class action that was filed against HOT and HOT Telecom in 2014. According to the plaintiff, we violated our regulatory obligations regarding response times in our call centers. The estimated amount of the claim is NIS 40 million.

Historically, such class action litigation brought against us has either been dismissed or settled for an amount significant lower than the damages claimed. We do not believe any of these matters individually, or in the aggregate, will have a material adverse effect on our financial position or results of operation.

#### *Tax proceedings*

As of December 31, 2018, there were several tax contingencies against Cool and HOT for which the risk of loss is considered probable. For these contingencies, we recorded provisions amounting to €21 million as of December 31, 2018.



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

*The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of the Issuer's financial condition and results of operations and should be read together with the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2016, 2017 and 2018 (the "Historical Consolidated Financial Information"). This discussion contains forward looking statements that are subject to numerous risks and uncertainties. See "Forward Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Notes.*

*In this section, unless the context otherwise requires, the term "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries.*

*The Issuer applies International Financial Reporting Standards ("IFRS") as endorsed in the European Union. Adjusted EBITDA and Capital Expenditures, and measures derived therefrom, are not defined in IFRS and are "non-GAAP measures". Management believes Adjusted EBITDA is useful to readers of the Historical Consolidated Financial Information as it provides a measure of operating results excluding certain items that we believe are either outside of our recurring operating activities, or items that are non-cash. Excluding such items enables trends in our operating results and cash flow generation to be more easily observable. We use the non-GAAP measures internally to manage and assess the performance of our operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in our industry, and thus are a basis for comparability between us and our peers. However, Adjusted EBITDA, as used herein, is not necessarily comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as an alternative to, net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS. For further details, see "Presentation of Financial and Other Information" included elsewhere in these Listing Particulars.*

### **Basis of Presentation**

This discussion and analysis for each of the periods presented is based on the financial information derived from the Historical Consolidated Financial Information. The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) and IFRS 9 (*Financial Instruments*) effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. Comparative figures for the year ended December 31, 2017 included in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, were restated from figures presented in previously published audited consolidated financial statements as of and for the year ended December 31, 2017, to reflect the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. Unless otherwise specified, the Historical Consolidated Financial Information for the other periods presented herein has not been restated for the impacts of IFRS 15 or IFRS 9.

### **Operational Activities**

On January 1, 2018, we amended the presentation of our revenue derived from operational activities. We now present revenue by activity under "Fixed—B2C," "Mobile—B2C," "B2B", "Wholesale" and "Other revenue." For comparative purposes, we have provided the same presentation for the year ended December 31, 2017. However, for the financial years ended December 31, 2017 and December 31, 2016, we have continued to present the discussion and analysis of the results of our operations in line with the historical segmentation of the business prior to January 1, 2018 (i.e. "Fixed—B2C", "Mobile—B2C," "B2B and Wholesale" and "Other revenue").

### **Reporting Segments**

We discuss the results of operations for our business based on the following reporting segments:

- **"France"**, which includes the Altice France Group, the second largest telecommunications operator in France. The Altice France Group provides services to B2C, B2B and wholesale customers, providing mobile and fixed services using the "SFR" and associated brands. As of January 1, 2017, this segment also comprises of our operations in the French Overseas Territories ("**FOT**"), Altice Technical Services France ("**ATS France**") and Altice Customer Services ("**ACS**").

- **“Portugal”**, which includes PT Portugal, the largest telecommunications operator in Portugal. PT Portugal provides services to B2C, B2B and wholesale customers, providing mobile and fixed services using the “MEO” brand. As of January 1, 2017, this segment also includes the Altice Technical Services (“ATS”) entities in Portugal.
- **“Israel”**, which includes HOT and HOT Mobile. These companies provide B2C and B2B clients with mobile and fixed services using the “HOT telecom”, “HOT mobile” and “HOT net” brands. HOT also produces award-winning exclusive content that it distributes over its fixed network. As of January 1, 2017, this segment also includes the ATS entity in Israel.
- **“Dominican Republic”**, which includes Altice Dominicana, which provides B2C, B2B and wholesale customers with fixed and mobile services using the “Altice” brand. As of January 1, 2017, this segment also includes the ATS entity in the Dominican Republic.
- **“Teads”**, which, from June 22, 2017, comprised our digital advertising solutions business.
- **“Altice TV”**, which, from January 1, 2017, comprised our content business relating to the use of certain content rights. We sold Altice TV to Altice Group Lux in May 2018.
- **“Others”** includes all of the Group’s corporate entities deemed not substantial enough to require a separate reporting segment. Prior to January 1, 2018, “Others” includes our fixed and mobile services in Belgium and Luxembourg (until the completion of the Coditel Disposal on June 19, 2017), the FOT (until January 1, 2017, after which, in anticipation of completion of the FOT Transfer, our FOT operations are reported under “France”) and our datacenter operations in Switzerland (until the completion of the Green Disposal on February 12, 2018), our content production and distribution businesses (primarily through AENS), advertising, customer services, technical services and other activities that are not related to our core fixed-based or mobile business.

The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 include FOT, ATS France and ACS within the France segment. Comparative figures for the year ended December 31, 2017 included in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, were restated from figures presented in previously published audited consolidated financial statements as of and for the year ended December 31, 2017, to reflect the consolidation of FOT, ATS France and ACS within the France segment. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017 and 2016 and the related discussion include FOT, ATS France and ACS within the Others segment.

Please refer to Note 3 of the Historical Consolidated Financial Information for a complete overview of the changes in the scope of consolidation during the year ended December 31, 2018, 2017 and 2016. In addition, please refer to “—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2018 compared to the year ended December 31, 2017—Significant Events Affecting Historical Results” and “—Discussion and Analysis of Our Results of Operations—For the year Ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results”.

### **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, among others, affecting the ordinary course of our business and our results of operations are discussed below.

### ***Acquisitions and Integration of Businesses 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 and disposals, the comparability of our results of operations based on the Historical Consolidated Financial Information may be affected. See “—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2018 compared to the year ended December 31, 2017—Significant Events Affecting Historical Results” and “—Discussion and Analysis of Our Results of Operations—For the year Ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results”.

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

At the core of our strategy is a return on revenue, profitability and cash flow growth and, as a result, deleveraging. We benefit from a unique asset base which is fully-converged, fiber rich, media rich and are active across consumers and businesses. The reinforced operational focus offers significant value creation potential. In parallel, the Group is advancing with its preparations for the disposal of non-core assets. Key elements of the Group's growth and deleveraging strategy include:

- Operational and financial turnaround in France and 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 Europe's market position;
- Monetizing content investments through various pay TV models and growing advertising revenue; and
- Execution of the non-core asset disposal program, including part of our mobile tower portfolio.

For the years ended December 31, 2017 and 2016, we incurred restructuring and other non-recurring costs of €1,225 million and €599 million, respectively, and for the year ended December 31, 2018, we realized restructuring and other non-recurring income of €496 million, which primarily included 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..

### ***Multi-Play Strategy***

Across the jurisdictions in which we operate, we have implemented a business strategy focused on the provision and expansion of multi-play product offerings, including triple- ("3P") and quad-play ("4P") bundles. Customers who elect to subscribe for our multi-play bundles rather than our individual services realize comparative cost savings on their monthly bill. We believe that the enhanced value proposition associated with our bundled services enables us to meet our customers' communication and entertainment requirements while concurrently both increasing customer loyalty and attracting new customers. As a result of our focus on providing subscribers with multi-play bundles, we have experienced an increase in the number of our fiber/cable customer relationships. We believe our bundled service offerings will be an important driver of our fixed-based services, partially offsetting the continued pressure on traditional fixed-based services.

### ***Introduction of New Products and Services and Investment in Content***

We have significantly expanded our presence and product and service offerings in the past. In particular, we have launched new offers with new sports and other content in order to differentiate our product offering and to underline our investment in sports rights and other nonlinear content.

In Portugal, the launches of "M4O," "M4O Light" and "M5O" in 2013 and 2014 have helped us increase our total fiber/cable unique customers. HOT has been a leader in bringing fixed-based and mobile services to the Israeli market, having launched UMTS-based 3G mobile services in 2012 and 4G-LTE services in August 2015. The introduction of new products and services have impacted our result of operations in the periods presented by, among other things, opening new revenue streams (e.g. 4P and our fiber roll-out plan in Portugal, which involves extending our fiber network to 600,000 additional homes per year between 2015 and 2020) and, in certain cases, increasing operating expenses and capital expenditures (e.g. UMTS and LTE network build-out costs and roaming costs in Israel relating to our 3G and 4G mobile services). We continue to make available advanced customer equipment in the jurisdictions in which we operate, for example through the launch over the course of 2015 of

“Mini FiberBox,” a unit that interacts with FiberBox, in Israel, and “Smartbox,” an integrated set-top box and cable router, in the Dominican Republic.

We regularly review and invest in the content that we offer to provide our subscribers with a flexible and diverse range of programming options, including high-quality local content and exclusive premium content. In addition, the Group is focused on supplementing its own content offerings with premium content produced by third parties. In May 2017, Altice Europe acquired the rights to broadcast and distribute various premium sporting events, including the French Athletics Federation, English Premier League, French Basketball League English Rugby Premiership, UEFA Champions League and UEFA Europe League, which are commercialized in France via exclusive SFR branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice TV. In France, the Altice France Group also launched a single brand in July 2018 for all of its sports content; RMC Sport Access, which replaced the SFR Sport channel. At the end of 2016, Altice Europe also announced strategic agreements with NBCUniversal International and Discovery which confer certain exclusive distribution rights pursuant to which the Group broadcasts such channels in France, furthering the expansion of the Group’s premium content offerings in France. In April 2017, the Group announced the launch of MY Cuisine, an international cookery channel broadcast exclusively by the Group in France. MY Cuisine also comprises a print magazine, mobile application and a recipe blog. Furthermore, the Group has formed a partnership with Discovery Communications to launch two new exclusive Discovery channels and has obtained exclusive distribution rights to two existing Discovery channels, including the number one factual pay TV channel in France, and three NBCUniversal channel brands in metropolitan France. Leading 24-hour news is also provided by the Group through its TV news hub bundle, BFM. In June 2017, we entered into a multi-year partnership with Netflix to deliver Netflix’s range of critically acclaimed series, movies, documentaries, stand-up comedy and children’s programming to our customers in France, Portugal, Israel and the Dominican Republic. We intend to continue to selectively invest in local and value-added premium content as well as sports broadcasting and distribution rights in the future to enrich our differentiated and convergent communication services from those of our competitors. We believe that such efforts will reduce our customer churn and increase revenue.

In March 2018, we redesigned our offers in France by simplifying them and more closely aligning their content to those of our competitors. Offers are now built around two separate focuses: one around telecoms and one around premium content. These are offered as pay options, at a preferential rate for our customers, for fixed and mobile offers. The benefits of this strategy are beginning to be seen in a significant uplift in gross adds for customers taking content options and this trend is anticipated to strengthen as further key content was added with the Champion’s League in the third quarter of 2018.

### ***Pricing***

We focus our product offerings on multi-play offers. In France, we offer multi-play 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. Due to the highly competitive market in Portugal, we price our multi-play offers at competitive levels. In Portugal, a trend of steadily decreasing B2C call prices has emerged in recent years. This has had a negative effect on our B2C revenues. Our strategy to overcome this trend has been to aggressively market a variety of price plans to promote customer loyalty in a competitive market. As result, we have seen a decrease in our fixed and mobile telephony traffic revenues for our price plans offering flat rate calls. In Israel, we believe that our ability to offer 3P services provides us with a competitive price advantage. 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. Our ability to increase or maintain the prices for our fixed-based and mobile services is also limited by regulatory factors in each of the regions in which we operate. In Portugal, for example, the imposition by ANACOM of price controls on interconnection charges as well as the continuous reduction of mobile termination rates have caused interconnection revenues for fixed-line and mobile telephony to steadily decline, although this has been partially offset by the lower interconnection costs we incur. The prices of B2B contracts are negotiated individually with each customer. The B2B market for voice services is extremely price-sensitive and entails very low margins as voice services are highly commoditized, involving sophisticated customers and relatively short-term contracts. The B2B market for data services is less price-sensitive, as data services require more customization and involve service level agreements. In both markets, price competition is strongest in the large corporate and public-sector segments, whereas customer-adapted solutions are an important competitive focus in the medium and small business segments. We have tailored our targeted pricing strategy to account for these dynamics.

## *Cost Structure*

We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue-enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by streamlining processes and service offerings, improving productivity by centralizing our business functions, reorganizing our procurement process, eliminating duplicative management functions and overhead, terminating lower-return projects and non-essential consulting and third-party service agreements, and investing in our employee relations and our culture. We are implementing common technological platforms across our networks to gain economies of scale, notably with respect to billing systems, network improvements and customer premises equipment and are investing in sales, marketing and innovation, including brand-building, enhancing our sales channels and automating provisioning and installation processes. We have also achieved, and expect to continue to achieve, substantial reductions in our operating expenses as we implement uniform best practice operational processes across our organization. We have simplified the services we offer, insourced our historical suppliers around technical services and call centres to better control quality and reduced costs through the negotiation of attractive interconnection rates and television content pricing. As a result, we have generally managed to achieve growth in the Adjusted EBITDA, profitability and operating cash flow of businesses that we have acquired.

We make expansion-related capital expenditure decisions by applying strict investment return and payback criteria. We have recently incurred significant capital expenditures related to the build-out of our LTE network in Portugal and our UMTS network in Israel.

In France, where we are the market leader in very high-speed internet deployment, we have incurred significant capital expenditure to improve our mobile network and to roll out new fiber homes. During the last two years ended December 31, 2018, we have incurred significant capital expenditure (between 22-23% of the Altice France Group's total consolidated revenues) to improve our mobile network and to roll out new fiber homes in France. In Portugal, we have incurred, and will continue to incur, significant capital expenditure related to our goal of expanding our fibre coverage to 5.3 million homes by 2020. In Israel, the Partner Network Sharing Agreement enables HOT Mobile and Partner Communications Company Ltd. ("**Partner**") to share antennas and frequencies and facilitate optimum utilization of the spectrum. We expect the Partner Network Sharing Agreement will result in savings related to network and maintenance expenses and will optimize capital expenditures incurred in relation to the mandatory build-out of our UMTS network. Our gross capital expenditure amounted to €3,183 million for the year ended December 31, 2018 and €3,541 million for the year ended December 31, 2017.

## *Network Upgrades*

Our ability to provide new or enhanced fixed-based services, including HDTV and VoD television services, broadband internet network access at increasing speeds and fixed-line telephony services as well as UMTS, 3G and 4G mobile services to additional subscribers depends in part on our ability to upgrade our (i) cable and DSL networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network and (ii) mobile networks by building-out our UMTS-network and investing in LTE, as well as maintaining agreements with third parties to share mobile networks. Over the last four years, we have increased our fiber deployment and upgraded a substantial part of our cable networks. For example, as of December 31, 2018, our cable networks are largely DOCSIS 3.0 enabled, which allows us to offer our customers high broadband internet access speeds and better HDTV services across our regions, excluding the Dominican Republic.

In France, the Group accelerated the build-out of its 4G network over the last two years to have a market-leading mobile network in place by the year ended December 31, 2018 (4G population coverage of 99%). The Group also aims to continue the expansion of its fiber network in France and intends to capitalize on its past investments in improved fiber infrastructure. We also implemented our FTTH roll-out strategy in Portugal pursuant to which we rolled out over 2.6 million new fibre homes passed since January 1, 2015, reaching 4.5 million homes as of December 31, 2018, which we believe leaves us well-positioned to reach our target of 5.3 million fibre homes passed by 2020. For our fixed-based and mobile services, we made investments (total cash capital expenditure) of €2,369 million for the year ended December 31, 2018 related to our cable network and construction. We continue to evaluate the need to upgrade our cable networks, for advancements in technologies such as DOCSIS 3.1 and for the deployment of additional fibre, and our mobile networks, for advancements in LTE technology, on an ongoing basis. For example, in August 2015, following the completion of the tender process related to the allocation of 1.8 GHz spectrum rights, the Israeli Ministry of Communications allocated HOT Mobile a frequency bandwidth of 2 x 5MHz in the 1.8 GHz spectrum, enabling HOT Mobile to provide 4G LTE services to its

customers. Pursuant to the Partner Network Sharing Agreement, HOT has committed to share the investment costs associated with the upgrade of 4G network infrastructure with Partner. Our ability to provide LTE mobile services to complement our existing mobile services in Portugal and Israel will depend in part on our ability to upgrade our mobile network and roll-out an LTE network in these countries. Such further investments would involve additional capital expenditures.

### *Competition*

In each of the geographies and industries in which the Group operates, the Group faces significant competition and competitive pressures. Moreover, the Group's products and services are subject to increasing competition from alternative new technologies or improvements in existing technologies.

With respect to its B2C activities, the Group faces competition from telephone companies and other providers of DSL, VDSL2 and fiber network connections. With respect to pay TV services, the Group is faced with growing competition from alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast over-the-top ("OTT") programs on a broadband network, such as internet competitors Amazon, Apple, Google and Netflix, are expected to grow stronger in the future. Connected or 'smart' TVs facilitate the use of these services. With respect to the fixed-line and mobile telephony markets, the Group has experienced a shift from fixed-line telephony to mobile telephony and faces intensive competition from established telephone companies, mobile virtual network operators ("MVNOs") and providers of new technologies such as VoIP.

In the competitive B2B data services market, price pressure has been strong. Conversely, the use of data transmission services has significantly increased. The Group is currently facing competition from software providers and other IT providers of data and network solutions, and the line between them and the suppliers of data infrastructure and solutions like the Group has become increasingly blurred. Partnerships between IT providers and infrastructure providers are becoming more and more common and are an additional source of competition but also an opportunity for growth. Being able to face the competition efficiently depends in part on the density of the network, and certain of the Group's competitors 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.

The following is an overview of the competitive landscape in certain key geographies in which the Group operates:

#### *France*

In the French pay TV market, the Group competes with providers of premium television packages such as CanalSat, DSL 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, the Group competes primarily with xDSL, though increasingly with fiber, providers such as Orange (the leading DSL provider in France), Free and Bouygues Telecom. The Group's competitors continue to invest in fiber network technology which has resulted in additional competition to its fiber-based services. In the French mobile telephony market, the Group competes with well-established mobile network operators such as Orange, Bouygues Telecom and Free, as well as other MVNOs such as La Poste. In particular, price competition is significant since entry into the market by Free in early 2012 with low-priced no-frills packages. Moreover, the competition in the fixed market has deteriorated recently with more aggressive promotions from competitors for longer periods, particularly at the low end of the market. Moreover, while the acceleration of the Group's fiber deployment in France, notably expanding FTTH coverage in low-density and rural areas, could support better fiber subscriber trends as the addressable market for very high-speed broadband services expands, FTTH deployment by the Group's competitors could accelerate and the share of FTTH on the high-speed internet market could grow significantly thereby eliminating or reducing the Group's fixed network advantage.

#### *Portugal*

In Portugal, the Group faces competition from Vodafone Portugal, NOS SGPS, S.A. and Nowo (formerly known as Cabovisão-Televisão por Cabo, S.A. and which the Group disposed of in January 2016 pursuant to the Cabovisão Disposal) in both the fixed and mobile markets. In the fixed telephony market, the Group faces an erosion of market share of both access lines and outgoing domestic and international traffic due to the trend towards the use of mobile services instead of fixed telephone services. Competition in the fixed line telephony market is intensified by mobile operators such as NOS SGPS, S.A. and Vodafone Portugal who can bypass PT

Portugal's international wireline network by interconnecting directly with fixed line and mobile networks either in its domestic network or abroad.

#### *Israel*

In Israel, in the pay TV market, the Group's main competitor is D.B.S. Satellite Services (1998) Ltd, a subsidiary of Bezeq, which provides satellite technology-based television services under the brand "YES". The Group's high-speed broadband internet infrastructure access service competes primarily with Bezeq, which provides high-speed broadband internet access over DSL and holds the highest market share in broadband internet infrastructure access in Israel. Bezeq is also the Group's main competitor in the fixed-line telephony market as the largest provider of fixed line telephony services. The Group's Israeli mobile service, HOT Mobile, competes with several principal mobile network operators, including Cellcom, Partner, Pelephone and Golan Telecom, as well as various MVNOs.

#### *Dominican Republic*

In the Dominican Republic, the Group's key competitors in the pay TV business are Claro, cable operator Aster and Wind Telecom. In the broadband internet and fixed line telephony markets, Altice Dominicana is the second largest provider to the incumbent Claro, the Group's main competitor, with national market shares of approximately 38.1% and 59.0%, respectively, as of December 31, 2018, according to Indotel statistics. In the mobile market, Altice Dominicana's key competitor is Claro and to a lesser extent Viva which has recently launched a new mobile network.

#### ***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 and countries in the Middle East, combined with weak growth and high unemployment, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition. For example, our results of operations in the periods under review have been affected by adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence. Moreover, in Israel, we are subject to the inherent risks associated with political and military conditions and the potential for armed conflicts with Israel's neighbours.

#### ***Debt Service Obligations***

We have significant outstanding debt and debt service requirements and may incur additional debt in the future. See "*Liquidity and Capital Resources—Cash and Debt Profile*" below and "*Risk Factors—Risks Relating to Our Financial Profile*" and "*Description of Other Indebtedness*" included elsewhere in these Listing Particulars. Our significant level of debt could have important consequences, including, but not limited to, our ability to invest in new technologies, products and content as well as restricting us from exploiting other business opportunities or making acquisitions. It could also increase our vulnerability to, and reduce our flexibility to respond to, adverse general economic or industry conditions. Our inability to make additional investments and acquisitions could also affect our ability to compete with other operators in the jurisdictions in which we operate. See "*Risk Factors—Risks Relating to Our Financial Profile—Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our debt obligations under the Notes or impede our ability to raise additional capital to fund our operations.*"

#### ***Fluctuations in Currency Exchange Rates and Interest Rates***

Our reporting currency is euro but a significant portion of our revenue and expenses are currently earned or incurred in other currencies. In Israel, which accounted for 6.5% of the total revenue of the Group after eliminations in the year ended December 31, 2018, a substantial portion of our revenue is in NIS while a portion of our operational expenses and capital expenditures are incurred in other currencies, including the U.S. dollar. In the year ended December 31, 2018, 11.7% of our total operating expenses and 17.3% of our total capital expenditures in Israel were incurred in currencies other than NIS. Our borrowings are denominated in NIS, euro and U.S. dollars but do not necessarily correspond to the portion of revenue we earn in such currencies. In the Dominican Republic, which accounted for 4.1% of the total revenue of the Group after eliminations in the year ended December 31, 2018, a substantial portion of our revenue is in Dominican pesos while a portion of our

operational expenses and capital expenditures are incurred in other currencies, including the U.S. dollar. In the year ended December 31, 2018, respectively, 34.0% of our total operating expenses and approximately 47.0% of our total capital expenditures in the Dominican Republic were incurred in currencies other than the Dominican peso. The exchange rate between U.S. dollars and NIS, the euro and NIS and U.S. dollars and Dominican pesos has been volatile in the past and may continue to be so in the future. Although we attempt to mitigate currency risk through hedging, sharp changes in the exchange rate could have a material effect on our results of operations. We are also exposed to translation foreign currency exchange risk arising from the consolidation of the financial results of our operations in Israel and the Dominican Republic.

### **Key Operating Measure**

We use several key operating measures, including number of homes passed, number of mobile subscribers, number of fixed-line subscribers to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

The following table presents the Issuer's operating data for the years ended December 31, 2018, 2017 and 2016:

	As of and for the year ended December 31, 2018					
	France	FOT	Portugal	Israel	Dominican Republic	Total
	(thousands)					
<b>Homes passed<sup>(1)</sup></b> .....	<b>23,467</b>	<b>178</b>	<b>5,157</b>	<b>2,128</b>	<b>792</b>	<b>31,722</b>
Fiber/cable homes passed <sup>(2)</sup> .....	12,295	172	4,490	2,128	755	19,840
<b>Fixed B2C</b>						
Fiber/cable unique customers <sup>(3)</sup> .....	2,533	59	803	990	192	4,578
Fiber/cable customer net adds .....	302	1	184	(11)	(11)	464
Total fixed B2C unique customers .....	6,275	83	1,581	990	318	9,247
Total fixed B2C customer net adds .....	333	1	26	(11)	(5)	343
<b>Mobile B2C</b>						
Postpaid subscribers.....	13,530	219	2,959	1,140	568	18,416
Postpaid net adds .....	1,022	27	141	(11)	32	1,212
Prepaid subscribers.....	1,534	52	3,558	159	2,532	7,834
Total mobile B2C subscribers <sup>(4)</sup> .....	15,064	270	6,516	1,299	3,100	26,250

	As of and for the year ended December 31, 2017					
	France	FOT	Portugal	Israel	Dominican Republic	Total
	(thousands)					
<b>Homes passed<sup>(1)</sup></b> .....	<b>24,921</b>	<b>178</b>	<b>5,046</b>	<b>2,089</b>	<b>786</b>	<b>33,019</b>
Fiber/cable homes passed .....	10,951	172	4,027	2,089	748	17,987
<b>Fixed B2C</b>						
Fiber/cable unique customers <sup>(3)</sup> .....	2,231	59	620	1,001	204	4,114
Fiber/cable customer net adds .....	193	0	142	(16)	(1)	317
Total fixed B2C unique customers .....	5,943	82	1,555	1,001	323	8,904
Total fixed B2C customer net adds .....	(171)	(6)	(45)	(16)	4	(234)
<b>Mobile B2C</b>						
Postpaid subscribers.....	12,508	191	2,817	1,152	536	17,204
Postpaid net adds .....	182	29	95	70	(29)	347
Prepaid subscribers.....	1,842	55	3,658	145	2,717	8,418
Total mobile B2C subscribers <sup>(4)</sup> .....	14,351	246	6,476	1,296	3,252	25,622



	As of and for the year ended December 31, 2016					
	France	FOT	Portugal	Israel	Dominican Republic	Total
	(thousands)					
<b>Homes passed<sup>(2)</sup></b> .....	<b>25,732</b>	<b>178</b>	<b>4,985</b>	<b>2,454</b>	<b>739</b>	<b>34,089</b>
Fiber/cable homes passed <sup>(2)</sup> .....	9,316	172	3,123	2,454	640	15,705
<b>Fixed B2C</b>						
Fiber/cable unique customers <sup>(3)</sup> .....	2,038	59	478	1,017	205	3,796
Fiber/cable customer net adds .....	209	4	74	(10)	33	310
Total fixed B2C unique customers .....	6,113	88	1,599	1,017	320	9,138
Total fixed B2C customer net adds .....	(254)	(19)	(81)	(10)	15	(349)
<b>Mobile B2C</b>						
Postpaid subscribers .....	12,327	162	2,722	1,081	565	16,857
Postpaid net adds .....	(267)	14	46	114	(15)	(108)
Prepaid subscribers .....	2,288	61	3,447	105	2,946	8,847
Total mobile B2C subscribers <sup>(4)</sup> .....	14,615	223	6,169	1,187	3,511	25,705

- (1) A home is considered “passed” if it can be connected to the transmission system with no additional extension to the network. Total homes passed in France includes unbundled DSL homes outside of the Group’s fiber/cable footprint. Total homes passed in Portugal includes DSL homes enabled for IPTV outside of PT Portugal’s fiber footprint and fiber/cable homes passed includes homes where PT Portugal has access through wholesale fiber operators (approximately 400,000 as of December 31, 2018, 316,000 as of December 31, 2017, 168,000 as of December 31, 2016). Total homes passed in the Dominican Republic includes DSL homes outside of Altice Dominicana’s fiber footprint. In Israel, the total number of homes passed is equal to the total number of Israeli homes.
- (2) As of the year ended December 31, 2018, in France, includes approximately 1,100,000 fiber/cable homes now passed by SFR FTTH. See “*Description of Our Business—Altice France Group—Material Contracts—SFR FTTH*”.
- (3) Fiber/cable unique customers represents the number of individual end users who have subscribed for one or more of the Group’s fiber/cable-based services (including pay television, broadband or telephony), without regard to the number of services to which the end user subscribed. It is calculated on a unique premises basis. The total number of fiber/cable customers does not include subscribers to either the Group’s mobile or ISP services. Fiber/cable customers for France excludes white-label wholesale subscribers. Fiber/cable customers for Israel refers to the total number of unique customer relationships, including both B2C and B2B relationships.
- (4) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Group’s mobile networks.

## Key Income Statement Items

### Revenue

*Prior to January 1, 2018: the below is used for the purposes of the discussion for the year ended December 31, 2017 compared to the year ended December 31, 2016.*

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

*Fixed-based B2C services:* Revenue from fixed-based services consists of revenue from pay TV services, including related services such as VoD, broadband internet, fixed-line telephony and ISP services. This primarily includes (i) recurring subscription revenue for pay TV, broadband internet and fixed-line telephony services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from VoD and fixed-line telephony calls (which are recognized in revenue when the service is rendered), (iii)

installation fees (which are recognized in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

*Mobile B2C services:* Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our postpaid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our prepaid mobile services (which are recognized in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognized in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognized on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

*Wholesale and B2B 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.

*Others:* Revenue from our other services primarily consists of revenue from other businesses, such as (i) press activities, (ii) media content production and distribution, (iii) advertising, (iv) customer services, (v) technical services, and (vi) other activities that are not related to our core fixed or mobile businesses.

*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.

*On and after January 1, 2018: the below is used for the purposes of the discussion for the year ended December 31, 2018 compared to the year ended December 31, 2017.*

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

*Fixed-based B2C services:* Revenue from fixed-based services consists of revenue from pay TV services, including related services such as Video on Demand, broadband internet, fixed-line telephony and ISP services. This primarily includes (i) recurring subscription revenue for pay TV services, broadband internet and fixed-line telephony (which are recognized in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from VoD and fixed-line telephony calls (which are recognized in revenue when the service is rendered), (iii) installation fees (which are recognized in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

*Mobile B2C services:* Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our postpaid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our prepaid mobile services (which are recognized in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognized in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognized on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

*Wholesale 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.

*B2B Services:* Revenue from B2B services is the same as the above fixed and mobile services, but for the business sector.

*Others:* Revenue from our other services primarily consists of revenue from other businesses, such as (i) datacenter activities, (ii) content production and distribution, (iii) advertising, (iv) customer services, (v) technical services, and (vi) other activities that are not related to our core fixed or mobile businesses.

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

*Impact of IFRS 15 (Revenue from Contracts with Customers)*

In May 2014, the International Accounting Standards Board issued IFRS 15 (*Revenue from Contracts with Customers*) (“**IFRS 15**”), which establishes a single comprehensive five-step model to account for revenue arising from contracts with customers. IFRS 15 supersedes all current revenue recognition guidance when it becomes effective for annual periods on or after January 1, 2018. The Group is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and has the option to either (i) restate each prior period and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the beginning of the earliest period presented or (ii) retain prior period figures as reported under the previous standards and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. The Group has decided to adopt IFRS 15 based on the full retrospective approach.

*Mobile Activities:* The most significant impact is in the Group’s B2C and B2B mobile activities as some arrangements include multiple elements that are bundled, such as a discounted handset sale coupled with a communication service component. In applying IFRS 15, the Group has identified such bundled items as separate performance obligations. Total revenue is allocated to both elements based on their standalone selling price, leading to more revenue being allocated to the handset up-front, even though total revenue would not change in most cases over the life of the contract. Other IFRS 15 impacts include (i) the capitalization of commissions which are broader than the current capitalization model, along with depreciation patterns which require estimates relating to contract duration in some instances and (ii) the impact of early termination and early renewals as well as contract modifications. Further, B2B transactions are affected by variable considerations such as bonuses and, in some instances, the identification of options for additional handsets at discounted prices.

*Fixed Activities:* In most cases, fixed services and equipment are not considered as distinct performance obligations. Additional services are examined separately. Connection fees, related costs and the capitalization of commissions are also affected, including the determination of the depreciation period for capitalized assets based on the length of contractual periods and any additional periods related to anticipated contracts that the Group can specifically identify.

*Wholesale Activities:* No major impact has been identified except for the effect of any constraints on variable consideration.

*Other Activities:* No major impact has been identified so far on the Group’s other revenue streams, such as content and media.

***Purchasing and subcontracting costs***

Purchasing and subcontracting costs 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. Purchasing and subcontracting costs consist of the following subcategories:

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

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

*Wholesale:* Purchasing and subcontracting costs associated with wholesale primarily consist of costs associated with delivering wholesale services to other operators.

*Others:* Other purchasing and subcontracting costs consist of the (i) cost of renting space for datacenters (subject to certain exceptions), (ii) utility costs related to the operation of datacenters (such as power and water supply costs), (iii) in relation to the content activity of the Group, technical costs associated with the delivery of content, such as satellite rental costs, (iv) since the acquisition of ATS and ATS France, in our technical services business, the cost of raw materials used in the technical activities related to the construction and maintenance of the network, cables for customer connections, etc., and sub-contractor fees associated with the performance of basic field work and the supervision of such sub-contractors, and (v) since the acquisition of ACS, direct costs related to our call center operations, such as service expenses, telecom consumption subscriptions and energy costs, in our customer services functions.

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

### ***Other operating expenses***

Other operating expenses mainly consist of the following subcategories:

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

*Technical and maintenance:* Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and datacenter equipment, maintenance and upkeep of the fixed-based and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not capitalized (such as service visits, disconnection and reconnection costs).

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

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

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

### ***Staff costs and employee benefits***

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

### ***Depreciation, 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.

### ***Other expenses and income***

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

### ***Interest relative to gross financial debt***

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

### ***Other financial expenses***

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

### ***Financial income***

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

### ***Net result on disposal of businesses***

Net result on disposal of businesses includes the gain/loss recognized on the disposal of our subsidiaries. This line item is presented separately in the consolidated statement of income for the year ended December 31, 2016. For the years ended December 31, 2017 and 2018, the net result on disposal of businesses is booked under other expenses and income.

### ***Share of earnings of associates***

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

### ***Income tax expenses***

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

### ***Adjusted EBITDA***

Adjusted EBITDA is defined as operating profit before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and share-based expenses. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is useful to readers of the Historical Consolidated Financial Information as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in our financial performance. Adjusted EBITDA should not be considered as a substitute measure for net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS and may not be comparable to similarly titled measures used by other companies.

## Discussion and Analysis of Our Results of Operations

### *For the year ended December 31, 2018 compared to the year ended December 31, 2017*

The below table sets forth our consolidated statement of income for the years ended December 31, 2018 and 2017.

	For the year December 31,		Change
	2018	2017 (restated) <sup>(1)</sup> (in € millions)	
<b>Revenues</b> .....	<b>14,279</b>	<b>15,151</b>	<b>(5.8)%</b>
Purchasing and subcontracting costs .....	(4,368)	(4,738)	(7.8)%
Other operating expenses .....	(3,114)	(3,064)	1.6%
Staff costs and employee benefits.....	(1,479)	(1,547)	(4.4)%
Depreciation, amortization and impairment .....	(3,846)	(4,349)	(11.6)%
Other expenses and income .....	496	(1,225)	(140.5)%
<b>Operating profit</b> .....	<b>1,969</b>	<b>228</b>	<b>763.6%</b>
Interest relative to gross financial debt.....	(1,677)	(2,210)	(24.1)%
Other financial expenses.....	(370)	(232)	59.5%
Finance income .....	128	257	(50.2)%
Net result on extinguishment of a financial liability.....	(149)	(135)	10.4%
<b>Finance costs, net</b> .....	<b>(2,069)</b>	<b>(2,320)</b>	<b>(10.8)%</b>
Share of earnings of associates .....	(8)	(17)	(52.9)%
<b>Loss before income tax from continuing operations</b> .....	<b>(107)</b>	<b>(2,108)</b>	<b>(94.9)%</b>
Income tax benefit .....	(68)	425	(116)%
<b>Loss for the year from continuing operations</b> .....	<b>(175)</b>	<b>(1,683)</b>	<b>(89.6)%</b>
<i>Attributable to equity holders of the parent</i> .....	<i>(136)</i>	<i>(1,575)</i>	<i>(91.4)%</i>
<i>Attributable to non-controlling interests</i> .....	<i>(39)</i>	<i>(108)</i>	<i>(63.0)%</i>

- (1) The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of income for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 for more information. For the year ended December 31, 2017, the impact of IFRS 15 on the Group's revenues was €(118) million.

### ***Significant Events Affecting Historical Results***

Our results of operations as of and for the year ended December 31, 2018 and the year ended December 31, 2017 were significantly impacted by the following events:

#### *For the year ended December 31, 2017*

#### *Decision of the French Competition Authority against the Altice Europe Group and the Group*

By Decision No. 14 DCC 150, dated October 30, 2014, the French Competition Authority authorized the acquisition by Altice France of SFR and certain of its subsidiaries (the "**SFR Acquisition**"). This authorization was subject to a certain number of commitments, including those subject to the procedure initiated by the French Competition Authority relating to the performance of a joint investment agreement entered into by SFR and Bouygues Telecom on November 9, 2010 (the "**Faber Agreement**"). Under the terms of the Faber Agreement, SFR and Bouygues Telecom committed to jointly invest in the rollout of a horizontal fiber optic network in a defined number of towns and districts located in high density areas. Although the Numericable Group (now a part of the Altice France Group) already had very-high-speed capabilities through its FTTB cable network, the French Competition Authority considered that the takeover of SFR by the Numericable Group may cast doubt over SFR's incentive to honor its commitments to its joint investors, and in particular to Bouygues Telecom under the Faber Agreement. To address this potential risk, the French Competition Authority requested that commitments be made to guarantee that the new group would supply the buildings requested by Bouygues Telecom under the Faber Agreement. These commitments covered three main points:

1. The obligation to provide distribution services for all termination points delivered as of October 30, 2014 within two years;

2. The drafting of a rider to the Faber Agreement allowing Bouygues Telecom to provide a list of buildings of its choice for distribution services to be provided to termination points delivered after October 30, 2014 within three months (excluding performance constraints); and
3. The provision of maintenance for the FTTH infrastructure in a transparent and non-discriminatory manner using certain quality indicators.

By Decision No. 15 SO 14, dated October 5, 2015, the French Competition Authority opened an inquiry to determine whether the Altice Europe Group and the Group were complying with these commitments. By Decision No. 17 D04, dated March 8, 2017, the French Competition Authority imposed a €40 million fine against the Altice Europe Group and the Group and imposed periodic penalty payments for not having respected the commitments set out in the Faber Agreement. This amount was paid over the second quarter of 2017.

*Decision of the Administrative Court regarding the penalty to pay for €97 million by Sequalum to the department of Hauts-de-Seine*

Pursuant to two decisions rendered on March 16, 2017, the Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum, a subsidiary of the Altice France Group, regarding two enforcement measures issued by the department of Hauts-de-Seine in respect of penalties in the amounts of €52 million and €45 million. Sequalum appealed these decisions before the Administrative Court of Versailles. Following the dismissal of appeals by the Administrative Court of Versailles, the penalties were paid to the French Public Treasury in July 2017.

*Altice France Group Restructuring*

On August 4, 2016, the Altice France Group and certain representative unions of its telecom division signed an agreement to allow the Altice France Group to adapt more quickly to the demands of the telecom market by building a more competitive and efficient organization (the “**Altice France Group Restructuring**”). This agreement reaffirmed the commitments made at the time of the SFR Acquisition to maintain jobs until July 1, 2017 and defined the internal assistance guarantees and the conditions for voluntary departures implemented in the second half of 2016. The agreement set out three steps:

1. the reorganization of retail stores, presented to the staff representatives on September 2016, resulting in a voluntary departure plan in the fourth quarter of 2016 and accompanied by a change in channel distribution and the closing of stores;
2. the preparation of a new voluntary departure plan, launched in July 2017, preceded by a possibility for employees who wanted to benefit from this plan to request suspension of their employment contract in the fourth quarter of 2016 in order to pursue their professional plans outside of the Group; and
3. a period between July 2017 and June 2019 during which employees could also benefit from a voluntary departure plan under certain conditions.

The Group made a commitment that its telecoms division would have no fewer than 10,000 employees during this period. The first phase of the agreement, namely the reorganization of retail stores, ended in March 2017 with the validation of approximately 800 employee departures. Furthermore, the GPEC Group Agreement was signed on February 1, 2017 by a majority of the representative unions of the Altice France Group’s telecoms division which detailed the external mobility scheme offered to the employees for the period prior to December 31, 2017. As of June 30, 2017, 1,360 employees had benefited from the GPEC Group Agreement’s “Mobilité Volontaire Sécurisée” plan, and benefited in priority from the voluntary departure plan.

In addition, the “Livre 2”, a legally binding document that described the target organization of the Altice France Group’s telecoms division, was delivered to representative unions on April 3, 2017, and validation commissions began in July 2017 (the “**Livre 2 Departure Plan**”). A restructuring provision was recognized for this voluntary departure plan and amounted to €742 million as of December 31, 2017, partially offset by the reversal of employee benefit plan provisions amounting to €49 million.

### *Acquisition of 25% stake in SPORT TV*

On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12 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.

### *SFR, NewsCo Group and L'Etudiant partnership*

In connection with SFR's and Marc Laufer's negotiations for a new partnership between SFR, NewsCo Group and L'Etudiant, in accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*) ("**IFRS 5**"), the associated assets and liabilities were placed on specific line items in the statement of financial position for the amounts of €59 million and €46 million, respectively, as of December 31, 2016. On April 28, 2017, the Altice France Group completed the sale of NewCo Group's B2B press activities and L'Etudiant to the holding company Coalition Media Group, in which the Altice France Group subsequently acquired a 25% stake. As part of the transaction, the vendor loan incurred during the acquisition of SFR Presse for €100 million was fully repaid and the Group recorded a €29 million capital gain.

### *Altice rebranding*

On May 22, 2017, Altice Europe approved its new branding strategy which was expected transform the Group from a holding company with a collection of different assets and brands around the world to a unified group with one single brand, "Altice". The Altice name, brand and new logo was expected to replace the current brands within Altice Europe's subsidiaries. It was expected that the Group's brands would have completed the transition process by the end of the second quarter of 2018. B2B brands were expected to become "Altice Business". Some telecom brands (Red, Next TV), media brands (i24News, BFMTV, RMC Sport Access) and press brands (Libération, L'Express) were expected to be maintained.

Due to the Group's brands' residual useful life, the Group applied accelerated amortization to such brands that were to be retired as a result of the rebranding process, resulting in additional amortization expense of €473 million for the year ended December 31, 2017. However, in December 2017, Altice Europe postponed the adoption of the global brand, increasing the useful life of the local trade name intangible asset to 5 years. As a result, this will reduce future annual amortization expense related to the local brand trade names.

### *Coditel Disposal*

On June 19, 2017, the Group completed the sale of Coditel Belgium and Coditel Luxembourg, its telecommunications businesses in Belgium and Luxembourg, to Telenet Group BVBA (the "**Coditel Disposal**"). After giving effect to post-closing price adjustments, the Group received €281 million in connection with the sale and recognized a loss after transactions costs of €24 million. In aggregate, Coditel Belgium and Coditel Luxembourg contributed €72 million and €33 million to the Group's revenue and €49 million and €20 million on a standalone basis to Adjusted EBITDA in the year ended December 31, 2016 and 2017, respectively.

### *Teads Acquisition*

On June 22, 2017, the Group completed the acquisition of Teads (the "**Teads Acquisition**"). On July 3, 2018, following a share capital increase, the Group's interest in Altice Teads S.A. decreased from 98.5% to 96.2%, with the remaining 3.8% held by managers of Teads. Teads is a major online video advertising marketplace with an audience of more than 1,460 million people every month. The acquisition valued Teads at an enterprise value of up to €285 million on a cash-free and debt-free basis. The acquisition purchase price was €302 million, subject to Teads achieving certain targets in 2017, and was due 75% at closing, with the remaining 25% earnout subject to Teads obtaining defined revenue performance in 2017, which targets have been met. The first earn-out payment of €49 million was made to the sellers in the second quarter of 2018 and an additional earn-out payment of €42 million was made on July 3, 2018. Following the earn-out payments, the former owners of Teads reinvested €5 million into the share capital of Teads.



### *March 2017 Refinancings*

On April 18, 2017, the Altice France Group raised new term loans to refinance a portion of its existing term loans. The Altice France Group refinanced two existing tranches, term loan B7 (denominated in US Dollars) and term loan B9 (denominated in euro) by issuing two new tranches, term loan B11 (denominated in US Dollars) and term loan B11 (SG) (denominated in euro). At the time of the refinancing, the amount outstanding under term loan B7 was \$1,414 million and the amount outstanding under term loan B9 was €296 million. The amounts outstanding under the new term loans amounted to \$1,420 million and €300 million. Ypso France S.A.S., as borrower under certain of the existing term loans, refinanced existing term loan B7 (denominated in euro) with a new term loan B11 (YF) (denominated in euro). At the time of the refinancing, the amount outstanding under existing term loan B7 (denominated in euro) was €843 million. The amount outstanding under the new term loan B11 amounted to €845 million.

Following these refinancings, the average debt maturity of the Altice France Group was extended from 7.3 to 7.6 years and the weighted average cost of debt of the Altice France Group decreased from 5.2% to 4.9%. The refinancings were treated as a non-substantial modification of the existing debt and therefore the issuance costs capitalized in previous periods were rolled over onto the new debt as per IAS 39 (*Financial Instruments: Recognition and Measurement*). In addition, since there was no significant change in the outstanding amounts due under the existing debt denominated in US Dollars before and after the refinancing, no changes were made to the Altice France Group's hedging instruments.

On October 9, 2017, the Group successfully priced €3 billion (equivalent) of new 8.25-year term loans. Proceeds were used to refinance the Group's €697 million and \$2 billion term loans due 2025, and to repay €600 million of commercial paper. In connection with these refinancing activities, the average maturity of the Altice France Group's capital structure was extended from 6.8 to 7.2 years and the weighted average cost of debt decreased to 4.7%. This refinancing was treated as an extinguishment of financial instruments and issuance costs capitalized in prior periods were expensed in the Group's consolidated statement of income. See Note 16 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017.

### *Altice France Group Restructuring*

On August 4, 2016, the Altice France Group and certain representative unions of its telecom division signed an agreement to allow the Altice France Group to adapt more quickly to the demands of the telecom market by building a more competitive and efficient organization (the "**Altice France Group Restructuring**"). This agreement reaffirmed the commitments made at the time of the SFR Acquisition to maintain jobs until July 1, 2017 and defined the internal assistance guarantees and the conditions for voluntary departures implemented in the second half of 2016. The agreement set out three steps:

1. the reorganization of retail stores, presented to the staff representatives on September 2016, resulting in a voluntary departure plan in the fourth quarter of 2016 and accompanied by a change in channel distribution and the closing of stores;
2. the preparation of a new voluntary departure plan, launched in July 2017, preceded by a possibility for employees who wanted to benefit from this plan to request suspension of their employment contract in the fourth quarter of 2016 in order to pursue their professional plans outside of the Group; and
3. a period between July 2017 and June 2019 during which employees could also benefit from a voluntary departure plan under certain conditions.

The Group made a commitment that its telecoms division would have no fewer than 10,000 employees during this period. The first phase of the agreement, namely the reorganization of retail stores, ended in March 2017 with the validation of approximately 800 employee departures. Furthermore, the GPEC Group Agreement was signed on February 1, 2017 by a majority of the representative unions of the Altice France Group's telecoms division which detailed the external mobility scheme offered to the employees for the period prior to December 31, 2017. As of June 30, 2017, 1,360 employees had benefited from the GPEC Group Agreement's "Mobilité Volontaire Sécurisée" plan, and benefited in priority from the voluntary departure plan.

In addition, the "Livres 2", a legally binding document that described the target organization of the Altice France Group's telecoms division, was delivered to representative unions on April 3, 2017, and validation commissions began in July 2017 (the "**Livre 2 Departure Plan**"). The Livre 2 Departure Plan ended in November 2017 (except

with respect to SRR) with the validation of approximately 3,200 employee departures. Following this validation, a reversal of provision, amounting to €693 million was recognized as of December 31, 2017 and replaced by payables for an amount of €675 million. Of this €675 million, €262 million was paid in 2017, with €413 million (of which approximately €328 million has been paid as of December 31, 2018, with the remainder expected to be paid during 2019) remaining as payables as of December 31, 2018. Additionally, following the disposal of SFR Service Client in December 2017, the remaining provision of €9 million attributable to SFR Service Client was derecognized. See Note 14 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017. The residual amount of €32 million was recognized in provisions as of December 31, 2017.

In connection with the Altice France Group Restructuring, as of December 31, 2017, a residual amount of €8 million was recognized for restructuring of retail stores in provisions. The amount paid as of December 31, 2017 was €87 million and the amount recorded in payables was €21 million at the end of December 31, 2017.

#### *Completion of the acquisition of 'Numéro 23 Channel'*

On July 26, 2017, the French Broadcasting Regulator (*Conseil Supérieur de l'Audiovisuel*, or the "CSA") approved the acquisition of an additional 12% stake in Pho Holding (owner of the Numéro 23 channel) by NextRadioTV. Following this acquisition, NextRadioTV held a 51% stake in Pho Holding, thus leading to a change in the consolidation method of Pho Holding for the year ended December 31, 2017 from an equity method to a full consolidation.

#### *Repricing of certain derivative instruments*

In July 2017, the Altice France Group monetized a part of the latent gains in certain derivative financial instruments through their repricing and maturity extension. An aggregate amount of \$2,151 million, initially exchanged at a rate of €1.3827 per \$1, was repriced to an average rate of €1.223 per \$1, with an extension of maturity from 2022 to 2025. As a result of the repricing, the Group recognized a financial gain of €203 million against a cash payment for the same amount. The repriced swaps (with the exception of one) were requalified for hedge accounting following the transaction.

#### *SFR Squeeze Out*

On August 9, 2017, the Issuer entered into several agreements to acquire SFR Group shares by way of exchange for Common Shares A, thereby crossing the 95% threshold of SFR Group's capital and voting rights. As a result, the Group filed with the French financial market authority, on September 4, 2017, a buyout offer followed by a squeeze-out for the remaining SFR Group shares for a price of €34.50 per share.

On October 9, 2017, the Issuer announced that the squeeze-out of the SFR Group shares not held by the Group at the outcome of the buyout offer occurred. The squeeze-out was implemented at the price of the buyout offer, namely a cash payment of €34.50 per SFR Group share, net of all costs. The SFR Group shares were delisted from Euronext Paris.

#### *Tax dispute related to VTI*

In December 2014, the tax authorities contested the merger of Vivendi Telecom International ("VTI") and SFR in December 2011 and intended to challenge SFR's inclusion in the Vivendi tax consolidation group for the fiscal year ended 2011. The proposed assessment was cancelled in November 2017 resulting a reversal of the related provision for an amount of €117 million.

#### *Green Disposal*

On December 1, 2017, the Group signed a definitive agreement to sell its telecommunications solutions business and datacenter operations in Switzerland, Green and Green Datacenter, to InfraVia Capital Partners (the "**Green Disposal**"). As a result, the assets and liabilities relating to Green and Green Datacenter were placed on specific line items in the statement of financial position for the amounts of €145 million and €(79) million, respectively, as of December 31, 2017.

### *International wholesale business disposal*

In December 2017, the Group decided to sell its international wholesale business, consisting of its transits and international outgoing traffic operations in Portugal and Dominican Republic. As a result, the assets and liabilities relating to the Group's international wholesale voice carrier business in Portugal and the Dominican Republic were placed on specific line items in the statement of financial position for the amounts of €36 million and €(25) million, respectively, as of December 31, 2017.

*For the year ended December 31, 2018*

### *Altice Group Reorganization*

On January 8, 2018, Altice Europe announced the separation of Altice USA from Altice Europe. The separation was effected by a spin-off of Altice Europe's 67.2% interest in Altice USA through a distribution in kind to Altice Europe shareholders (the "**Spin-Off**"). Altice Europe announced completion of the Spin-Off on June 8, 2018. Following the Spin-Off, Altice N.V. changed its name to Altice Europe N.V.

In connection with the Spin-Off, Altice Europe also announced that existing content wholesale contracts between the Group and AENS, a subsidiary of Altice TV, would be cancelled and replaced by a new revenue sharing contract with a lower guaranteed minimum amount payable by Altice France ("**AENS Contract Renegotiation**"), pursuant to which AENS received a break-fee of €300 million. This amount has been recorded as a restructuring expense by Altice France for the year ended December 31, 2018. As a consequence of the AENS Contract Renegotiation, the total commitments of the Altice France Group have decreased by €1 billion. Such decrease in commitments is reflected in the audited consolidated financial statements of the Altice France Group as of and for the year ended December 31, 2018 (representing the reduction in the minimum guaranteed amount over the life of the new content contracts entered into with AENS).

On October 31, 2018, the Altice France Group completed the acquisition of a controlling interest in the FOT Business. The total consideration transferred amounted to €476 million. This operation was treated as an acquisition under common control and hence no goodwill was created as part of this transaction. The FOT Business generated €190 million in revenue and €77 million in Adjusted EBITDA for the year ended December 31, 2017, and €182 million in revenue and €79 million in Adjusted EBITDA for the year ended December 31, 2018. As of January 1, 2018, in anticipation of the consummation of the FOT Transfer, the results of operations of the FOT Business are presented in the France segment (the comparative results of operations of the FOT Business as of January 1, 2017 in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, are restated to reflect their inclusion in the France segment).

### *Exclusivity agreement for sale of the Group's international wholesale voice carrier business*

On March 12, 2018, the Group announced that it had entered into an exclusivity agreement with Tofane Global, a Paris-based telecommunications and digital player specializing in international carrier services, for the sale of its international wholesale voice carrier business in France, Portugal and the Dominican Republic. On July 18, 2018, Altice France, Altice Dominicana and MEO signed separate sale and purchase agreements with Tofane Global. The transaction closed on September 6, 2018. This transaction is part of the Group's non-core asset disposal program and is intended to strengthen the Group's long-term balance sheet position with a view to improving the operational and financial results of its key franchises. The total consideration received was €33 million. The capital gain recorded for the year ended December 31, 2018 was €10 million.

The Group's international wholesale voice carrier business generated revenue of €379 million and Adjusted EBITDA of €14 million for the year ended December 31, 2017 and revenue of €182 million and Adjusted EBITDA of €11 million for the year ended December 31, 2018.

### *Sale and purchase agreements signed for the purchase by Altice Technical Services France S.à r.l. of the minority interests in ERT Luxembourg S.A.*

On August 29, 2018, Altice Technical Services France S.à r.l. ("**ATS France**") signed sale and purchase agreements with each of the five minority shareholders of ERT Luxembourg S.A. ("ERT Lux") in order to acquire 253 shares of ERT Lux for a total price of €42 million. Four of the five sale and purchase agreements contemplated a transfer of the ERT Lux shares to ATS France upon signing. As a result, on the date thereof and as at December 31, 2018, ATS France owned 84.3 % of the share capital of ERT Lux. Upon completion of the sale

under the fifth sale and purchase agreement, which occurred on January 31, 2019, ATS France owns 100% of the share capital of ERT Lux. The payment of this acquisition will be made in several instalments from January 2019 until January 2023.

#### *Altice France acquired the minority interest in DTV Holding*

On September 1, 2018, NextRadioTV S.A., a subsidiary of Altice France, acquired 49% minority interest in DTV Holding (“**DTV**”), previously known as Pho Holding, for a total consideration of €33 million. Following this acquisition and the take-over of DTV in the third quarter of 2017, the ownership of NextRadioTV in DTV and its subsidiary Diversité TV France increased to 100%.

#### *Disposal of Altice Management International*

On January 31, 2018, we completed the sale of 100% of the share capital of Altice Management International S.A. (“**AMI**”), a company based in Switzerland, which provides management services to group entities, to Altice Group Lux. AMI generated revenue of €98 million and negative Adjusted EBITDA of €36 million for the year ended December 31, 2017. The capital gain recorded in equity during the period amounted to €4 million net of tax.

#### *Redemption of Altice France 2022 Notes*

On July 31, 2018, Altice France issued \$1,750 million aggregate principal amount of its 8<sup>1</sup>/<sub>8</sub>% Senior Secured Notes due 2027 denominated in U.S. dollars, and (ii) €1,000 million aggregate principal amount of its 5<sup>7</sup>/<sub>8</sub>% Senior Secured Notes due 2027 denominated in euro (together, the “**Altice France 2027 Notes**”). Altice France also issued a USD term loan for a nominal amount of \$2,500 million with an interest rate of three month Libor +4.00% due in 2026.

The proceeds from these issuances were used to fully redeem Altice France’s \$4,000 million 6% Senior Secured Notes due 2022 and €1,000 million 5.735% Senior Secured Notes due 2022 (together, the “**Altice France 2022 Notes**”). The transactions were approved by the board of Altice France on July 6, 2018 and were closed in August 2018. Additionally, cross currency interest rate swaps issued by the Altice France Group to hedge the dollar denominated debts were also restructured in order to reflect the new conditions of the new debt instruments.

As part of these transactions, the Group recorded a non-recurring expense of €149 million related to the restructuring of the debt and a net non-recurring expense of €8 million related to the restructuring of the cross currency swaps.

#### *Green Disposal*

On February 12, 2018, we completed the sale of Green and Green Datacenter to InfraVia Capital Partners. The capital gain recorded during the year ended December 31, 2018 amounted to €88.8 million, net of tax. The total proceeds received related to the sale amounted to €156 million. Green and Green Datacenter generated revenue of €51 million and Adjusted EBITDA of €22 million for the year ended December 31, 2017.

#### *Teads Acquisition Earn-Out*

In connection with the Teads Acquisition, an earn-out payment of €49 million was made to the sellers in the second quarter of 2018. An additional earn-out payment of €42 million was also made on July 3, 2018. A subsequent earn-out payment of €13 million was made to reinvesting sellers to Teads.

#### *Exclusive control over NextRadioTV S.A.*

On April 5, 2018, Altice France acquired the minority stake held by Groupe News Participations S.A.S. (“**GNP**”) in Altice Content Luxembourg S.A. (“**ACL**”) for the amount of €100 million by exercising the call option it held on GNP’s 25% stake in ACL, following which ACL has become a wholly-owned subsidiary of Altice France. ACL is an indirect parent of NextRadioTV S.A. (“**NextRadioTV**”). On May 31, 2018, Altice France consummated the acquisition of the remaining 51% stake in NextRadioTV (by means of a conversion of convertible bonds). Following the transactions described above, our ownership in NextRadioTV and its subsidiaries increased to 99.7%.

### *Disposal of i24News to Altice USA*

On April 23, 2018, we completed the sale of i24News, an Israeli international 24-hour news and current affairs television channel, to Altice USA for a total consideration of \$3 million (€2 million). The total capital loss recorded in equity during the period amounted to €28 million net of tax.

### *Exercise of the ATS call option*

In April 2018, we exercised the call option for the acquisition of the remaining 49% in Altice Technical Services (“ATS”) for a fixed price of €147 million, bearing interest at an annual rate of EURIBOR 1 month plus 3.5%. This amount of €156 million was paid in November 2018. As a result of the exercise of the call option, our ownership in ATS increased to 100%.

### *Closing of the sale of Altice TV to Altice Group Lux*

In the fourth quarter of 2017, the Board of Directors of Altice Europe approved the transfer of shares of Altice TV to Altice Group Lux (the “**Altice TV Disposal**”). The Altice TV Disposal was consummated on May 15, 2018, for consideration of €1. A capital loss was recorded in shareholders’ equity for an amount of €164 million net of tax as of December 31, 2018.

In accordance with IFRS 5, non-current assets 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 recorded an impairment loss through equity of €51 million as of December 31, 2017.

### *Closing of the previously announced acquisitions of Altice Customer Services (“ACS”) and Altice Technical Services France (“ATS France”)*

On May 16, 2018, the Altice France Group closed the acquisitions of ACS and ATS France.

Altice France acquired a 65.0% interest in the capital of ACS from Altice International for a total consideration of €30 million. The fair value of put and call options on the 35.0% minority interest, not held by Altice before the transaction, have been booked in equity for a negative amount of €24 million. Altice Customer Services comprises mainly of companies of the Intelcia group, a French language-focused player in the customer relations management outsourcing industry.

Altice France also acquired a 100% interest in ATS France from Altice International for a total consideration of €175 million. ATS France is an all-round technical services company offering among others network deployment, upgrade and maintenance for the telecommunications industry. The capital gain recorded in equity amounted to €25 million, net of tax, for the year ended December 31, 2018.

ACS and ATS France are reported within the France segment as of and for the year ended December 31, 2018. Comparative figures for the year ended December 31, 2017 included in the audited consolidated financial statements as of and for the year ended December 31, 2018, were restated from figures presented in previously published audited consolidated financial statements as of and for the year ended December 31, 2017, to reflect the consolidation of and ATS France within the France segment. The audited consolidated financial statements of the Issuer as of and for the years ended December 31, 2017 and 2016 include ACS and ATS France within the Others segment.

### *PT Portugal acquisition of the shares of SIRESP*

On October 31, 2018, PT—Móveis—Serviços de Telecomunicações, SGPS, S.A., a subsidiary of PT Portugal, purchased the shares of SIRESP and thus became majority stakeholder with 52.1% ownership. The number of shares purchased was 4,775 shares (equal to 9.55% share capital of SIRESP) from Datacomp S.A. for the price of €1 million and 6,000 shares (equal to 12% share capital of SIRESP) from Esegur S.A. for the price of €1 million.

### *Altice West Europe purchased shares and preferred equity certificates of Deficom Invest S.à r.l.*

On November 2, 2018, a sale and purchase agreement was signed by Altice West Europe and Deficom Invest S.à r.l. to acquire 44,793 shares held by Deficom Invest in Deficom Telecom and 20,756,575 preferred equity

certificates (“PEC”). The total transaction value was €23 million. As a result of the purchase, Altice West Europe’s ownership in Deficom Telecom increased to 100%. On December 27, 2018, Deficom Telecom was dissolved.

#### *Sale of a 49.99% Interest in SFR FTTH*

On November 30, 2018, the Altice France Group entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients, OMERS Infrastructure regarding the sale of an equity interest of 49.99% in SFR FTTH, an alternative FTTH infrastructure wholesale operator. The transaction closed on March 27, 2019, upon which €522 million total assets and 1.1 million total homes passed were transferred to SFR FTTH. The final proceeds amounted to €1.7 billion, based on an equity value at closing of €3.4 billion. See “—*Post-Balance Sheet Date Events*”. SFR FTTH is accounted for as an associate and hence will not be fully consolidated in the Altice France Group’s financial statements. In connection with this transaction, Altice France has entered into a commitment to purchase equity of SFR FTTH for cash in an aggregate amount not to exceed €68 million to the extent such cash amount is required by SFR FTTH to make certain utilizations under the 2019 SFR FTTH Senior Facilities Agreement.

In accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), assets intended for sale and liabilities related to assets held for sale were placed on specific line items in the statement of financial position for the amounts of €522 million as of December 31, 2018.

#### *Tower assets transactions*

##### *French Towers Transaction*

On August 7, 2018, Altice France and Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR, entered into an agreement in connection with the acquisition, by funds affiliated with KKR through Starlight BidCo S.A.S., of a 49.99% interest in the newly incorporated tower company, Hivory (the “**Towers Transaction**”). The transaction closed on December 18, 2018. The transaction valued Hivory at an enterprise value of €3,600 million. Hivory is a high-quality telecommunications infrastructure provider with a nationwide presence. It is the largest independent telecommunications tower company in France and the third largest European tower company, benefiting from more than 10,000 strategically located sites with a diversified portfolio of ground-based towers and rooftops. Through Hivory, the Group and its joint venture partner KKR seek to proactively partner with third party mobile operators to develop their coverage and densification objectives, including through the build-to-suit of 1,200 new sites within the next four years. Certain of Hivory’s capital expenditures will be financed by borrowings under the 2019 Hivory Senior Facilities Agreement. See “*Description of Other Indebtedness—Indebtedness of the Altice France Group—2019 Hivory Senior Facilities Agreement*” for more information. Hivory is accounted for as a subsidiary and therefore fully consolidated in the Altice France financial statements.

##### *Portuguese Towers Transaction*

On June 18, 2018, PT Portugal entered into an agreement with a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners (the “**Portuguese Tower Purchasers**”) for the sale of 75% of the shares in a newly incorporated tower company (“**PT TowerCo**”) that will comprise 2,961 sites currently operated by the Altice International Group (the “**Portuguese Towers Transactions**”) and together with the French Towers Transactions, the “**Towers Transactions**”). The transaction valued PT TowerCo at an enterprise value of €660 million. In addition, a build-to-suit agreement for an additional 400 new sites within the next four years has been entered into between the Altice International Group and PT TowerCo. The agreement includes an additional deferred payment based on an earn-out structure upon exit by the Portuguese Tower Purchasers.

In connection with the Portuguese Towers Transaction, the Altice International Group and the Portuguese Tower Purchasers entered into a shareholders agreement relating to the management of PT TowerCo and certain other matters, which, *inter alia*, provides the Altice International Group with consent rights intended to protect its financial interest over specified matters relating to the operation and financing of PT TowerCo. In addition, PT TowerCo and the Altice International Group entered into a 20-year master agreement for the hosting, site development and ancillary services to be provided by PT TowerCo to the Altice International Group as tenant.

The transaction closed on September 4, 2018. The capital gain for the year ended December 31, 2018, amounted to €602 million, which consisted of (i) capital gain of €612 million that corresponds to the difference between the purchase price of €648 million (including a cash consideration for the disposal of the 75% stake in the amount of

€540 million and the acquisition of 25% stake in OMTEL by PT Portugal measured at a fair value of €108 million) and the carrying value of the net assets transferred, amounting to €37 million, including mainly the towers, prepaid rents and asset retirement obligations and (ii) €10 million of deferred capital gain.

#### *Dominican Republic Towers Transaction*

On October 3, 2018, Altice Europe announced the closing of the transaction to sell 100% in the tower company Teletorres del Caribe, which comprises 1,039 sites formerly operated by its subsidiary Altice Dominicana, to Phoenix Tower International, a portfolio company of Blackstone. The capital gain recorded amounted to €88 million. The consideration received was \$168 million (€149 million).

#### **Revenue**

For the year ended December 31, 2018, we generated total revenues of €14,279 million, a 5.8% decrease compared to €15,151 million for the year ended December 31, 2017. This decrease in revenues was recorded in all lines of activities, in general as a result of increased competition and the associated impact on the subscriber base, in addition to an unfavorable development of the foreign currency rates for the Dominican Peso and the Israeli Shekel, which, based on the average annual exchange rate, decreased by 8.2% and 4.3% respectively. These unfavourable effects on revenue are partly offset by the additional revenue recorded by Teads, which was acquired on June 22, 2017.

The tables below set forth the Group's revenue by lines of activity in the various reporting segments in which the Group operates for the years ended December 31, 2018 and 2017, respectively:

	For the year ended December 31, 2018							Total
	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	
	(in € millions)							
Fixed—B2C .....	2,545	618	581	101	—	—	—	3,845
Mobile—B2C .....	4,146	562	243	354	—	—	—	5,306
B2B .....	1,772	586	117	83	—	—	—	2,557
Wholesale .....	1,189	207	—	53	—	—	—	1,448
Other revenue .....	706	137	0	0	342	29	1	1,215
<b>Total standalone revenues ....</b>	<b>10,359</b>	<b>2,110</b>	<b>941</b>	<b>590</b>	<b>342</b>	<b>29</b>	<b>1</b>	<b>14,371</b>
Intersegment eliminations .....	(23)	(44)	(1)	(1)	(3)	(20)	(1)	(92)
<b>Total consolidated revenues..</b>	<b>10,335</b>	<b>2,066</b>	<b>941</b>	<b>589</b>	<b>339</b>	<b>9</b>	<b>(0)</b>	<b>14,279</b>

	For the year ended December 31, 2017 (restated) <sup>(1)</sup>							Total
	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	
	(in € millions)							
Fixed—B2C .....	2,805	658	656	109	—	—	40	4,269
Mobile—B2C .....	4,359	568	242	417	—	—	1	5,586
B2B .....	1,852	591	136	94	—	—	10	2,684
Wholesale .....	1,289	275	—	73	—	—	—	1,637
Other revenue .....	801	152	1	2	164	417	134	1,671
<b>Total standalone revenues ....</b>	<b>11,105</b>	<b>2,245</b>	<b>1,036</b>	<b>694</b>	<b>164</b>	<b>417</b>	<b>185</b>	<b>15,846</b>
Intersegment eliminations .....	(140)	(61)	(01)	(9)	—	(402)	(81)	(695)
<b>Total consolidated revenues..</b>	<b>10,965</b>	<b>2,184</b>	<b>1,034</b>	<b>685</b>	<b>164</b>	<b>15</b>	<b>104</b>	<b>15,151</b>

(1) The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of income for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 for more information. For the year ended December 31, 2017, the impact of IFRS 15 on the Group's revenues was €(118) million.

Revenues for the Group's fixed B2C services decreased from €4,269 million for the year ended December 31, 2017 to €3,845 million for the year ended December 31, 2018, a 9.9% decrease. This decrease was driven primarily by growing competition and associated impact on subscriber numbers and pricing pressure.

Revenues for the Group's mobile B2C business decreased to €5,306 million for the year ended December 31, 2018, a 5.0% decrease from €5,586 million for the year ended December 31, 2017, mainly due to a decrease in France resulting from continued pricing pressure on mobile offers for the B2C base and impacts of customer loss from previous quarters. In addition, mobile revenues decreased in the Dominican Republic resulting from price erosion and the unfavourable development of the foreign currency rates for the Dominican Peso.

Revenues for the Group's B2B business decreased to €2,557 million for the year ended December 31, 2018, a 4.7% decrease from €2,684 million for the year ended December 31, 2017, mainly due to decreases in France resulting from the price reductions implemented during the second quarter of 2017, increased competition in Israel and the Dominican Republic and the unfavorable development of the foreign currency rates for the Dominican Peso and the Israeli Shekel.

Revenues for the Group's wholesale services decreased to €1,448 million for the year ended December 31, 2018, a 11.5% decrease from €1,637 million for the year ended December 31, 2017, mainly due to decreases in France, Portugal and the Dominican Republic due to the sale of the international wholesale voice carrier business, which closed on September 6, 2018, and lower international voice traffic.

Revenues from the Group's other activities totalled €1,215 million for the year ended December 31, 2018, a 27.3% decrease from €1,671 million for the year ended December 31, 2017. The decrease in other revenues was mainly due to a reduction of intersegment recharging of services provided to Group companies. These decreases were partly offset by an increase of revenues related to Teads, which was acquired on June 22, 2017.

#### *Reporting segments*

*France:* For the year ended December 31, 2018, the Group generated external revenue in France of €10,335 million, a 5.7% decrease from €10,965 million for the year ended December 31, 2017. This decrease is mainly attributable to decreases in all service revenues.

Revenues from the Group's fixed B2C business decreased by 9.3% from €2,805 million for the year ended December 31, 2017 to €2,545 million for the year ended December 31, 2018. This decrease was driven by customer losses experienced in previous quarters and more intense market competition following SFR's successful churn reduction and more proactive retention activity. B2C fixed revenue was also impacted by the loss of favorable value added tax ("VAT") treatment on telecom/press bundles, which ended in March 2018.

Revenues from the Group's mobile B2C business decreased by 4.9% from €4,359 million for the year ended December 31, 2017 to €4,146 million for the year ended December 31, 2018. This decrease was driven primarily by continued pricing pressure on mobile offers for the B2C base and the impact of customer loss from previous quarters. B2C mobile revenue was also impacted by the loss of favorable VAT treatment on telecom/press bundles, which ended in March 2018.

Revenues from the Group's B2B business decreased by 4.3%, from €1,852 million for the year ended December 31, 2017 to €1,772 million for the year ended December 31, 2018. B2B revenues were impacted by price reductions for existing mobile customers in the first half of 2017.

Revenues from the Group's wholesale business decreased by 7.7%, from €1,289 million for the year ended December 31, 2017 to €1,189 million for the year ended December 31, 2018. Wholesale revenues decreased mainly due to a decrease in revenues from white label operators and a decline in the international wholesale voice business, which was disposed of during the third quarter of 2018.

Other revenues, which comprised mainly of the contribution of the media assets, decreased from €801 million for the year ended December 31, 2017 to €706 million for the year ended December 31, 2018, a decrease of 11.9%. This decrease was driven by the sale of certain press businesses in the second half of 2017, thus impacting 2018 revenues. The revenues from these disposed businesses were included for the year ended December 31, 2017. This reduction was partly offset by record audiences and advertising revenues from the BFM and RMC brand channels.

*Portugal:* For the year ended December 31, 2018, the Group generated total consolidated revenues in Portugal of €2,066 million, a 5.4% decrease compared to €2,184 million for the year ended December 31, 2017. This decrease was mainly due to a decline in the fixed revenues, reflecting the competitive pressure in the market and the resulting price erosion notwithstanding an improved performance in customer net additions in the period. In



addition, wholesale revenues decreased due to the sale of the international wholesale voice carrier business, which closed on September 6, 2018, and lower international voice traffic.

Revenues from the Group's fixed B2C business decreased by 6.1% from €658 million for the year ended December 31, 2017 to €618 million for the year ended December 31, 2018. This decrease is mainly due to competitive pressure, which more than offset the positive net adds reported during 2018, as compared to negative net adds during the same period of last year.

Revenues from the Group's mobile B2C business decreased by 1.1% from €568 million for the year ended December 31, 2017 to €562 million for the year ended December 31, 2018. This decrease was driven primarily by competitive pressure and lower prepaid revenues.

Revenues from the Group's B2B business decreased by 1.0%, from €591 million for the year ended December 31, 2017 to €586 million for the year ended December 31, 2018. B2B revenues were impacted by intense competition and the resulting continued repricing.

Revenues from the Group's wholesale business decreased by 24.9%, from €275 million for the year ended December 31, 2017 to €207 million for the year ended December 31, 2018. Wholesale revenues decreased mainly due to the sale of the international wholesale voice carrier business, which closed on September 6, 2018, and lower international voice traffic.

Other revenues, which comprised mainly of the Group's corporate entities, decreased from €152 million for the year ended December 31, 2017 to €137 million for the year ended December 31, 2018, a decrease of 9.6%. This decrease is primarily driven by a decline in non-group revenues of Altice Labs.

*Israel:* For the year ended December 31, 2018, the Group generated total consolidated revenues in Israel of €941 million, a 9.0% decrease from €1,034 million for the year ended December 31, 2017. On a constant currency basis, revenues decreased by 5.0%. This was mainly due to a decrease in fixed revenues, a result of strong competition in the TV and broadband market and the entry of new competitors with aggressive pricing, resulting in a decrease in the subscriber base. This decrease was partly offset by an increase in mobile revenues due to higher equipment sales while the market is still under price pressure following the entry of a new MVNO player from the second quarter of 2018.

*Dominican Republic:* For the year ended December 31, 2018, the Group generated total consolidated revenues of €589 million, a 14.0% decrease from €685 million for the year ended December 31, 2017. On a constant currency basis, revenues decreased by 6.3%, largely driven by a decrease in mobile B2C revenues as a result of voice services erosion, and a decrease in wholesale, mainly due to the sale of the international wholesale voice carrier business, which September 6, 2018, and lower international voice traffic.

*Teads:* For the year ended December 31, 2018, the Group generated revenue in Teads of €339 million, compared to €164 million for the year ended December 31, 2017. Due to the fact that Teads was acquired on June 22, 2017, six months of revenue were reported for the year ended December 31, 2017 versus 12 months of revenue for the year ended December 31, 2018.

*Altice TV:* For the year ended December 31, 2018, and prior to the Altice TV Disposal, the Group generated total consolidated revenues in Altice TV of €9 million, compared to €15 million for the year ended December 31, 2017.

*Others:* For the year ended December 31, 2018, the Group generated total revenue in Others (which comprises of the Group's corporate entities) of €0 million, compared to €104 million for the year ended December 31, 2017. This decrease was due to the disposal of Coditel and the telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, which were sold on June 19, 2017 and February 12, 2018 respectively. Revenues for these disposals were reported under the segment "Others". In addition, the restructuring of the Group announced at the end of 2017 resulted in a significant decrease in intercompany charges within the Group.

### ***Adjusted EBITDA***

For the year ended December 31, 2018, our Adjusted EBITDA was €5,320 million, a decrease of 8.8% compared to €5,833 million for the year ended December 31, 2017.

This decrease can be attributed to lower revenue, as explained above, and higher other operating expenses, partially offset by decreased purchasing and subcontracting costs and staff costs and employee benefits.

- Purchasing and subcontracting costs decreased by 7.8%, from €4,738 million in the year ended December 31, 2017 to €4,368 million in the year ended December 31, 2018, primarily due to a decrease in content costs for premium content supplied by other Altice Europe Group companies following the reorganization of the Altice Europe Group announced in January 2018 and the Altice TV Disposal, as described above.
- Other operating expenses increased by 1.6% to €3,114 million in the year ended December 31, 2018 from €3,064 million in the year ended December 31, 2017 primarily driven by the impact of the acquisition of Teads, which was acquired on June 22, 2017. Consequently, six months of operating expenses were reported for the year ended December 31, 2017 versus full year operating expenses for the year ended December 31, 2018.
- Staff costs and employee benefit expenses decreased by 4.4%, from €1,547 million in the year ended December 31, 2017 to €1,479 million in the year ended December 31, 2018 primarily driven by a decrease in employee numbers as part of the voluntary departure plans launched in 2017 in connection with the Altice France Group restructuring described above. The impact of the acquisition of Teads on June 22, 2017 on staff costs and employee benefits was offset by the impact of the disposal of Coditel and the telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, which were sold on June 19, 2017 and February 12, 2018 respectively.

For the year ended December 31, 2018									
	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter-segment elimination	Total
	(in € millions)								
Revenues.....	10,359	2,110	941	590	342	29	1	(92)	14,279
Purchasing and subcontracting costs	(3,373)	(545)	(257)	(166)	—	(99.0)	—	—	(4,368)
Other operating expenses.....	(2,176)	(418)	(215)	(103)	(197)	(3.2)	(9)	7	(3,114)
Staff costs and employee benefits.....	(1,024)	(277)	(64)	(27)	(85)	(2)	(2)	(0)	(1,479)
<b>Total.....</b>	<b>(3,787)</b>	<b>870</b>	<b>406</b>	<b>294</b>	<b>60</b>	<b>(75)</b>	<b>(10)</b>	<b>(12)</b>	<b>5,318</b>
Share-based expense.....	2	—	0	—	—	—	—	—	2
<b>Adjusted EBITDA .....</b>	<b>3,788</b>	<b>870</b>	<b>406</b>	<b>294</b>	<b>60</b>	<b>(75)</b>	<b>(10)</b>	<b>(12)</b>	<b>5,320</b>
Depreciation, amortization and impairment.....	(2,704)	(680)	(319)	(126)	(16)	—	(0)	—	(3,846)
Share-based expense.....	(2)	—	—	—	—	—	—	—	(2)
Other expenses and income .....	(497)	533	(7)	13	(1)	300	155	1	496
<b>Operating profit/(loss).....</b>	<b>595</b>	<b>722</b>	<b>79</b>	<b>181</b>	<b>43</b>	<b>225</b>	<b>145</b>	<b>(11)</b>	<b>1,969</b>

For the year ended December 31, 2017 (restated) <sup>(1)</sup>									
	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter-segment elimination	Total
	(in € millions)								
Revenues.....	11,105	2,245	1,036	694	164	417	185	(694)	15,151
Purchasing and subcontracting costs.....	(3,984)	(593)	(275)	(191)	0	(179)	(19)	503	(4,738)
Other operating expenses.....	(2,299)	(381)	(217)	(115)	(91)	(13)	(120)	172	(3,064)
Staff costs and employee benefits.....	(1,078)	(277)	(70)	(30)	(34)	(7)	(56)	6	(1,547)
<b>Total.....</b>	<b>3,743</b>	<b>993</b>	<b>474</b>	<b>358</b>	<b>40</b>	<b>219</b>	<b>(10)</b>	<b>(14)</b>	<b>5,802</b>
Share-based expense.....	2	—	—	—	—	—	29	—	31
<b>Adjusted EBITDA .....</b>	<b>3,745</b>	<b>993</b>	<b>474</b>	<b>358</b>	<b>39</b>	<b>219</b>	<b>19</b>	<b>(14)</b>	<b>5,833</b>
Depreciation, amortization and impairment.....	(2,917)	(807)	(328)	(137)	(8)	(138)	(12)	—	(4,349)
Share-based expense.....	(2)	—	—	—	—	—	(29)	—	(31)
Other expenses and income .....	(986)	(240)	(16)	(27)	(0)	4	37	3	(1,225)
<b>Operating profit/(loss).....</b>	<b>(160)</b>	<b>(55)</b>	<b>129</b>	<b>194</b>	<b>31</b>	<b>85</b>	<b>15</b>	<b>(11)</b>	<b>228</b>

- (1) The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of income for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. See Notes 1.3, 2.3 and 34 to the audited consolidated financial

statements of the Issuer as of and for the year ended December 31, 2018 for more information. For the year ended December 31, 2017, the impact of IFRS 15 on the Group's revenues and Adjusted EBITDA were €(118) million and €(91) million, respectively.

### *Reporting segments*

*France.* For the year ended December 31, 2018, the Group's Adjusted EBITDA in France was €3,788 million, an increase of 1.1% from €3,745 million for the year ended December 31, 2017. This increase was mainly due to a decrease in content costs, other operating costs and staff costs, offset partially by the decrease in revenues described above. The decrease in content costs is mainly driven by lower costs for premium content supplied by other Group companies following the restructuring and the creation of the new Altice TV unit in May 2018. Other operating expenses decreased due to a decrease in customer service and sales and marketing costs, which was offset by an increase in general and administrative costs. The decrease in staff costs is mainly driven by a decrease in employee numbers as part of the voluntary restructuring plan launched in 2017.

*Portugal:* For the year ended December 31, 2018, the Group's Adjusted EBITDA in Portugal was €870 million, a decrease of 12.4% from €993 million for the year ended December 31, 2017. This decrease is mainly attributable to the reduction in fixed and wholesale revenues, higher costs of goods sold related to mobile handsets, higher subscriber acquisition costs and an increase in infrastructure rental mainly due to the sale of the tower business and subsequent lease of towers. The negative impact of these drivers was only partially offset by lower international voice traffic costs, in line with the decline in associated wholesale revenues, and lower staff costs as a result of a lower headcount.

*Israel:* For the year ended December 31, 2018, the Group's Adjusted EBITDA in Israel was €406 million, a decrease of 14.3% compared to €474 million for the year ended December 31, 2017. Adjusted EBITDA on a constant currency basis decreased by 10.5% compared to 2017. This decrease is mainly due to a decrease in revenues which is partly offset by a decrease in purchasing and sub-contracting costs (mainly due to content savings), other operating expenses and staff costs (as a result of the departure plan which was implemented during the third quarter of 2017).

*Dominican Republic:* For the year ended December 31, 2018, the Group's Adjusted EBITDA in the Dominican Republic decreased by 17.9% from €358 million for the year ended December 31, 2017 to €294 million for the year ended December 31, 2018 (10.6% on a constant currency basis). This decrease is mainly attributable to a decline in revenues and an increase in infrastructure rental mainly due to the sale of the tower business and subsequent lease of towers, partly offset by decreases in expenses due to improved cost control during 2018.

*Teads:* For the year ended December 31, 2018, the Group's Adjusted EBITDA for Teads amounted to €60 million, compared to €39 million for the year ended December 31, 2017. Due to the fact that Teads was acquired on June 22, 2017, six months of Adjusted EBITDA was reported for the year ended December 31, 2017 versus 12 months of Adjusted EBITDA for the year ended December 31, 2018.

*Altice TV:* For the year ended December 31, 2018, and prior to the Altice TV disposal, the Group's Adjusted EBITDA for Altice TV decreased by 134% from €219 million for the year ended December 31, 2017 to a negative Adjusted EBITDA of €75 million. This decrease is mainly attributable to a reduction of intersegment recharging of services provided to Group companies with effect from May 15, 2018 and the impact of the additional expenses related to the rights for the Champions League.

*Others:* For the year ended December 31, 2018, the Group's Adjusted EBITDA in Others decreased by 154.6% from €19 million for the year ended December 31, 2017 to negative €10 million. This decrease was mainly attributable to the adjustment for share based expenses, which is recorded in AMI, which was disposed of on January 31, 2018. For the year ended December 31, 2017, AMI recorded share based expenses of €29 million, versus nil for the year ended December 31, 2018.

### ***Depreciation, amortization and impairment***

For the year ended December 31, 2018, depreciation, amortization and impairment charges totalled €3,846 million, an 11.6% decrease from €4,349 million for the year ended December 31, 2017. This decrease was primarily due to lower amortization of brand and licenses following the postponed adoption of the Group's global brand as announced in December 2017. Additionally, the lower amortization of intangible assets in 2018 compared to 2017 was attributed to the classification of Altice TV as held for sale as of December 31, 2017, resulting in the amortization of non-current assets in Altice TV to stop from January 1, 2018.

## Other expenses and income

For the year ended December 31, 2018, our other expenses and income totalled income €496 million, a 140.5% increase from other expenses of €1,225 million for the year ended December 31, 2017. A detailed breakdown of other expenses and income is provided below:

	<b>For the year ended</b>		
	<b>December 31,</b>		
	<b>2017</b>		
	<b>(restated)</b>		
	<b>(1)</b>		
	<b>2018</b>	<b>Change</b>	
	<b>(in € millions)</b>		
Share-based expense <sup>(2)</sup> .....	2	31	(94)%
<b>Items excluded from Adjusted EBITDA</b> .....	<b>2</b>	<b>61</b>	<b>(94)%</b>
Restructuring costs <sup>(3)</sup> .....	9	721	(99)%
Onerous contracts <sup>(4)</sup> .....	54	132	(59)%
Net (gain)/loss on disposals of assets <sup>(5)</sup> .....	(11)	119	(109)%
Disputes and litigation <sup>(6)</sup> .....	57	33	73%
Penalties <sup>(7)</sup> .....	—	125	100%
Net (gain)/loss on sale of consolidated entities <sup>(8)</sup> .....	(792)	(11)	7,095%
Deal fees <sup>(9)</sup> .....	38	11	232%
Management fee <sup>(10)</sup> .....	82	35	132%
Other expenses and income (net) <sup>(11)</sup> .....	67	60	10%
<b>Other expenses and income</b> .....	<b>(496)</b>	<b>1,225</b>	<b>(140.5)%</b>

- (1) The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of income for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. The financial information for the other periods presented have not been restated for the impacts of IFRS 15 or IFRS 9. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 for more information.
- (2) Under the Group's Long Term Incentive Plan and Stock Option Plan, as described in the Historical Consolidated Financial Information, including the options granted to Next Alt, during the year ended December 31, 2017, the Group incurred share-based expenses of €31 million. During the year ended December 31, 2018, the Group incurred any share-based expenses €2 million.
- (3) Restructuring costs for the year ended December 31, 2018, comprises mainly of €10 million of costs incurred in connection with the restructuring plan in PT Portugal relating to €5 million of provisions for employee redundancies and €5 million of salaries paid to employees without functions. Additionally, restructuring costs in Altice France amounted to negative €2 million, consisting of a €7 million expense related to the departure plan in Intelcia, which was partially offset by a release of restructuring provision of €9 million. Restructuring costs incurred for the year ended December 31, 2017 of €721 million were mainly related to the voluntary departure plan in Altice France (€673 million), as well as restructuring expenses in PT Portugal (€35 million) related to termination and termination related payments, Altice Management International (€6 million) related to termination payments, FOT (€3 million) related to network restructuring and HOT (€2 million) related to termination payments.
- (4) Expenses recognized for onerous contracts for the year ended December 31, 2018, primarily consisted of provisions related to the change in office premises to the new Altice Campus (€53 million), a reduction of €78 million compared to the year ended December 31, 2017.
- (5) The gain on disposal of assets for the year ended December 31, 2018 relates to gain on scrapped assets in Altice France (€16 million). This was partially offset by losses on scrapped property, plant and equipment, assets in PT Portugal due to forest fires damages (€2 million) and other disposed tangible assets (€4 million). The loss on disposal of assets for the year ended December 31, 2017, primarily related 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, amounting to €109 million).
- (6) The increase in expenses relating to disputes and litigation mainly relates to the provisions recorded during the year in Altice France for litigations with Bouygues, Orange and other tax litigations for a total of €151 million, which were offset by a release of the provision for litigation with Orange (€122 million). Additionally, a €25 million litigation provision was recorded in PT Portugal. For the year ended December 31, 2017, the expenses relating to disputes and litigation included the effect of new allowances recorded during the year, which were offset by the reversal of the provision for the tax litigation following the merger of Vivendi Telecom International ("VTI") and SFR. The provision reversal was recorded in France for an amount of €117 million.
- (7) For the year ended December 31, 2017, penalties relate to the fine imposed on the Group following the European Commission's investigation on gun jumping during the acquisition of PT Portugal by the Group. The €125 million fine was recorded in the Portugal segment in 2017.

- (8) For the year ended December 31, 2018, the gain on sale of consolidated entities relates to (i) the sale of towers in PT Portugal of €602 million, which corresponds to the total capital gain of €612 million, of which €10 million was deferred, (ii) the sale of the towers in the Dominican Republic of €88 million, (iii) the sale of telecommunications solutions business and datacenter operations in Switzerland, green.ch AG and Green Datacenter AG of €89 million and (iv) the sale of the wholesale business recorded in France (€2 million), the Dominican Republic (€5 million) and Portugal (€3 million). For the year ended December 31, 2017, the gain on sale of consolidated entities relates to a €29 million gain recognised in connection with the sale of NewCo Group and L'Etudiant, partially offset by a €24 million loss recognized in connection with the Coditel Disposal.
- (9) For the year ended December 31, 2018, deal fees mainly consisted of €28 million deal fees in Altice France, primarily for the fees related to the transaction in relation to the tower and fibre businesses and €7 million deal fees in Portugal for the sale of the tower business. For the year ended December 31, 2017, deal fees consisted of (i) discretionary fees paid to legal counsel, M&A counsel and any other consultants whose services the Group employed to facilitate various acquisitions performed during the year and (ii) expenses in Altice Portugal (€5 million) in connection with the sale of the towers/sites, the acquisition of Sport TV and Sportinvest.
- (10) Management fees correspond to the corporate costs charged by Altice Group to the Issuer, which amounted to €82 million and €35 million for the year ended December 31, 2018 and December 31, 2017, respectively.
- (11) Other expenses and income (net) for the year ended December 31, 2018 consisted mainly of expenses in Altice Holdings of €13 million related to a share settlement with the management team of the FOT Business, fines recorded in Portugal of €3 million (mostly related to the termination fee of a real estate rental agreement of €2 million), expenses for network claims in Altice France of €28 million and end-of-year employee bonus of €17 million in Altice France. Other expenses and income (net) for the year ended December 31, 2017 comprised mainly of €24 million of double rent costs in Altice France, €13 million of costs for damages related to forest fires in PT Portugal and various other expenses.

### **Operating profit**

As a result of the above-mentioned factors, for the year ended December 31, 2018, the Group recorded an operating profit of €1,969 million, a 764% increase compared to €228 million for the year ended December 31, 2017.

### **Finance costs (net)**

Finance costs (net) amounted to €2,069 million for the year ended December 31, 2018, a decrease of 10.8% compared to €2,320 million for the year ended December 31, 2017, mainly driven by a decrease in interest relative to gross financial debt as a result of variations in the mark-to-market valuation of the Group's derivative financial instruments, partly offset by an increase in other financial expenses due to the negative effect of exchange rate fluctuations. A detailed breakdown of finance costs (net) is provided below:

	<b>For the year ended December 31,</b>		
	<b>2018</b>	<b>2017 (restated)<sup>(1)</sup></b>	<b>Change</b>
	<b>(in € millions)</b>		
Interest relative to gross financial debt <sup>(2)</sup> .....	(1,677)	(2,210)	(24)%
Other financial expenses <sup>(3)</sup> .....	(370)	(232)	59%
Finance income (expense) <sup>(4)</sup> .....	128	257	(50)%
Net result on extinguishment of a financial liability <sup>(5)</sup> .....	(149)	(135)	10%
<b>Finance costs (net)</b> .....	<b>(2,069)</b>	<b>(2,320)</b>	<b>(11)%</b>

(1) The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of income for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 for more information.

(2) Interest relative to gross financial debt for the year ended December 31, 2018 amounted to €1,677 million, a 24.1% decrease compared to €2,210 million for the year ended December 31, 2017. Interest relative to gross financial debt includes the variation in the mark-to-market of the Group's derivative financial instruments, which was a main driver of the decrease.

(3) Other financial expenses for the year ended December 31, 2018 amounted to €370 million, a 59.5% increase compared to €232 million for the year ended December 31, 2017. The increase was largely driven by fluctuations in exchange rates.

(4) Finance income for the year ended December 31, 2018 amounted to €128 million, a 50.2% decrease compared to €257 million for the year ended December 31, 2017. The decrease in finance income is largely driven by other financial income in France amounting

to €200 million in 2017, mainly related to net gains from the repricing of certain cross-currency and interest rate swaps . This decrease was partly offset by changes in the fair value of the minority call option of Teads of €43 million.

- (5) Net result on extinguishment of a financial liability for the year ended December 31, 2018, amounted to €149 million related to the refinancing transactions of the Altice France credit pool, compared to a net result on extinguishment of a financial liability of €135 million for the year ended December 31, 2017, which was related to the refinancing of debt in Altice Financing, which closed in April 2017.

### *Share of earnings of associates*

For the year ended December 31, 2018, our share of loss of associates totalled €8 million compared to a loss of €17 million in the year ended December 31, 2017.

### *Income tax benefit*

For the year ended December 31, 2018, the income tax loss totalled €68 million compared to an income tax benefit of €425 million in the year ended December 31, 2017. The decrease in income tax benefit was primarily as a result of the reintegration of certain non-deductible financial expenses and provisions in the year ended December 31, 2018.

### *For the year ended December 31, 2017 compared to the year ended December 31, 2016*

The below table sets forth our consolidated statement of income for the year ended December 31, 2016 and 2017:

	<b>For the year ended December 31,</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	
	<b>(in € millions)</b>		
<b>Revenues.....</b>	<b>15,269</b>	<b>15,380</b>	<b>(0.7)%</b>
Purchasing and subcontracting costs .....	(4,707)	(4,867)	(3.3)%
Other operating expenses .....	(3,122)	(3,139)	(0.5)%
Staff costs and employee benefits.....	(1,547)	(1,457)	6.2%
Depreciation, amortization and impairment .....	(4,340)	(4,037)	7.5%
Other expenses and income .....	(1,225)	(599)	104.6%
<b>Operating profit.....</b>	<b>328</b>	<b>1,282</b>	<b>(74.4)%</b>
Interest relative to gross financial debt .....	(2,210)	(1,943)	13.7%
Other financial expenses.....	(232)	(152)	52.8%
Finance income .....	257	102	153.1%
Net result on extinguishment of a financial liability .....	(135)	(223)	(39.7)%
<b>Finance costs, net .....</b>	<b>(2,320)</b>	<b>(2,217)</b>	<b>4.6%</b>
Net result on disposal of business.....	—	105	
Share of earnings of associates.....	(17)	(1)	1,092.6%
<b>Loss before income tax .....</b>	<b>(2,008)</b>	<b>(832)</b>	<b>141.5%</b>
Income tax benefit .....	389	(107)	(462.9)%
<b>Loss for the year .....</b>	<b>(1,620)</b>	<b>(939)</b>	<b>72.5%</b>
Attributable to equity holders of the parent .....	(1,518)	(850)	78.5%
Attributable to non-controlling interests .....	(102)	(89)	14.9%

### *Significant Events Affecting Historical Results*

Our results of operations as of and for the year ended December 31, 2017 and the year ended December 31, 2016 were significantly impacted by the following events:

*For the year ended December 31, 2016*

*Cabovisão Disposal*

As part of the regulatory conditions relating to the PT Portugal Acquisition, the Group completed the Cabovisão Disposal on January 20, 2016. The disposed assets in aggregate contributed €140 million to our revenues and €52 million to Adjusted EBITDA for the year ended December 31, 2015.

*Acquisition of Numergy*

In January 2016, we entered into an agreement with Bull and Caisse des Dépôts to acquire their stake in Numergy, following which Numergy's results were fully consolidated into the consolidated financial statements of the Group.

*Interest rate swap activity*

On February 16, 2016, the Altice France Group signed an interest rate swap agreement with JP Morgan Chase for a nominal value of €4 billion, with a variable rate paid by the bank or three-month Euribor, a fixed rate paid by the Altice France Group of (0.121%) and a maturity of 7 years (with an ability for the bank to advance the remaining cash flows after 5 years).

*Completel DSL network disposal*

On March 18, 2016, the Group completed the sale of Completel's DSL network, the proposed acquisition of which by the KOSC consortium had been approved on December 22, 2015, by French Competition Authority, and the disposal of which had been a condition on the French Competition Authority's approval of the SFR Acquisition in order to eliminate any risk of adversely affecting competition in the markets for business-specific fixed-line telecommunications services.

*April 2016 Refinancing*

On April 7, 2016, the Altice France Group placed \$5.19 billion in senior debt with institutional investors. These amounts were used to refinance \$2,400 million of debt maturing in 2019, refinance \$450 million of borrowings under the Altice France Group Revolving Credit Facilities and, after approval of certain changes from the applicable lenders, to refinance \$1,900 million of existing term loans maturing in 2019.

*NextRadioTV disposal by Altice International Group to Altice France Group*

On May 12, 2016, the Altice International Group disposed of its 49% minority stake in NextRadioTV, held through Altice Content Luxembourg as a co-investor in the joint venture GNP with Alain Weill (who, at the time, owned the remaining 51% of GNP), to the Altice France Group. The Altice France Group's interest in NextRadioTV was acquired at a cost relative to the original purchase price paid by the Group. GNP contributed €238 million to revenues, €9 million to operating loss and €30 million to the net loss of the Group for the year ended December 31, 2016.

*French Competition Authority FOT Sanction*

On April 9, 2016, the French Competition Authority found that there was non-performance of Commitment 2.1.3.1 related to the sale of the mobile telecommunication activities of the Group's operations in the Réunion and Mayotte under Decision 14-DCC-160 of October 30, 2014 concerning the SFR Acquisition, and levied a financial sanction of €15 million jointly against the Issuer and SFR.

*October 2016 Refinancing*

In October 2016, the Altice France Group placed a \$1,790 million term loan (maturing January 2025), priced at 3.25% over Libor with a 0.75% floor and issued at an OID of 99.75 and a €700 million term loan (maturing January 2025), priced at 3.00% over Euribor with a 0.75% floor and issued at par, in each case to institutional investors. This leverage-neutral refinancing was used to repay the following existing debts: (i) \$550 million term loan due June 2022, priced at 3.8125% over Libor with a 0.75% floor; (ii) \$1,340 million term loan due January 2023 priced at 4.00% over Libor with a 0.75% floor; (iii) €500 million term loan due January 2023 priced at 4.00%

over Euribor with a 0.75%; and (iv) €100 million of the aggregate principal amount outstanding under the Altice France Group Revolving Credit Facilities. The refinancing reduced the Group's weighted average cost of debt to 5.2% and extended its debt maturity profile to 7.9 years.

#### *French Competition Authority SFR Acquisition and Virgin Mobile Acquisition Sanction*

On November 8, 2016, the French Competition Authority ordered the Altice Europe Group to pay €80 million for violating the suspensive nature of the control of concentrations during the SFR Acquisition and Virgin Mobile Acquisition. The practices denounced, which aimed to make the new entity operational as quickly as possible after the acquisitions were authorized, were implemented in good faith and in an uncertain legal context. To limit the financial risk to the Group, the Group chose not to dispute the allegations and paid the fine in full in February 2017. In the context of the Virgin Mobile Acquisition, we have recently received a claim from a competitor alleging that such activities resulted in Altice France winning the tender process for the acquisition and seeking monetary damages. We are in the process of assessing the merits of the claim and expect to challenge the claim in proceedings recently initiated by the competitor.

#### *Acquisition of Parilis S.A.*

On November 25, 2016, the Group acquired a 51% stake in its supplier, Parilis S.A., subsequently renamed to Altice Technical Services S.A., an all-round technical services company offering, among others things, network deployment, upgrade and maintenance services. The Group retained an option to purchase the remaining 49% for two years post-closing at the initial price plus interest.

#### *Acquisition of ACS*

On December 22, 2016, the Group acquired an 88.87% stake in another of its suppliers, Intelcia Group S.A., a French-language-focused operator in the customer relationship management outsourcing sector. On January 30, 2017, it acquired the remaining 11.13%. Certain managers of Intelcia Group S.A. subsequently reinvested part of their proceeds in the business and currently hold a 35% stake in ACS, the entity holding 100% of Intelcia Group S.A. The Group has the option to purchase, and the managers have the option to sell, such 35% interest in the event of termination of their offices or as of the sixth anniversary of the closing date of the acquisition, provided that such options may be exercised in part before such date (50% of their interest as of the fourth anniversary of the closing date and the remaining 50% as of the fifth anniversary of the closing date).

*For the year ended December 31, 2017, see “—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2018 compared to the year ended December 31, 2017—Significant Events Affecting Historical Results—For the year ended December 31, 2017”*

## **Revenue**

For the year ended December 31, 2017, we generated total revenues of €15,269 million, a 0.7% decrease compared to €15,380 million for the year ended December 31, 2016. This decrease was due to declining revenues in France, Portugal, Israel and the Dominican Republic, partially offset by an increase in other revenues mainly due to the acquisitions of ATS and ACS in late 2016.

The tables below set forth the Group's revenue by lines of activity in the various reporting segments in which the Group operates for the years ended December 31, 2017 and December 31, 2016, respectively:

	For the year ended December 31, 2017					Total
	France	Portugal	Israel	Dominican Republic	Others	
	(in € millions)					
Fixed—B2C .....	2,805	658	658	109	95	4,325
Mobile—B2C .....	4,449	570	242	399	87	5,747
B2B and wholesale .....	3,146	888	136	164	31	4,364
Other revenue .....	516	118	—	21	1,496	2,151
<b>Total standalone revenues .....</b>	<b>10,916</b>	<b>2,234</b>	<b>1,036</b>	<b>693</b>	<b>1,709</b>	<b>16,587</b>
Intersegment eliminations .....	(98)	(45)	(1)	(9)	(1,165)	(1,318)
<b>Total consolidated revenues.....</b>	<b>10,818</b>	<b>2,188</b>	<b>1,035</b>	<b>684</b>	<b>544</b>	<b>15,269</b>



<b>For the year ended December 31, 2016</b>						
	<b>France</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Others</b>	<b>Total</b>
	<b>(in € millions)</b>					
Fixed—B2C .....	2,840	684	643	110	136	4,413
Mobile—B2C .....	4,514	585	186	425	83	5,793
B2B and wholesale .....	3,336	926	128	161	45	4,594
Other revenue .....	301	116	—	22	469	908
<b>Total standalone revenues .....</b>	<b>10,991</b>	<b>2,312</b>	<b>956</b>	<b>718</b>	<b>733</b>	<b>15,708</b>
Intersegment eliminations .....	(44)	(35)	(0)	(4)	(246)	(328)
<b>Total consolidated revenues.....</b>	<b>10,947</b>	<b>2,277</b>	<b>955</b>	<b>714</b>	<b>487</b>	<b>15,380</b>

Revenues for the Group's fixed B2C services decreased 2.0% from €4,413 million for the year ended December 31, 2016 to €4,325 million for the year ended December 31, 2017. This decrease was driven primarily by growing competition and pricing pressure resulting in negative impact on subscriber numbers.

The Group's mobile B2C services revenue decreased 0.8% to €5,747 million for the year ended December 31, 2017, compared to €5,793 million for the year ended December 31, 2016, mainly due to decreases in France, Portugal and the Dominican Republic due to growing competition and price erosion resulting in subscriber losses, which was partly offset by an increase in mobile revenues in Israel driven by increased subscribers.

The Group's B2B and wholesale services revenue decreased 5.0% to €4,364 million for the year ended December 31, 2017, compared to €4,594 million for the year ended December 31, 2016, mainly due to decreases in France and Portugal as a result of price reductions in the first half of 2017 and a downward repricing of the mobile B2B base in France and lower international voice traffic.

Revenues from the Group's other activities totalled €2,151 million for the year ended December 31, 2017, a 136.8% increase compared to €908 million for the year ended December 31, 2016. The increase in other revenues was mainly due to a higher levels of technical and customer services (as a result of the full year effect of the acquisitions of ATS and ACS) and content sales to companies within the Group.

### **Reporting segments**

*France.* For the year ended December 31, 2017, the Group generated total consolidated revenue in France of €10,818 million, a 1.2% decrease compared to €10,947 million for the year ended December 31, 2016. This decrease is mainly attributable to a 5.7% decrease in B2B and wholesale revenues, partially offset by an increase in other revenues from our media activities.

Revenues from the Group's fixed B2C business decreased by 1.2% on a year on year basis compared to the year ended December 31, 2016 (€2,805 million in 2017 compared to €2,840 million in 2016) impacted by customer losses due to increased competition, in particular the loss of approximately 364,000 DSL customers in 2017 which was only partially offset by an increase in higher-value fiber/cable customers of approximately 193,000 over the same period.

Revenues from the Group's mobile B2C business decreased by 1.4% on a year on year basis (€4,449 million in 2017 compared to €4,514 million in 2016). This decrease was mainly attributable to growing competition and the resulting impact on subscriber numbers (approximately 247,000 prepaid subscribers were lost in 2017) and pricing pressure on B2C mobile services by low-cost market participants. These revenue declining effects were partially offset by improved mobile B2C postpaid customer trends with approximately 199,000 net postpaid adds during the year ended December 31, 2017, driven by improved focus on customer experience and retention initiatives, despite ongoing pressure due to the competitive environment in France.

Revenues from the Group's B2B and wholesale business decreased by 5.7% on a year on year basis compared to the year ended December 31, 2016 (€3,146 million in 2017 compared to €3,336 million in 2016). B2B revenues were primarily impacted by price reductions on contract pipeline applied in the first half of 2017, and a downward repricing of the mobile B2B base, whereas wholesale revenues were negatively impacted due to a decrease in revenues from MVNO operators and a decline in revenues from the Group's international wholesale voice business due to lower international voice traffic.

Revenues from other services increased by 71.7% from €301 million in 2016 to €516 million in 2017. This increase was primarily driven by the full year effect of the integration of NextRadioTV's media activities, following the acquisition of a controlling interest by the Group on May 12, 2016, compared to only seven months in 2016, as well as organic growth in revenues of 25% at NextRadioTV due to strong and improving TV and radio audiences, which in turn boosted advertising revenue.

*Portugal.* For the year ended December 31, 2017, the Group generated revenues in Portugal of €2,188 million, a 3.9% decrease compared to €2,277 million for the year ended December 31, 2016. This decrease was mainly due to a decline in revenues from the Group's fixed B2C operations and international wholesale business due to lower international voice traffic.

Revenues from the Group's fixed B2C business decreased by 3.8% on a year on year basis compared to the year ended December 31, 2016 (€658 million in 2017 compared to €684 million in 2016). This decrease was primarily due to the loss of approximately 187,000 DSL customers in 2017, which was only partially offset by an increase in higher-value fiber/cable customers of approximately 142,000 over the same period, due to increased competition and pricing pressure.

Revenues from the Group's mobile B2C business decreased by 2.5% on a year on year basis (€570 million in 2017 compared to €585 million in 2016). This decrease was mainly attributable to a decrease in mobile revenue due to price competition, partially offset by an increase in our total mobile B2C subscriber base by approximately 307,000 over the same period, including approximately 95,000 postpaid net adds, due to increased promotional and retention activity.

Revenues from the Group's B2B and wholesale business decreased by 4.1% on a year on year basis compared to the year ended December 31, 2016 (€888 million in 2017 compared to €926 million in 2016). B2B revenues decreased primarily due to continued repricing and intense competition, whereas wholesale revenues were negatively impacted due to a decline in revenues from the Group's international wholesale voice business due to lower international voice traffic.

Revenues from other services increased by 1.2% from €116 million for the year ended December 31, 2016 to €118 million for the year ended December 31, 2017.

*Israel.* For the year ended December 31, 2017, the Group generated revenue in Israel of €1,035 million, a 8.4% increase compared to €955 million for the year ended December 31, 2016. On a constant currency basis, revenues increased by 3.6%. This was mainly due to an increase in mobile B2C revenues due to an increased mobile subscriber base by approximately 109,000 as of December 31, 2017 compared to December 31, 2016. This increase in mobile B2C revenues was partially offset by a decrease in fixed B2C revenues as a result of a minor decrease in our subscriber base following a period of high competition in the fixed sector.

*Dominican Republic.* For the year ended December 31, 2017, the Group generated total revenue of €684 million, a 4.2% decrease compared to €714 million for the year ended December 31, 2016. On a constant currency basis, revenues increased by 1.8%. This was mainly due to an increase in fixed revenues on a constant currency basis due to an increase in the subscriber base, driven by a strong investment in our network with an increase in the number of homes passed. This increase was, partially offset by a decrease in mobile revenues due to a 7.4% decrease in mobile subscribers from 4 million as of December 31, 2016 to 3 million as of December 31, 2017, partially offset by increase of revenues due to an increase in B2C mobile customer data usage in line with changes in customer consumption behaviour.

*Others.* For the year ended December 31, 2017, the Group generated total revenue in Others (which comprised of the Group's fixed- and mobile services in the FOT, its datacenter operations in France and its content production and distribution businesses (including its Content Distribution Division)) of €544 million, a 11.6% increase compared to €487 million for the year ended December 31, 2016. This increase can be attributed mainly to the full year revenue contributions of ATS and ACS, which were acquired on November 25, 2016 and December 22, 2016, respectively, the revenue contribution of Teads since its acquisition on June 22, 2017, and the full year revenue contribution of the sale of sport channels to the Altice France Group following the Group's acquisition of sports content rights in the third quarter of 2016.

## Adjusted EBITDA

For the year ended December 31, 2017, our Adjusted EBITDA was €5,923 million, a decrease of 0.3% compared to €5,940 million for the year ended December 31, 2016. This decrease can be attributed to slightly decreased revenues, as explained above, and increased expenses, primarily attributable to the inclusion of our technical and customer services functions following the acquisitions of ATS and ACS in November and December 2016, respectively. A reconciliation from operating profit to Adjusted EBITDA is presented below.

- Purchasing and subcontracting costs decreased by 3.3%, from €4,867 million in the year ended December 31, 2016 to €4,707 million in the year ended December 31, 2017 due to lower direct cost of sales and the favorable impact of changes in inventories.
- Other operating expenses decreased by 0.5% to €3,122 million in the year ended December 31, 2017 from €3,139 million in the year ended December 31, 2016 primarily due to decreased operating expenses in France and Portugal as a result of lower general and administrative expenses and network maintenance costs.
- Staff costs and employee benefit expenses increased by 6.2%, from €1,457 million in the year ended December 31, 2016 to €1,547 million in the year ended December 31, 2017, primarily due to the full year contributions of Parilis and Intelcia Group, which were acquired during 2016 and the contribution of Teads, which was acquired on June 22, 2017. This increase was partially offset by a decrease in employee expense in France due to reduced employee numbers as part of the voluntary departure plans launched in 2016 and 2017 in connection with the Altice France Group Restructuring and the Livre 2 Departure Plan and a decrease in employees in Portugal reflecting both mutually agreed contract terminations and natural workforce erosion.

For the year ended December 31, 2017							
	France	Portugal	Israel	Dominican Republic	Others	Inter-segment elimination	Total
	(in € millions)						
<b>Revenues</b> .....	<b>10,916</b>	<b>2,234</b>	<b>1,036</b>	<b>693</b>	<b>1,709</b>	<b>(1,318)</b>	<b>15,269</b>
Purchasing and subcontracting costs .....	(4,026)	(575)	(272)	(153)	(609)	928	(4,707)
Other operating expenses .....	(2,300)	(390)	(229)	(164)	(335)	296	(3,122)
Staff costs and employee benefits.....	(877)	(276)	(64)	(27)	(318)	14	(1,547)
<b>Total</b> .....	<b>3,712</b>	<b>993</b>	<b>471</b>	<b>350</b>	<b>447</b>	<b>(81)</b>	<b>5,893</b>
Stock option expense.....	2.0	—	—	—	29	—	31
<b>Adjusted EBITDA</b> .....	<b>3,714</b>	<b>993</b>	<b>471</b>	<b>350</b>	<b>476</b>	<b>(81)</b>	<b>5,923</b>
Depreciation, amortization and impairment.....	(2,817)	(826)	(334)	(132)	(236)	—	(4,340)
Stock option expense.....	(2)	—	—	—	(29)	—	(31)
Other expenses and income .....	(977)	(241)	(16)	(28)	37	—	(1,225)
<b>Operating profit/(loss)</b> .....	<b>(82)</b>	<b>(74)</b>	<b>122</b>	<b>189</b>	<b>253</b>	<b>(81)</b>	<b>328</b>

For the year ended December 31, 2016							
	France	Portugal	Israel	Dominican Republic	Others	Inter-segment elimination	Total
	(in € millions)						
<b>Revenues</b> .....	<b>10,991</b>	<b>2,312</b>	<b>956</b>	<b>718</b>	<b>733</b>	<b>(328)</b>	<b>15,380</b>
Purchasing and subcontracting costs .....	(3,956)	(526)	(235)	(147)	(191)	187	(4,867)
Other operating expenses .....	(2,328)	(413)	(223)	(165)	(137)	128	(3,139)
Staff costs and employee benefits.....	(945)	(284)	(67)	(30)	(133)	2	(1,457)
<b>Total</b> .....	<b>3,762</b>	<b>1,089</b>	<b>431</b>	<b>376</b>	<b>271</b>	<b>(11)</b>	<b>5,917</b>
Stock option expense.....	4	—	—	—	19	—	23
<b>Adjusted EBITDA</b> .....	<b>3,766</b>	<b>1,089</b>	<b>431</b>	<b>376</b>	<b>290</b>	<b>(11)</b>	<b>5,940</b>
Depreciation, amortization and impairment.....	(2,565)	(771)	(331)	(165)	(205)	—	(4,037)
Stock option expense.....	(4)	—	—	—	(19)	—	(23)
Other expenses and income .....	(540)	(152)	(37)	(37)	168	—	(599)
<b>Operating profit/(loss)</b> .....	<b>657</b>	<b>166</b>	<b>63</b>	<b>174</b>	<b>234</b>	<b>(11)</b>	<b>1,282</b>

## *Reporting segments*

*France.* For the year ended December 31, 2017, the Group's Adjusted EBITDA in France was €3,714 million, a decrease of 1.3% from €3,766 million for the year ended December 31, 2016. This decrease is attributable to a decrease in fixed B2C and wholesale revenues and higher purchasing and subcontracting costs, primarily driven by an increase in content costs incurred with the addition of new exclusive sports and other content and other operating expenses due to an increase in network maintenance and customer service costs. The resulting negative impact on Adjusted EBITDA is partly offset by a reduction of staff costs and employee benefits as a result of the restructuring initiatives implemented during 2016 and 2017 in connection with the Altice France Group Restructuring and the Livre 2 Departure Plan.

*Portugal.* For the year ended December 31, 2017, the Group's Adjusted EBITDA in Portugal was €993 million, a decrease of 8.8% from €1,089 million compared to the year ended December 31, 2016. This decrease is attributable to a decline in the Group's international wholesale business and higher purchasing and subcontracting costs driven by an increase in sport-related content costs following the agreements entered into during 2015 and 2016 for the acquisition of certain broadcasting rights, partially offset by a decrease in staff costs and employee benefits due to a decrease in employees in Portugal due to mutually agreed contract terminations and natural workforce erosion.

*Israel.* For the year ended December 31, 2017, the Group's Adjusted EBITDA in Israel was €471 million, an increase of 9.4% compared to €431 million for the year ended December 31, 2016. Adjusted EBITDA on a constant currency basis increased by 4.5% compared to 2016, mainly due to an increase in mobile B2B revenues, partly offset by higher purchasing and subcontracting costs due to increased content costs for sports channels and higher other operating expenses representing increased cost of sales due to increased mobile B2C activity.

*Dominican Republic.* For the year ended December 31, 2017, the Group's Adjusted EBITDA in the Dominican Republic decreased by 7.1% from €376 million in 2016 to €350 million. Adjusted EBITDA on a constant currency basis decreased by 2.7% compared to 2016, mainly due to a decrease in mobile B2C revenues and increased purchasing and subcontracting costs due to an increase in international voice wholesale costs linked to growth in international voice wholesale revenue and an increase in programming and content costs resulting primarily due to the growth of our customer base (which in turn was impacted by the introduction of our DTH services) and rebranding costs associated with the commencement of our rebranding exercise in November 2017, partly offset by decreased staff costs and employee benefit expense as a result of our workforce restructuring program, including the streamlining of support and back-office functions.

*Others.* For the year ended December 31, 2017, the Group's Adjusted EBITDA in Others was €476 million, an increase of 64.9% from €290 million compared to the year ended December 31, 2016. This increase can be attributed mainly to the full year Adjusted EBITDA contributions of ATS and ACS, which were acquired on November 25, 2016 and December 22, 2016, respectively, and Teads since its acquisition on June 22, 2017, as well as higher content sales.

## ***Depreciation, amortization and impairment***

For the year ended December 31, 2017, depreciation and amortization totalled €4,340 million, a 7.5% increase compared to €4,037 million for the year ended December 31, 2016. This increase was primarily due to the accelerated amortization of certain of the Group's brands following the rebranding project announced by the Altice Group in May 2017 resulting in additional amortization expense of €473 million for the year ended December 31, 2017 compared to the year ended December 31, 2016.

## Other expenses and income

For the year ended December 31, 2017, our other expenses and income totalled €1,225 million, a 104.6% increase compared to €599 million for the year ended December 31, 2016. A detailed breakdown of other expenses income is provided below:

	For the year ended December 31,		Change
	2017	2016	
	(in € millions)		
Restructuring costs <sup>(1)</sup> .....	721	224	222.6%
Onerous contracts <sup>(2)</sup> .....	132	13	927.3%
Loss on disposals of assets <sup>(3)</sup> .....	119	56	112.9%
Disputes and litigation <sup>(4)</sup> .....	33	128	(74.3)%
Penalties <sup>(5)</sup> .....	125	95	31.1%
Management fees <sup>(6)</sup> .....	35	28	26.1%
Gain (loss) on sale of consolidated entities <sup>(7)</sup> .....	(11)	—	
Deal fees <sup>(8)</sup> .....	11	5	126.0%
Other expenses and income (net) <sup>(9)</sup> .....	60	50	19.8%
<b>Other expenses and income</b> .....	<b>1,225</b>	<b>599</b>	<b>104.6%</b>

- (1) Restructuring costs mainly include costs related to provisions for employee redundancies and contract termination fees in France and Portugal. In 2017, restructuring costs consist mainly of a provision amounting to €742 million relating to the Livre 2 Voluntary Departure Plan, partially offset by an associated reversal of employee benefit provisions amounting to €49 million. In 2016, includes €135 million of provisions in France relating to the Altice France Group Restructuring (comprising €37 million of costs related to the closure of retail shares and a €98 million provision for the restructuring of retail stores) and €32 million of provisions in Portugal related to the termination of outsourcing contracts as part of an insourcing plan.
- (2) In 2017, the expenses recognised for onerous contracts are mainly related to costs for early termination of leases of office premises following the decision to co-locate all employees of the Altice France Group from the SFR Saint-Denis.
- (3) In 2017, the loss on disposal of assets primarily relates to the scrapping of assets prior to the assets being fully depreciated, primarily consisting of boxes and store furnishings following the closure of certain retail stores in France for an amount of €109 million. In 2016, the loss on disposal of assets mainly relates to the loss recognized on the disposal of the network of Sequalum in France.
- (4) In 2017, includes new allowances in connection with litigations described elsewhere in these Listing Particulars, offset by the reversal of the provision relating to the VTI tax dispute in France for an amount of €117 million.
- (5) In 2017, penalties consist of the €124.5 million fine imposed on the Group following the European Commission's investigation on gun jumping during the PT Portugal Acquisition. In 2016, penalties mainly comprised €80 million relating to a fine levied by the French Competition Authority for gun jumping prior to the formal approval of the SFR Acquisition and a €15 million penalty imposed by the French Competition Authority relating to price increases in the FOT.
- (6) Management fees consist of the fees payable to other companies of the Altice Group for management services rendered to the Group. In 2016, the Group also recorded income from management fees paid by the US subsidiaries of Altice, as compensation for services rendered by the Group, in an amount of €19 million.
- (7) In 2017, the gain on sale of consolidated entities primarily relates to the losses of €24 million recognized in connection with the Coditel Disposal in the second quarter of 2017, which were offset by the gain on the sale of the companies from NewsCo Group's B2B press activities and L'Etudiant of €29 million. For the year ended December 31, 2016, gain (loss) on sale of consolidated entities is presented under a separate line item in our statement of income titled "net result on disposal of businesses".
- (8) Deal fees includes the discretionary fees paid to legal counsel, M&A counsel and any other consultants whose services the Group has employed in order to facilitate various acquisitions performed during the year and do not include any financing costs which are capitalized and amortized as per the requirements of IAS 39 (*Financial Instruments: Recognition and Measurement*).
- (9) Other expenses and income mainly related to allowances and reversals for other non-cash provisions and other cash expenses. In 2017, included €24 million of double rent costs in Altice France, €13 million of costs for damages related to forest fires in PT Portugal and various other expenses. In 2016, included €10 million of payments relating to the resolution of a tax dispute in the Dominican Republic.

## Finance costs (net)

Net finance costs amounted to €2,320 million for the year ended December 31, 2017, representing an increase of 4.6% compared to €2,217 million for the year ended December 31, 2016. A detailed breakdown of finance costs (net) is provided below:

	<b>For the year ended December 31,</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	
	<b>(in € millions)</b>		
Interest relative to gross financial debt <sup>(1)</sup> .....	(2,210)	(1,943)	13.7%
Other financial expenses <sup>(2)</sup> .....	(232)	(152)	52.8%
Finance income <sup>(3)</sup> .....	257	102	153.1%
Net result on extinguishment of a financial liability <sup>(4)</sup> .....	(135)	(223)	(39.7)%
<b>Finance costs (net)</b> .....	<b>(2,320)</b>	<b>(2,217)</b>	<b>4.6%</b>

- (1) The increase in our interest relative to gross financial debt for the year ended December 31, 2017 was driven by (i) negative variations in the mark-to-market of our derivative financial instruments in an amount equal to €325 million and (ii) increases in debt of the Altice France Group, partially offset by lower cost of debt due to reduced interest rates obtained in the refinancing activity described above.
- (2) For the year ended December 31, 2017, our other financial expenses included expenses relating to the cancellation of a financial guarantee with Vivendi S.A. of €124 million and net foreign exchange losses of €12 million. For the year ended December 31, 2016, our other financial expenses included an impairment of available for sale financial assets of €3 million and other financial expenses of €149 million relating to financing related expenses, interest cost on unfunded pension obligations of €8 million and various other on an individual basis immaterial financial expenses.
- (3) For the year ended December 31, 2017, our finance income included net gains of €203 million recorded by the Altice France Group in connection with the repricing of certain derivative instruments in July 2017. For the year ended December 31, 2016, our finance income consisted mainly of foreign exchange gains of €56 million on monetary transactions, interest income of €12 million and other financial income of €34 million.
- (4) Net results on extinguishment of financial liability are as a result of refinancing activities performed by the Group during the period.

### **Net result on disposal of businesses**

For the year ended December 31, 2016, we recognized €105 million, mainly relating to the Cabovisão Disposal, which was completed on January 20, 2016. For the year ended December 31, 2017, the net result on the disposal of businesses is presented under other expenses and income.

### **Share of earnings of associates**

For the year ended December 31, 2017, our share of loss of associates totalled €17 million compared to a loss of €1 million in the year ended December 31, 2016. This increase was primarily due to the revaluation of the investment in Pho Holdings prior to the step acquisition that occurred in May 2017.

### ***Income tax benefit***

For the year ended December 31, 2017, the income tax benefit totalled €389 million compared to an income tax benefit liability of €107 million for the year ended December 31, 2016. The increase in income tax benefit was primarily as a result of an increase in deferred tax benefit as a result of increased losses for 2017 compared to 2016.

## Discussion and Analysis of the Consolidated Statement of Financial Position

### As of December 31, 2018 compared to December 31, 2017

The below table sets forth our consolidated statement of financial position as of December 31, 2018 and 2017:

	As of December 31,		Change
	2018	2017 (restated) <sup>(1)</sup> (in € millions)	
<b>Non-current assets</b> .....			
Goodwill.....	15,747	15,916	(1.1)%
Intangible assets .....	7,676	8,679	(11.6)%
Property, plant & equipment .....	10,005	10,416	(3.9)%
Contract costs .....	253	241	4.7%
Investment in associates .....	154	49	211.8%
Financial assets.....	2,332	1,262	84.8%
Deferred tax assets.....	154	145	1.1%
Other non-current assets.....	424	378	12.2%
<b>Total non-current assets</b> .....	<b>36,743</b>	<b>37,086</b>	<b>(0.9)%</b>
<b>Current assets</b> .....			
Inventories.....	422	461	(8.5)%
Contract assets.....	266	302	(12.0)%
Trade and other receivables.....	4,441	4,441	0.0%
Current tax assets.....	119	165	(28.0)%
Financial assets.....	53	62	(13.7)%
Cash and cash equivalents.....	1,666	753	121.2%
Restricted cash.....	36	34	6.6%
<b>Total current assets</b> .....	<b>7,003</b>	<b>6,219</b>	<b>12.6%</b>
<i>Assets classified as held for sale</i> .....	538	602	(10.7)%
<b>Total assets</b> .....	<b>44,284</b>	<b>43,906</b>	<b>0.9%</b>

- (1) The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of December 31, 2018 reflect the change in accounting standards. The consolidated statement of financial position as of December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements as of December 31, 2018 for more information.

Total assets as of December 31, 2018 increased by 0.9% to €44,284 million from €43,906 million as of December 31, 2017. An analysis is provided below:

#### Non-current assets

Total non-current assets amounted to €36,743 million as of December 31, 2018, compared to €37,086 million as of December 31, 2017, representing a decrease of 0.9%. Goodwill decreased by 1.1% from €15,916 million as of December 31, 2017 to €15,747 million as of December 31, 2018, mainly as a result of the impact of foreign currency exchange translation. Intangible assets decreased by 11.6% from €8,679 million as of December 31, 2017 to €7,676 million as of December 31, 2018, as a result of the impact of amortization (€1,690 million), partly offset by additions of €797 million and other immaterial movements. Plant, property and equipment decreased by 3.9% from €10,005 million as of December 31, 2018 compared to €10,416 million as of December 31, 2017, as a result of the impact of depreciation of €1,893 million, and the classification of €342 million of PPE as held for sale, partly offset by additions of €2,110 million and other immaterial movements. Investments in associates increased 211.9% from €49 million as of December 31, 2017 to €154 million as of December 31, 2018. This increase is primarily due to the Group's acquisition of a 25% interest in the capital of Belmont Infra Holding S.A. for €109 million. Financial assets increased by 84.8% to €2,332 million as of December 31, 2018 from €1,262 million as of December 31, 2017, as a result of an increase in derivative financial assets and loans and receivables with related parties.

#### Current assets

Current assets increased by 12.6% to €7,003 million as of December 31, 2018 from €6,219 million as of December 31, 2017, which was mainly driven by an increase in cash and cash equivalents of €753 million as of

December 31, 2017 to €1,666 million as of December 31, 2018. This increase was due to the receipt of the proceeds from the disposal of businesses and the sale of a minority stake in telecommunication towers by Altice France. These increases were partially offset by cash and cash equivalents used for various other operating, investing and financing activities.

	<b>As of December 31,</b>		<b>Change</b>
	<b>2018</b>	<b>2017 (restated)<sup>(1)</sup></b>	
	<b>(in € millions)</b>		
<b>Equity and liabilities</b>			
Issued capital.....	3	3	0.0%
Additional paid in capital.....	1,923	1,143	68.2%
Other reserves.....	(531)	(511)	3.8%
Accumulated losses.....	(3,611)	(3,475)	3.9%
<b>Equity attributable to owners of the Company.....</b>	<b>(2,217)</b>	<b>(2,840)</b>	<b>(21.9)%</b>
Non-controlling interests.....	613	157	289.4%
<b>Total equity.....</b>	<b>(1,604)</b>	<b>(2,683)</b>	<b>(40.2)%</b>
<b>Non-current liabilities</b>			
Long term borrowings, financial liabilities and related hedging instruments.....	32,534	31,805	(2.3)%
Other financial liabilities.....	816	540	51.2%
Provisions.....	1,179	1,307	(9.8)%
Deferred tax liabilities.....	256	495	(48.3)%
Non-current contract liabilities.....	564	466	20.9%
Other non-current liabilities.....	85	127	(33.5)%
<b>Total non-current liabilities.....</b>	<b>35,433</b>	<b>34,740</b>	<b>2.0%</b>
<b>Current liabilities</b>			
Short-term borrowings, financial liabilities.....	102	414	(75.3)%
Other financial liabilities.....	2,021	2,112	(4.3)%
Trade and other payables.....	6,756	7,103	(4.9)%
Contract liabilities.....	611	720	(15.2)%
Current tax liabilities.....	247	197	25.3%
Provisions.....	330	429	(23.0)%
Other current liabilities.....	188	343	(45.0)%
<b>Total current liabilities.....</b>	<b>10,256</b>	<b>11,317</b>	<b>(9.4)%</b>
<i>Liabilities directly associated with assets classified as held for sale.....</i>	<i>199</i>	<i>532</i>	<i>(62.5)%</i>
<b>Total liabilities.....</b>	<b>45,888</b>	<b>46,589</b>	<b>(1.5)%</b>
<b>Total equity and liabilities.....</b>	<b>44,284</b>	<b>43,906</b>	<b>0.9%</b>

(1) The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer for the year ended December 31, 2018 reflect the change in accounting standards. The consolidated statement of financial position of the Issuer for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the Issuer's opening balance sheet as of January 1, 2018. See Notes 2.1.1 and 16 to the audited consolidated financial statements as of and for the year ended December 31, 2018 for more information.

#### *Total equity*

Total equity increased by 40.2% to negative €1,604 million as of December 31, 2018 from negative €2,683 million as of December 31, 2017.

#### *Non-current liabilities*

Non-current liabilities increased by 2.0% to €35,433 million as of December 31, 2018 from €34,740 million as of December 31, 2017, mainly driven by an increase in long term borrowings, financial liabilities and related hedging instruments and other financial liabilities, partly offset by a decrease in provisions as described above and a decrease in deferred tax liabilities as a result of net losses recorded during the period. As of December 31, 2018, long term borrowings consisted of debentures and bank loans issued by (i) Altice Luxembourg amounting to €6,583 million (equivalent), (ii) Altice France amounting to €16,594 million (equivalent), and (iii) Altice International amounting to €8,087 million (equivalent). Deferred tax liabilities decreased by 48.3% to reach €256 million as of December 31, 2018, compared to €495 million as of December 31, 2017. Non-current provisions decreased to €1,179 million as of December 31, 2018 from €1,307 million as of December 31, 2017. Other non-current financial liabilities are mainly composed of liabilities related to put options with non-controlling



interest, deposits received, other debts and liabilities with Altice group companies and financial leases. The non-current portion of other financial liabilities amounted to €816 million as of December 31, 2018, a decrease of €276 million compared to December 31, 2017.

#### *Current liabilities*

Current liabilities decreased by 9.4% to €10,256 million as of December 31, 2018 from €11,317 million as of December 31, 2017, mainly composed of trade and other payables and other financial liabilities. Short term borrowings decreased 75.3% from €414 million as of December 31, 2017 to €102 million as of December 31, 2018, primarily due to the repayment of €199 million to HOT Telecom Ltd. Other financial liabilities decreased by 4.3% to €2,021 million as of December 31, 2018 compared to €2,112 million as of December 31, 2017, driven by a decrease of €128 million related to the exercise of put options with non-controlling interests and a decrease in bank overdrafts, partly offset by immaterial movements in other short term financial liabilities. Trade and other payables decreased by 4.9% to €6,756 million as of December 31, 2018 from €7,103 million as of December 31, 2017, mainly due to decreases in corporate and social security payables in Altice France as a result of restructuring pay-outs and other on an individual basis immaterial movement.

#### *Assets and liabilities held for sale*

The table below details assets and liabilities classified as held for sale in accordance with IFRS 5 as of December 31, 2018 and December 31, 2017:

	As of December 31, 2018			As of December 31, 2017					
	SFR FTTH	Other	Total	Green	Wholesale Market	Altice TV	AMI	Other	Total
	(€ in millions)								
Goodwill.....	—	—	—	18	—	8	—	—	26
Tangible and intangible assets.....	439	16	455	113	—	216	(1)	—	328
Other non-current assets.....	1	—	1	0	—	71	(2)	—	69
Investment in associates.....	—	—	—	—	—	—	—	4	4
Currents assets.....	83	—	83	14	36	115	9	—	174
<b>Total assets held for sale.....</b>	<b>522</b>	<b>16</b>	<b>538</b>	<b>145</b>	<b>36</b>	<b>409</b>	<b>7</b>	<b>4</b>	<b>602</b>
Non-current liabilities.....	(96)	—	(96)	(54)	—	(21)	(0)	—	(76)
Current liabilities.....	(104)	—	(104)	(25)	(25)	(298)	(108)	—	(456)
<b>Total Liabilities related to assets held for sale.....</b>	<b>(199)</b>	<b>—</b>	<b>(199)</b>	<b>(79)</b>	<b>(25)</b>	<b>(319)</b>	<b>(108)</b>	<b>—</b>	<b>(532)</b>

#### *As of December 31, 2017 compared to December 31, 2016*

The below table sets forth our consolidated statement of financial position as of December 31, 2017 and December 31, 2016:

	As of December 31, 2017 (restated)	As of December 31, 2016 (in € millions)	Change (%)
<b>Non-current assets</b>			
Goodwill.....	15,916	15,800	0.7%
Intangible assets.....	8,902	10,625	(16.2)%
Property, plant & equipment.....	10,416	10,389	0.3%
Investment in associates.....	49	60	(18.2)%
Financial assets.....	1,262	2,885	(56.3)%
Deferred tax assets.....	145	109	32.8%
Other non-current assets.....	378	156	141.8%
<b>Total non-current assets.....</b>	<b>37,072</b>	<b>40,024</b>	<b>(7.4)%</b>
<b>Current assets</b>			
Inventories.....	461	394	17.2%
Trade and other receivables.....	4,441	4,237	4.8%
Current tax assets.....	165	176	(5.9)%

Financial assets.....	62	69	(9.6)%
Cash and cash equivalents.....	753	720	4.6%
Restricted cash.....	34	20	71.9%
<b>Total current assets</b> .....	<b>5,916</b>	<b>5,615</b>	<b>5.4%</b>
<i>Assets classified as held for sale</i> .....	602	476	26.5%
<b>Total assets</b> .....	<b>43,591</b>	<b>46,115</b>	<b>(5.5)%</b>

Total assets decreased by 5.5% from €46,115 million as of December 31, 2016 to €43,591 million as of December 31, 2017. This decrease was primarily driven by a decrease in non-current financial assets and intangible assets.

#### *Non-current assets*

Total non-current assets amounted to €37,072 million as of December 31, 2017 compared to €40,024 million as of December 31, 2016, representing a decrease of 7.4%. This decrease was mainly due to a decrease in intangible assets and non-current financial assets.

Intangible assets decreased from €10,625 million for the year ended December 31, 2016 to €8,902 million, mainly driven by the accelerated amortization of certain of the Group's brands following the rebranding decision made by Altice in May 2017 in an amount of €473 million and due to certain assets being classified as held for sale in accordance with IFRS 5 in an amount of €345 million.

The decrease in non-current financial assets was primarily driven by a decrease in the fair value of derivative financial assets mainly due to unfavourable variations in the US Dollar and euro exchange rate.

#### *Current assets*

Current assets increased by 5.4% from €5,615 million as of December 31, 2016 to €5,916 million as of December 31, 2017, driven mainly by increases in inventories and trade and other receivables. The 17.2% increase in inventories from €394 million as of December 31, 2016 to €461 million as of December 31, 2017 was driven by increased pricing of customer premises equipment and improved commercial performance in the fourth quarter of 2017. The 4.8% increase in trade and other receivables from €4,237 million as of December 31, 2016 to €4,441 million as of December 31, 2017 was mainly due to unbilled revenues on roaming activity (compensated by an increase in trade payables), year end billing runs and an increase in media receivables due to growth in media sales, compounded by higher activity at the end of the fiscal year (the year-end being a period of high activity for advertising sales in the media business).

	<b>As of December 31, 2017 (restated)</b>	<b>As of December 31, 2016</b>	<b>Change (%)</b>
	<b>(in € millions)</b>		
<b>Equity and liabilities</b>			
Issued capital.....	3	3	
Additional paid in capital.....	1,116	841	32.8%
Other reserves.....	(513)	(675)	(24.1)%
Accumulated losses.....	(3,651)	(2,105)	(73.5)%
<b>Equity attributable to owners of the Company</b> .....	<b>(3,045)</b>	<b>(1,937)</b>	<b>(57.2)%</b>
Non-controlling interests.....	140	775	(81.9)%
<b>Total equity</b> .....	<b>(2,905)</b>	<b>(1,161)</b>	<b>(150.2)%</b>
<b>Non-current liabilities</b>			
Long term borrowings, financial liabilities and related hedging instruments.....	31,805	32,370	(1.7)%
Other financial liabilities.....	540	520	3.8%
Provisions.....	1,312	1,785	(26.5)%
Deferred tax liabilities.....	495	947	(50.8)%
Other non-current liabilities.....	594	782	(24.1)%
<b>Total non-current liabilities</b> .....	<b>36,647</b>	<b>36,264</b>	<b>(4.5)%</b>
<b>Current liabilities</b>			
Short-term borrowings, financial liabilities.....	414	420	(1.5)%
Other financial liabilities.....	2,112	2,173	(2.8)%

Trade and other payables.....	7,103	6,637	7.0%
Current tax liabilities.....	197	294	(33.1)%
Provisions.....	429	535	(19.8)%
Other current liabilities.....	1,067	863	23.1%
<b>Total current liabilities.....</b>	<b>11,316</b>	<b>10,922</b>	<b>3.6%</b>
<i>Liabilities directly associated with assets classified as held for sale.....</i>	<i>532</i>	<i>89</i>	<i>496.3%</i>
<b>Total liabilities.....</b>	<b>46,945</b>	<b>47,276</b>	<b>(1.7)%</b>
<b>Total equity and liabilities.....</b>	<b>43,591</b>	<b>46,115</b>	<b>(5.5)%</b>

### *Total equity*

Total equity decreased by 150.2% from negative €1,161 million as of December 31, 2016 to negative €2,905 million as of December 31, 2017 primarily due to increased accumulated losses as of December 31, 2017, as a result of the net loss recorded in the year ended December 31, 2017 and decreased equity attributable to non-controlling interests as a result of the SFR squeeze out completed in the fourth quarter of 2017.

### *Non-current liabilities*

Non-current liabilities decreased by 4.5% from €36,264 million as of December 31, 2016 to €34,647 million as of December 31, 2017, due to decreases in long term borrowings, financial liabilities and related hedging instruments due to the impact of the various refinancing activities, decreases in deferred tax liabilities due to the deferred tax income recorded for the year ended December 31, 2017, and a decrease in provisions primarily due to the end of the VTI tax dispute and the reversal of the associated provisions of €241 million and decreases in employee benefit provisions due to reductions in the present value of our defined employee benefit plan unfunded obligations.

### *Current liabilities*

Current liabilities increased by 3.6% from €10,922 million as of December 31, 2016 to €11,316 million as of December 31, 2017. This increase was driven by an increase in trade and other payables in the Altice France Group, due to a higher amount of unbilled roaming revenue and an increase in trade and other payables of its press and media business due to the nature of the invoicing cycle with revenues being invoiced at year end, as well as the acquisitions of Teads which increased trade and other payables by €76 million in 2017, partly offset by a decrease in current provisions due to the utilization and reversal of provisions that were not used and a decrease in current tax liabilities due to income taxes paid for the year ended December 31, 2017.

## **Liquidity and Capital Resources**

### *Cash and Debt Profile*

As of December 31, 2018, our consolidated cash and cash equivalents amounted to €1,666 million on an actual basis. Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to-day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2013 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. Our total third-party debt (excluding certain other long term and short-term liabilities, finance leases, any intercompany loans among the Group and preferred equity certificates issued to certain minority shareholders of our subsidiaries) as of December 31, 2018 was €22,287 million relating to debentures and €9,078 million relating to loans from financial institutions, including the Existing Term Loans and drawings under the Existing Revolving Credit Facilities. As of December 31, 2018, we have Existing Revolving Credit Facilities and can borrow a further €2,156 million in aggregate thereunder. The following table presents the maturity profile of the Group's debt:

<u>Maturity of debentures</u>	<u>Less than one year</u>	<u>One year or more</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
			(€ in millions)	
Altice France .....	—	9,448	9,448	10,956
Altice Luxembourg.....	—	6,583	6,583	6,385
Altice Financing	—	4,660	4,660	4,455

Altice Finco .....	—	1,597	1,597	1,563
HOT Telecom.....	—	—	—	199
Total .....	—	<u>22,287</u>	<u>22,287</u>	<u>23,558</u>

<u>Maturity of loans from financial institutions</u>	<u>Less than one year</u>	<u>One year or more</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	(€ in millions)			
Altice France (including Altice France Revolving Credit Facilities) .....	78	7,147	7,224	5,036
Altice Financing (including Altice Financing Revolving Credit Facilities) .....	19	1,830	1,849	1,912
Others .....	5	0	5	26
Total .....	<u>101</u>	<u>8,977</u>	<u>9,078</u>	<u>6,975</u>

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.

The following two facilities, entered into in 2019, are not included in the debt profile of the Group as of December 31, 2018:

- SFR FTTH, an associate of the Group designated as an unrestricted subsidiary under the agreements, instruments and indentures governing the Group’s debt, entered into a senior secured facilities agreement to finance certain infrastructure projects. See “*Description of Other Indebtedness—Indebtedness of Unrestricted Subsidiaries—2019 SFR FTTH Senior Facilities Agreement*”.
- In 2019, Hivory, a restricted subsidiary of Altice France entered into a facility agreement which provides for a senior revolving facility, in connection with the Towers Transaction to refinance the indebtedness of Hivory and its holding companies and subsidiaries (the “**Hivory Group**”), pay transaction costs and to finance general corporate purposes and/or working capital of the Hivory Group. See “*Description of Other Indebtedness—Indebtedness of the Altice France Group—2019 Hivory Senior Revolving Facilities*”.

### **Sources of Liquidity**

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and, if required, borrowings under the Existing Revolving Credit Facilities. As of December 31, 2018, our drawings under the Existing Revolving Credit Facilities are nil. 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 transactions or otherwise extend our debt maturities. In this regard, it is not possible to anticipate how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

The debt issued by the Issuer and its subsidiaries is subject to certain restrictive covenants, which apply in the case of debt issued by:

- the Issuer, to the Issuer and its restricted subsidiaries;

- Altice Financing S.A. and Altice Finco S.A., to Altice International S.à r.l. and its restricted subsidiaries;
- Altice France, to Altice France and its restricted subsidiaries.

Other than the Existing Revolving Credit Facilities, described below, such debt issued by the Group 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 of the Group is subject to an incurrence test as following:

- Senior secured debt of the Altice International Group 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);
- Senior secured debt of the Altice France Group is subject to an incurrence test of 3.25:1 (Adjusted EBITDA to Net Debt) and senior debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Debt);
- Senior debt of Altice Luxembourg is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Debt).

The Issuer and 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 the Existing Revolving Credit Facilities, which are subject to maintenance covenants. The incurrence covenants terms of the Existing Revolving Credit Facilities are no more restrictive than the incurrence covenants contained in other debt instruments.

The Issuer is a holding company with no direct source of operating income. Therefore, the Issuer will be dependent on dividends and other payments from its operating subsidiaries to meet its liquidity requirements. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Notes Guarantee*".

### **Working Capital**

As of December 31, 2018, the Group had a net current liability position of €3,253 million (mainly due to trade payables amounting to €6,756 million) and a negative working capital of €1,893 million. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding, and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect that our operating cash flows and, if required, available borrowings under the Existing Revolving Credit Facilities will be sufficient to meet our working capital requirements during the next 12 months.

### **Selected Consolidated Cash Flow Data**

*For the year ended December 31, 2018 compared to the year ended December 31, 2017*

	<b>For the year ended December 31,</b>		
	<b>2018</b>	<b>2017 (restated)<sup>(1)</sup></b>	<b>Change</b>
	<b>(€ in millions)</b>		
Net cash flow from operating activities.....	3,964	4,547	(12.8)%

Net cash flow from investing activities .....	(2,375)	(3,612)	(34.2)%
Net cash flow from financing activities.....	(675)	(874)	(22.8)%
<b>Changes in cash and cash equivalents .....</b>	<b>914</b>	<b>61</b>	<b>1,403.3%</b>
Classification of cash as held for sale.....	(5)	(18)	(72.2)%
Effects of exchange rate changes on cash held in foreign currencies .....	4	(10)	(140.0)%
<b>Net changes in cash and cash equivalents.....</b>	<b>913</b>	<b>33</b>	<b>2,641.1%</b>

(1)The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of cash flows for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. See Notes 1.3, 2.3 and 34 for the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 for more information.

The Group recorded a net increase of €913 million in cash and cash equivalents for the year ended December 31, 2018, compared to a net increase of €33 million for the year ended December 31, 2017.

#### *Net cash provided by operating activities*

Net cash provided by operating activities decreased by 12.8% to €3,964 million for the year ended December 31, 2018 compared to €4,547 million for the year ended December 31, 2017. The decrease in net cash provided by operating activities is mainly explained by the changes in working capital, to a large extent due to the impact of settlements paid as part of the voluntary departure plan in Altice France. These payments were partly offset by the decrease in the net loss for the year ended December 31, 2018 compared to the year ended December 31, 2017.

#### *Net cash used in investing activities*

Net cash used in investing activities decreased by 34.2% to €2,375 million for the year ended December 31, 2018 compared to €3,612 million for the year ended December 31, 2017. The decrease in the year ended December 31, 2018 is mainly attributed to the higher proceeds from the disposal of businesses during the year ended December 31, 2018, mainly the towers businesses in Portugal and the Dominican Republic for a total amount of €688 million, the telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, for a total amount of €156 million and the international wholesale business in France, Portugal and the Dominican Republic for a total amount of €33 million. During the year ended December 31, 2017, the main disposal of businesses related to the sale of Coditel Brabant SPRL and Coditel S.à r.l., for an amount of €281 million. In addition, the amount spent on acquisitions decreased from €290 million in the year ended December 31, 2017, which was mainly related to the acquisition of Teads, to €110 million for the year ended December 31, 2018. Furthermore, the net cash used in investing activities decreased due a decrease in capital expenditures.

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

Net cash used in financing activities decreased by 22.8% to €675 million for the year ended December 31, 2018 compared to €874 million for the year ended December 31, 2017. The decrease in net cash used can primarily be attributed to the receipt of the provisional purchase price of €1.7 billion for the sale of the tower business in Altice France. This increase in cash was partly offset by the net repayment of debt of €258 million for the year ended December 31, 2018, whereas for the year ended December 31, 2017 there was a net inflow of cash of €1,051 million as a result of refinancing activities. In addition, during the year ended December 31, 2018, cash used for advances to group companies amounted to €47 million, whereas during the year ended December 31, 2017, cash received from group companies amounted to €702 million.

#### *For the year ended December 31, 2017 compared to the year ended December 31, 2016*

	<b>For the year ended December 31, 2017</b>	<b>For the year ended December 31, 2016</b>	<b>Change</b>
			<b>(€ in millions)</b>
Net cash flow from operating activities.....	4,544	4,976	(8.7)%
Net cash flow from investing activities .....	(3,609)	(4,036)	(10.6)%
Net cash flow from financing activities.....	(874)	(848)	3.1%
<b>Changes in cash and cash equivalents .....</b>	<b>61</b>	<b>93</b>	<b>(34.8)%</b>

Classification of cash as held for sale	(18)	(2)	700.0%
Effects of exchange rate changes on cash held in foreign currencies ...	(10)	3	(388.2)%
<b>Net changes in cash and cash equivalents.....</b>	<b>33</b>	<b>94</b>	<b>(64.6)%</b>

#### *Net cash provided by operating activities*

Net cash provided by operating activities decreased by 8.7% to €4,544 million for the year ended December 31, 2017 compared to €4,976 million for the year ended December 31, 2016. The decrease in net cash provided by operations was mainly related to a higher operating loss for the year ended December 31, 2017 compared to the year ended December 31, 2016.

#### *Net cash used in investing activities*

Net cash used in investing activities decreased by 10.6% to €3,609 million for the year ended December 31, 2017 compared to €4,036 million for the year ended December 31, 2016. The decrease in the year ended December 31, 2017 can be attributed to the reduction in investments and increase in divestments made by the Group during that year compared to the year ended December 31, 2017.

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

Net cash used in financing activities increased by 3.1% to €874 million for the year ended December 31, 2017 compared to €848 million for the year ended December 31, 2016. The increase can primarily be attributed to the change in debt issuance and repayments in the respective periods.

### **Capital Expenditures**

#### ***For the year ended December 31, 2018 compared to the year ended December 31, 2017***

For the year ended December 31, 2018, our total capital expenditures were €3,183 million (representing 22.3% of revenue), a 10.1% decrease compared to €3,541 million (representing 23.4% of revenue) for the year ended December 31, 2017.

<b>Capital expenditures</b>	<b>For the year ended December 31, 2018</b>								<b>Total</b>
	<b>France</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Teads</b>	<b>Altice TV</b>	<b>Others</b>	<b>Eliminations</b>	
	(€ in millions)								
Capital expenditure (accrued).....	2,270	423	234	115	1	4	—	(5)	3,043
Capital expenditure—working capital items.	95	36	9	(4)	—	5	—	—	140
<b>Payments to acquire tangible and intangible assets .....</b>	<b>2,364</b>	<b>460</b>	<b>243</b>	<b>112</b>	<b>1</b>	<b>8</b>	<b>—</b>	<b>(5)</b>	<b>3,183</b>

<b>Capital expenditures</b>	<b>For the year ended December 31, 2017 (restated)<sup>(1)</sup></b>								<b>Total</b>
	<b>France</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Teads</b>	<b>Altice TV</b>	<b>Others</b>	<b>Eliminations</b>	
	(€ in millions)								
Capital expenditure (accrued).....	2,394	438	242	145	—	47	17	(6)	3,246
Capital expenditure—working capital items.	225	(16)	(7)	(6)	—	100	0	—	296
<b>Payments to acquire tangible and intangible assets .....</b>	<b>2,619</b>	<b>422</b>	<b>234</b>	<b>109</b>	<b>—</b>	<b>147</b>	<b>17</b>	<b>(6)</b>	<b>3,541</b>

(1)The Group has adopted IFRS 15 and IFRS 9 effective from January 1, 2018. The audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 reflect the change in accounting standards. The Issuer's consolidated statement of cash flows for the year ended December 31, 2017 has been restated for the impacts of IFRS 15. IFRS 9 amendments were booked directly in the opening balance sheet as of January 1, 2018. See Notes 1.3, 2.3 and 34 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018 for more information. For the year ended December 31, 2017, the impact of IFRS 15 on the Group's total capital expenditures was €3 million.

*France:* For the year ended December 31, 2018, total capital expenditure in France was €2,364 million (representing 22.9% of revenue in France), a 9.7% decrease compared to €2,619 million for the year ended December 31, 2017 (representing 23.9% of revenue in France). The decrease was primarily driven by the significant capital expenditure incurred in previous years in order to improve the Group's mobile network and to roll out new fibre homes and is also due to the commercial success with a higher number of connections of customer premises in 2018.

*Portugal:* For the year ended December 31, 2018, total capital expenditure in Portugal was €460 million (representing 22.2% of revenue in Portugal), a 9.0% increase compared to €422 million for the year ended December 31, 2017 (representing 19.3% of revenue in Portugal). The increase was primarily due to an increase in mobile network related capital expenditure reflecting the deployment of the single RAN technology, higher SAC-related capital expenditure reflecting both higher gross adds and an increase in the unitary SAC and changes in capital expenditure related working capital. These increases are partially offset by lower fixed network related capital expenditure as a result of a lower number of homes passed.

*Israel:* Capital expenditure in Israel increased by 3.7%, from €234 million (representing 22.6% of revenue in Israel) in the year ended December 31, 2017 to €243 million (representing 25.8% of revenue in Israel) in the year ended December 31, 2018. On a constant currency basis, capital expenditure increased by 8.3%, driven by higher network and installation spend and changes in capital expenditure related working capital, partly offset by lower investments in CPE.

*Dominican Republic:* For the year ended December 31, 2018, our total capital expenditure was €112 million (representing 19.0% of revenue in the Dominican Republic), a 2.4% increase compared to €109 million for the year ended December 31, 2017 (representing 15.9% of revenue in the Dominican Republic). On a constant currency basis, accrued capital expenditures increased by 11.5%, to a large extent driven by purchase of equipment and services for mobile network to support data growth and increase of LTE coverage, services for the migration to single RAN technology and new deals for TV content rights.

*Teads:* In general, Teads has limited capital expenditures due to the nature of the business.

*Alice TV:* For the year ended December 31, 2018, our total capital expenditure was €8 million, a 94.3% decrease compared to €147 million for the year ended December 31, 2017.

*Other:* For the year ended December 31, 2018, our total capital expenditure was nil, compared to €17 million for the year ended December 31, 2017.

***For the year ended December 31, 2017 compared to the year ended December 31, 2016***

For the year ended December 31, 2017, our total capital expenditures were €3,539 million (representing 23.2% of revenue), a 3.0% decrease compared to €3,648 million (representing 23.7% of revenue) for the year ended December 31, 2016.

<u>Capital expenditures</u>	<u>Year ended December 31, 2017</u>						
	<u>France</u>	<u>Portugal</u>	<u>Israel</u>	<u>Dominican Republic</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Capital expenditure (accrued).....	2,368	469	263	(in € millions) 117	112	(86)	3,243
Capital expenditure—working capital items .....	227	(16)	(7)	(6)	97	—	296
Payments to acquire tangible and intangible assets .....	<b>2,595</b>	<b>453</b>	<b>255</b>	<b>111</b>	<b>210</b>	<b>(86)</b>	<b>3,539</b>

<u>Capital expenditures</u>	<u>Year ended December 31, 2016</u>						
	<u>France</u>	<u>Portugal</u>	<u>Israel</u>	<u>Dominican Republic</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
Capital expenditure (accrued).....	2,312	443	314	(in € millions) 123	583	(10)	3,765
Capital expenditure—working capital items .....	215	(56)	2	12	(290)	—	(117)



Payments to acquire tangible and intangible assets.....	<u>2,527</u>	<u>387</u>	<u>316</u>	<u>136</u>	<u>293</u>	<u>(10)</u>	<u>3,648</u>
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*France:* For the year ended December 31, 2017, total capital expenditure in France was €2,595 million (representing 24.0% of revenue in France), a 2.7% increase compared to €2,527 million for the year ended December 31, 2016 (representing 23.1% of revenue in France). This increase mainly results from increased network deployment activity in order to improve our mobile and fixed network.

*Portugal:* For the year ended December 31, 2017, PT Portugal's total capital expenditures were €453 million (representing 20.7% of revenue in Portugal), a 17.0% increase compared to €387 million for the year ended December 31, 2016 (representing 17.0% of revenue in Portugal). For the year ended December 31, 2017, our capital expenditures related to fixed-based services increased due to the heightened pace of our fiber roll-out program and increased customer premises equipment capital expenditures, while our capital expenditures related to mobile services increased because of our investment in single-RAN technology which started in the second half of 2016. Our other capital expenditures decreased compared to the year ended December 31, 2016, primarily reflecting the capital expenditure recorded in 2016 associated with the multi-year contract which we entered relating to our €44 million acquisition of the exclusive broadcasting rights of the "Porto" television channel.

*Israel:* Capital expenditure in Israel decreased by 19.2%, from €316 million (representing 33.1% of our revenue in Israel) in the year ended December 31, 2016 to €255 million (representing 24.7% of our revenue in Israel) in the year ended December 31, 2017. For the year ended December 31, 2017, capital expenditures related to fixed-based services decreased due to a decrease in network investment and local production investment, offset by an increase in customer premises equipment investments. Our capital expenditures related to mobile services also decreased, mainly due to a decrease in our investments relating to the Partner Network Sharing Agreement.

*Dominican Republic:* For the year ended December 31, 2017, our total capital expenditures were €111 million (representing 16.2% of our revenue in the Dominican Republic), a 18.0% decrease compared to €136 million for the year ended December 31, 2016 (representing 19.0% of revenue in the Dominican Republic). Capital expenditure in the Dominican Republic was driven by our single-RAN project for network efficiency and 4G capacity as well as our fiber roll-out to cover data growth. Our capital expenditures related to fixed-based services decreased in the year ended December 31, 2017 compared to the year ended December 31, 2016 due to an evolution in our network strategy, moving from our HFC roll-out to a new DTH service, which requires a lower level of investment. For the year ended December 31, 2017, our other capital expenditures increased, primarily due to purchases of equipment and services for single-RAN and our fiber roll-out.

*Others:* For the year ended December 31, 2017, our total capital expenditures were €210 million (representing 38.5% of our other revenue), a 28.4% decrease compared to €293 million for the year ended December 31, 2016 (representing 60.1% of our other revenue), primarily as result of the effect of the acquisition of certain content rights by AENS in 2016.

### Unrecognized Contractual Commitments

We have other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. See Note 30, 29 and 19 to the Historical Consolidated Financial Information for the year ended December 31, 2018, 2017 and 2016, respectively for further information.

The following tables set forth our unrecognized contractual commitments as of December 31, 2018, 2017 and 2016, respectively.

<u>As of December 31, 2018</u>	<u>&lt;1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 4 years</u>	<u>Five years or more</u>	<u>Total</u>
Goods and service purchase commitments.....	472	347	380	346	1,546
Investment commitments.....	788	59	131	408	1,387
Guarantees given to suppliers/customers.....	64	25	1	32	121
Guarantees given to financial institutions.....	6	—	4	41	51

Guarantees given to government agencies.....	4	9	16	97	126
Other commitments .....	—	—	—	34	34
<b>Total.....</b>	<b>1,335</b>	<b>440</b>	<b>532</b>	<b>959</b>	<b>3,266</b>

<b>As of December 31, 2017</b>	<b>&lt;1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 4 years</b>	<b>Five years or more</b>	<b>Total</b>
Goods and service purchase commitments .....	574	384	588	401	1,947
Investment commitments.....	751	416	656	256	2,079
Guarantees given to suppliers/customers.....	51	14	32	68	165
Guarantees given to financial institutions.....	11	18	—	45	74
Guarantees given to government agencies.....	13	1	4	67	84
Other commitments .....	55	2	3	72	132
<b>Total.....</b>	<b>1,454</b>	<b>835</b>	<b>1,284</b>	<b>908</b>	<b>4,481</b>

<b>As of December 31, 2016</b>	<b>&lt;1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 4 years</b>	<b>Five years or more</b>	<b>Total</b>
Goods and service purchase commitments .....	488	308	551	607	1,954
Investment commitments.....	628	52	36	107	823
Guarantees given to suppliers/customers.....	5	0	3	64	73
Guarantees given to financial institutions.....	25	1	10	58	94
Guarantees given to government agencies.....	20	0	26	62	108
Other commitments .....	—	—	5	30	35
<b>Total .....</b>	<b>1,166</b>	<b>362</b>	<b>631</b>	<b>928</b>	<b>3,088</b>

On May 11, 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 were acquired by Altice Picture S.à r.l. for the period from August 2018 to May 2021, with respect to the UEFA Champions League and from 2017 to 2020, with respect to the UEFA Europa League. During the second quarter of 2017, the Group prepaid the first instalment of €70 million for the UEFA Champions League and UEFA Europa League. In relation to these rights, the Group executed the Altice Financing Guarantee Facility, which was undrawn as of December 31, 2018. The rights include exclusive broadcast coverage across free-TV, pay-TV, mobile, internet, over-the-top and digital terrestrial television coverage in France and non-exclusive rights in French in Luxembourg, Switzerland and Monaco.

As of December 31, 2018, following the reorganization announced by Altice Europe (see “—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2018 compared to the year ended December 31, 2017—Significant Events Affecting Historical Results”), and as a consequence of the contract renegotiation with AENS, the total commitments of the Group decreased by €1 billion (representing the reduction in the minimum guaranteed amount over the life of the new content contract to be entered into with AENS).

In connection with the sale of a 49.99% interest in SFR FTTH, Altice France entered into a commitment to purchase equity of SFR FTTH. See “—Post-Balance Sheet Data Events—Sale of 49.99% Interest in SFR FTTH”.

### Defined Benefit and Defined Contribution Pension Plans

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

additional provision is recognized in the financial statements. As of December 31, 2018, our total defined benefit plans liabilities were €790 million. See Note 16 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018.

### **Off Balance Sheet Arrangements**

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the contractual commitments relating to purchase of property plant, and equipment, operating leases or as disclosed herein or in the Historical Consolidated Financial Information.

### **Post-Balance Sheet Date Events**

For a description of material post-balance sheet date events applicable to the Group, see “*Summary—Recent Developments*” included elsewhere in these Listing Particulars.

The following is an overview of key transactions since December 31, 2018 which may have a significant impact on the Group’s financial condition and results of operations.

#### *Voluntary employee reduction program in Portugal*

In connection with their transformation process and their innovation and business process simplification, some of the Group companies in Portugal have launched a voluntary employee reduction program in January 2019. This program was aimed at employees of 50 years old or more; accordingly, their employment agreements shall be terminated, and those employees will be entitled to receive a monthly fixed compensation up to retirement age corresponding to a percentage of their previous remuneration that varies based on the age of the employees. In connection with this program, the Group companies in Portugal have reached agreements with approximately 800 employees up to the end of March 2019, as a result of which these Group companies will recognize in the first quarter of 2019 a liability corresponding to the present value of salaries payable to those employees up to retirement age.

#### *Closing of the sale of 49.99% Interest in SFR FTTH*

On November 30, 2018, Altice France entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients, and OMERS Infrastructure, regarding the sale of an equity interest of 49.99% in SFR FTTH, an alternative FTTH infrastructure wholesale operator. The transaction closed on March 27, 2019, upon which €522 million total assets and 1.1 million total homes passed were transferred to SFR FTTH. The final proceeds amounted to €1.7 billion, based on an equity value at closing of €3.4 billion. SFR FTTH is accounted for as an associate and hence will not be fully consolidated in the Altice France Group’s financial statements and, accordingly, SFR FTTH’s EBITDA and capital expenditures will not be consolidated in the Altice France Group’s financial statements. In connection with this transaction, Altice France has entered into a commitment to purchase equity of SFR FTTH for cash in an aggregate amount not to exceed €68 million to the extent such cash amount is required by SFR FTTH to make certain utilizations under the 2019 SFR FTTH Senior Facilities Agreement.

In accordance with IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations*), assets intended for sale and liabilities related to assets held for sale were placed on specific line items in the statement of financial position for the amounts of €522 million as of December 31, 2018.

### **Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar, euro, NIS and the DOP, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

#### ***Credit Risk***

The Group does not have significant concentrations of credit risk. Credit risk may arise from the exposures of commitments under a number of financial instruments with one counterparty or as the result of commitments with

a number of groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Group's income mainly derives from customers in France, Portugal, Israel and the Dominican Republic. 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 Directors, 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 the date of the Offering Memorandum, the Group has access to the Existing Revolving Credit Facilities which provide for borrowings of up to €2,156 million (of which €nil million was drawn as of December 31, 2018) to cover any liquidity needs not met by operating cash flow generation. See “—*Liquidity and Capital Resources—Sources of Liquidity*”.

### ***Interest Rate and Related Risk***

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity. On a consolidated basis, taking into account our swap portfolio, our primary fixed rate debt obligations were in an amount equivalent to €26,395 million, while our primary floating rate debt obligations were equivalent to €9,078 million, in each case as of December 31, 2018.

<b>Interest structure of financial debt</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
		(in € millions)	
Financial debt at fixed rates.....	26,395	27,803	29,699
Financial debt at variable rates.....	9,078	7,067	5,815
Total .....	35,473	34,870	35,514

### ***Foreign Currency Risk***

Our business is exposed to fluctuations in currency exchange rates. The HOT Group's primary transactional currency is the NIS. Altice Dominicana's primary transactional currency is the DOP. The primary transactional currency of the Issuer and its other operating subsidiaries is the euro. We conduct, and will continue to conduct, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Our existing debt is primarily denominated in U.S. dollars, euro and NIS although the amounts incurred in U.S. dollars, euro and NIS do not necessarily match the amount we earn in the corresponding currency. We seek to manage such transactional foreign currency exposures through our hedging policy in accordance with our specific business needs.

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, foreign-exchange 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 18.3.2 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018.

## MANAGEMENT

### The Issuer

The Issuer is a public limited liability company (*société anonyme*) with a Board of Directors (*Conseil d'administration*), incorporated under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under Number B197134, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.

The following table sets forth certain information regarding the members of the board of directors of the Issuer as of the date hereof. The number of directors is not subject to any maximum limit. The sole shareholder of the Issuer has the authority to dismiss any director and fill any vacancy.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jérémie Bonnin.....	44	Director
Dennis Okhuijsen.....	47	Director
Malo Corbin.....	35	Director
Davina Piret.....	30	Director
Emilie Schmitz.....	37	Director
Laurent Godineau.....	45	Director

**Jérémie Bonnin**, 44, is a director of the Issuer and now acts as a senior advisor to Altice Europe management team. Before joining Altice Europe, he was a manager in the Transaction Services department at KPMG, which he joined in 1998. He has a long track record of successful cross-border transactions, and in financial management within the telecommunications sector. Mr Bonnin received his engineering degree from the Institut d'Informatique d'Entreprises in France in 1998. He also graduated from the DECF in France (an equivalent to the CPA) in 1998.

**Dennis Okhuijsen**, 47, is a director of the Issuer. Mr. Okhuijsen serves as an advisor to Altice Europe and advises on all financing and capital structure activity. Previously, he acted as the Chief Financial Officer of Altice Europe. Before joining the Altice group in 2012, he was a Treasurer for Liberty Global since 2005. From 1993 until 1996 he was a senior accountant at Arthur Andersen. He joined UPC in 1996 where he was responsible for accounting, treasury and investor relations up to 2005. His experience includes raising and maintaining non investment grade capital across both the loan markets as well as the bond/equity capital market. In his previous capacities he was also responsible for financial risk management, treasury and operational financing. He holds a master of Business Economics of the Erasmus University Rotterdam.

**Malo Corbin**, 35, is a director of the Issuer and the Chief Financial Officer of Altice Europe. Mr. Corbin joined the Altice group in 2015. He was appointed as the Chief Financial Officer of Altice Europe in October 2018. Previously, he held the role of Finance Director for Altice Europe and prior to that Chief Controlling Officer and Vice President M&A for Altice Group. Before joining Altice Group, Mr. Corbin was Vice President in the Telecom & Technology Group of Lazard covering Europe, Middle East and Africa. Malo Corbin is a graduate from Ecole Centrale Lyon.

**Davina Piret**, 30, is a director of the Issuer. Before joining Altice Europe, she was an accountant senior at Centralis S.A., a corporate and trust services provider which she joined in 2010. She graduated from the Haute Ecole Blaise Pascal in Arlon (Belgium) with a bachelor's degree level in accountancy and taxation.

**Emilie Schmitz**, 37, is a director of the Issuer. Before joining Altice Europe, she was an accountant manager of Centralis S.A., a corporate and trust services provider. Mrs Schmitz was a Senior Advisor at Deloitte SA (Luxembourg) which she joined in 2006. She graduated from the School Robert Schuman of Metz (France) with a bachelor's degree specializing in accountancy and management.

**Laurent Godineau**, 45, is a director of the Issuer. Before joining Altice Europe, he was a General Manager of Centralis S.A., a corporate and trust services provider. Mr. Godineau was a Senior Advisor at Alter Domus (Luxembourg) which he joined in 2002. He graduated from the ESC Bretagne Brest with a master's in Finance and Chartered Accountancy and also holds a Master of Sciences degree in International Business and Finance from the University of Reading.

## REGULATION

### General

Our business is subject to various regulatory requirements and obligations including communications and broadcasting laws, general antitrust law, environmental, health and safety laws, planning and construction laws, consumer protection laws as well as technical and other regulations in each of the jurisdictions in which we operate. Such laws and regulations are promulgated and enforced to varying degrees by supranational regulators such as the EC and national, state, regional and local authorities. The ever-changing regulatory environment can have a material effect on our activities. Certain key provisions of the regulations governing our activities in France and the French Overseas Territories, Israel, Portugal, Luxembourg and the Dominican Republic as at the date of these Listing Particulars are set forth below. This description is not intended to be an exhaustive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

### France and the French Overseas Territories

Our business activities in both France and the French Overseas Territories are subject to the laws and regulations of France and the European Union governing the telecommunications sector and the information society.

### Regulation of electronic communications networks and services

#### *The European Regulatory Framework for Electronic Communications*

The European regulatory framework is based on the following five directives contained in the “**2002 Telecoms Package**” of the European Union, which apply to the seven relevant markets defined by European Commission’s recommendation 2007/879/CE dated December 19, 2007:

- Directive 2002/21/EC dated March 7, 2002, concerning a common regulatory framework for electronic communications networks and services (the “**Framework Directive**”);
- Directive 2002/19/EC dated March 7, 2002, concerning access to, and the interconnection of, electronic communications networks and associated facilities (the “**Access Directive**”);
- Directive 2002/22/EC dated March 7, 2002, on universal services and users’ rights relating to electronic communications networks and services (the “**Universal Service Directive**”);
- Directive 2002/20/EC dated March 7, 2002, concerning the authorization of electronic communications networks and services (the “**Authorization Directive**”); and
- Directive 2002/58/EC dated July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the “**Privacy and Electronic Communications Directive**”).

In addition to the 2002 Telecoms Package, the following legislation also applies to the telecommunications sector:

- Directive 2002/77/EC dated September 16, 2002, concerning competition in the markets for electronic communications networks and services (the “**Competition Directive**”);
- Directive 2009/140/EC dated November 25, 2009, amending the Framework, Access and Authorization Directives;
- Directive 2009/136/EC dated November 25, 2009, amending the Universal Services and the Privacy and Electronic Communications Directives and Regulation 2006/2004/EC on cooperation between national authorities responsible for the enforcement of consumer protection laws;
- Directive 2009/114/EC of September 16, 2009, amending Council Directive 87/372/EEC on the frequency bands to be reserved for the coordinated introduction of public pan-European cellular digital land-based mobile communications in the Community;

- Directive 2014/53/EU dated April 16, 2014, on the harmonization of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC Text with EEA relevance;
- Directive 2014/61/EC of May 15, 2014, on measures to reduce the cost of deploying high-speed electronic communications networks;
- Regulation 1211/2009/EC dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the “**BEREC**”);
- Regulation 2015/2120/EC of November 25, 2015, laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users’ rights relating to electronic communications networks and services (the “**Open Internet Access Regulation**”);
- Regulation 2016/679/EU of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing Directive 95/46/EC (the “**General Data Protection Regulation**”); and
- Regulation (531/2012/EC on roaming on public mobile communications networks within the European Union (the “**Roaming Regulation**”).

The Open Internet Access Regulation set new limits for retail roaming rates in Europe billed by mobile operators applicable between July 1, 2014, and April 29, 2016, and after April 29, 2016. The Roaming Regulation also abolished roaming charges as from June 15, 2017.

The Open Internet Access Regulation introduced measures on net neutrality Article 3 of the Open Internet Access Regulation established the following net neutrality principles:

- The right of end-users to access and distribute content, use and provide applications and services, and use terminal equipment of their choice, irrespective of location, origin or destination of the information, content, application or service, via their internet access service; and
- Internet access service providers are to treat all traffic equally, without discrimination, restriction or interference.

These two principles are subject to the following exceptions:

- Compliance with court orders;
- Protecting the integrity or security of the network; and
- Prevention of network congestion occurring temporarily and under exceptional circumstances.

Moreover, operators are subject to stronger transparency obligations. They must in particular provide more information in customers’ contracts (such as impact of traffic management techniques used by ISPs, the concrete impact of caps or allowances, information on connection speed, etc.).

The principle of net neutrality is also affirmed in the law no. 2016-1321 of October 7, 2016 for a digital Republic, which introduced Articles L. 32-1 et seq. in the Postal and Electronic Communications Code (Code des Postes et des Communications Electroniques, “**CPCE**”). The Articles provide that operators may not discriminate in providing access to the network on the basis of services and may appoint the Postal and Electronic Communications Regulator (*Autorité de Régulation des Communications Electroniques et des Postes*, “**ARCEP**”) to ensure that this principle is observed.

The European Commission launched a review of the EU regulatory framework for electronic communications in 2016 through a draft directive aiming at establishing a European Electronic Communications Code (the “**EECC**”) submitted to the Council and to the Parliament on September 14, 2016.

The BEREC published its opinion on the EECC draft directive on December 13, 2016 focusing on (i) the scope of the framework, (ii) the access regulation and (iii) the institutional set-up.

The EECC draft directive is still in the process of being discussed and examined by the Parliament and the Council.

On December 11, 2018, the Directive (EU) 2018/1972 of the European Parliament and of the Council establishing the EECC was adopted. It came into force on December 20, 2018 and must be transposed by Member States by December 21, 2020.

The EECC brings together the rules on electronic communications networks and services and aligns them with the latest technological developments.

The EECC regulates (1) electronic communications networks and services (“ECN” and “ECS”), (2) associated facilities and services, (3) the authorisation of networks and services, (4) radio spectrum use and numbering resources, (5) access to and interconnection of electronic communications networks and associated facilities, and (6) the protection of end-users.

The EECC repealed the “2002 Telecoms Package” and its successive amendments.

### **Digital single market**

On May 6, 2015, the European Commission published a communication (“A Digital Single Market Strategy for Europe”—COM (2015) 192) detailing its strategy for a digital single market. The strategy is founded on three pillars: (i) providing better access for consumers to on-line services across Europe, (ii) creating conditions for development of digital networks and services, and (iii) maximizing the growth potential of the European digital economy. Following the adoption of Regulation 2015/2120, on September 11, 2015 the European Commission launched a public consultation of the 2002 Telecoms Package (as amended in 2009).

On January 19, 2016, the European Parliament adopted the resolution “Toward a Digital market”. In its resolution, the European Parliament welcomed the European Commission’s Digital Single Market Strategy, but also expressed its concern about the divergent national approaches taken so far by EU member states when regulating the internet and the “sharing economy”. The topics addressed in the resolution include the necessity to increase consumer choice and to remove barriers for innovative start-ups. Other topics addressed in the resolution include copyright, regulation of the telecommunications sector, VAT rules, audio-visual media, e-skills, e-government, and employment rights.

With regard to regulation of the telecommunications sector, the Resolution also:

- emphasizes the key role of private investments in fast and ultra-fast communication networks in driving digital progress that must be supported by a stable EU regulatory framework enabling all players to make investments, including in rural and remote areas;
- reminds the member states of their commitment to reach by 2020 full broadband network deployment of minimum speeds of 30 Mbps;
- underlines the need to ensure that end-user rights laid down in the telecommunications framework are coherent, proportionate and appropriate; and
- a mid-term review of the Digital Single Market strategy has been published by the European Commission on May 10, 2017. Said review emphasises the progress accomplished and identifies three main areas toward which European Union’s actions are needed: (i) the development of the European Data Economy to its full potential, (ii) Europe’s assets protection through cybersecurity and (iii) the promotion of online platforms as responsible players of a fair internet system.

### ***French regulatory framework applicable to electronic communications***

Most measures implementing the European Regulatory Framework for Electronic Communications in France can be found in the CPCE. The French Consumer Code also governs relations between electronic communications service providers and consumers.



In addition to the many consumer protection rules that are not specific to the electronic communications sector, the «Chatel law» updated the French Consumer Code to protect consumers using mobile and internet technology (Articles L.121-84-1 *et seq.*). National Regulatory Authorities (“NRAs”) are responsible for effective implementation and supervision of the Framework.

On November 23, 2018, a law (no. 2018-1021) was enacted that considerably modified the French legislative framework for electronic communications, in particular by strengthening the penalties that operators face for non-compliance with their deployment obligations (under Article L36-11 of the CPCE) and requiring operators to grant reasonable access to their network infrastructure.

It must be underlined that France has not yet enacted the EECC into domestic law.

### *National Regulatory Authorities*

#### *ARCEP*

In France, the NRA for electronic communications is ARCEP, created in January 1997. ARCEP is an independent administrative authority in charge of regulating the electronic communications sector, managing administrative procedures, defining access, interconnection and roaming conditions, calculating costs and contributions to the universal service and rate regulation, and assigning rights for the use of frequencies.

To exercise its prerogatives, ARCEP has a variety of powers, in particular to make regulations, control, settle disputes, advise and sanction. ARCEP’s decisions may relate to asymmetric regulation (which apply to operators occupying a dominant position on the market) or symmetric regulation (which apply to all operators). Certain symmetric regulatory decisions need to be approved by the Ministry for Electronic Communication.

The law n° 2015-99 on growth, business and equal economic opportunities, of August 6, 2015 (“**Macron Law**”), endowed ARCEP with new powers and new missions, including the ability to require operators to amend their mobile network sharing agreements when necessary to achieve regulatory objectives. The ARCEP is required to publish a report evaluating investments by each mobile operators in the deployment of new infrastructure. On that occasion, the Authority will verify the respect of the radio network sharing agreement.

#### *Competition Authority*

The French Competition Authority is an independent administrative authority in charge of monitoring competition under Article L. 461-1 of the French Commercial Code. It is responsible for identifying anti-competitive practices in the market, merger controls and provision of advisory opinions.

In its role of identifying anti-competitive practices, in accordance with Articles L. 464-1 and 2 of the French Commercial Code, the Competition Authority can: (i) impose fines; (ii) require businesses to cease such practices; (iii) accept commitments with regard to elimination of anti-competitive practices and (iv) impose certain injunctions in the event of urgency. Under Article L. 464-8 of the French Commercial code, an appeal can be lodged against these decisions (in itself, not suspensive) before the Paris Court of Appeal, within one month. An appeal can be lodged against the ruling of the Court of Appeal of Paris in front of the Court of Cassation (Supreme Court) within one month.

In its merger control role, in accordance with Articles L. 430-1 *et seq.* of the French Commercial Code, the Competition Authority must give *ex ante* authorization to mergers between certain large businesses. It may: (i) authorize the merger; (ii) prohibit a merger; or (iii) subject authorization of a merger to certain conditions. Under Article R. 311-1 of the Code of Administrative Justice, the parties and third parties concerned can lodge an appeal (in itself, not suspensive) for annulment or reformulation with the Conseil d’État within two months.

In its advisory role, in accordance with Articles L. 462-1 *et seq.* of the French Commercial Code, the Competition Authority provides opinions on the function of the markets at the request of the government, parliament, courts, legal entities representing public interests or on its own initiative. No appeal can be brought against these opinions.

#### *Conseil Supérieur de l’Audiovisuel*

Created by the law no. 89-25 of January 17, 1989, the French Broadcasting Regulator (*Conseil Supérieur de l’Audiovisuel*, “CSA”) seeks to safeguard the freedom of audiovisual communication in France. The law no. 86-

1067 of September 30, 1986, which has seen several amendments, gives it powers with respect to the protection of minors, respect for the pluralistic expression of opinions, organization of electoral campaigns on radio and television, rigorous processing of information, allocation of spectrum to operators, respect for human dignity and consumer protection.

With regard to spectrum allocation, the CSA is responsible for administration and allocation of frequencies intended for radio and television. It is also responsible for planning “hertzian” spectrum bands to be used by radio stations, issuing licenses to use the frequencies, and planning and allocating broadcasting channels to digital terrestrial television operators.

In case of disputes regarding the above, the CSA performs an arbitral role between publishers of services and producers of works or audiovisual programs or their representatives, or the professional organizations representing them.

CSA can make recommendations to broadcasters and distributors of audiovisual communication services on compliance with the principles set forth in the law of September 30, 1986 referred to above. It has the powers to impose sanctions in case of non-compliance with the principles by broadcasters or distributors of services.

Law no. 2016-1524 of November 14, 2016 aiming at strengthening freedom, independence and pluralism of the media modified the law of September 30, 1986 referred to above in order to regulate the powers of the CSA regarding transfers of television channels.

### **General regulatory framework applicable to network operators and providers of electronic communication services**

Pursuant to Article L. 33-1 and Articles D. 98-3 to D. 98-13 of the CPCE, every entity operating a network or providing electronic communications services to the public is bound by certain general obligations concerning number portability, regulation of value-added services, publication of service quality enquiries, and the financing of universal services.

#### ***Number portability***

Portability is a service offered by providers of electronic communications services allowing its subscribers to maintain their telephone numbers when switching operators. Number portability is an obligation of all operators providing their services to end-users in accordance with Article L. 44, D.406-18 and D. 406-19 of the CPCE and extends to both fixed-line and mobile operators.

In January 2009, the leading operators, including members the Group, set up a dedicated entity, the Fixed Numbers Portability Association (*Association de la Portabilité des Numéros Fixes*) to effectively manage information sharing with regard to requests for fixed number portability.

ARCEP Decision no. 2013-0830 of June 25, 2013 lays down new obligations for operators that target the end-user market, in particular in terms of information and quality of service, which must be gradually implemented before October 1, 2015.

Concerning mobile number portability, the original regulatory mechanism has undergone several changes aimed at establishing maximum durations for switching, enhancing customer experience and ensuring information provisions for subscribers. ARCEP Decision no. 2012-0576 of May 10, 2012 specifies arrangements for the application of mobile number portability.

The French Government approved the ARCEP decision dated June 25, 2013, specifying the procedures for portability of fixed-line numbers. The ARCEP decision establishes the following requirements for operators on the consumer market:

- portability processing duration is shortened to three working days, provided access is available;
- clarification of the rules for compensation in case of delay or mishandling of a number portability request;
- harmonized information to subscribers throughout the number portability process; and

- from October 2014, the introduction of a quarantine period, which enables a number to be ported up to 40 days after the account is cancelled.

On October 1, 2015, an operator identity statement or (“**RIO**”, *relevé d’identité opérateur*) for fixed operators, like the RIO that already exists for mobile number portability, was created at ARCEP’s request, which also implements a dedicated tool to make it easier for operators to identify the subscriber and facilitate the process to port one’s number to a new operators.

The process has also changed for the business market:

- the portability process is shortened to seven working days, provided access is available;
- for better information of business customers, fixed operators must make available all the technical and contractual information necessary to switch operators while retaining one’s fixed number;
- service is maintained until the actual portability: if the contract expires before portability occurred, the former operator should extend the provision of service on the fixed number until its actual portability;
- from October 2014: implementation of the quarantine period; and
- starting October, 1 2015: operators can jointly elect to extend the RIO-based control imposed on the consumer market to all or part of the business market.

To obtain their fixed RIO, users must call the toll-free number 3179 from their landline: and the RIO will be communicated to them verbally, and later confirmed in writing, using the method of their choice, including via SMS, e-mail or the post.

### ***Regulation of value-added services***

ARCEP Decision no. 2012-0856 of July 17, 2012, changed the principles of retail pricing of calls to short or special numbers. The decision aims to simplify the retail pricing of such calls and prevent certain abusive practices. Effective from January 1, 2015, it introduces a general pricing structure according to the “C + S” model that explicitly distinguishes in the retail price charged to the caller between (i) price C of the underlying telephone communication set by the original operator (ii) and Price S of the value-added service set by the provider of the service.

ARCEP Decision no. 2012-0661 of June 10, 2014 postponed the entry into force of the pricing reform on value-added services to October 1, 2015. Since October 1, 2015, Enterprises and public services have three types of numbers available for providing their services: toll-free numbers, numbers charged at the “normal” rate, and premium rate numbers.

Transparency for consumers will be ensured by the obligation to display calls to premium rate numbers on detailed telephone bills, and by the reverse directory created by operators and service providers (a special website is dedicated to this: [infosva.org](http://infosva.org)).

Transparency is improved thanks to the pricing display graphics being introduced with the reform, which associate a different color with each of the three types of number: green for toll-free numbers, grey for “normal” rate numbers, and purple for premium rate numbers.

### ***Publication of service quality enquiries***

Decision no. 2013-0004 of October 8, 2013 imposes on operators with more than 100,000 fixed-line subscribers the obligation to publish on its website (i) on a quarterly basis, measurements of service quality related to the quality of access to fixed line services per access type and (ii) on a six-monthly basis, measurements related to the quality of service measures for fixed telephony.

In July 2014, ARCEP set up a mobile telephony coverage and service quality monitoring survey. On July 30, 2015, ARCEP published the findings of its survey aimed at assessing mainland France mobile operators’ quality of service. Orange was found to be the operator with the highest overall score, with 153 indicators scoring above

average, whether for telephony, SMS or data products. With 52 and 42 indicators scoring above average, respectively, the results for Bouygues Telecom and SFR were broadly similar. Free mobile, whose 3G network was still being deployed, scored considerably less well on a sizeable numbers of indicators, with only 9 indicators scoring above average. In addition to these publications on the quality of mobile services, the quality of access to fixed-line services and the quality of fixed telephony service, ARCEP, in 2015, continued work and the publication of its new half-yearly observatory on the quality of internet access services in mainland France. On December 18, 2015, ARCEP published findings regarding mobile coverage (2G, 3G, 4G) by the four operators for the month of July (*Source: ARCEP*). While the 2G and 3G coverage is uniformly high (above 80% in all cases and above 90% in most cases) for each of the operators and for each of population coverage and territorial coverage, 4G coverage is still lagging behind. With regard to 4G population coverage, Orange came first (76%), followed by Bouygues Telecom (72%), SFR (58%) and Free (52%). Only 28% of the territory is covered by Orange's network, followed by Bouygues Telecom (24%), Free's (18%) and SFR's (15%).

ARCEP decision no. 2015-0833 of July 7, 2015 amending the mechanism for monitoring the quality of access to fixed-line services, entered into force on January 1, 2016.

Additionally, law no. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities amended Article L33-12 of the CPCE, giving ARCEP greater flexibility in implementing measures relating to service quality and coverage of electronic communications networks and services. While these measures are implemented by operators, they are now subject to supervision by independent bodies selected by ARCEP, and the related costs are borne directly by the operators concerned.

In early 2019, ARCEP's "monreseau mobile.fr" service showed that SFR's mobile network covered 99% of the population and 95% of the territory of metropolitan France:

- SFR's 3G network covers 99% of the population and 96% of the territory of metropolitan France;
- SFR's 4G network covers 99% of the population and 83% of the territory of metropolitan France.

See the Risk Factors section for more details on the specific commitments SFR has made regarding its network coverage.

### ***Financing of universal service***

Pursuant to law no. 2003-1365 of December 31, 2003, the operator that is bound to guarantee the provision of universal service is designated on the basis of calls for applications. The application procedure is administered by the Minister for Electronic Communications. All the operators who want to apply for the universal service provider position in France, have to propose their candidatures with their technical and financial conditions and the cost of their services.

Orange was selected following the call for applications launched in 2017 for connection and telephone service components under Article L. 35-1 of the CPCE and was designated as service provider for these universal service components until November 2020.

PagesJaunes, a provider, was chosen following the call for applications launched in 2011 for the provision of a subscribers' directory in printed form and was designated as service provider for this universal service component until December 2014. To date, PageJaunes is still providing such universal services.

Under Articles L. 35 et seq. of the CPCE, universal service obligations include (i) universal electronic communications service, (ii) additional services to universal electronic communications service, and (iii) general interest missions in electronic communications, defense and security, public research and higher education. Universal electronic communications service includes (a) connection to a fixed public network and quality telephony service, in particular facsimile communications and data communications, at rates sufficient for access to the internet, as well as free handling of emergency calls, at an affordable price; (b) a directory enquiries service and a subscriber directory; (c) special measures for disabled end-users.

Law no. 2015-990 of August 6, 2015 on economic growth, activity and equal economic opportunities removed access to public payphones from universal service.

No universal service provider is selected any longer for directory enquiry services and directory information because of the competitive situation on their respective markets.

Every year, ARCEP determines the net cost of universal service and puts in place a mechanism for shared financing between electronic communications operators in case of an unfair burden on the designated operator, for the period during which it was selected. In this case, ARCEP fixes operators' contributions (provisional, then final) proportionally to their relevant revenues.

In its decision no. 2018-1458 of November 27, 2018, ARCEP provided an estimate of the net cost of universal service and operators' contributions for 2019. SFR's contribution was estimated at €2,613,709.

## **Asymmetric regulation of the fixed telephony markets and fast and superfast broadband markets**

### ***Review of fixed telephony markets***

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. Ex ante asymmetric regulation is focused on market segments (mainly wholesale markets) in which distortions of competition and dominant market positions have been identified. Pursuant to the Framework Directive (replaced by the EECC), Regulation 1211/2009 establishing the BEREC and articles L. 371 to L. 38-1 of the CPCE, ARCEP is required, under the supervision of the European Commission and the BEREC, and on the basis of the recommendation of the Competition Authority, to (i) define the relevant markets in France, (ii) analyze the relevant markets and identify companies that have significant market power in these markets, and (iii) decide whether or not to impose on these companies regulatory obligations commensurate with the competition problems identified.

### ***Analysis of the fixed broadband and superfast fixed broadband markets***

ARCEP decisions no. 2017-1453, no. 2017-1347, 2017-1348, 2017-1349, 2017-1488 and no. 2017-1570 of December 2017, established the fifth round of analysis of the wholesale market for physical network infrastructure access to the local wireline loop, the wholesale market within France for broadband and high-capacity broadband and the wholesale market for capacity services for the period from 2017 to mid-2020. These decisions define the asymmetrical regulation of broadband and superfast broadband fixed markets and apply only to Orange, identified as the only operator exercising significant influence in these markets. As such, Orange is subject to specific obligations concerning access (unbundling of the copper local loop and access to its infrastructures), in particular meeting reasonable requests for access and providing access under non-discriminatory conditions at regulated pricing conditions.

The unbundling of the Orange's copper lines is the main line of action in terms of sector regulation. It is through unbundling that multiservice offers such as the "triple play" offers on telephone lines that can support them have developed in France.

Unbundling requires operators to make considerable investments; the geographic coverage of operators is only extended gradually over the territory. Complementing unbundling, alternative operators have sometimes, on an infra-national basis, used wholesale offers of DSL run by Orange that enable them, to date, to market internet access services and telephone services over the entire territory in retail markets.

This new framework defines non-discriminatory obligations that have been strengthened in accordance with the European Commission's recommendation of September 11, 2013, on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

On December 21, 2017, ARCEP adopted, through its decision no. 2017-1570, the following rate cap covering years 2016 to 2020 on access to Orange's copper local loop:

		<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Full Unbundling.....</b>	<b>Monthly fee for unbundling</b>	€9.10	€9.45	€9.31	€9.41	€9.51
	<b>Total unbundling fees</b>	€50	€50	€50	€50	€50
	<b>Termination</b>	€15	€15	€5	€5	€5
	<b>After-sale services</b>	€105	€105	€105	€105	€105
<b>Partial Unbundling.....</b>	<b>Monthly fee for unbundling</b>	€1.77	€1.77	€1.77	€1.77	€1.77
	<b>Total unbundling fees</b>	€66	€66	€66	€66	€66

## Asymmetric regulation of voice call termination markets and the regulatory framework specific to fixed broadband and superfast broadband

### *Analysis of fixed voice call termination markets*

ARCEP decision no. 2017-1453 of December 19, 2017 established the fifth round analysis of the wholesale markets for fixed voice call terminations and mobile voice call termination for the period from January 1, 2017 to December 31, 2020. Every fixed-line operator is deemed to exercise significant influence on the market for the termination it provides on its individual network.

Contrary to decision no. 2014-1485, which applies to the fourth round analysis, decision no. 2017-1453 does not set caps for fixed call terminations, but merely provides the possibility for ARCEP to impose such caps at any point of time during the designated period if required.

### *The regulatory environment specific to fiber optic superfast broadband*

Pursuant to law no. 2008-776 of August 4, 2008, any entity that (i) is establishing or has established an optical fibre ultrafast broadband electronic communications line in an existing building or (ii) exploits an optical fibre ultrafast broadband electronic communications line, and which makes it possible to serve an end-user, must satisfy all reasonable requests from operators for access to said line. Except in cases defined by the regulatory authority, access is to be provided under transparent and non-discriminatory conditions from a point located outside the limits of the private property, and which allows third-party operators to connect to it, under reasonable economic, technical and access conditions. Any refusal to provide this access must be justified.

ARCEP has specified the regulatory framework and the principles set forth in Article L. 34-8-3 through several decisions and recommendations successively published since December 2009.

These decisions organize rules for sharing the terminal portion of FTTH networks, i.e., downstream of the shared access point, in very densely populated areas and outside of them, in particular by specifying the obligations of the building operator regarding information provided to the commercial operator.

The decision no. 2009-1106 of December 22, 2009 for example defines very high density areas as densely populated municipalities where infrastructure-based competition is possible, and stipulates that the list of municipalities that make up these areas could be adjusted should the need arise.

ARCEP decision no. 2015-0776 of July 2, 2015 has specified and strengthened the obligations of building operators: they must guarantee the availability, traceability and non-discriminatory nature of information provided to commercial operators.

In addition, Article 117 of law no. 2015-990 of August 6, 2015 on economic growth, activity and equal economic opportunities instituted the status of fiber-covered zone (zone fibrée) that can be obtained once the establishment or operation of a fiber optic network that is open to sharing are advanced enough to trigger measures facilitating the switch over to superfast broadband, i.e., promoting the migration from a copper local loop to optic local loop.

On, February 18 2016, ARCEP launched an observatory on mobile network rollouts in sparsely populated areas and officially notified Bouygues Telecom and SFR to meet their next deadline to provide 4G coverage in sparsely populated areas. ARCEP has also decided to closely scrutinize Bouygues Telecom and SFR 4G rollouts in sparsely populated parts of France. ARCEP approved the draft agreement between the four operators (as part of the town-centers coverage programme since “**Macron Law**”) concluded to provide 2G and 3G coverage in the country’s town centres.

Pursuant to law no. 2016-1321 of October 2016, article L. 33-11 of the CPCE and decree no. 2016-1182 of August 30, 2016, application for the status of fiber-covered zone must be made by the operator that rolls out the new fiber optic network, or by the local authority that established it under Article L. 1425-1 of the General Local Authorities Code. The status is granted by ARCEP after having emitted a favourable opinion, which lists the petitioner’s obligations.

Law no. 2018-1021 of November 23, 2018 has amended Article L. 1425-1 of the General Local Authorities Code to strengthen the obligation for any fiber network operator to grant access to their infrastructure when no other fiber network has been rolled out in the area.

## **Regulatory framework specific to mobile operators**

### *Obligations relating to networks and frequencies*

#### *Conditions for authorizations to use frequencies*

Article L. 33-1 of the CPCE authorizes mobile operators to use frequencies to establish and operate 2G, 3G and 4G generation networks. These frequencies can be used in accordance with the conditions laid down in the EECC and the conditions laid down by the licenses to use the frequencies granted by ARCEP. These instruments are supplemented by the harmonization decisions of the Electronic Communications Committee (ECC) of the European Conference of Postal and Telecommunications Administrations (CEPT), as well as recommendations on the coordination of radio frequencies at borders. Within France, ARCEP lays down technical conditions for the use of radio frequencies for certain frequency bands.

#### *New frequency allocation schedule and reallocation of frequencies*

Following the allocation of frequencies in the 700 MHz band, new frequencies bands will be allocated in France in the years ahead (900 MHz, 1800 MHz and 2.1 GHz bands).

ARCEP reallocated said frequencies on November 15, 2018 (ARCEP decision no. 18-1393).

SFR's licenses to use frequencies will expire as follows:

- On March 24, 2031 for the 900 and 1800 MHz frequencies;
- On August 20, 2031 for the 2.1 GHz frequency;
- On June 7, 2030 for the 2.1 GHz frequency that was granted in 2010;
- On October 10, 2031 for the 2.6 GHz frequency; and
- On December 7, 2035 for the 700 MHz frequency.

#### *4G frequency refarming*

The 1800 MHz band is one of the two frequency bands that have historically been used by 2G networks. It is now due to progressively be reused more efficiently by 4G services. Consequently, the terms of mobile operators' licenses need to be amended to lift the 2G-only restriction they contain.

To make the band technology-neutral and to prepare for its reuse by 4G services, ARCEP published in March 2013, a guidance document for the introduction of technological neutrality in the 1800 MHz band (definition of the method applied in case of early request for the introduction of technological neutrality, i.e., before May 25, 2016, under the terms of Ordinance No. 2011-1012 of August 24, 2011 on the transposition of Directive 2009/140/CE) or before this date if the parties that hold licenses in that band so request.

ARCEP put these guidelines into effect when Bouygues Telecom requested that the technological restrictions listed in its license be lifted. As a result:

- Bouygues Telecom was authorized to use 4G at 1800 MHz from October 1, 2013 by ARCEP Decision No. 13-0514 of April 4, 2013.
- Free Mobile was authorized to use technologically neutral frequencies at 1800 MHz under ARCEP Decision No. 14-1542 of December 16, 2014.

- As for Orange and SFR, ARCEP authorized them to deploy 4G networks in the 1800 MHz starting on May 25, 2016 pursuant to Decision Nos. 2015-0975 and 2015-0976.
- Starting from June 13, 2017, SFR was also authorised to use 4G at 2.1 MHz by ARCEP Decision no. 2017-0735.

### *5G frequency allocation*

On September 14, 2016, the European Commission unveiled an action plan for the deployment of 5G networks throughout Europe and the harmonization of infrastructure technical specifications.

In this context, ARCEP drafted the terms under which the 5G frequencies will be allocated in France.

In its opinion no. 2019-0299 issued on March 12, 2019, ARCEP approved a plan to modify the French national frequency allocation table to safeguard several frequency bands and create new bands to be allocated to 5G services.

The final framework for 5G networks will be released in the coming months.

### *Network sharing*

As stated in ARCEP Opinion No. 2012-1627 of December 20, 2012, while competition through infrastructure is important in ensuring competitive dynamics and a high level of investment, the sharing of networks is not incompatible with the goal of promoting competition. In a context of increased competitive pressure, and even as investment requirements remain significant, in particular in the rollout of 4G, the sharing of networks can offer operators a means to cut costs and deliver gains to users in terms of extending coverage and improving service quality.

The sharing of networks and frequencies is encouraged and even imposed in France through several specific mechanisms aimed at achieving the shared goal of expanding mobile coverage across the national territory:

- the “white zones” program initiated in 2003 under the auspices of the Minister for Regional Planning and ARCEP, to provide 2G coverage to the village centers of about 3,300 municipalities;
- an agreement on 3G network sharing, in accordance with ARCEP Decision No. 2009-329 of April 9, 2009, signed on February 11, 2010 by three mobile operators (SFR, Orange and Bouygues Telecom), providing for the sharing of 3G network infrastructure among mobile operators in the country’s less densely populated areas. The agreement was supplemented by the signing of an agreement on July 23, 2010 with Free Mobile setting out arrangements for its deferred joining mechanism; and
- obligations to share networks and frequencies arising from authorizations to use 4G frequencies, providing that authorization holders cover, within a maximum period of 15 years (until January 2027), the village centers of municipalities located in the “white zones” and requiring that they jointly carry out the sharing of the 800 MHz band;
- incentives to share frequencies arising from authorizations to use 4G frequencies in the 700 MHz band (Bouygues Telecom, Free Mobile, Orange and SFR) also providing that their holders cover, within a maximum period of 15 years (until January 2027), the village centers of municipalities located in the “white zone” and urging them to sign framework agreements providing for a schedule and conditions under which, where necessary, the sharing of frequencies in the 700 MHz band will take place;

On May 27, 2014, by Decision No. 2014-0625-RDPI, ARCEP opened an administrative investigation into four mobile network operators with regard to their obligations to provide 3G coverage in less densely populated areas of the country in accordance with the agreement to share 3G network infrastructure in those areas. Article L.34-8-5 inserted in the CPCE Law No. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities provides for the signing of a new agreement among the State, local authorities and mobile network operators aimed at ensuring coverage of less densely populated areas. In anticipation of that arrangement, a memorandum of understanding was signed by mobile operators in May 2015, under which operators are bound to provide 2G coverage to the “white zones” by the end of 2016 and 3G coverage to the same zones by mid-2017.



Apart from these specific arrangements, the conditions under which network or frequency sharing agreements in general can be carried out by mobile operators were specified by the Competition Authority in an opinion issued on March 11, 2013.

On January 31, 2014, SFR and Bouygues Telecom announced the signing of an agreement on the sharing of part of their mobile networks (see “*Description of Our Business—Altice France Group—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*”). In a press release issued on January 31, 2014, ARCEP welcomed the agreement, provided that three conditions are met: (i) maintenance of the operators’ strategic and commercial autonomy; (ii) absence of foreclosure effects; and (iii) improvement of the services provided to users in terms of coverage and quality of service. In addition, the signing of the agreement was referred to the Competition Authority by Orange on April 29, 2014. The Competition Authority’s approval of the SFR and Bouygues Telecom agreement was thereafter amended several times, such amendments being examined and approved by ARCEP.

On June 16, 2016, after public consultation, ARCEP adopted guidelines on network sharing. Said guidelines were challenged before the Conseil d’Etat by Bouygues Telecom and Free. Their requests for annulment of the guidelines were dismissed by the Conseil d’Etat on December 15, 2017.

### *National Roaming*

Roaming is another form of infrastructure sharing between operators under which an operator receives the customers of another operator on its network. Only the host operator’s frequencies are used.

Roaming is implemented in France through several sets of specific measures including, in particular, (i) the “white zones” program initiated in 2003 and referred to above, (ii) the arrangement concerning Free Mobile’s 2G and 4G roaming rights, and (iii) the general provisions of Article L. 34-8-1 of the CPCE.

In its 3G authorization, Free Mobile had a roaming right on the network of one of the three 2G operators until January 2016. In March 2011, Free Mobile signed a 2G roaming agreement with Orange, later extended to 3G, which was in force until 2018. On January 12, 2016, using its new power from the Macron Law, ARCEP hastened the end of the roaming arrangements between Free Mobile and Orange:

- For 3G services, the agreements should be terminated between the end of 2018 and the end of 2020.
- For 2G services, the termination could come into effect between the beginning of 2020 and the end of 2022.

Free Mobile also has a 4G roaming right on the network of SFR, under which it obtained two 4G frequency blocks in the 800 MHz band.

### **Updates on Overseas Market**

Overseas roaming refers to the ability to use her mobile phone plan when traveling in France but in French Territory that are not covered by her original operator (overseas departments and territories). This is identical to international roaming, when a user from France travels abroad, or a foreign user is travelling in France

On January 21, 2016, ARCEP provided the Government with its opinion on roaming charges in France’s overseas markets. In 2015, the Government had solicited ARCEP’s expertise to inform the debate over the Law no. 2015-1268 on updating laws in French overseas departments and territories, which ultimately inserted a provision into the CPCE that puts an end to roaming fees for mobile telephone calls and short text messages (SMS) for users travelling between Metropolitan and overseas France, starting on May 1, 2016. ARCEP considers that this new provision will substantially destabilize overseas markets.

Law no. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities amended the CPCE, giving ARCEP new prerogatives in terms of network sharing and allows ARCEP, after obtaining the opinion of the Competition Authority, to request the amendment of existing agreements, by specifying their geographical limits, term or conditions for their implementation. On January 12, 2016, ARCEP published draft guidelines for public consultation, in order to provide operators with greater visibility regarding the consequences of this change in legal framework.

Since June 2017, overseas departments and territories roaming fees have been scrapped pursuant to the Roaming Regulation.

### **Complementary regulatory framework applicable to mobile operators and symmetrical regulation from market analyses—mobile voice call termination and SMS voice call termination**

#### *Complementary regulatory framework applicable to mobile operators*

Apart from the general obligations applicable to every network operator or provider of electronic communications service to the public (as specified in particular in Article L. 33-1 as well as in Articles D. 98-3 to D. 98-13 of the CPCE), mobile operators must meet certain complementary obligations applicable to them.

The Macron Law added a new Article L. 34-8-5 to the CPCE pursuant to which the French State, local governmental authorities and mobile operators may conclude an agreement defining the conditions of coverage of zones where no mobile service was then available. The agreement defines the conditions under which local governmental authorities can, after having determined that private initiatives are lacking, put certain types of infrastructure at the disposal of a service provider in order to provide 3G mobile services in such un-serviced zones.

ARCEP Decision no. 2012-0855 on the reorganization of number ranges starting with 06 and 07 provides for the creation of a mobile number range extending to 14 digits in mainland France and a ban on the use of 10-digit mobile numbers for Machine-to-Machine (“M2M”) communication services in mainland France effective January 1, 2016.

Due to difficulties faced by operators in implementing this decision and following the drop in the annual mobile number assignment rate, but without calling into question the risk of saturation linked to the increase in M2M requirements, ARCEP Decision no. 2015-1295 of October 22, 2015 authorized operators who make such request to postpone the ban on assigning 10-digit mobile numbers for M2M communications until June 30, 2017.

Beyond these general obligations, mobile operators are also bound by symmetrical regulation obligations as part of market analyses conducted by ARCEP.

#### *Analysis of mobile voice call termination markets*

The regulation of mobile voice call termination rates led to a steady and significant drop in the caps of these rates over time as shown in the following table indicating how they changed for operators in mainland France:

	2002	2003	2004	2005	2006	2007	2008	As of July 1, 2009	As of July 1, 2010	From July 1, 2011 to Dec. 30, 2011	From Jan. 12, 2012 to June 30, 2012	July 1, 2012 to Dec. 30, 2012	As of Jan. 1, 2013	As of July 1, 2013	As of Jan. 1, 2015	As of Jan. 1, 2016	As of Jan. 1, 2017
	<b>In €</b>																
Orange.....	20.1	17.0	14.9														
SFR .....	2	7	4	12.5	9.5	7.5	6.5	4.5	3								
Bouygues Telecom Télécom ..	27.4	24.6	17.8	14.7	11.2												
Free Mobile .....	9	7	9	9	4	9.24	8.5	6	3.4	2	1.5	1	0.8				
Full MVNO .....												1.6	1.1	0.8	0.78	0.76	0.74

Source: ARCEP

ARCEP Decision No. 2014-1485 of December 9, 2014 established the fourth round analysis of the wholesale markets for fixed voice call terminations and SMS mobile voice call termination in mainland and overseas France for the period from January 1, 2015 to December 31, 2017. Concerning mobile voice call termination markets (market 7), every mobile and Full MVNO operator is deemed to exercise significant influence on the market for the termination it provides on its individual network. As such, the decision in particular imposes rate control obligations on each operator and sets the following caps for mobile voice call termination:

- Until December 31, 2014, a €0.08/min cap for operators in mainland France and €1/min for overseas operators, corresponding to the last caps the previous market analysis imposed;
- From January 1, 2015, a €0.78/min cap for 1 year;
- From January 1, 2016, a €0.76/min cap for 1 year; and

- From January 1, 2017, a c€0.074/min cap for 1 year.

The voice call termination rates of all operators regulated in France are in line with the European Commission recommendation of May 7, 2009 on the regulatory treatment of fixed and mobile termination rates in the European Union: they are symmetrical and directed towards the long-run incremental costs of an efficient generic operator.

Owing to ARCEP's speedy implementation of this recommendation, France is one of the European Union countries where mobile voice call termination rates are lowest.

A draft decision establishing the fifth round analysis of the wholesale markets for fixed voice call terminations and SMS mobile voice call terminations in mainland and overseas France for the period from January 1, 2017 to December 31, 2020 was transmitted by ARCEP to the European Commission by the end of 2017.

According to the draft decision, the following caps are set for mobile voice call terminations:

- Until December 31, 2017, a c€0.74/min cap for 1 year;
- From January 1, 2018, a c€0.72/min cap for 1 year;
- From January 1, 2019, a c€0.70/min cap for 1 year;
- From January 1, 2020, a c€0.68/min cap for 1 year;

#### *Analysis of mobile SMS voice call termination markets*

ARCEP's regulation of SMS termination markets has led to a steady and significant drop in the pricing caps of SMS termination of operators regulated in mainland and overseas France, as shown in the following table:

	<u>At Aug. 1, 2006</u>	<u>At Oct. 1, 2010</u>	<u>At July 1, 2011</u>	<u>At Jan. 1, 2012</u>	<u>At July 1, 2012</u>	<u>At Jan. 1, 2013</u>
			In c€			
Orange and SFR .....	3	2	1.5			
Bouygues Telecom Télécom .....	3.5	2.17			1	
Réunion Mayotte zone operators .....						1
French West Indies and Guyana zone..		3		2		

Source: ARCEP

As part of its fourth round analysis of wholesale fixed voice call, mobile voice and SMS termination markets, which was launched in 2013, ARCEP was considering maintaining and extending the regulation of SMS termination rates for three years, and the regulation appeared in the draft decision sent by ARCEP to the European Commission on October 28, 2014.

However, in its observations dated November 28, 2014, the European Commission expressed serious doubts about the draft regulation of SMS termination markets and opened a detailed investigation and discussion procedure with ARCEP and ORECE for two months (investigation phase).

After the allowed two-month period, the dialogue failed to identify any consensus on competitive risks and the regulation to be implemented to prevent them. As a result, ARCEP announced on January 29, 2015 that it was withdrawing its draft regulation of SMS terminations but would continue monitoring these markets. To date, ARCEP has not issued any decision regarding mobile SMS voice call termination markets.

#### **Individual obligations arising from the Group's authorizations to use frequencies**

##### *SFR's authorizations to use mobile frequencies*

The following table summarizes SFR's authorizations to use mobile frequencies, indicating for each frequency band the technology currently authorized, the quantity of frequencies allocated to SFR, ARCEP's decisions or orders, as well as allocation and expiration dates.

<b>Band</b>	<b>Allocations</b>	<b>Changes</b>	<b>Quantity</b>	<b>Technologies</b>	<b>Allocation date</b>	<b>Expiration date</b>
700 MHz.....	no. 15-1569		2 x 5 MHz	4G	12/08/2015	12/08/2035
800 MHz.....	no. 12-0039	no. 18-1393	2 x 10 MHz	4G	01/17/2012	01/17/2032
900 MHz.....		no. 08-0228	2 x 10 MHz	2G, 3G	11/15/2018	03/24/2031
		no. 10-0399				
		no. 11-1018				
		no. 12-0281				
		no. 15-0976	2 x 23.8			
1800 MHz...	no. 06-0140	no. 18-1393	MHz	2G	30/25/2006	03/24/2031
		orders of				
		January 7, 2002,				
		December 3,				
	order of	2002,				
	July 18,	December 16,				
	2001	2003				
		no. 01-0972				
		no. 01-1195				
		no. 02-0052				
		no. 03-0201				
		no. 04-0069no. 17-				
		0735	2 x 14.8 +			
2.1 GHz .....	no. 01-0647	no. 18-1393	5 MHz	3G	08/21/2001	08/20/2031
2.1 GHz .....	no. 10-0633	no. 17-0735	2 x 5 MHz	3G, 4G	06/08/2010	06/08/2030
2.6 GHz .....	no. 11-1171		2 x 15 MHz	4G	10/11/2011	11/10/2031

The values indicated in the above table reflect the frequency quantities allocated to SFR in 2015. These values changed in 2016, in accordance with ARCEP Decision no. 15-0976 of July 30, 2015, for the 1800 MHz band:

- 2 x 21 MHz to 1800 MHz, from January 1, to March 14, 2016;
- 2 x 28.1 MHz to 1800 MHz, from March 15, to May 24, 2016;
- 2 x 20 MHz to 1800 MHz, from May 25, 2016.

SFR is authorized to use 4G in the 1800 MHz band as of May 25, 2016, under ARCEP decision no.15-0976 of July 30, 2015.

In accordance with ARCEP Decision no. 2018-1393 of November 15, 2018, SFR was granted the use of the following frequencies:

- 906.2 - 914.9 MHz and 951.2 - 959.9 MHz for the 900 MHz frequency from 03/25/2021 to 03/24/2031;
- 1730 - 1750 MHz and 1825 - 1845 MHz for the 1800 MHz frequency from 03/25/2021 to 03/24/2031;
- 1925.5 - 1935.3 MHz and 2115.5 - 2125.3 MHz for the 2100 MHz frequency from 08/21/2021 to 08/20/2031.

In addition to the general obligations or symmetrical regulation described above, there are individual obligations linked to commitments made by SFR when it was granted the different authorizations to use frequencies for which it holds authorizations.

The individual authorizations are mainly the following:

#### *3G coverage commitments*

The table below summarizes the 3G coverage commitments applicable to SFR:

<b>Time frame</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>	<b>December 31, 2013</b>
Coverage obligation (as a % of the population coverage) .....	88%	98%	99.3%

Source: ARCEP

Under Decision No. 2014-0624-RDPI of May 27, 2014, ARCEP opened an administrative inquiry into SFR to examine compliance with its commitment with respect to the last deadline for deploying its 3G mobile network, corresponding to 99.3% of coverage. The ARCEP haven't published any results of this inquiry yet regarding the 3G coverage of SFR. Please note that the lack of publication pertaining to the administrative inquiry can mean either that (i) ARCEP is still investigating the matter or (ii) ARCEP is considering whether to close the matter or to open a sanction procedure.

Finally, ARCEP's tool named "monreseauumobile.fr" allowing any end-consumer to assess the coverage and the quality of the services provided for by any service provider tends to show that SFR currently complies with its coverage obligations.

#### *Commitments in respect of superfast mobile broadband*

The schedule below summarizes the deployment obligations set forth by SFR's 4G licenses in the 700 MHz, 800 MHz and 2.6 GHz bands:

<b>Deadline</b>	<b>10/11/2015</b>	<b>01/17/2017</b>	<b>10/11/2019</b>	<b>01/17/2022</b>	<b>10/11/2023</b>	<b>01/17/2024</b>	<b>01/17/2027</b>	<b>12/08/2030</b>
In the priority deployment area (18% of population and 63% of the territory..		40%(800 MHz)		90%(800 MHz)			97.7% <sup>(*)</sup> (800 MHz)	
				50%(700 MHz)			92%(700 MHz)	97.7%(700 MHz)
						90%(800 MHz)	95%(800 MHz)	
<i>In each département.</i>							90%(700 MHz)	95%(700 MHz)
	25%(2.6 GHz)		60%(2.6 GHz)		75%(2.6 GHz)			
Across mainland France.....						98%	99.6%(800 MHz)	99.6%(700 MHz)
High-priority routes.....							98%(700 MHz)	100%(700 MHz)
				60%(700 MHz)			80%(700 MHz)	90%(700 MHz)
National rail network.....							60%(700 MHz)	80%(700 MHz)

(\*) Obligation that does not appear in authorizations, but results automatically from the obligation to cover 99.6% of the mainland France population.

Coverage commitments in priority deployment areas would have to be met using 800 MHz and 700 MHz frequencies. The other coverage obligations can be met using all the superfast mobile broadband frequencies allocated to SFR.

Under a new decision no. 2016-0244 of February 18, 2016, ARCEP sent a formal notice to SFR inviting the operator to respect their commitment of 4G coverage before January 17, 2017 (in January 2016 the 4G coverage of SFR was 8% where such coverage has to be 40% of coverage 2017).

In early 2019, ARCEP estimated that SFR's 4G network covered 99% of the French population and 83% of the territory of metropolitan France. SFR complies with its obligations concerning general superfast mobile broadband coverage.

#### *MVNOs (Mobile Virtual Network Operators) hosting commitments*

During the procedure to allocate residual frequencies of the 2.1 GHz band, SFR undertook to host MVNOs on its network under conditions "that do not restrict, without objective justification, competition on the wholesale hosting market of MVNOs and the commercial autonomy of MVNOs on the retail market".

Also, under its 4G license in the 800 MHz band, SFR notably undertook to:

- (i) meet “reasonable requests to host on its mobile superfast broadband network opened to the public”;
- (ii) provide the MVNOs it hosts on its network with “hosting on economic terms that are reasonable, taking into consideration prevailing conditions on the wholesale and retail markets on which SFR operates, and compatible with the exercise of effective and fair competition on these markets; and
- (iii) make “an offer based on the a full-MVNO architecture and involving the provision of access to its radio local loop “under conditions allowing its effective operation, in particular under non-discriminatory conditions in terms of quality of service in relation to those available to SFR for its own services”.

*Free Mobile’s 4G roaming right in the 800 MHz band in priority deployment areas*

SFR, which holds an authorization combining two blocks of 800 MHz band, must allow Free Mobile to roam, if Free Mobile makes a reasonable request, (i) once Free Mobile’s 2.6 GHz network reaches 25% population coverage, and (ii) if Free Mobile does not already have roaming hosting on the mobile superfast broadband network of another frequency holder in the 800 MHz band. This right concerns 4G in the priority deployment area in the 800 MHz band or 18% of population and 63% of the territory.

**Legal Status of Networks**

*General considerations*

Telecommunications networks are predominantly comprised of physical infrastructure, such as cable ducts, network nodes and switches, in which telecommunications equipment, such as cable, is laid. These components may be subject to differing legal and regulatory considerations. As a consequence of the fact that the Group’s physical infrastructure is built on both public property and private property owned by third parties, the Group has signed concessions agreements, farming contracts, public property occupancy agreements and leases with various property owners. The Group also benefits from certain easements and indefeasible rights of use (“IRUs”) granted by land owners. The Group has also entered into certain agreements with Orange regarding use of its infrastructure.

The Group has built its network by acquiring and combining entities with established networks under differing regulatory regimes. Such entities previously operated under a combination of the regulatory frameworks described below.

Telecommunications equipment may be owned directly by telecommunications operators or third parties and several telecommunications operators may occupy and utilize the same infrastructure.

In accordance with Articles L. 2122-2 and L. 2122-3 of the general public property code, regional and local authorities may terminate public property occupancy agreements at any time by demonstrating that such action is in the public interest. Moreover, upon the expiration of a public property occupancy agreement, the occupant may be contractually obligated to: (i) return the entire network to regional or local authorities, in some cases for consideration corresponding to the fair market value of the network, and in other cases in absence of any consideration (ii) remove the entire network at the expense of the occupant or the regional or local authorities, (iii) transfer the network to other operators approved by regional or local authorities, or (iv) repurchase the network. In accordance with the law applicable to public property occupancy agreements, upon the expiration of leases designated as ‘long-term leases’, the infrastructure and equipment occupying the property reverts to regional and local authorities.

***Specific Characteristics of the Cable Network***

*Networks utilizing Orange’s infrastructure*

In 1982, the French Government launched the Cable Plan (instituted by the laws of July 29, 1982 and of August 1, 1984). Pursuant to the Cable Plan, the cable network was initially built by the French Government prior to being transferred to Orange (the incumbent telecommunications operator in France). The network was initially operated by certain local entities funded by both private and public funds that the Group subsequently acquired. During such acquisitions, Orange granted the Group several IRUs over its infrastructure, which primarily consisted of ducts. These IRUs were entered into at different periods of time, and each granted the Group IRUs over Orange’s infrastructure for 20 years. The renewal of the first IRU is scheduled to be negotiated with Orange in 2019.

In compliance with ARCEP decision 2008-0835 of July 24, 2008, on September 15, 2008, Orange published a technical and pricing quotation regarding third party access to its civil local loop fiber optic infrastructure, enabling third party telecommunications operators to deploy their own fiber optic networks through the use of Orange's ducts.

Orange invoked this ARCEP decision to unilaterally modify its IRU agreements with the Group in 2010, making the Group's contractual conditions to access Orange's facilities substantially more complicated and restricted as far as the Group's optical fiber network management and extension process is concerned. The case is pending before the French Supreme Court.

Therefore, by writ of summons dated October 7, 2010, SFR Fibre filed an action against Orange before the Commercial Court of Paris, seeking damages for breach of contract in the amount of €2,400 million and/or a €894 millions award as reimbursement by Orange of the sums initially paid by the Group in consideration of the 20 year contractual term agreed in each IRU contract.

By a decision dated March 27, 2019, the supreme court (*Cour de cassation*) has dismissed SFR Fibre's claims against Orange.

#### *New Deal Plan*

In 1986, the government launched the *Plan Nouvelle Donne* (the "**New Deal Plan**") pursuant to law 86-1067 of September 30, 1986 on the freedom of communication. This new regulatory framework authorized public local authorities to either build their own networks, or alternatively, to have such networks built by private entities. Several private entities that the Group subsequently acquired were commissioned to build such networks and secured both occupancy and usage rights as well as concessions to operate such networks for 20-30 year periods.

The New Deal Plan did not involve the use of standard-form contracts. Consequently, uncertainty arose surrounding the ownership of networks under certain long-term contracts between telecommunications operators and regional and local authorities. A main source of uncertainty related to contracts identified as "public service delegation contracts". Under a public service delegation contract, infrastructure and equipment used to provide public services are considered to be 'returnable assets' and consequently revert free of charge to local authorities upon the expiration or termination of the contract.

Law 2004-669 of July 9, 2004, which transposed the 2002 Telecoms Package into French law, imposed an obligation on local authorities to refrain from granting exclusive contractual rights for the establishment and/or operation of networks. In addition, law 2008-776 of August 4, 2008 authorized local authorities to grant rights of access to their networks to competitors of the Group, even in instances where such rights of access would be contrary to contractual obligations of local authorities under agreements entered into with the Group. In a July 2007 report, ARCEP opined that while consequent disagreements related to the breach of such contractual obligations could only be definitively decided by the judiciary on a case-by-case basis depending on the wording of each individual contract, contracts entered into between private operators and local authorities after 1990 (following law 90-1170 of December 29, 1990, which enabled municipalities to operate independent telecommunications networks within the framework of the Plan Nouvelle Donne) were deemed public service delegation contracts and therefore integrated the idea of networks as "returnable assets" which revert to local authorities upon contractual expiration or termination.

In order to clarify the conditions for compliance related to agreements entered into prior to the imposition of law 2004-699, the Group proposed, in May 2010, to ARCEP that ownership of civil infrastructure under such agreements (i.e., ducts) should be granted to local authorities while ownership of telecommunications equipment and existing cables should be granted to the Group through a process of transfer.

This proposal resulted in the standardization of settlement agreements which incorporated the Group's proposal. Under the new standardized agreements, the Group also obtained non-exclusive rights to use its own telecommunications equipment in ducts located on public property that had reverted to local authorities. The non-exclusive nature of these rights also enabled the Group's competitors to install and use their own equipment in such ducts.

See "*Risk Factors—Risks Relating to Legislative and Regulatory Matters—The legal status of the Group's network is complex and in certain cases subject to challenges or renewals*" for a description of the risks associated with the legal status of the Group's network.

## **Regulation of audiovisual services**

The transmission and broadcast of radio and television services, irrespective of the method of transmission, falls within the scope of the 2002 Telecoms Package and is therefore subject to supervision by NRAs.

The supervisory powers of the French audiovisual sector regulator—the CSA—were extended by law 2004-669 of July 9, 2004 and law 2013-1028 of November 15, 2013 to cover all forms of radio, television and on-demand audiovisual services, irrespective of the method of transmission or broadcast. As a distributor of radio, television and on-demand media services, the Group is required make certain disclosures regarding its operations to the CSA.

Pursuant to Articles 42-1 and 42-2 of law 86-1067 of September 30, 1986, the CSA may sanction operators found to be in breach of the regulatory framework. Such sanctions include the mandatory suspension from the distribution of services and a fine of up to 3% of the operator’s annual revenues, or 5% in the event of repeated breaches.

As a distributor of audiovisual services, the Group is subject to certain “must-carry” obligations which require cable, satellite or ADSL service providers to provide certain mandatory services on its network.

These must-carry obligations are governed by Articles 34-2, 34-4 and 34-5 of law 86-1067 of September 30, 1986.

Article 34-2 provides that all network types operating outside of the terrestrial frequencies allocated by the CSA must include the following television channels to subscribers free of charge: France 2, France 3, France 5, Arte, TV5, France Ô and La Chaîne Parlementaire. In addition, where a digital offering is concerned, France 4 must also be provided free of charge. For non-satellite offerings, distributors must provide their subscribers with local public initiative services intended to inform the public of local activities.

Pursuant to Article 34-4 of law no. 86-1067 of September 30, 1986, all French private terrestrial television channels (e.g., TF1 or M6) can demand that their programs be carried by the distribution network operators (cable, satellite, ADSL and mobile devices) and the latter must allow an access to the decoders and reference the programs of this channel in its TV guides. The French constitutional, in Decision no. 2004-497 of July 1, 2004, confirmed that pursuant this article, the private television channels have a right of access to decoders and a right of access to TV guides of the distributors.

Article 34-5 requires that digital electronic communications networks air all of France 3’s regional programs.

The CSA is also empowered to regulate the content of the services distributed in France. Article 15 of law 86-1067 of September 30, 1986 provides that the CSA must enact rules to protect minors against programs which are considered to be dangerous to physical and mental health. The CSA has accordingly enacted strict rules regarding the use of specific pictograms on programs that are deemed to be unsuitable for minors. As an operator and distributor of television services, the Group ensures strict compliance with such regulations.

## **Regulation of electronic communications content**

### ***Content of on-line services and liability of internet market players***

The provisions regarding liability of internet providers are set out in the CPCE. Additional provisions are contained in Law n° 2004-575 of 21 June 2004 on Confidence in the Digital Economy, which states that operators offering access to an electronic communications network do not have the general obligation to review the content they transmit or store. The civil or criminal liability of an operator offering access to an electronic communications network can be sought only if it initiates the transmission, selects the receiver of the transmission or selects or modifies the information contained in the transmission.

Legislative provisions were also introduced by law 2010-476 of May 12, 2010 to facilitate competition and to regulate online gambling and the gaming sector more generally. Law 2011-267 of March 14, 2011 on the policy and programming of the performance of internal security processes requires access providers to block access to certain websites and online content, such as illegal gambling sites and content involving sexual abuse of children, at the request of the French Online Gambling Regulatory Authority or the Ministry of Interior (*ministère de l’intérieur*).



Laws 2018-1201 and 2018-1202 of December 22, 2018, have stepped up the fight against information manipulation. First, online platforms are subject to an obligation of transparency in political campaigns, in particular with respect to the information relating to the person or company paying for advertisements (Article L. 163-1 of the French Electoral Code). Second, online platforms are required to take measures to prevent the dissemination of false information that may disturb public order or alter the accuracy of votes. To meet this requirement, they must set up a system enabling users to report false information, as well as additional measures such as “*algorithm transparency*”, “*banning accounts that massively spread false information*” or “*informing users about the nature, origin and methods of content dissemination*”. These measures, as well as the resources devoted to them, must be made public and communicated annually to the CSA. Third, a special emergency procedure has been enacted in Article L. 163-2 of the Electoral Code, making it possible, in the three months preceding elections, to refer to the judge in charge of emergency applications (*juge des référés*) any “*deliberate, artificial or automated and massive online dissemination*” of inaccurate or misleading information that may alter the sincerity of the election. The judge may order internet service providers to stop any such dissemination within 48 hours.

On March 14, 2019, French MPs announced that a bill to curb hateful content online would soon be introduced in the French Parliament. The bill requires platforms above a specified connection threshold to remove within 24 hours of a formal demand being issued by the CSA, content inciting hate or abuse on the grounds of race, religion, ethnicity, gender, sexual orientation or disability. The penalty for failing to comply may reach 4% of the platform’s worldwide turnover.

On September 12, 2018, the EU Commission presented its proposal for a new EU Regulation fighting online terrorist content. The Commission proposed a legally binding one-hour deadline for removing content following a removal order from the relevant national authorities. Member States would have to put in place effective, proportionate and dissuasive penalties for not complying with removal orders. If a service provider systematically fails to comply with removal orders, it could face financial penalties of up to 4% of its worldwide turnover for the last business year.

### ***Copyright and the internet***

Pursuant to law 2009-669 passed on June 12, 2009 promoting the distribution and protection of creative works on the Internet, a specific ‘graduated response’ system was introduced with the aim of limiting illegal downloads. An independent and autonomous body, *la Haute Autorité pour la Diffusion des œuvres et la Protection des Droits sur Internet* (the High Authority for the Distribution of Art Works and the Protection of Rights on the Internet), was set up to manage and transmit electronic messages to individuals engaging in the illegal downloading of online content. On October 28, 2009, law 2009-1311 was passed to supplement the ‘graduated response’ system by providing that in the event of repeat infringement, a judge may impose a fine or suspend the Internet access of the individual responsible for the illegal download. This latter sanction was nevertheless later repealed by decree 2013-596 of July 8, 2013.

French courts may issue orders requiring internet service providers to block access to websites that infringe third party rights (Article L. 336-2 of the French Intellectual Property Code; Article 6-I-8 of the Law n° 2004-575 of June 21, 2004 among others). The costs are borne by the internet service providers.

Measures to modernize copyright rules (especially the Directive 2001/29/EC) in light of the digital revolution and new consumer behavior have been announced by the European Commission, as part of an ambitious legislative program to create a Digital Single Market. The “Digital Single Market Strategy for Europe”, set out in the Commission Communication of May 6, 2015, outlined key areas for legislative action to create a more modern European copyright framework, and to improve access to digital content, as part of its pillar on “Better online access for consumers and businesses across Europe”.

EU Regulation 2017/1128 of June 14, 2017 on cross-border portability of online content services in the internal market aims at ensuring that consumers who buy or subscribe to films, sport broadcasts, music, e-books and games can access them when they travel in other EU countries.

On March 26, 2019, European Parliament adopted the new Directive on copyright in the Digital Single Market, which provides (i) that the largest online platforms are directly liable for content uploaded by users, (ii) for a special copyright protecting the work of designers and news publishers that is used by online platforms and (iii) for new exceptions to copyright allowing users to freely use copyrighted material for data mining purposes or to preserve cultural heritage. On April 15, the European Council adopted the Directive. Once published in the

Official Journal of the EU, the Directive will come into force 20 days later. Member States will then have 24 months to enact the new rules into their national legislation. Whether Member States will adopt consistent or differing interpretations of the Directive remains to be seen.

### ***Processing of personal data and privacy protection***

The processing of personal data is governed since May 25, 2018 by EU Regulation 2016/679 (General Data Protection Regulation or “**GDPR**”). The GDPR has replaced EU Directive 95/46/EC on privacy protection regarding the processing of personal data and the free movement of such data and modified a number of data protection principles.

The GDPR removes all prior formalities that data controllers were required to carry out with the French Data Protection Authority (“*Commission Nationale de l’Informatique et des Libertés*” or CNIL) before implementing a new processing. These formalities are replaced by a new accountability principle, which makes data controllers responsible for demonstrating compliance with the data protection principles. In particular, they must conduct and document a data protection impact assessment before implementing a processing which is likely to result in a high risk to the rights and freedoms of the data subjects. Data controllers and processors must also comply with the principles of privacy by design and by default, maintain a record of their processing activities and, in certain cases, appoint a data protection officer.

When a data controller uses the services of a data processor, it is required to conclude a contract that sets out the subject-matter and duration of the processing, the nature and purpose of the processing, the type of personal data and categories of data subjects and the obligations and rights of the controller. The contract must also contain all the mandatory provisions listed in article 28 of the GDPR.

The GDPR enshrines a wide range of existing and new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to request the porting of one’s personal data to a new organization, the right to object to certain processing activities or to decisions taken by automated processes. Data controllers must reply to data subjects’ requests within one month.

The GDPR empowers the data protection authorities to impose fines up to the higher of €10 million or 2 per cent of a company’s global turnover, in case of certain breaches of data protection laws, and up to €20 million or 4 per cent of the company’s global turnover in case of breaches of the basic principles of data collection or the violation of data subjects’ rights.

In addition to the GDPR, Law n° 78-17 of January 6, 1978 on information technology, files and individual freedom (modified by Law n° 2018-493 of June 20, 2018, its implementing decree n° 2018-687 of August 1<sup>st</sup>, 2018 and its rewriting Order n°2018-1225 of December 12, 2018 to be adapted to the GDPR) governs the data processing activities of companies established in France.

Article 34 bis of the 1978 Law requires the provider of public electronic communication services (operators) to notify forthwith the French Data protection authority, (*Commision nationale de l’informatique et des libertés*, “**CNIL**”) of a breach of personal data. When such a personal data breach might impact a subscriber’s or an individual’s personal data or privacy, the service provider must also notify that person without delay, unless the CNIL determines that adequate protective measures have been implemented (for example, as a result of encryption) and that the personal data breach is assessed by the CNIL as not being material. Operators must keep an updated record of all breaches of personal data (conditions, effects and remedial measures taken) and must make said record available to the CNIL upon request. This article will be repealed on June 1<sup>st</sup>, 2019, since the GDPR has made it redundant by extending this obligation to all data controllers.

Additional national legislation include Law No. 2016-1321 of 7 October 2016 for a Digital Republic, which sets up:

- open data policy for government data;
- principle of network neutrality and data portability;
- payment by SMS;

- a limited right to maintain an internet connection households experiencing payment difficulties may receive financial assistance from a universal solidarity fund and their connection is to be maintained by their access provider while their assistance request is under examination.).

The Group is required to retain certain data in compliance with a variety of laws and regulations. Accordingly, the Group may be required to relinquish information in its possession regarding the identity, location and connection information of a user to duly authorized judicial or administrative authorities (Article L. 34-1 of the CPCE). The information subject to mandatory relinquishment does not include the content of a user's communications or the information consulted by the user. The data categories falling within the scope of this requirement are set out by decree n°2006-358 of March 24, 2006 (as codified in Articles R10-12 and seq. of the CPCE). These requirements were supplemented within the framework of law 2015-912 of July 24, 2015 on intelligence (amended by Law n°2016-987 of July 21, 2016 and Law n°2017-1510 of October 30, 2017), which notably states that for the sole purpose of anti-terrorism, information or documents relating to an individual who has been pre-determined to pose a threat may be collected in real time on an operator's network (Article L. 851-2 of the Internal Security Code).

In accordance with Articles L. 852-1 and seq. of the Internal Security Code, the Group can also intercept electronic communications transmitted via its networks at the request of duly authorized judicial and administrative authorities. Upon authorization by the Prime Minister and in accordance with the principle of proportionality, Law n° 2015-912 (modified by Law n°2016-987 of July 21, 2016 and Law n°2017-1510 of October 30, 2017) also enables authorities to use automated processing techniques for the detection of connections likely to reveal terrorist threats through the use of an operator's network.

### **Security**

Additionally, operators are required to implement specific measures to protect their networks.

Article L33-1 of the CPCE obligate operators to notify security and integrity breaches of public electronic communications networks and services, to ARCEP.

Under articles D. 98-3 to D98-7 of the CPCE, operators:

- shall take all measures necessary to ensure the security of communications using their networks.
- shall take measures to protect its facilities, networks, and services against threats, risks from any cause.
- must be able to respond to the government's national defence requirements and to remedy the most serious consequences of failures or destructions of facilities.
- Must ensure secrecy of correspondence transmitted by means of telecommunications.

Military Program Law n°2018-607 of July 13, 2018 and its implementing decree n°2018-136 of December 13, 2018 authorise operators to set up "*devices using technical markers solely for the purpose of detecting events that may affect the security of their subscribers' information systems*" (Article 33-14 of the CPCE). These devices may be used either on the initiative of the electronic communications operators themselves—in which case they must inform the French cybersecurity watchdog (ANSSI)—or at the request of the ANSSI itself. Article L 2321-2-1 of the French Defence Code provides that ANSSI may use the above-mentioned devices directly on an operator's network in the event of a serious and imminent threat to the systems of a public authority, a vital operator ("**OIV**") or an essential service operator ("**OSE**").

Law n° 2018-133 of February 26, 2018 implementing the "Network and Information Security" Directive into French law and its implementing decree (decree n° 2018-384 of 23 May 2018) impose new network and information security requirements on operators of essential services and digital service providers: they must take appropriate security measures to manage the risks posed to the network and information systems, in order to prevent and minimize the impact of incidents affecting the security of their network and information systems and to ensure the continuity of their services.

### ***Domain names***

Law 2011-302 of March 22, 2011, as codified in Articles L. 45 et seq. of the CPCE, regulates the assignment and management of top-level domain names in France. The Group has registered a number of domain names in France that are considered to be assets. Courts have recently strengthened domain name protections by determining that a domain name may be protected as registered trademark.

### **The tax regime applicable to distributors of audiovisual services**

#### ***Tax on television services***

Since January 1, 2008, television broadcasters and TV service distributors have also been liable for service tax, irrespective of the electronic communication method used. Article 20 of the 2012 Amending Finance Law the scope of such tax to include electronic communications operators. Since January 14, 2014, the tax has been levied on revenues from income generated by users for TV services (with a 10% deduction) as well as income generated from the provision of public access to telephone services and online communication services where such services also enable the reception of television services (with a 66% deduction). The tax rate is progressive (from 0.5% for amounts between €10 and €250 million up to 3.5% for amounts above €750 million).

#### ***Turnover tax of electronic communications operators***

Law 2009-258 of March 5, 2009 on audiovisual communication and the new public television service introduced a 0.9% tax levied on the portion of a telecommunications operator's turnover (excluding VAT) relating to electronic communication services above EUR 5,000,000. This tax became effective on March 7, 2009. The tax rate was raised to 1.3% in the 2016 via law 2015-1785 of December 29, 2015.

#### ***VAT arrangements applicable to TV services***

Since March 1 2018, in accordance with Article 8 of the Finance Law for 2018 (Finance Law for 2018 of December 30, 2017 n° 2017-1837, art.8), the distributors of TV services that are included in a triple-play offering (i.e., a composite offer which includes for a fixed price access to services provided by electronic means such as telephone, Internet etc.) must apply the 10% reduced VAT rate for TV services as follows:

- (i) If the distributor provides both an offer with and without TV services, the 10% VAT rate will only apply to the additional price paid by the customer buying the offer with TV services compared to the price of the offer without TV services;
- (ii) If and only if the distributor doesn't provide an offer without TV services, the 10% VAT rate will only apply to the sums effectively paid by the distributor (per client) to buy the distribution rights of the TV services within the limit, where applicable, of the price at which TV services relating to the same distribution rights are otherwise marketed by the distributor.

#### ***Flat-rate tax on network businesses applied to radio stations***

Article 1635-0d of the General Tax Code ("CGI") provides for a flat-rate tax on network businesses. Under Article 1519 H of the CGI, this tax also applies to radio stations requiring an opinion or agreement from, or disclosure to, the Agence nationale des fréquences (National Frequencies' Agency) in accordance with Article L. 43 of the CPCE.

#### ***Tax on sales and rentals of videograms for private use by the public***

Article 1609o(B) of the CGI introduced a tax on sales and rentals of videograms for private use in France and in the French Overseas Territories. It is levied on the VAT-exclusive amount of the price paid by the customer and its legal base rate is set at 2% for general content and at 10% for adult content. The tax also applies to suppliers of on-demand video when such suppliers receive income for the provision of a video program to an end-user.

### *Taxes and fees required by the CPCE*

- Fees for the use of radio frequencies: fees payable by mobile network operators for the use of radio frequencies are specified by the provisions of decree 2007-1532 of October 24, 2007, as amended by Decree no. 2018-825 of September 28, 2018 after a favourable opinion issued by ARCEP. Such fees are comprised of a fixed portion and a variable portion, levied on the amount of revenue, and are calculated in accordance with the provisions of Decree 2018-825;
- Interference tax: pursuant to Article L. 43-I bis of the CPCE, operators are required to pay tax aimed at fully covering the costs incurred by the National Frequencies' Agency in collecting and processing the complaints of users regarding interference caused by radio stations in the 700 MHz and 800 MHz bands. The total amount of the tax to be collected is split, within the limit of EUR 2 million per year and per band, between the holders of usage rights in such frequency bands;
- Numbering tax: pursuant to Article L. 44-II of the CPCE, operators are required to pay tax related to the numbering resources assigned them by ARCEP;
- Contribution to the spectrum re-farming fund (*fonds de réaménagement du spectre*): Pursuant to Article L. 41-2 of the CPCE, mobile operators must contribute to the spectrum re-farming fund. Such contribution is aimed at fully covering the costs of the re-farming necessary for the provision and assignment of the frequencies as well as the costs incurred in frequency allocation undertaken by the National Frequency Agency in accordance with the provisions of Articles R. 20-44-6 and R. 20-44-7 of the CPCE; and
- The administrative taxes payable by operators to cover administrative costs resulting from the implementation of the provisions of the CPCE were repealed by Article 27 of finance law 2015-1785 of December 29, 2015.

### **Israel**

The communications and broadcasting industry in Israel is highly regulated and requires service providers to obtain licenses from, and comply with the terms of such licenses and policy statements of, the Israeli Ministry of Communications or the Council for Broadcasting by Cable and Satellite (the “**Broadcasting Council**”) with respect to the various communications and broadcasting services, respectively, before offering them to the public. The ever-changing regulatory environment can have a material effect on our activities. In this section only, references to “we”, “us”, “our”, “HOT” and the “Company” may refer to HOT Telecommunication Systems Ltd, HOT Telecom, HOT Mobile, HOT Net, HOT Mobile International Ltd. or, collectively, HOT Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

As a general matter, the regulatory principles are set forth in the laws enacted by the Israeli legislature (the “**Knesset**”), primarily the Communications Law (Telecommunication and Broadcasting), 5742 1982 (the “**Communications Law**”), as described below. These laws are amended from time to time upon enactment of the Knesset. The laws authorize the Israeli Ministry of Communications (in some cases with the approval of the Economic Affairs Committee of the Knesset) and the Broadcasting Council to issue regulations which provide for specific requirements based upon the principles set forth in the laws. The Israeli Ministry of Communications grants licenses in accordance with the Communications Laws and regulations. In addition to the regulations, the Israeli Ministry of Communications issues policy statements after a public review and consultation process. These policy statements expand upon the Israeli Ministry of Communication’s policy with respect to certain basic issues in the relevant market.

### **Television**

#### *Overview*

Our television operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. We are also subject to specific legislation applying to the television broadcasting industry in Israel, such as the Harmful Broadcasts Classification, Marking and Prohibition of Damaging Broadcasts Law, 5761 2001 (which imposes certain classification and marking obligations with respect to television broadcasts) and the Television Broadcasts Law (Sub Titles and Sign Language), 5765 2005 (which imposes certain obligations regarding the accompaniment of television broadcasts with sub titles and translation into sign language).

We provide our television services pursuant to a non exclusive general cable broadcasting license issued by the Broadcasting Council that applies to all areas of the State of Israel and a non-exclusive general cable broadcasting license applying to Judea and Samaria (the “**Broadcasting Licenses**”). The Broadcasting Licenses contain certain conditions and restrictions relating to the provision of cable television services to our customers, including amongst others, a requirement to extend our services to customers in all areas of Israel which, in some cases, creates an obligation on us to provide services even though it would not be worthwhile economically to do so. There are certain places in Israel in which we do not currently provide services. In November 2014, the Israeli Ministry of Communications issued an order requiring us to provide services in some of those areas. Such decision was postponed a few times in order to enable the Ministry of Communications to examine changes in the market including technological developments. The latest extension is valid until July 2019. Our Broadcasting License was extended in May 2017 for a period of 10 years and is in effect until April 30, 2027. We also have a special license (held by HOT Telecom) for operating a broadcasting hub which is valid until April 2023. As a general rule, the Broadcasting Licenses are non-transferable. In addition, the transfer of any means of control in the relevant license holders may be subject to prior approval of the Israeli Ministry of Communications and the Broadcasting Council.

Our operations in the pay television segment are subject to the supervision of the Israeli Ministry of Communications and the Broadcasting Council, including, among other things, in connection with the prices of analog services, broadcasting content, and launching of new channels or ceasing to broadcast existing channels. In addition, we have been declared a monopoly in the area of multi-channel television broadcasts for subscribers, and accordingly, the Competition Commissioner (the “**Commissioner**”) is permitted to issue instructions to us pursuant to the Competition Law, 5748-1988. Accordingly, our ability to make acquisitions in the broadcasting sector will be limited. The Commissioner has set various conditions which apply to us as part of its decision to approve the Israeli cable consolidation. These conditions include, among others, separation of broadcasting and cable infrastructure activities, limitations on possessing means of control and relationships with producers of the channels, limitations on the purchase of, and the exclusivity in, programs and ownership of broadcast programs, limitations on agreements with producers of channels, a requirement to provide telephony services, investing in infrastructure, and the provision of bank guarantees. We are also subject to general antitrust law which prohibits certain restrictive agreements and the abuse of dominant market positions. Certain key features of the regulations and Broadcasting Licenses governing our television operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

### ***Obligation to Extend Services***

Under the terms of the Broadcasting Licenses, we are required to extend our cable television services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not. In November 2014, the Israeli Ministry of Communications issued an order requiring us to provide services in some of these areas. Such decision was postponed a few times, in order to enable the Ministry of Communications to examine changes in the market including technological developments. The latest extension is valid until July 2019. According to the Minister of Communications’ decision in October 2016, as of January 1, 2017, we offer our broadcasting packages in areas without cable infrastructure over broadband infrastructure.

### ***Access to DTT Channels***

The Second Authority for Television and Radio (the “**Second Authority**”), a statutory body set up under the Second Television and Radio Authority Law (the “**Second Authority Law**”), is responsible for facilitating the development of, and regulating, commercially operated television and radio broadcasts in Israel. Pursuant to an amendment to the Second Authority Law, the Second Authority was charged with planning, establishing and operating, itself or via others, digital broadcasting stations for the free reception and distribution of television broadcasts (“**DTT**”) to the general public. Accordingly, in August 2009, the Second Authority launched broadcasts on a nationwide basis, enabling the free distribution to the public of the following DTT channels: the Israeli Broadcasting Authority channels (Channels 1 and 33), the commercial television channels (Channels 2 and 10), the Knesset Channel (Channel 99) and, recently, the Educational Channel (Channel 23). The establishment of the digital broadcasting stations infrastructure enables subscribers to view the broadcasts of DTT channels free of charge upon purchasing a set-top box. We are also required to carry the DTT channels over our network.

In accordance with the Digital Broadcast Station Distribution Channels Law, 2012 (the “**Broadcast Distribution Law**”), as amended in 2013, the Council shall be entitled to grant a license for the broadcast of a subject-oriented channel within the framework of the DTT broadcasts to a body selected in a tender. In accordance with the

amendment to the Broadcast Distribution Law, the Minister of Finance and the Minister of Communications shall be able to appoint, via tender, a private operating body who will operate the digital land-based broadcasting array (the “**Array**”) and use it to transmit broadcasts (the “**Operating Body**”). It was also decided, that the Operating Body would receive, in addition to the permit to operate digital broadcasting stations, a unique license from the Council to broadcast on the Array in such a manner that will allow it both to operate the Array and to transmit additional channels, which will be financed by subscription fees or by commercials. Directives were also established on the matter of payments that a theme channel producer (as defined below) and a designated channel producer need to pay the license holder for the broadcasts.

As part of the amendment, it was decided that when a holder of a general license for broadcasting over the Array reaches an extensive scope of activity, as defined in the Broadcasting Distribution Law, the Council shall be entitled to issue a special license to broadcast one channel on the Array, through the general license holder, in accordance with the terms set in the license (a theme channel).

### ***Narrow Package Proposal***

According to the Broadcasting Council’s resolutions in September 27 2012, we begun offering a narrow package to our consumers, featuring a limited number of channels, in return for reduced subscription fees compared to the Company’s basic package. On February 20, 2014, the Broadcasting Council published its position, which recommended making it obligatory to offer subscribers a basic package. Following this position, the Minister of Communications published a ruling instructing HOT and Yes to offer our subscribers a basic package at a price not exceeding 120 NIS per month. This decision was extended to February 23, 2018 under the same terms.

On March 27, 2019 the Broadcasting Council decided not to extend the decision obligating HOT and Yes to offer a narrow package as described above. At the same time, it approved Hot’s and Yes’ offering of channel packages that are smaller than the basic packages at a reduced prices comparing the broader packages offered. The approval is valid for a period of one year.

### ***Ownership of Television Channels***

We are subject to regulatory limitations in connection with the ownership and production of television channels, including the rules set forth in the Communications Rules (Telecommunication and Broadcasting) (Broadcasting Licensees), 5748 1987 (“**Communications Rules**”). Pursuant to the provisions of the Communications Rules we are subject to restrictions regarding the number of channels that we can produce ourselves or in collaboration with another broadcasting license holder, such that the number of such television channels does not exceed two fifths of the number of independent channels that we broadcast on our network. However, we are subject to more restrictive ownership rules pursuant to the decision of the Broadcasting Council approving the Israeli cable companies merger in 2006. Accordingly, the number of channels that we can produce, including channels produced by our predecessor companies at the date of approval, must not exceed 20% of the independent channels that we broadcast. In addition to those channels, we are also permitted to hold controlling interests in additional channels so long as the number of such channels does not exceed 4% of the total independent channels that we broadcast and we are not the controlling shareholder of such independent channels.

We are also subject to the decision of the Commissioner approving the cable merger in 2006, pursuant to which we are only permitted to hold means of control in the HOT 3 Channel and the HOT Movies Channel (previously Channels 3 and 4) and four additional channels which were not broadcasted in the cable infrastructure as of January 2005, or a similar channel to these channels, unless we obtain prior approval of the Commissioner.

On September 5, 2018 the Commissioner amended the conditions of the cable merger to implement certain amendments to the merger approval terms. In the scope of the decision, certain amendments were introduced, specifically with respect to the purchase of content and ownership of channels.

### ***Minimum Investment in Local Content Productions***

In accordance with the Communications Law, the Communications Rules and decisions of the Broadcasting Council, we are required to invest at least 8% of our annual television revenues from subscriber fees in local productions to be broadcast for the first time over our network.

In accordance with the Communications Law, the communications rules and Council’s rulings, the rate of the Company’s investment in local productions in 2017 remained 8% of its annual revenues from subscriber fees,

paid for television broadcasts. The Broadcasting Council's December 2017 resolution stated that in 2018 the investment rate will remain 8% of our annual revenues, and increase to 9% starting 2019. In According to the Broadcasting Council's decision in December 13, 2018, the investment rate for 2019 will also remain 8%, and the rate for 2020 will be 9%, subject to certain terms and subject to further review by the Broadcasting Council during 2019, if needed, according to the developments in the market.

The Israeli Ministry of Communications has appointed certain committees to review the regulation of commercial broadcasting and local content production on commercial channels. See "*Proposed Changes in the Regulation of Audio- Visual Content*" below. On September 5, 2018 the Commissioner amended the conditions of the cable merger to allow HOT to own also channels that broadcast only foreign content. The conditions prohibiting HOT to own channels that broadcast sports and local original content remain intact.

### ***Special Licenses for Cable Broadcasts***

Under the Communications Law, the Broadcasting Council is permitted to grant special licenses for cable broadcasts with a view to increasing the number of competitors involved in the broadcasting industry. In such cases, the general broadcasting licensees will be required to transmit the special licensee's broadcasts over their networks subject to the condition that the capacity available to the general broadcasting licensee will not fall below five sixths of the total capacity available over its network. In August 2007, the Israeli Minister of Communications determined the minimum carriage fee to be paid by a special licensee for distribution of its channel by a general cable broadcasting licensee. We are also required to maintain a minimum level of capacity for transmitting special licensee broadcasts pursuant to the conditions established for approving the Israeli cable consolidation. In addition, in accordance with the Communications Law, the Broadcasting Council is permitted to grant special licenses to the broadcasters of designated channels. Unlike other special licensees, the designated channel licensees are not obliged to pay a carriage fee to the general broadcasting licensee although the parties are free to agree to such consideration contractually.

### ***Prohibition of Termination Fees***

In 2011, the Communications Law was amended to prohibit a license holder from collecting an exit or termination fee from residential and business subscribers whose monthly bill is under NIS 5,000 who terminate their agreement with the license holder before the end of the minimum term of such agreement. While a license holder is permitted to collect the balance of the payment in respect of end user equipment purchased by the subscriber and debts accumulated by the subscriber, if payment for end user equipment is due in installments, the license holder is not permitted to demand immediate repayment of the entire balance. With regards to some residential and small business subscribers with contracts which predate the effectiveness of the amendment, the termination fee is limited to a maximum of 8% of the subscriber's monthly account, multiplied by the number of months remaining until the end of the commitment period. The maximum amount does not include the purchase price or rental amount of end user equipment.

In addition, pursuant to a decision of the Broadcasting Council in 2011, we are permitted to collect payments from new subscribers only in respect of services provided in the past month and cannot collect payment for service in advance. This decision has had an impact on our cash flows as we transition customers to a post-services billing basis.

### ***Prohibition on Advertising***

The Communications Law prohibits broadcasting licensees from including commercials in their broadcasts other than promotional advertisements for upcoming broadcasts. Commercial channels, including certain "must carry" channels, and foreign channels may be permitted to include commercials on their channels.

### ***Proposed Changes in the Regulation of Audio-visual Content***

In July 2018, a Bill for the amendment of the Communication Law (Telecommunications and Broadcasting) (Regulation of Content Providers) was published (the "**Bill**"). According tot the Bill, the purpose of the amendment is to change the regulation of the multi-channel TV market and adapt it to the technological changes, so that the regulation will apply to audio-visual content suppliers which carry contents to the public in Israel, as of a certain scope of income, while encouraging the competition and reducing the regulatory burden. According to the Bill, it is proposed that the regulation will apply on content providers under the principal of technological neutrality, i.e. it shall also apply with respect to content providers which carry their broadcasts over the internet,



provided that such broadcasts are aimed primarily to the Israeli public. In addition, it is proposed to apply the regulation in a gradual manner, so that it will only apply to providers with a certain scope of activity. In addition, in order to unify the regulatory rules applicable to all license holders, it is proposed to cancel the cable broadcasting license and the satellite broadcasting license and the different regulation in this respect. Instead of that, it is proposed that any audio-visual content provider that meets the proposed conditions, regardless of the technology, will operate according to an audio-visual content license according to a unified regulatory framework. It is also proposed to update and adapt the Broadcasting Council's authorities in a way that will reduce its authorities and focus them on subjects like broadcasting ethics, child protections and local production investments. It is further proposed to enable the license holders to offer their subscribers broadcasting packages upon their discretion, provided, however, that every channel will be also offered for purchase separately and not as part of a package. However, until the competition is established, it is proposed to maintain the existing regulation with respect to a narrow basic package and to authorize the Broadcasting Council to instruct a license holder to include in the basic package contents produced or purchased by it, in a rate that will be determined by the Council which shall not increase 20%.

## **Broadband Internet Infrastructure Access and Fixed Line Telephony**

### *Overview*

Our broadband internet infrastructure access and fixed line telephony operations are subject to extensive legislative and regulatory requirements that apply to the telecommunications industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. Our operations are subject to the supervision of the Israeli Ministry of Communications (the "**Ministry**").

We provide our broadband internet infrastructure access, fixed line telephony services and certain other communication services pursuant to a general domestic operator license for the provision of fixed line services in Israel and a general license for provision of telecom services in several towns in Judea and Samaria (the "**Fixed Line Licenses**"). Among other things, the Fixed Line Licenses prohibit disconnection of any subscriber from the services other than in certain specified cases listed in therein. Our Fixed Line Licenses are valid until 2023 and may be extended for periods of 10 years at a time upon approval by the Ministry. As a general rule, these Licenses are non transferable. In addition, the transfer of means of control in the relevant license holders may be subject to prior approval of the Ministry.

Certain key features of the regulations and licenses governing our broadband internet infrastructure access and fixed line telephony operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

### *Decision Regarding the Creation of a Wholesale Market*

In accordance with the recommendations of a professional committee (the Hayek Committee) adopted by the Minister of Communications, on January 15 2014 the Ministry of Communications published its decision on the list of wholesale services, that infrastructure owners (Hot Telecom and Bezeq) would be required to offer the service providers. Regarding some of the services, after hearing proceedings, service files were established regarding the service provision format. Also attached to the decision were regulations on maximum service rates on the Bezeq network. On June 15 2017 Hot Telecom received the Minister of Communication's decision to adopt the recommendations of the Ministry's professional echelon on setting maximum rates for providing wholesale services on the Hot Telecom network for 2017-2018.

The decision also noted that the recommendations of the Ministry's Engineering Department would be adopted, and that the Minister would instruct Hot Telecom to perform the required tests in order to test the required inputs needed to provide the multicast service, and that a directive on the test details, completed within 4 months of the instruction, shall be published in the near future. HOT Telecom currently provides wholesale services in accordance with the Minister's decision to service providers.

### *Use of Passive Infrastructure*

On February 26 2015 the Ministry of Communications published a resolution on the service file for access service to physical infrastructure, according to which the infrastructure owners (Bezeq and Hot Telecom) must allow service providers to use the passive infrastructure of the infrastructure owners (stems, dens, boxes and poles) starting August 1 2015. Following this, pursuant to the 2017-2018 Arrangements Law, Section 5 of the

Communications Law was amended, in such a manner so as to compel domestic operators to allow other domestic operators to use their passive infrastructure in such a manner so as to allow the other domestic operator to deploy cables or optical fibers through it or establish telecom facilities, in such a manner so as to allow the maintenance of the cables and facilities in question, in order to perform any telecom activity and provide any telecom service in accordance with the terms of the other domestic operator's license ("**Mutual Arrangement**"). It was also decided that the Minister of Communications, with the consent of the Minister of Finance, shall set the maximum or minimum tariffs for the use of the passive Bezeq infrastructure by a domestic operator who does not hold a unique general license (currently—Hot Telecom and IBC). Until these regulations are passed, the maximum payment set for access to passive infrastructure in the Communications Regulations (Telecom and Broadcasts) (Use of Domestic Operator Public Telecom Network), 2014 (the "**Telecom and Broadcasts Communications Regulations**"), prior to the application of the Arrangements Law shall apply. If a difference exists between the payments paid by Hot Telecom for the use of the passive infrastructure in question, and the payments set by the Minister, retroactive accounting shall take place as the case may be. It was also decided that Hot Telecom's right to use the passive infrastructure of a different domestic operator would be postponed to October 1 2017. According to draft regulations published by the Ministry of Communications on August 13, 2018, the Ministry considers to order that the rates for the use of Bezeq's passive infrastructures by HOT Telecom will be the same as the rates set for the use by other license holders.

### *Implementation of Universal Service Obligations and Deployment of Fixed Lines*

Similar to the Broadcasting Licenses, the Fixed Line Licenses contain a requirement to extend our services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services and we had applied for exemptions from the terms of the Fixed Line Licenses. Pursuant to the Fixed Line Licenses we are also required to provide network access service to other license holders on reasonable commercial terms so as to enable them to provide services to their subscribers and we must also avoid preferential provision of network access to our affiliated companies, including with regard to payment terms and service availability.

On June 22, 2014, a report (the "**Report**") was submitted to the Minister, by an Advisory Committee to the Minister in accordance with the Communication Regulations (Telecommunications and Broadcasts) (Advisory Committee), 2011 (respectively, the "**Committee**" and "**Regulations**") recommending the considerations that should be applied in relation to applications submitted by Bezeq and HOT Telecom for exemption or deferral of the obligation to extend service. Amongst other things, the Committee recommended that there should be no justification to delay or limit the provision of telecommunications services in any area nationwide on the basis of cost-benefit considerations. The Report concludes that cost-benefit considerations should be taken into account only for applications to specifically restrict or deny the provision of communications services to specific customers (an "**Individual Application**"), rather than for a specific area or number of requests from the same area (a "**General Request**").

The Committee also recommended that limitations on the provision of communication services through exemptions or deferrals should, as a rule, be done only temporarily and recommended a temporary exemption for a fixed period of 24 months. It also recommended license holders must report any change in the circumstances surrounding an application for which an exemption was approved, and if the circumstances upon which the exemption was based no longer exist the universal obligation upon the licensee will apply immediately and without delay. In addition, the Committee recommended certain timelines for the implementation of the universal service obligation in case of rejection of an application for exemption or deferral.

The Committee further recommended the rejection of all existing applications made by HOT Telecom, except with regard to one specific application relating to a particular settlement for which it suggests a deferral for a period of 24 months, subject to the provision of an alternative solution by HOT Telecom.

On July 17, 2014, HOT Telecom filed its detailed response to the Committee's recommendations to the Minister of Communications.

On November 13, 2013, the Minister of Communications published his decision to adopt the recommendations of the Committee. As part of that decision, the Minister accepted the Committee's recommendations with respect to the rejection of all existing applications for deferral and/or exemption made by HOT Telecom (subject to the exception noted above). As a result, HOT is required to implement its universal service obligations with respect to the first stage of the deployment, in 60 local jurisdictions determined by the Minister, within 24 months from the date of the adoption of the Committee's recommendations (November 13, 2016). As noted above, the

prescribed pace of implementation of the obligations will be reviewed annually, taking into account any technological and regulatory changes. It was further decided that the Committee shall submit to the Minister of Communications a list of recommended local jurisdictions for the next deployment stage, if required in accordance with the then-available technological alternatives.

The implementation of the decision that required HOT Telecom to complete deployment of its network by November 13, 2016, was postponed few times by the Minister of Telecommunications until July 30, 2019: on the dates November 12, 2017, March 29, 2018, June 13, 2018 and April 11, 2019 the Ministry of Communications adopted the recommendations of the advisory committee of that dates, that until completion of the review by the Ministry and formulation of a decision on the subject, provision of services using an alternative technology can provide a solution in communities in which HOT is not deployed, and in several communities it may provide its services through another license holder. In parallel, HOT was compelled to complete deployment in several additional communities. During that time, and as of January 2017, HOT was required to offer its broadcasting services to all subscribers in areas without cable infrastructure, on broadband Internet.

HOT is currently unable to estimate the full impact of the Minister's decision on its business, but expects that implementation may have a negative impact on its results given that it will be required to expend additional capital expenditure for which it does not expect to derive a commensurate gain.

On December 18, 2018, the Ministry of Communications published a call for public comments with respect to the principles for deployment of ultra-wide bandwidth infrastructure in Israel setting out the basis for the policy under consideration at the Ministry which, according to it, is intended to supplement the existing system of incentives and create regulatory certainty for the communications companies in terms of regulation. In the call for public comments, the Ministry presents initial principles according to which it is considering formulating regulation aimed at providing a solution for the different issues, mainly:

1. Freedom of action for infrastructure owners and service providers in terms of the technology mix, subject to the principle of non-infringement of the services that a competitor can offer.
2. Provision of wholesale services by the infrastructure owner as set out in the service portfolios, with any technological advancement in parallel to provision thereof in the existing networks.
3. A reasonable wholesale payment for BSA services, in accordance with Section 17 of the Communications Law, under the following restrictions:
  - (a) A cost based tariff and not retail minus.
  - (b) A uniform flat monthly tariff without a variable capacity allocation component.
  - (c) The option of speed-based differential pricing will be weighed.
  - (d) The existence of an effective margin squeeze prevention mechanism.
  - (e) Quick implementation—the Ministry is considering, until completion of the up-to-date study of costs, to set the controlled price for fiber-based wholesale services, based on the data currently in its possession. It was indicated that a specific hearing on the subject would be published further to the call for public comments.
4. Formulation of an incentive mechanism for operation of advanced networks
  - (a) The universal service obligation will not apply to HOT in respect of advanced fiber-based networks.
  - (b) Bezeq and HOT will be given flexibility to establish a plan for operation of the network on a regional level (cities/neighborhoods). The regions in which the infrastructure owner intends to operate a fiber network will be published for the service providers several months in advance. In case of barriers to implementation of use of this service, the Ministry will act to remove them.

On February 10, 2019 an inter-ministerial team was established to review the policy for deployment of ultra-wide bandwidth fixed communication infrastructure in Israel that includes representatives from the Ministry of

Communications, Ministry of Finance and the Competition Authority. The team was requested to review and formulate recommendations on the following subjects with attention to the good of the public and development of competition in the segment, all with respect to fixed ultra-wide bandwidth infrastructure: (1) Revision of the deployment obligations and/or obligations to provide the service applicable to the infrastructure owners; (2) the need for tools to encourage deployment in regions in which it recommends stipulating that there is no deployment obligation, based on economic feasibility studies. The team invites public entities to express their position on these subjects by April 3, 2019. HOT Telecom presented its position regarding the proposed policy principals and regarding the deployment subject to the Ministry and to the inter-ministerial team.

### ***Hearing regarding “margin squeeze”***

Following the hearing published by the Ministry of Communications on setting a format for examining the limitation of margins by land-based broadband communications infrastructure owners, on August 29 2017 Hot Telecom received a secondary hearing for determining a format for examining margin squeeze, published by the Ministry of Communications following references received from license holders. The hearing and the secondary hearing are intended to arrange the examination on whether owners of nationally-deployed infrastructure (Bezeq and Hot Telecom) are using margin squeeze practices in order to push service providers lacking national land-based infrastructure out of the market. This by lowering retail process and reducing the margin between the retail prices of an infrastructure owner and the retail price of the infrastructure input purchased by service providers.

### ***Removal of Certain Restrictions on Bezeq***

In May 2010, the Ministry of Communications announced that it was amending Bezeq’s license and those of its subsidiaries, regarding the possibility of marketing joint product packages, in accordance with the terms set in the licenses, including the Ministry of Communications’ approval for marketing packages. to the best of our knowledge, Bezeq marketed several communication packages. According to publications, in 2018 Bezeq’s subsidiaries- Bezeq International, Yes and Pelephone have strengthened their synergies and announced that they would be cooperating, including by offering joint service packages.

### ***Israel Electric Company Infrastructure***

Following the government resolution, in June 2013 a group of investors was selected for the establishment of a Communications Venture, which is a new infrastructure company, headed by Via Europe, which holds 60% of the venture, along with the Electric Company, which holds 40% of the venture. On August 27 2013, the Minister of Communications issued a general license for the provision of domestic land-based telecom services (infrastructure) to IBC Israel Broadband Company (2013) Ltd. (“**IBC**”).

In August 2018, the Minister of Communication decided to amend the regulatory framework for the operation of IBC, in a way that shall enable the reduction of its universal deployment obligation. Following that, it was decided that the new license that will be granted to IBC will include a deployment obligation for 40% of the households in Israel within 10 years. In addition, it was decided that the Minister may allow a domestic fixed-line operator (except Bezeq or HOT Telecom) to be the control owner in IBC, if he was convinced that this would not affect the competition or the public interest. In March 2019 Cellcom signed an agreement to purchase (together with another investor) 70% of the share capital of IBC.

### ***Telephony Services over Broadband Internet***

In 2007, the Israeli Ministry of Communications published the licensing policy for the provision of telephony services via broadband internet infrastructure or Voice Over Broadband. The policy stipulated that the provision of Voice Over Broadband services will be regulated via general specific licenses to be granted pursuant to the provisions of the Communications Regulations (Telecommunications and Broadcasting) (Processes and Conditions for Receipt of a General Specific License), 5764 2004. A general specific licensee will be permitted to provide telephony services using VoIP or VOB technology via the broadband internet infrastructure access service of a general fixed line licensee (currently only us and Bezeq). This policy thus permits a general specific licensee to provide services using a broadband licensee’s network without the requirement to pay the owner of the network infrastructure charge, although they still must pay interconnection fees, whilst competing with it in providing fixed line telephony services.

## Internet Service Provider

We provide our ISP services through our subsidiary, HOT Net, pursuant to a special license to provide internet access services (the “**ISP License**”). The ISP license permits us to provide various services, including internet access services, email services, installation and maintenance of a network for transmission of data, documents and electronic messages (EDI), processing, management and routing of messages and system administration services (including monitoring and handling malfunctions, information security, information systems and information compression and securing access to service recipient’s computer). Under the terms of the ISP License, we are required to provide ISP services to any customer or other ISP license holders, including to customers of other broadband internet infrastructure access providers, without discrimination and under identical terms and conditions. Our ISP License is valid until December 31, 2015, and may be extended upon approval by the Israeli Ministry of Communications (the “**Ministry**”). As a general rule, the transfer of any means of control in a relevant license holder is subject to prior approval of the Ministry. On October 31, 2012, the Ministry published an amendment applicable to all licenses issued to ISP providers including our ISP License. The amendment introduced certain provisions mainly relating to consumer protection. On January 5 2016, Hot Net’s license was extended to December 31 2020.

## Mobile

Our mobile operations are subject to the Communications Law, the Telegraphy Ordinance New Version, 1972, and the regulations enacted in accordance with them. We are also subject to the Planning and Construction Act and regulations with regard to site construction, the Consumer Protection Law, 1981, the Non Ionising Radiation Law and the Law for the Prevention of Environmental Hazards (Civil Claims), 1992, which enables class action claims in cases of radiation contamination. We provide our mobile services pursuant to a non exclusive license to erect, maintain and operate a mobile system and to provide mobile services (the “**Mobile License**”). The Mobile License was amended in September 2011 to add additional frequencies in relation to the creation of a UMTS network. The Mobile License with respect to the main original frequencies which we use to deliver our iDEN-based mobile services is valid until February 2016. Over the course of 2016 Hot Mobile has launched a new service, “MIRS4G”, based on POC technology (PTT over cellular) on its network, to replace the service the Company had provided on the iDEN network. The Mobile License with respect to the additional frequencies which we will utilize to provide UMTS-based mobile services is valid until September 2031. The Mobile License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications (the “**Ministry**”). As a general rule, the Mobile License is non transferable, and the transfer of any means of control in a relevant license holder is subject to prior approval of the Ministry.

Certain key features of the regulations and licenses governing our mobile operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

On July 2, 2014, the Ministry published a tender for a mobile phone license for the provision of advanced services using 4G-LTE technology, through which a total of eight frequency bands in the area of 1,800 MHz will be allocated (with a width of 5 MHz). On November 18, 2014, HOT Mobile submitted its offer in response to the tender.

The draft tender clarified that a licensee may enter into a network sharing agreement with another licensee subject to certain conditions. As a result, HOT Mobile has updated its request for approval by the Ministry of the Joint Network Agreement with Partner accordingly.

In connection with this tender process, the Ministry announced its decision to allow all existing mobile operators wishing to upgrade their systems immediately to use the frequency bandwidth of 5 MHz (X2) in the area of 1,800 MHz LTE technology. If the operator does not currently have such an allocation, the Ministry will assign them a temporary frequency bandwidth to use LTE technology until the end of the tender proceedings. However, companies will be required to avoid discrimination between operators that are being hosted on their networks, such as virtual operators or operators with domestic roaming agreements, in terms of the level of technology offered to their subscribers. In addition, companies will not be able to discriminate between subscribers with regards to the price of services, and will not be able to charge an additional cost for these 4G services, until such time as the launch of LTE after the publication of the tender winners and receiving their revised frequencies license. Companies may also not raise fares in light of this upgrade to customers, virtual operators or users of domestic roaming. During July and August 2014, Partner Communications Ltd., Cellcom Israel Ltd. and Pelephone Communications Ltd., announced the launch of LTE. HOT Mobile intends to launch such services in the coming months. The outcome of the 4G-LTE tender process was announced during 2015.

In July 2018, the Ministry of Communications temporarily allocated two bands, each of 5 MHz, in the 700 MHz spectrum, to Hot Mobile and Partner. According to the announcement by the Ministry on May 17, 2018, these temporary allocations were intended to enable technological preparations for providing advanced services and for efficient assimilation of the relevant technologies via this frequency. This temporary allocation will be canceled, based on the results of the Frequency Tender, which is planned to take place in the near future. In view of the network sharing agreement between HOT Mobile and Partner, it was decided that Partner will be also allowed to use the frequencies allocated to HOT Mobile using the shared network (see below).

### ***Network Sharing***

On April 20 2015, the Ministry of Communications approved the network sharing agreement between Hot Mobile and Partner in accordance with Ministry policy and the relevant licenses. On August 9 2015 the Ministry of Communications granted PHI Networks (2015) (“**PHI**”) (the general partner in the joint venture) a special license to provide cellular radio infrastructure services to a radio telephone operator, pursuant to which the joint venture, among other things, is responsible for maintaining, developing and operating an advanced radio network for Hot Mobile and Partner and the joint venture began operating. The license shall be in effect for a period of 10 years.

### ***Construction of Network Sites***

The regulation of network site construction and operation are primarily set forth in the Israeli National Zoning Plan 36A for Communications which was published in May 2002 (“**National Zoning Plan 36**”). The construction of radio access devices, which are cell sites of smaller dimensions, is further regulated in the Planning and Building Law and the Communications Law.

#### *National Zoning Plan 36A*

National Zoning Plan 36A (the “**Plan**”) includes guidelines for constructing cell sites in order to provide mobile broadcasting and reception communications coverage throughout Israel, while preventing radiation hazards and minimizing damage to the environment and landscape. Plan sets forth the considerations that the planning and building authorities should take into account when issuing building permits for cell sites. These considerations include the satisfaction of safety standards meant to protect the public’s health from non ionizing radiation emitting from cell sites, minimizing damage to the landscape and examining the effects of cell sites on their physical surroundings. However, the Plan is in the process of being revised. Current proposed changes will impose additional restrictions and requirements on the construction and operation of cell sites. On June 1, 2010, the National Council for Planning and Building approved the National Zoning Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the “**Amended Plan**”). The main amendments to the Plan are: (a) the Amended Plan provides for full liability for depreciated property claims on the mobile operators; (b) the Amended Plan prohibits the erection of poles in urban areas (excluding industrial zones) and in rural areas (excluding next to existing infrastructure); (c) the Amended Plan grants to the municipalities the authority to approve local zoning plans that will regulate the deployment of site; and (d) the Amended Plan demands a minimum distance of four meters between antenna poles on a rooftop.

The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown if, and when, the government intends to approve the Amended Plan. If the Amended Plan is approved, it may have a significant impact on our ability to get permits for our mobile sites. In addition, we may need to change the location of our future mobile network sites to less suitable locations, which may have an adverse effect on the quality and capacity of our mobile network coverage. The cost of complying with the Amended Plan might be substantial and may adversely affect our revenues and profits. The Amended Plan has not yet received the required approval.

#### *Radio Access Devices*

Most mobile operators have historically relied on an exemption from obtaining a building permit under the Construction and Planning Law for constructing rooftop mobile radio access devices, which was consistent with the Israeli Attorney General opinion on the matter.

In September 2010, the Supreme Court issued a temporary injunction that forbid the continued construction of access facilities in cellular basis on the basis of an exemption from building permits (requested in two petitions filed in July 2008 and June 2009). The temporary injunction, issued at the request of the Attorney General, will remain in effect until the proposed regulations are passed or the court decides otherwise. In his announcement,

the Attorney General noted that when the winners are declared for the frequency tender in which Hot Mobile took part and won, he may ask that the injunction be reduced. The injunction will not apply to the replacement of existing access facilities under certain circumstances.

In September 2010 the Court issued a temporary injunction on the petitions. As part of its response to the petition, the Sate responded that he reduction in the scope of the order regarding the new operators shall be in effect until June 30 2014, and that after that date the sole opportunity for establishing access facilities will be after approving the relevant regulations, and in accordance with the restrictions set therein. In September 2014 a hearing was held on the petitions before the Court, with no ruling yet received. In March 2016 the Court updated the ordinance in such a manner that allows Hot Mobile and Partner to unify both companies access facilities in the joint network and as part of this, move the location of some of the facilities.

In December 2017, a discussion was held at the Knesset Economics Committee on the new wording of regulations issued by the Minister of Finance in coordination with the other relevant government ministries. The Economics Committee did not finish its discussion of all of the items, and therefore made clear that a follow-up meeting would be set for the regulations. The proposed wording was recommended by the National Council of Planning and Construction. Inasmuch as the wording is approved in the format sent to the Economics Committee, this will make it very difficult to move wireless access facilities from one place to another as well as make changes to existing access facilities.

Radio access devices also require permits from the Israeli Ministry of Environmental Protection. The local planning and building committee's engineer may object to the exemption for a permit requirement prior to installing radio access devices. An annulment of, or inability to rely on, or substantial limitation of, the exemption could adversely affect our existing network and network build out (particularly given the objection of some local planning and building authorities to grant due permits where required), could have a negative impact on our ability to obtain environmental permits for these sites, could negatively affect the extent, quality, capacity and coverage of our network and have a negative impact on our ability to continue to market our mobile services effectively.

#### *The Non Ionising Radiation Law*

In accordance with the provisions of the Non-Ionizing Radiation Law and the amendment to the Planning and Construction Law, which among other things establish a requirement to deposit a letter of indemnification from suits for the loss of value of real estate as a condition for receiving a permit to build a broadcast facility. According to the National Council for Planning and Construction's guidelines, a 100% indemnity obligation was established. After the law was passed, as of December 31 2016, Hot Mobile has submitted 346 letters of indemnity as a condition for the receipt of building licenses at various sites around the country.

As of this date, no claims have been filed against the group by virtue of the letters of indemnity and according to the announcement of the Attorney General, claims by virtue of the letters of indemnification filed one year after receiving the building permit will not be recognized.

Note that to date, a partial version of the regulations has been ratified, and the chapter of the regulations pertaining to maximum radiation levels has yet to be completed. A version of the chapter in question approved by the Minister of Communications has been filed by the Ministry of the Environment, for the approval of the Knesset Interior and Environmental Committee, but did not secure its approval, as the Committee requested stricter criteria for permits issued by the environmental radiation supervisor. If the Committee's requests are accepted, Hot Mobile estimates that it may have a material impact on its ability to provide cellular services in the State of Israel.

#### *Prohibition of Exit Fee*

On March 21, 2012, the Knesset passed an amendment to the Communications Law in order to prohibit a license holder from collecting an exit or termination fee from new subscribers who cancel their agreement with the license holder. A license holder is still permitted to collect the balance of payment owed to it by the subscriber relating to the purchase of end user equipment. The amendment does not apply to large subscribers who have purchased 100 or more lines. Additionally, under the terms of the amendment, as of January 2013, it is not be possible to link a transaction for the purchase of end user equipment and the provision of mobile services.

### ***Mobile Virtual Network Operator***

A mobile virtual network operator, or MVNO, is a mobile operator that does not own its own spectrum and does not have its own radio network infrastructure. Instead, MVNOs have business arrangements with existing mobile operators to use their infrastructure and network for the MVNO's own customers. The Communications Law was amended in July 2009 to provide for MVNO licenses, and, in January 2010, the regulations necessary for the granting of an MVNO license were promulgated. The regulations regulate the operation of an MVNO pursuant to an agreement to be reached and entered between a mobile operator and an MVNO and sets, among others, the conditions for receiving an MVNO license, including a requirement to operate a mobile phone switch, a restriction on a mobile operator and a fixed line operator to receive an MVNO license and limitations on parties related to an existing mobile operator and on other communication licensees to receive an MVNO license. The amendment provides that in the event that an, MVNO and mobile operator will not have reached an agreement as to the provision of service by way of MVNO within six months from the date the MVNO has approached the mobile operator, and if the Ministry together with the Israeli Ministry of Finance determine that the failure to reach an agreement is due to unreasonable conditions imposed by the mobile operator, the Ministry will use its authority to provide instructions. Such instructions may include intervening in the terms of the agreement, including by setting the price of the service. Over the years, the Ministry has granted eleven MVNO licenses.

### ***Fees and Royalty Payments***

In accordance with our Mobile License, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. We then provided a bank guarantee to the State of Israel for the remaining NIS 695 million. As of the first testing date on September 26, 2013, we achieved a market share calculated in accordance with the license agreement that entitled us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Ministry to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Ministry notified HOT Mobile that the license fees were to be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. See "*Description of Our Business—Altice International Group—Material Contracts—Israel—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

### ***Reduction of Interconnection Fees***

Effective December 1, 2013, interconnection fees between fixed line telephony service providers (including Bezeq, VoIP or VOB providers and us) were reduced by 60% and set at NIS 0.01.

### ***Copyright/Trademark Law***

Israel grants copyright protection to original literary, dramatic, musical and artistic works, as well as sound recordings and computer programs under the Copyright Law, 5767 2007. Copyright protection automatically exists with respect to works which comply with the terms set forth in the Copyright Law. Under the Copyright Law, generally, protection of a work runs from the date of creation until the end of the seventieth year after the year of the death of the author. Israel is party to a number of multinational treaties relating to copyrights, including the Berne Convention.

In Israel, trademarks are governed by Trade Marks Ordinance (New Version), 5732 1972. A trademark registration is valid for 10 years from the date of the trademark application. The registration may be renewed for further periods of 10 years after each renewal. The legal protection of a trademark is conditioned on it having distinctive character. Israeli law also provides for legal protection to unregistered trademarks. Under the Trade Marks Ordinance an owner of a trademark that is well known in Israel can exclude others from using the mark, even when the trademark was not registered in Israel. Israel is also party to a number of multinational treaties relating to trademarks.

### ***Structural Separation***

In November 2003, as part of the steps taken to merge the cable companies and expand of the activity of the cable companies into the communications sector, including providing telephony services, the cable companies, including the Company, set up Hot Telecom, as a joint corporation, designed to operate domestic fixed-line



telephone services over the cable network. Hot Telecom began operating on January 1, 2004, and since the completion of the merger, it has coordinated all of the Company's communications activity.

As stated, as part of the policy of the Ministry of Communications for increasing competition in the communications market, provisions were stipulated in the domestic operator license regarding structural separation between the broadcasting license holder and the domestic operator license holder.

In accordance with the domestic operator license and the broadcasting license provisions, regarding structural separation between the Company and HOT Telecom, they are permitted to work together in offering joint product packages, which include multi-channel television services, telephony services and internet infrastructure access services (Triple Play).

In accordance with the provisions of the Licenses, the Group uses for its activity, various restrictions are placed on the activity of group companies, which prevent full synergy in the Group's activity, including the requirement for separate managements at some of the companies.

### **Centralization Law**

On December 9, 2013, the Knesset Finance Committee approved the bill for promoting competition and reducing concentration. According to the law, a committee will be established with the objective to supervise the attempts to limit concentration, headed by the Antitrust Commissioner and hosting members such as the General Director of the Ministry of Finance and the head of the National Economic Council or one of his deputies appointed by the prime minister. Under the bill, among other things, the regulator may decide not to assign any right, including the right to grant or extend a license, to a concentrated factor as it is defined in the law, if it finds that it is unlikely that any real harm may be caused to the sector in which this right is assigned and the regulation of such sector. Also, a regulator seeking to allow the assignment of a right, including the grant or extension of a license, will not do so, including not allowing any concentrated factor to participate in the assignment procedure of this right and not setting any conditions that allow its assignment, but only after taking into account considerations of cross market concentration in consultation with the entity in charge of the concentration reduction. In addition, the law provides, *inter alia*, that when assigning a right and setting its terms the regulator must consider, in addition to any other vital consideration as specified by law, considerations of promoting competition in the sector, and, if the right is included in the list of rights issued by the Antitrust Commissioner in this regard, the regulator may assign this right only after considering promoting competition in the sector in consultation with the Antitrust Commissioner. The group was included in the list of centralized bodies published by the antitrust authority.

### ***Consumer Protection and Regulatory Bills***

The Group's activity in Israel is subject to general legal provisions that regulate the relationship and the method of engagement between it and its customers. As such, the group's activity is subject to the Consumer Protection Law. Among other things, the Consumer Protection Law grants the court the option to rule compensation without providing damage in the cases denoted therein, which include consumer requests that a business cease billing them after the conclusion of the transaction or the commitment; failure to provide consumers with written notice that the engagement between them and the business will continue after the end of the commitment period, unless the consumer informs them that they wish to end it, up to level of 10,000 NIS. In cases of repeated or ongoing violations, the compensation level can reach a sum of 50,000 NIS.

Frequent changes in the Consumer Protection law influence the group's activity in Israel, as provider of services to a large number of private consumers, due to the expenses involving in implementing them, and due to changes that may occur to the format of the company's behavior with its customers.

### **Portugal**

#### ***Liberalization of the Portuguese telecommunications market***

The first Portuguese telecommunications regulatory framework was enacted in 1989 under Law 88/89 of September 11, 1989, to regulate the opening of the telecommunications network to private enterprises. This initial regulatory package divided the industry into two main areas: (i) a state owned and monopolistic basic telecommunications network and services, which meant the fixed national telephony services and some associated facilities, run by the publicly owned companies that in 1995 merged to form the PT Group; and (ii) the so called complementary services which assembled a large group of mainly private operators ranging from mobile wireless

operators (using GSM), paging, trunking, VSAT and data transmission (using mainly Frame Relay and X25 protocols).

Following the 1996 revision of the European Unions' ONP Directives (e.g. Directives 96/2/EC, 96/19/EC and 97/13/EC), in August 1997 the Portuguese Government decided to revise the whole regulatory structure and submitted to Parliament a new Telecommunications Bill aimed at establishing "the general bases that regulate the establishment, management and operation of telecommunications networks and the provision of telecommunications services" later enacted as Law 91/97 of August 28, 1997 (the "**1997 Telecommunications Law**"). The adoption of a "full liberalization" principle accelerated the progressive opening of the Portuguese telecommunications market to new entrants, and was completed on January 1, 2000, with the end of Portugal Telecom's legal monopoly over fixed-telephony services.

### ***Legal framework***

Following the major review of existing EU telecommunications law that resulted in the adoption of a new regulatory framework for electronic communications in 2002, known as the "Review 99" Directives, the Portuguese Parliament enacted Law 5/2004 of February 10, 2004 (the "**2004 Communications Law**"). The new legislation transposed the EU Review 99 package Directives and regulations to national law and revoked all previous regulations containing provisions related to general market framework, licensing, interconnection and all telecommunications networks and service provision, with the exception of radio communications, telecommunications infrastructure and supply of electronic equipment.

In 2011, Law 51/2011 of September 13, 2011, amended the 2004 Communications Law, transposing other EU Directives into national law. The 2004 Communications Law was further amended several other times, including (among other statutory instruments) by Law 10/2013, of January 28, 2013, and Law 15/2016, of June 17, 2016, which introduced additional consumer protection rules. The last amendment occurred in 2017 with the enactment of Decree-Law 92/2017, of July 31. Although some provisions of the 2004 Communications Law already dealt with data privacy issues, the Privacy and Electronic Communications Directive (Directive 2002/58/EC) was transposed by Law 41/2004 of August 18, 2004, which was further amended by Law 46/2012, of August 29, 2012.

### ***Regulatory Institutions***

- *European Commission.* The Directorate General for Competition of the European Commission (the "**EC**"), is responsible for assessing, investigating and sanctioning potential conducts in breach of the key provisions of the Treaty on the Functioning of the European Union ("**TFEU**") relating to competition in the EU (in result of third party complaints, *ex officio* investigations or, if applicable, leniency requests). Among other things, the TFEU prohibits (i) agreements or coordinated action between competitors that may affect trade between EU member states and have as their objective or effect the prevention, restriction or distortion of competition within the EU, and (ii) any abuse of dominant position in certain markets within the EU that may affect trade between EU member states. The Directorate General for Competition enforces these rules in cooperation with national competition authorities. In addition, national courts have jurisdiction over violations of EU competition law. The Directorate General for Communications Networks, Content & Technology (DG Connect) of the EC is responsible for, among others, coordinating the regulatory framework for competition and growth over the entire range of issues in the telecommunications field: economic analysis, impact assessment, policy development and regulatory compliance. The EC can impose the termination of certain conducts, impose structural measures, if applicable, as well as impose fines not exceeding 10% of the turnover, in the last financial year, of the undertaking in breach.

On December 20, 2018, Directive 2018/1972, of the European Parliament and of the Council, of December 11, formally adopted the European Electronic Communications Code ("**EECC**"). The EECC is expected to have an impact over both the activities of telecommunications networks and services providers as well as the national regulators in the EU Member States. Pursuant to Article 33 of EECC, the EC shall be afforded with certain veto powers over the decisions of national regulators, such as ANACOM, regarding imposition of remedies to operators found to have significant market power. Portugal has until December 2020 to transpose the EECC to domestic legislation.

- *ANACOM.* *The Autoridade Nacional de Comunicações* (the "**ANACOM**") is the Portuguese telecommunications regulator. It advises the Portuguese government on telecommunications policy and legislation and monitors compliance with concessions, licenses and permits granted to telecommunications networks and services providers in Portugal. The Portuguese government has substantially increased the

autonomy of ANACOM and has allowed it to become a more effective and independent regulatory body. ANACOM acts on complaints against us by our competitors, our customers and other interested parties. It can impose fines on us if we do not meet our obligations under the law or its determinations. ANACOM's decisions are subject to judicial review. The current version of the bylaws of ANACOM was approved by Decree Law 39/2015 of March 16, 2015.

- *Portuguese Competition Authority.* Our activities are also overseen by the Portuguese Competition Authority (*Autoridade da Concorrência*), which is responsible for the public enforcement of competition law in Portugal, derived from ex officio investigations, complaints by third parties and, when applicable, leniency requests. The relevant Portuguese provisions, Articles 9º and 11º of the Portuguese Competition Act, Law 19/2012, of May 8, mirror, respectively, Articles 101º and 102º of TFEU. The Portuguese Competition Authority is also competent to assess potential breaches of the TFEU's competition rules. The Portuguese Competition Authority can impose the termination of certain conducts, impose structural measures, if applicable, as well as impose fines not exceeding 10% of the turnover, in the last financial year, of the undertaking in breach. Under Portuguese law, we are permitted to appeal any adverse decision of the Portuguese Competition Authority. The Portuguese Competition Authority's decisions are subject to judicial review by the Competition Court, which also has jurisdiction over private enforcement action brought by private parties harmed by a potential competition law infringement.
- *ERC.* The Entidade Reguladora para a Comunicação Social (the “**ERC**”), is the independent regulatory authority for the Portuguese media. ERC's primary responsibilities are the regulation and supervision of all entities that undertake media activities in Portugal. The ERC is a legal entity endowed with administrative and financial autonomy. The ERC oversees compliance with respect to fundamental rights such as freedom of the press, right to information, independence from political and economic power and freedom of speech. It is also responsible for monitoring compliance by all companies operating in the media sector, with standards for media and broadcast content, as well as for promoting the proper and effective functioning of the market where such companies operate. The ERC's decisions may affect, among others, news agencies, periodicals, radio or television operators, and radio and television distribution operators.
- *CNPD—Comissão Nacional de Proteção de Dados.* The Comissão Nacional de Proteção de Dados is the Portuguese Data Protection Authority. It is an independent body, with powers of authority throughout the Portuguese national territory. It is endowed with the power to supervise and monitor compliance with the laws and regulations in the area of personal data protection.

### **Key legislation**

The key statutes and regulations setting the current telecommunications legal framework in Portugal are:

- The 2004 Communications Law, as last amended by Decree Law 92/2017 of July 31, 2017;
- Decree Law 39/2015 of March 16, 2015, which approved the current by-laws of ANACOM;
- Law 67/2013 of August 28, 2013, which establishes a general framework for regulatory authorities, as amended;
- Law 42/2013 of July 3, 2013, which sets out rules on selective communication barring, namely regarding value added services;
- Law 23/96 of July 26, 1996, on the provision of essential public services, as amended;
- Law 10/2013 of January 28, 2013, on the strengthening of electronic communications services consumer protection;
- Law 55/2012 of September 6, 2012, on the financing of audio-visual and independent cinema works, as amended (the “**Cinema Law**”);
- Decree Law 56/2010 of June 1, 2010, on the unlocking of terminal equipment to allow access to electronic communication services;

- Decree Law 123/2009 of May 21, 2009, as last amended by Decree Law 92/2017, of July 31, 2017 (and rectified by the Rectification Decree 26-A/2017, of September 28, 2017), setting up rules on the access to infrastructure suitable for usage by telecom services (ITUR and ITED regulations);
- Law 99/2009 of September 4, 2009, approving the legal framework of administrative offences within the communications sector, as amended;
- Administrative Rule 1473-B/2008 of December 17, 2008, as last amended by Administrative Rule 157/2017 of May 10, 2017, on regulatory fees;
- ANACOM Regulation 58/2005 of August 18, 2005, as last amended by ANACOM Regulation 257/2018, of May 8, 2018 (in turn, amended by ANACOM Regulation 85/2019, of January 21, 2019), on number portability;
- Law 41/2004 of August 18, 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended;
- ANACOM Regulation 38/2004 of September 29, 2004, on the procedures for the collection and delivery of the MFRW to municipalities;
- Decree Law 7/2004 of January 7, 2004, on information society services and electronic commerce, as amended;
- Law 27/2007, of July 30, 2007, which approved the television law, as amended;
- Law 54/2010 of December 24, 2010, as last amended by Law 78/2015 of July 29, 2015, on radio activities;
- Decree Law 151-A/2000 of September 28, 2000, as last amended by Law 82-B/2014 of December 31, 2014, regarding the licensing of the radiocommunications networks;
- Decree Law 57/2017 of June 9, 2017, which approves rules on the making available on the market of radio equipment;
- Law 67/98 of October 26, 1998, on the protection of personal data, as amended by Law 103/2015 of August 24, 2015;
- ANACOM Regulation 303/2019, on the security and integrity of the electronic communications services and networks; and
- Law 19/2019, of May 8, 2019, which approved the Portuguese Competition Act, as amended.

### ***EU Regulatory Framework and Relevant Markets***

The EU regulatory framework for electronic communications networks and services consists of five directives governing procedures, authorizations, access, universal service and data protection; a recommendation on relevant product and service markets within the electronic communications sector subject to “*ex ante*” regulation under a common regulatory framework for electronic communications networks and services; and two regulations, one concerning the Body of European Regulators for Electronic Communications (BEREC), the other concerning the so-called “TSM—Telecom Single Market” (which encompasses roaming on public mobile communications networks, net neutrality and international calls and SMS in the EU). EU directives, regulations and recommendations, which adopt competition law principles such as market dominance for the designation of significant market power and the definitions of relevant product and geographic markets, which may be subject to “*ex ante*” regulation, have involved constant changes and refinements to this framework. The framework focuses on issues such as reinforcing consumer rights, encouraging competitive conditions among operators to increase consumer choice, promoting investment in new communications infrastructure (such as by freeing spectrum for the provision of broadband services) and ensuring network security and integrity.

On December 11, 2018, Directive (EU) 2018/1972, of the European Parliament and of the Council, of December 11, approved the EECC. This directive will have to be transposed into national law by December 21, 2020. Directives 2002/19/EC, 2002/20/EC, 2002/21/EC and 2002/22/EC (part of the current EU regulatory

framework for electronic communications networks and services) are repealed with effect as of December 21, 2020.

Under the current regulatory framework, national regulators may impose *ex-ante* obligations on operators found to have significant market power in any of the five wholesale markets identified by the EC.

When considering that any of the abovementioned markets is not susceptible to *ex-ante* regulation in the specific national circumstances, national regulatory authorities should demonstrate, and the EC will verify, that at least one of the following criteria is not met: (i) the presence of high and non-transitory structural, legal or regulatory barriers to entry; (ii) a market structure which does not tend towards effective competition within the relevant time horizon, having regard to the state of infrastructure-based and other competition behind the barriers to entry; and (iii) competition law alone is insufficient to adequately address the identified market failure(s).

The aforementioned criteria are also relevant for the purposes of national regulatory authorities to identify markets other than the aforementioned for the purposes of determining any *ex-ante* regulations. This identification is subject to EC's verification.

Because we are active in all of the markets identified by the EC (and ANACOM), these regulatory measures have affected, and will affect, our businesses and operations.

Within the EU framework, ANACOM has identified, in the first round of analysis initiated in 2004, 19 retail and wholesale markets in Portugal. In a process it is required to undergo periodically, ANACOM has found Portugal Telecom to have significant market power in all but one of the analyzed markets, where ANACOM determined that no operator had significant market power (wholesale transit services). These markets included: (i) retail markets—access to the public telephone network at a fixed location (residential and business), publicly available local and/or national telephone services provided at a fixed location (residential and business), publicly available international telephone services provided at a fixed location (residential and business), telephone services at a fixed location using non-geographic numbers, such as toll-free numbers and leased lines; and (ii) wholesale markets—call origination on the fixed telephone network provided at a fixed location, call termination on individual public telephone networks provided at a fixed location and wholesale unbundled access to local metallic loops, wholesale leased lines (trunk segments and terminating segments) and wholesale broadband access.

In its second round of analysis, ANACOM conducted a market analysis to determine the regulatory obligations to be imposed on operators that at the time had a significant market power in the provision of wholesale (physical) network infrastructure access and wholesale broadband access. With respect to Wholesale Markets 4 and 5 (for the provision of wholesale (physical) network infrastructure access and wholesale broadband access), ANACOM has segmented the broadband market geographically between “C” (competitive) areas and “NC” (non-competitive) areas. In the “NC” areas we are obligated to provide a wholesale local loop unbundling reference offer (in relation to Market 4) and to provide a wholesale broadband (bitstream) reference offer (in relation to Market 5). Market 5 was deregulated in “C” areas, and hence all obligations in this market, including the wholesale bitstream reference offer, no longer apply. Nevertheless, while our obligation to provide a bitstream reference offer (Rede ADSL PT) in “C” areas expired after a transitional period, we have decided to maintain the bitstream reference offer. See “—*Areas of Recent Regulation and Updates—Next Generation Access Networks*”.

In addition to PT OpCo, all other fixed-line operators in Portugal were determined to have significant market power in the call termination on individual public telephone networks provided at a fixed-location wholesale market. Likewise, all mobile network operators were found to have significant market power in the call termination on individual mobile networks. ANACOM has found PT OpCo to have significant market power in the wholesale leased lines terminal market and segmented the transit segments between “C” and “NC” routes. In these wholesale markets, ANACOM included Ethernet connections and imposed the retail-minus rule over Ethernet solutions. In the “C” routes, PT OpCo has no significant market power. We expect that ANACOM will provide further analysis of the other relevant markets in the near future.

On August 14, 2014, ANACOM approved the final decisions regarding retail markets for fixed access and telephony services (Market 1/2007—Access to PSTN for residential and non-residential users and Markets 3, 4, 5, and 6/2003—Publicly available telephone services provided at a fixed location), which are no longer regulated (<https://www.anacom.pt/render.jsp?contentId=1311892>).

On September 1, 2016, ANACOM approved the final decision regarding the analysis of the wholesale high-quality access at a fixed location (Market 4/2014), (<https://www.anacom.pt/render.jsp?contentId=1394170>):

- For wholesale terminating segments of leased lines (including Ethernet) two sub-markets were defined: low-bandwidth ( $\leq 24$  Mbps) and high-bandwidth ( $> 24$  Mbps). Trunk segments of leased lines and international submarine cables are included.
- ANACOM defined two geographic sub-markets (high-quality access and trunk segment of leased lines markets): competitive areas and non-competitive areas. Each submarine cable covers a different geographic market.
- PT OpCo is considered to have significant market power in non-competitive areas and submarine cables, for which it is under the following obligations: providing access; transparency, including publication of reference offer; accounting separation; and non-discrimination. In non-competitive areas of high-quality access, trunk segments of leased lines and submarine cables there are price control and cost accounting obligations. In ‘almost competitive areas’ of high-quality access (non-competitive areas that tend to be competitive in the future) there is a margin squeeze test.

On March 23, 2017, ANACOM approved the final decision regarding markets for wholesale local access at a fixed location – WLA (Market 3a/2014) and wholesale central access for mass-market products—WCA (Market 3b/2014) (<https://www.anacom.pt/render.jsp?contentId=1407465>).

Wholesale local access at a fixed location includes copper, fibre and cable (although there was no cable wholesale access product actually offered in the market) and covers the entire Portuguese territory. PT OpCo is considered to have significant market power and is subject to the following obligations regarding its copper and passive infrastructures: access to LLU; access to ducts and poles; cost orientation; non-discrimination (EoI for duct and pole access, EoO for LLU and dark fibre); cost accounting and accounting separation; and transparency, including publication of a reference offer. For fibre no remedies were imposed, except for access to dark fibre when there is no duct or pole availability.

Wholesale broadband access market includes the same products and two geographic sub-markets were defined: competitive areas and non-competitive areas. An area is considered to be competitive if: (i) there are at least two alternative operators (ANO) as well as PT OpCo, and each ANO has more than 50% NGA coverage (NGA meaning fibre and cable DOCSIS 3.0); or (ii) if there is one ANO with more than 50% NGA coverage, and PT OpCo’s retail market share in the parish is below 50%. PT OpCo is considered to have significant market power in non-competitive areas, for which it is subject to the following obligations on copper: providing access; cost orientation (plus margin squeeze test); non-discrimination; cost accounting and accounting separation; and transparency. On fibre no remedies were imposed.

On October 4, 2018, ANACOM approved the final decision regarding retail market for call origination on fixed networks (Market 2/2007), which is no longer regulated (<https://www.anacom.pt/render.jsp?contentId=1460547>).

### ***Our Concessions and Existing Licenses and Authorizations***

#### *General*

The EU prohibits any limitation on the number of new entrants in telecommunications markets, except as required to ensure efficient use of radio frequencies. Pursuant to this directive, which is part of the EU electronic communications framework, an operator must have a general authorization for the provision of electronic communications networks or services. A license for individual rights of use can be required for the use of radio frequencies or numbering resources. The objective of this authorization regime is to introduce more flexibility into the licensing framework.

Currently, regarding the two concessions we hold, one regarding the provision of public payphone services, and another regarding the provision of directory services, which permit us to provide fixed line publicly available payphones and directory (printed) and directory inquiry services (by phone and online) in Portugal, the status is the following: (i) provision of public payphone services—the contract that supported the provision of this service, which should have been terminated on April 8, 2019, was unilaterally extended by the Government until ANACOM selects a new provider or until the Communications Law is amended in order to waive such selection; (ii) the provision of directory services—the contract that supported the provision of this service ended on September 14, 2018, however, at the request of the Government, the provision of the directory inquiry services (by phone and online), was maintained; recently, the Government has determined that the provision of this service

should cease immediately. Until June 1, 2014, we were also the holders of the universal service public switched fixed-line concession, as described under “—*The Fixed-line Concession*” below.

We also operate a DTT platform and provide mobile telephone services, data communications services and television distribution services under the licenses granted and authorizations issued by the relevant authorities (the Portuguese government and ANACOM).

The Ministry of Finance is responsible for monitoring financial issues with respect to our concessions. The Ministry of Planning and Infrastructure is responsible for all other issues regarding our concessions. Disputes concerning the application and interpretation of our concessions are resolved through arbitration. ANACOM is responsible for issuing regulations and is authorized to monitor and apply administrative penalties up to a maximum of €5 million and ancillary sanctions if we fail to fulfil our obligations under our concessions or other obligations imposed by law.

#### *The Fixed-Line Concession*

The Portuguese government granted us a concession, held by PT OpCo, with an initial term expiring in 2025, which was terminated early after PT OpCo and the Portuguese government reached an agreement in November 2013 on its revocation, following the designation of ZON and Optimus—currently NOS, after the merger of the two companies—as the universal service providers of access to a publicly available electronic communications network and telephone services at a fixed location. On March 7, 2014, Decree Law 35/2014 was published in the Portuguese official gazette, formally revoking our concession agreement pursuant to the November 2013 revocation agreement signed by us and the Portuguese government and also pursuant to Resolution of the Council of Ministers n. 66-A/2013, of October 18, 2013, that authorized that revocation agreement. The revocation became effective on June 1, 2014. As of that date, the fixed-line universal services are being provided by NOS, under a contract that ends on June 1, 2019 (the Government has already informed that after the termination of the contract will not designate a new provider of this universal service). The revocation was due to, amongst other factors, a decision from the European Union Court of Justice, of October 7, 2010, on the grounds that Law 5/2004, of February 10, 2004, whilst keeping in force PT OpCo’s universal services concession until 2025, did not comply with Directive 2002/22/CE, of the European Parliament and the Council, of March 7, 2002, as amended by Directive 2009/36/CE, of the European Parliament and the Council, of November 25, 2009.

The fixed-line concession granted us the right to install, manage and operate the infrastructure that forms part of the basic telecommunications network. It also stipulated the provision of maritime mobile service, fixed telex service, fixed switched data transmission service and telegraph service, as services of public interest. Under the Electronic Communication Law of 2004, as the Universal Service Provider, PT OpCo was also obligated to provide a comprehensive directory and directory inquiry services. However, other than our ceasing to be the Universal Service Provider (except with respect to public payphones and directory services, which we have been awarded under new concession contracts), as described in “—*Areas of Recent Regulation and Updates—Universal Service Obligations*” below, the revocation of the fixed-line concession will not cause any material change in the telecommunications services we are able to provide.

Prior to the revocation of the fixed-line concession, the Portuguese government, by resolution of the Council of Ministers of January 10, 2013, determined that the maritime mobile service should cease to be provided as a service of public interest from April 30, 2013. After informing the subscribers of this service of the termination in advance, PT OpCo proceeded to terminate it. In addition, pursuant to the Resolution of the Council of Ministers published on October 18, 2013, fixed telex service, fixed switched data transmission service and telegraph service (telegrams) no longer had the nature of public services as of January 31, 2014, thus terminating PT OpCo’s legal obligation to assure their provision. The clients of the first two services were informed of such discontinuation in advance. PT OpCo opted to commercially continue the provision of fixed telegraph service as of February 1, 2014.

#### *Our Public Payphones and Directory Services Concessions*

On October 12, 2012, in anticipation of the renegotiation of the fixed-line concession and following ANACOM’s decision on the designation of a universal service provider under a competitive process, PT OpCo submitted the single bid in the public tender for the provision of the publicly available telephones service and was awarded with the concession contract. The concession contract was entered into on February 20, 2014, for a period of five years. The conclusion of the public payphone installation ended on June 30, 2015. This contract was extended for another year by Government’s ruling of April 9, 2019.

On July 29, 2013, the Portuguese government decided to initiate a direct award procedure in respect of the provision of comprehensive directory and directory inquiry services for a period of 12 months, with the possibility of such period being extended for an additional six months. As the only company that presented a proposal, on November 7, 2013, the Portuguese government awarded PT OpCo with the comprehensive directory and directory inquiry services concession. The concession contract was entered into on February 20, 2014.

As mentioned above, the contract that supported the provision of this service ended on September 14, 2018. Following a request of the Government, the provision of the directory inquiry services (by phone and online), was maintained. However, recently, the Government has determined that the provision of this service by PT OpCo should cease and be run by ANACOM instead.

#### *DTT Services*

For a summary of our usage rights for DTT, see “—Areas of Recent Regulation and Updates—DTT Services” below.

#### *Our Fixed-line, Data and Frequency Use Licenses*

We also hold the following licenses: (i) a non-exclusive license to provide fixed-line telephone services and be a “Public Telecommunications Networks” operator; (ii) the licenses formerly held by Telepac and other subsidiaries, including a data communications license; and (iii) frequency use licenses. Licenses have also been granted to other providers of data communications and internet access services, including companies associated with major international telecommunications providers. However, companies are not required to have a license to provide data communications services and internet access. Instead, it is sufficient to register their intended services with ANACOM under its service registration scheme. Since 1997, we have also held a license to provide data communications services using satellite infrastructure and a license to offer voice services to corporate networks and other closed groups of users.

#### *PT OpCo Mobile Service License*

Portuguese mobile telephone service licenses are valid for 15 years and are issued by ANACOM. These licenses authorize the use of radio spectrum and the installation of base stations, base station controllers and control switching centers and require the licensee to construct networks capable of reaching at least 75% of Portugal’s population within a specified period. Charges for the provision of mobile telephone services are not subject to regulation.

Through PT OpCo we hold a renewable license to provide traditional and GSM digital mobile telephone services throughout Portugal. The authorization for the use of GSM radio spectrum is valid until March 16, 2022. We are required to comply with a number of mobile telephone service criteria, including satisfying minimum quality standards regarding blocked call rates, network effectiveness and servicing time, and providing certain services. We are also required to provide ANACOM with information about our mobile telephone operations, including the number of customers, number and average duration of calls on a quarterly basis, and annual information about the development of infrastructure.

ANACOM also issues UMTS licenses, which are the European version of the globally accepted technical standards for 3G mobile communications. The broadband capacity of the frequency spectrum allocated under the UMTS licenses enables operators to supply video and internet content to mobile telephones at higher transmission speeds. On January 5, 2012, ANACOM issued a final report on an auction for the allocation of rights of use of frequencies in the 450, 800, 900, 1800 MHz and 2.1 and 2.6 GHz bands. Following that auction, on March 9, 2012, ANACOM issued the final renewable license to PT OpCo, allowing the provision of electronic communications services based, among others, on LTE technology. This license is valid until March 2027, and it also unifies the previous GSM and UMTS licenses issued by ANACOM.

On February 18, 2016, following a public consultation on the subject, ANACOM renewed PT OpCo’s right of use of the 1920-1980 MHz/2110-2170 MHz sub-bands by 15 years. The decision entered into effect on April 22, 2018.



## *Areas of Recent Regulation and Updates*

### *Number Portability and Carrier Selection*

Number portability allows a subscriber at a specific location to change service providers without having to change telephone numbers. Under ANACOM regulations, we are required to allow number portability for both fixed-line and mobile services within one working day, save for in exceptional circumstances duly identified. Call-by-call carrier selection enables customers to select the carrier of their calls by dialing a code connecting them to the selected carrier, while carrier pre-selection allows customers to select the carrier that will be their default carrier.

ANACOM's regulatory intervention in the wholesale market for call origination on the public telephone network provided at a fixed location for the provision of retail telephone services supported by indirect access (pre-selection or call-by-call selection) or the wholesale line reference offer ceased in 2018. As a result, we are only subject, on a temporary basis, to the price control obligation, which will be lifted 18 months following the decision of October 4, 2018. During this transitional period, all the conditions in force are to be maintained for the accesses already provided, but we are not obliged to provide new accesses.

### *DTT Services*

PT OpCo holds frequency usage rights for DTT associated with the transport of the signal of free-to-air television channels (the RTP, SIC and TVI broadcast channels), the so-called "Multiplex A" or "Mux A". PT OpCo is entitled to receive compensation or reimbursement, to be provided pursuant to a governmental ordinance, for the costs related to the channel update process which occurred in 2011 to allow the release of the 800 MHz band. The switch-off of the analog television network in Portugal occurred on April 26, 2012. Designed to ensure equal access to DTT, the DTT usage rights require PT OpCo to subsidize the installation and purchase of DTT-related equipment for individuals with special needs (e.g. the elderly, low income groups, etc.).

In September 2014, ANACOM issued a decision authorizing PT OpCo to implement four additional MFN channels to function alongside its SFN network. In the decision ANACOM also expressed the view that in certain municipalities PT OpCo's network does not comply with its license and therefore PT OpCo must implement an additional five MFN channels to function alongside its SFN network. PT OpCo considers itself to have fulfilled its obligations with respect to the usage grant and to have successfully concluded the channel update process and therefore has expressed its disagreement to ANACOM over the alleged breach of its obligations under its DTT license. In October, 2015 ANACOM issued a decision on that matter and considered that the implementation of an additional five MFN channels was not necessary.

In October 2015, ANACOM published a decision relating to DTT coverage in which it defined coverage obligations by municipality depending on population as well as what constituted a period of unavailability. PT OpCo had replied to the consultation that preceded this decision expressing its disagreement on certain matters, such as the definition of coverage obligations noted above, that, if implemented, may have a material impact on the fulfilment of its service obligations under its DTT license. PT OpCo initiated a legal proceeding against this decision which is still on-going.

On September 22, 2016, following the enactment of Law 33/2016, of August 24, 2016 and the approval of the Resolution of the Council of Ministers 37-C/2016, of July 8, 2016, ANACOM issued a public consultation on its draft decision regarding an amendment to the conditions attached to the right of use of frequencies allocated to PT OpCo for DTT. On December 21, 2016, ANACOM issued its decision, through which, namely, two capacity reservations were removed and four new capacity reservation obligations were imposed, which intended: (i) for the broadcast of two national television programme services, RTP3 and RTP Memória, in SDTV definition; and (ii) for the broadcast of two free-to-air unrestricted television programme services in SDTV definition, to be licensed under Law 27/2007, of July 30, 2007.

In June, 2018 ANACOM issued the national roadmap for the release of the 700 MHz band, which is necessary for 5th generation mobile development within the framework of international agreements and the determinations of the European Parliament and of the Council. The release of this band will occur between the last quarter of 2019 and 30 June 2020 and will require the migration of digital terrestrial television (DTT) to a new frequency band in the sub-700 MHz band.

The national roadmap proposed by ANACOM and approved by the Secretary of State for Infrastructure provides for the adoption of the simplest migration scenario, through the maintenance of current technology and without

the need for any period of simultaneous transmission. This scenario only entails the tuning of equipment to the new frequency, i.e. there will be no need to acquire any new equipment or re-point antennas. Despite the simplicity of the process, ANACOM will offer support to users and is preparing a plan for this purpose.

#### *Wholesale Reference Offers (Unbundling the Local Loop)*

The EC requires fixed-line network operators found to have significant market power in the relevant wholesale market for physical network infrastructure access at a fixed location to make the local loops between their customers and the local switches on their networks available to competitors. This allows such competitors to connect their networks to the copper local loop and use it to provide their services directly to those customers without having to invest in the local loop or to rely upon the network operator's relationship with the customers. Under this regulation, we are required to maintain a reference offer for unbundled access to our local loops and related facilities and to meet reasonable requests for unbundled access to our local loops and related facilities under transparent, fair and non-discriminatory conditions. Prices charged must be cost-oriented. The conditions under which the local loop unbundling services are provided are set forth in a published reference offer for unbundled access to our local loops in accordance with terms established by ANACOM. This reference offer covers all of our main distribution framework buildings where technical and space conditions allow co-location. Co-location means providing space and technical facilities to competitors to the extent necessary to reasonably accommodate and connect the relevant equipment of the competitor.

#### *Leased Lines Reference Offers and Ethernet Access Reference Offers*

Our Leased Lines Reference Offer (*oferta de referência de circuitos alugados*), or “**ORCA**”, sets forth the characteristics and the technical and commercial conditions associated with the provision of leased circuits by PT OpCo in the wholesale markets. Our Ethernet Accesses Reference Offer (*oferta de referência de circuitos Ethernet*), or “**ORCE**”, sets forth the characteristics and the technical and commercial conditions associated with the provision of ethernet circuits by PT OpCo in the wholesale markets.

Following a decision by ANACOM on leased line markets, the retail leased-line market was deregulated meaning that our prices in this market ceased to be subject to a 26% retail-minus rule. However, for the wholesale leased-line markets, in which we were declared an operator with significant market power, ANACOM decided to make Ethernet circuits subject to a retail-minus rule (which remains undefined by ANACOM). On June 14, 2012, ANACOM approved a final decision amending our ORCA and ORCE, the draft decision of which has been provided to the EC (which has subsequently stated it had no comment to the action), BEREC and national regulatory authorities of other Member States of the European Union. We have challenged this decision before the courts, arguing that the decision was illegal in certain respects. The court procedure is on-going.

On September 1, 2016, following the analysis of the market for high-quality wholesale access at a fixed location (market 4), ANACOM imposed a reduction of 72.8% in the price of Ethernet leased lines (capacity of up to 10 Gbps) between Mainland Portugal and the Autonomous Regions of the Azores and Madeira (CAM circuits) and between the various islands of each region (inter-island circuits), where supported on PT OpCo's submarine cables. The reduction came on top of a 50% reduction ordered by ANACOM in July 2015 as part of an urgent adopted measure. In total, the reduction in prices totals 86% over one year. We have challenged the 2015 decision before the courts.

On October 12, 2017, ANACOM approved the amendments to the ORCA and to the ORCE, whose final decision draft had been notified to the EC, the BEREC and the national regulatory authorities of the other member states of the European Union. By letter dated September 28, 2017, the EC stated it had no comments on the final decision draft.

#### *Co-installation Obligations*

The June 14, 2012, decision regarding PT OpCo's ORCA and ORCE, ANACOM extended PT OpCo's co-installation obligations under its regulated reference offers to its submarine cable landing stations (ECS). The obligation remains in place by force of the decision of September 1, 2016, which specifies that co-location may take place in the ECS itself, in spaces adjacent or remote.

### *Wholesale Market for Voice Call Termination on Individual Mobile Networks*

The regulation of the market for wholesale voice call termination establishes a price control obligation on wholesale voice call termination services. Following EC recommendations on the regulatory treatment of fixed and mobile termination rates in the EU, this price control results in a cost-oriented price cap determined by a pure Long-Run Average Incremental Cost, or “LRIC”, bottom-up cost model.

On July 21, 2018, ANACOM approved its decision regarding the specification on price control obligation in the wholesale market for voice call termination on individual mobile networks (Market 2/2014). The maximum price to be applied by the three mobile operators considered to have significant market power was set at €cent 0.42 per minute, billed per second from the first second and independent of the origin of the call. From 1 July 2019 that price will decrease to €cent 0.40 per minute, following the yearly update of the inputs used in the model to determine such price.

### *Next Generation Access Networks*

By decision of 23 March 2017 ANACOM approved the analysis of markets 3a and 3b, in which it identified as relevant for the purposes of ex ante regulation the wholesale local access market provided at a fixed location; and the market of wholesale central access provided at a fixed location (for major consumer products) in Areas NC (non-competitive). Areas C (competitive) are not subject to ex ante regulation, and correspond to 466 parishes out of a total of 3092.

ANACOM imposed in both markets (3a and 3b-NC) obligations of access to the network and use of specific network resources, of non-discrimination, transparency, accounting separation, price control and cost accounting and financial report. ANACOM didn't impose access to PT OpCo's optic fibre network, as it considered sufficient the obligations, imposed at national level, of access to ducts and poles, as well as copper network access obligations which PT OpCo is also required to meet.

With respect to the roll-out of optic fiber networks, current Portuguese law establishes a legal framework for the construction of and access to infrastructure suitable for the accommodation of electronic communications networks and the construction of infrastructure for telecommunications in housing developments, urban settlements and concentrations of buildings. The law addresses access to the public domain, expropriation and the constitution of public easements, and amendments to existing law in 2009 introduced a new level of harmonization and transparency in procedures. In particular, the 2009 changes set forth several obligations in order to allow electronic communications operators to enjoy better conditions necessary for the installation and development of electronic communications networks.

The current legal framework also foresees the implementation of a Centralized Information System (“SIIA”), to be managed and operated by ANACOM and whose main objective is to make available information on infrastructure appropriate for the installation of electronic communications networks based on information provided by the Portuguese government, autonomous regions, municipalities, publicly held companies or concessionaires, other entities owning or using infrastructure in the public domain, autonomous regions or municipalities and electronic communications undertakings. Other elements, such as the terms upon which objects will be geographically defined through the combination of their administrative location and georeferencing, are also set forth. SIIA became available on January 14, 2016.

On May 15, 2014, Directive 2014/61, on measures to reduce the cost of deploying high-speed electronic communications networks, was enacted and transposition by Member-States should have occurred no later than January 1, 2016. Directive 2014/61 was transposed by Decree Law 92/2017, of July 31, 2017, which has modified Decree Law 123/2009, of May 21, 2009. Decree Law 92/2017, of July 31, 2017, established several obligations regarding the Adequate Infrastructures Information System, formerly SIC, in order to make available permanently updated information on appropriate infrastructures. It has also extended the range of situations in which can be requested the intervention of ANACOM to dispute resolutions.

On September 9, 2013, the EC published the recommendation on non-discrimination and NGA cost models, included in the presentation and proposal of the so-called Connected Continent package. The (non-binding) recommendation aims to promote investment and innovation in new network infrastructures, while ensuring effective competition. In particular, it seeks to: (i) ensure an effective level playing field through the application of stricter rules on non-discrimination; (ii) set predictable and stable prices for access to copper networks; and

(iii) increase regulatory certainty as to the circumstances that should lead to the non-imposition of regulated prices for wholesale access to next-generation networks.

#### *Cost Accounting System ("CAS")*

PT OpCo runs an activity-based, fully-distributed historical cost model, first developed following the privatization of the company in 1995. The CAS is also a regulatory obligation imposed on PT OpCo within the scope of our concession and relevant market regulations.

On June 8, 2018, ANACOM declared the conformity of PT OpCo's CAS for the exercise of 2016 with the applicable regulatory dispositions and approved determinations concerning the improvement of the CAS.

On July 29, 2018, PT OpCo submitted to ANACOM the results of its CAS for year 2017; complementary information was sent subsequently.

#### *Regulation on the settlement and collection of regulatory fees*

According to the Administrative Rule 1473-B/2008 of December 17, 2008, all providers are subject to the payment of a regulatory fee for the provision of electronic communications networks and services, through which they cover the administrative regulatory costs of ANACOM.

By deliberation dated November 14, 2018, ANACOM approved the report concerning its administrative costs and the amount resulting from the collection of the fees owed by the suppliers of networks and electronic telecommunication services for 2018. The contributory percentage t2 was set at 0.7915% for a total of €34,065,348 of administrative costs.

It is worth noting that t2 has increased sustainably throughout the years, as can be seen from the series below:

- 2009 - 0,4040%
- 2010 - 0,4133%
- 2011 - 0,4361%
- 2012 - 0,4590%
- 2013 - 0,5490%
- 2014 - 0,5909%
- 2015 - 0,6214%
- 2016 - 0,6885%
- 2017 - 0,7195%
- 2018 - 0,7915%

#### *Universal Service Obligations*

Until June 1, 2014, we had obligations as a universal service provider under the fixed-line concession for public telecommunications service. Universal services are divided into three functions: (i) connection to a public telecommunications network at a fixed location and the provision of public telephone services; (ii) publicly available telephones; and (iii) comprehensive directory and directory inquiry services. Under the tender for designation of the Universal Service Provider described below, these functions are further divided into three geographic regions: North, Center and South and Islands. On October 12, 2012, following ANACOM's decision on the designation of a universal service provider, the Portuguese Ministries of Finance, Economy and Employment launched a public tender to designate universal service providers for each of the three functions described above (referred to as Tender 1, Tender 2 and Tender 3 respectively), which included a compensation

fund for universal service providers, as described below, and a related renegotiation of our concession which led to its revocation. To select the company responsible for providing a comprehensive directory and a directory inquiry service, the criterion was the highest remuneration payable to the Portuguese government. The granting period for each of the services was set at five years. Pursuant to the qualifying report issued on February 2, 2013, PT OpCo qualified for each of the Tender 1, Tender 2 and Tender 3 categories. The deadline for the submission of proposals for each of these tenders was March 15, 2013. PT OpCo, ZON and Optimus presented bids for Tender 1, PT OpCo presented the only bid for Tender 2, and no bids were presented for Tender 3.

On April 18, 2013, ANACOM published a preliminary report regarding the bids for Tenders 1 and 2, as there was no bidder in Tender 3. In accordance with this report, PT OpCo did not present the lowest bid in Tender 1 (which was the relevant criterion for this tender) and, as such, it did not qualify to be designated as the universal service provider of access to a public telecommunications network at a fixed location. PT OpCo's services in this regard ceased on June 1, 2014. See "*—Our Concessions and Existing Licenses and Authorizations—The Fixed-line Concession*" above.

PT OpCo submitted the lowest bid for Tender 2.

On October 18, 2013, the Portuguese government confirmed these results and determined the designation of Optimus and ZON as the universal service providers for the connection to a public electronic communications network at a fixed location and the provision of publicly available telephone services, and of PT OpCo as the universal service provider for publicly available telephone (payphones).

In addition, on November 7, 2013, PT OpCo was awarded by the Portuguese government with the comprehensive directory and directory inquiry services concession. See "*—Our Concessions and Existing Licenses and Authorizations—Our Public Payphones and Directory Services Concessions*".

Furthermore, even in the cases where PT OpCo is the universal services provider, we will be required to contribute to the compensation fund for universal services providers according to our share of the revenues of the national telecommunications sector.

By a deliberation dated August 1, 2013, ANACOM approved the draft decision on the final results of the audit to NCUS resubmitted by PT OpCo for 2007 to 2009: €23,584,976.93 in 2007, €20,168,431.93 in 2008 and €23,057,573.48 in 2009. This draft decision was submitted to prior hearing of the interested parties and public consultation. On September 19, 2013, ANACOM approved the final decision having maintained the values proposed on the draft decision.

On August 19, 2013, following a deliberation by ANACOM dated June 20, 2013, regarding the decision on the results of the audit to NCUS for 2007 to 2009, PT OpCo sent to ANACOM new values for the NCUS in 2010 and 2011, according to the final, settled methodology. According to Law 35/2012, which established the compensation fund for the universal service of electronic communications, for the financing of the NCUS, on October 31, 2013, PT OpCo submitted to ANACOM the calculation of the NCUS for 2012, taking into account the deliberations of the Regulatory Authority concerning the methodology of calculation of the NCUS and the recommendations made in the audit of the NCUS for 2007 to 2009.

After submission to prior hearing of the interest parties and to public consultation, ANACOM approved on June 12, 2014, the final results of the audit to NCUS submitted by PT OpCo for 2010 and 2011: € 24,662,548.33 and €25,205,213.31, respectively.

On September 25, 2014, ANACOM approved the draft decision on the final results of the audit to NCUS resubmitted by PT OpCo for 2010 and 2011: € 23,522,982.66 and € 23,527,625.33, respectively. This draft decision was then submitted to prior hearing of the interested parties and public consultation. On November 20, 2014, ANACOM approved the final decision having maintained the values proposed on the draft decision.

On September 16, 2015, ANACOM approved the final results of the audit to NCUS submitted by PT OpCo for 2012, in the amount of € 26,423,507.39, after being submitted to prior hearing of the interest parties and to public consultation.

On December 17, 2015, ANACOM approved—also after being submitted to prior hearing of the interest parties and to public consultation—the final results of the audit to NCUS submitted by PT OpCo for 2013, in the amount of € 20,343,490.71.

On October 27, 2016, ANACOM approved—after being submitted to prior hearing of the interest parties and to public consultation—the final results of the audit to NCUS submitted by PT OpCo for 2014, in the amount of €7,724,670.71.

On 26 January 2017, ANACOM approved the final results of the NCUS incurred by PT OpCo in 2015, in the amount of €2,466,599.66 (Public Payphones concession) and €189,132.39 (Directory Services concession).

On 26 January 2018, ANACOM approved the final results of the NCUS incurred by PT OpCo in 2016, in the amount of €2,466,386.37 (Public Payphones concession) and €636,078.95 (Directory Services concession).

#### *Network Security*

On December 12, 2013, ANACOM approved a decision on the circumstances, format, and procedures applicable to reports regarding security breaches or loss of integrity with a significant impact on the functioning of electronic communications networks and services available to the public. This decision also sets forth the conditions under which ANACOM considers there is a public interest in disclosing information regarding those events to the public. Further, we implemented all the necessary measures to comply with this decision by June 12, 2014, which required implementing new procedures and adapting information systems to produce the relevant information to notify to ANACOM.

On March 14, 2019, ANACOM approved the ANACOM Regulation 303/2019 on the security and integrity of electronic communications networks and services.

This Regulation establishes the obligation to identify the assets of companies whose operation is critical and should be classified and inventoried. It also establishes the strengthening of the capacity of articulation between ANACOM and the companies of the sector, whether in response times or in terms of contents, as well as with other sectors that depend on electronic communications. The new rules also foresee the appointment of a security officer and the adoption of a security policy at companies that offer public communications networks or electronic communications services accessible to the public. The regulation is based on the clear identification that the good operation of the networks and services is important in normal daily situations, but above all in emergency situations in which preparation and planning is crucial, and mutual assistance is determinant to achieving common goals. The diploma came into force on 2 April in its entirety but provides for several obligations to be implemented in a phased manner.

#### *Cloud Computing*

The EC issued a review of cloud computing in Europe with the goal of enabling and facilitating its adoption throughout all sectors of the economy with the goal of cutting ICT costs and boosting productivity, growth and jobs. The EC put forward a set of measures that, in its view, are key to promoting cloud computing and ensuring users' rights.

On December 12, 2012, the Directorate General for Justice organized a workshop on cloud computing contracts, with the purpose of exploring stakeholders' experiences and views on cloud computing contracts with the EC. The EC and stakeholders discussed possible future developments of the market, issues relating to cloud computing contracts, based on existing practice, the economic impact of these issues in cloud computing contracts and the possible ways forward. The EC considered the workshop a first step to find a precise feasible mandate for an expert group that was formed in September 2013 to address cloud computing issues pertaining to fair and balanced contract terms, trust of consumers and users and increased legal certainty. The EC published on June 24, 2014 its Cloud Service Level Agreement Standardisation Guidelines. On April 19, 2016, building on its earlier work on this area, the EC issued a communication (COM(2016) 178 final) on the European Cloud Initiative—Building a competitive data and knowledge economy in Europe, where it announced that the “European Cloud Initiative will be complemented by further action under the Digital Single Market Strategy covering cloud contracts for business users and switching of cloud services providers.

#### *Cinema Law*

The Law 55/2012, of September 6, 2012 (the “**Cinema Law**”), as amended by Law 28/2014, of May 19, 2014 and by Law 82-B/2014, of December 31, 2014, establishes the Portuguese government action principles in the promotion, development and protection of the art of cinema and cinematographic and audio-visual activities, which imposes obligations on television distributors and operators of video-on-demand services.

As a result, on one hand, television distributors are obligated to reverse charge an annual fee for each subscription of television services (€1.75 per subscription, to be increased up to a maximum of €2 from 2020 onwards) by July 1 of the following year to which the data reported relates, as well as the obligation to provide to the Portuguese Cinema and Audiovisual Institute (*Instituto do Cinema e do Audiovisual*), or “ICA”, with the reports that were sent to ANACOM regarding the number of television services subscribers

On the other hand, operators of video-on-demand services are obligated to invest 1% of video-on-demand services revenues (excluding revenues from, among other content, “adult movies”) in film production and audio-visual ensured through an annual investment in national cinematographic works, the obligation to report to ICA until April 30 of each year the video-on-demand services revenues (excluding revenues from, among other content, “adult movies”) earned in the previous year, the obligation to report to ICA until April 30 of the following year to which the investment relates (i) the title and type of each creative national film work object of investment, (ii) the identification of the independent producers and other author and neighboring rights holders over such works, (iii) the amount and type of investment made in each work, and (iv) the demonstration of the actual costs with the creation of an area devoted to national works and the loss of revenue by applying the conditions of remuneration of such rights holders foreseen in the Cinema Law (i.e. a 50% revenue share), subject to the demonstration that they are more disadvantaged in relation to the operator when compared with the agreed conditions with other content providers of the same type.

### *Roaming*

The EC regulates the roaming charges that may be charged in the wholesale market and the retail market in Europe. These regulations extend to data and SMS, or text messaging. On July 1, 2012, the previous roaming regulations were replaced by a new version, known as “Roaming III”, which will expire on June 30, 2022. In addition to setting maximum voice roaming rates (subject to a glide path) that may be charged with respect to the wholesale market, retail market, data and SMS, Roaming III also features (i) extended transparency and consumer-protection measures (“bill-shock”) that go beyond the EU territory, (ii) a cap on retail data roaming communications, (iii) the introduction of an obligation for mobile operators in the wholesale market to provide reasonable network access in order to allow roaming services and (iv) the decoupling of roaming services from other services, while enabling a consumer to use the same number, no later than July 1, 2014.

On July 1, 2013, the new price caps, valid until July 2014, entered into force:

- For voice calls, €0.24 per minute (retail) for outgoing calls and €0.07 per minute (retail) and €0.10 per minute (wholesale) for incoming calls;
- For outgoing SMS, €0.08 (retail) and €0.02 (wholesale); and
- For data traffic, €0.45 per MB (retail) and €0.15 per MB (wholesale).
- As of July 1, 2014, the price caps, valid until June 30, 2017 (retail level), and June 30, 2022 (wholesale level), if not revised before, shall be:
- For voice calls, €0.19 per minute (retail) for outgoing calls and €0.05 per minute (retail and wholesale) for incoming calls;
- For outgoing SMS, €0.06 (retail) and €0.02 (wholesale); and
- For data traffic, €0.20/MB (retail) and €0.05/MB (wholesale).

On March 18, 2013, BEREC published its guidelines on the interpretation and implementation of Roaming Regulation III, except with regard to Articles 3, 4 and 5 concerning the wholesale access and the separate sale of roaming services. Issues concerning wholesale access had already been object of specific guidelines, published on September 27, 2012, and the separate roaming services (single IMSI and LBO—Local break-out) sale was also object of specific guidance, published on July 5, 2013.

Regulation (EU) 2015/2120, of 25 November, introduced the so called TSM (“Telecom Single Market”) which, among other dispositions, brought very important modifications to Regulation (EU) No 531/2012 on roaming on public mobile communications networks within the Union.

As part of this regulation the Roam Like At Home (RLAH) regime entered into force on June 15, 2017. Since that date roaming providers are no longer allowed to levy surcharges in addition to the domestic retail price on roaming customers in any EU member state for regulated roaming calls made or received, for regulated roaming SMS messages sent and for regulated data roaming services used (there was a transitory period of “RLAH+” between April 30, 2016 and June 14, 2017, in which providers could still apply a surcharge in addition to the domestic retail price for the provision of regulated retail roaming services).

Roaming providers may implement a ‘fair use policy’ (“FUP”) in order to prevent abusive or anomalous usage, as per the Commission Implementing Regulation (EU) 2016/2286 of December 15. Above the FUP limit, surcharges may be applied as follows:

	Max. roaming surcharge	Max. $\Sigma$ domestic retail rate + roaming surcharge
Voice—outgoing	3.20 €cent/min*	19 €cent/min
Voice—incoming	0.85 €cent/min**	n/a
SMS—outgoing	1 €cent/min*	6 €cent/min
Data	€4.40/GB* (until Dec. 31, 2019)***	20 €cent/MB (i.e. €20/GB)

\* Equivalent to the wholesale price caps (Regulation (EU) 2017/920 of 17 May regarding rules for wholesale roaming markets)

\*\* Weighted average mobile termination rates across the Union

\*\*\* 2020: €3.50/GB; 2021: €3/GB; 2022: €2.50/GB (Regulation (EU) 2017/920 of 17 May regarding rules for wholesale roaming markets)

BEREC published two sets of Guidelines regarding this regulation:

- Retail Roaming Guidelines (March 27, 2017)
- Wholesale Roaming Guidelines (June 9, 2017)

#### *Net Neutrality*

Besides its impact on roaming, Regulation (EU) 2015/2120 of 25 November (“TSM”) also introduced measures concerning open internet access and amended Directive 2002/22/EC on universal service and users’ rights relating to electronic communications networks and services.

The Regulation imposed EU-wide rules on safeguarding open internet access (net neutrality) from April 30, 2016, requiring providers of internet access services to treat all traffic equally, and establishing a right of all end-users to access and distribute legal content, applications and services of their choice.

Providers may use reasonable traffic management measures that are to be based on objective technical requirements, not commercial considerations. Blocking or throttling are allowed only in a limited number of circumstances listed in the Regulation, for instance to block illegal content, counter a cyber attack or deal with exceptional or temporary traffic congestion.

Agreements on services optimised for specific content are allowed where optimisation is necessary, but providers must ensure the general quality of internet access services. Examples of such specialised services are managed IPTV and high-definition video conferencing.

‘Zero-rating’ practices are not explicitly banned. This means such practices will have to be assessed by the NRAs on a case-by-case basis to establish harm to end-users before they can be prohibited.

On August 2016 BEREC published a set of Guidelines regarding the implementation of the net neutrality rules by European NRAs.

#### *Intra-EU communications*

Regulation (EU) 2018/1971 of December 11, among other dispositions, amended TSM, by introducing rules regarding maximum retail prices for intra-EU communications. As such, from May 15, 2019, any retail price



(excluding VAT) charged to consumers for regulated intra-EU communications shall not exceed EUR 0.19 per minute for calls and EUR 0.06 per SMS message.

The regulation covers only consumption based intra-EU communications services offered to consumers and is applicable to both fixed and mobile calls and SMS. In addition to the regulated tariff, providers may offer alternative tariffs covering non-EEA countries including intra-EU communications where the prices of intra-EU communications may exceed the caps; consumers should have the option to deliberately choose such tariffs.

On March 7, 2019, BEREC published a set Guidelines regarding this theme.

### *Interconnection*

*The Interconnection Framework.* The EU Access and Interconnection Directive requires that interconnection services be made available in a non-discriminatory manner. The EU Access and Interconnection Directive encourages commercial negotiations among operators but requires national regulatory authorities to establish mechanisms for effective dispute resolution. According to the EU Access and Interconnection Directive, all telecommunications companies with significant market power in the call origination or termination markets must:

- make interconnection access to their networks available to other network operators;
- not discriminate between interconnection customers;
- provide to those requesting interconnection the information and technical specifications necessary for them to interconnect their networks;
- offer interconnection prices that are transparent and cost-oriented and do not discriminate between interconnection customers; and
- maintain a separate accounting system for interconnection activities.

The EU Access and Interconnection Directive established the general conditions for access and interconnection among telecommunications operators in competitive markets. It guarantees the rights of new entrants to obtain interconnection from telecommunications operators with significant market power. ANACOM is entitled to review and modify our proposed interconnection rates and arrangements in our reference interconnection offer. ANACOM has established an overall interconnection framework based on cost that is consistent with the EU legal framework for both wireline and mobile services.

*Wireline Interconnection.* ANACOM regulates call termination on individual public telephone networks provided at a fixed location within the scope of market analysis and significant market power designations. As a result, we are subject to price controls in these markets based on our costs and other factors and must publish a reference offer that includes these prices and quality of service standards. The obligation imposed on significant market power operators to meet all reasonable requests for supply of fixed call termination services, under fair and reasonable conditions, applies on an equal basis to TDM and IP interconnection. The specific conditions relating to IP interconnection were the object of a decision by ANACOM (dated January 5, 2018), following a proposal submitted by PT OpCo and discussed with the other providers.

*Mobile Interconnection.* All mobile operators are considered to have significant market power in call termination in mobile networks market. ANACOM has imposed price controls on interconnection rates for the termination of calls on mobile networks (see the evolution of values in section “Wholesale Market for Voice Call Termination on Individual Mobile Networks” above). These reductions have had, and are expected to continue to have, a significant impact on PT OpCo’s interconnection revenues and consequently its earnings.

*Fixed Interconnection.* All fixed operators are considered to have significant market power in call termination in fixed networks market. ANACOM has imposed price controls on interconnection rates for the termination of calls on fixed networks. In its decision of September 18, 2018, it set a fixed termination rate (“FTR”) at €0.00047, which will remain in force until September 30, 2020.

ANACOM has issued successive decisions that have reduced mobile termination rates over time. The reductions in mobile termination rates have had, and will continue to have, a negative effect on our cash flows and revenues.

### *Pricing for Mobile Origination Rates*

In January 2012, the Portuguese Competition Authority completed an analysis on mobile rates for originating calls, finding origination rates to be excessive and stating that mobile operators must reduce their rates to the level of their costs by July 2012 or face the possibility of being sanctioned. All three mobile network operators decided to reduce its mobile originating rates between €0.07 and €0.0975 and no subsequent action from the Authority is expected.

### *Internet and Related Services*

Various regulatory developments may affect our internet business. A Data Retention Directive (Directive 2006/24/EC of the European Parliament and the Council, of March 15) was adopted by the EC in 2006, that imposed data-retention obligations on operators. The law implementing this directive, more specifically, Law 32/2008 of July 17, 2008, requires internet service providers and other electronic communications providers to preserve data for a specified period of time and imposes other obligations in this area.

### *Regulatory Proceedings*

We are regularly involved in regulatory inquiries and investigations involving our operations. In addition, ANACOM, the EC, the Portuguese Competition Authority and ERC regularly make inquiries and conduct investigations concerning our compliance with applicable laws and regulations. These investigations are described in more detail in “*Description of Our Business—Altice International Group—Legal Proceedings—Portugal*”.

### *Regulatory obligations*

For both mobile and fixed telephony services, operators are obligated to ensure the effective transfer of the number within a maximum period of one business day from the presentation of the request by the subscriber before the new operator pursuant to ANACOM Regulation 114/2012 on number portability.

Under Decree Law 7/2004 of January 7, 2004, as amended, internet service providers are not liable for information transmitted over their electronic communications network provided that they are not the disclosing party of the transmitted information, do not select or modify neither the information nor its recipients. Storage providers can only become liable for unlawfully stored information provided that they become aware of the unlawful use of that information and, upon becoming aware, do not take action to remove or to disable access to the information.

Under Law 41/2004 of August 18, 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended, it is necessary to obtain the prior consent of the user to store information and to access stored information in the user’s equipment, as well as to send unrequested communications for direct marketing purposes. Electronic communications services providers are demanded to notify the *Comissão Nacional de Protecção de Dados* in cases of breach of personal data of the users.

### *Consumer protection*

Law 23/96 of July 26, 1996 establishes that debts of consumers to electronic communications services providers are subject to a six month expiration period, starting from the moment the services were provided. Consumer protection was strengthened by Law 10/2013 of January 28, 2013, establishing rules of mandatory suspension and/or termination of the service provision in a short period of time in case the consumer fails to pay an invoice on the due date.

### *Fees and contributions*

ANACOM collects an annual regulation fee from electronic communications services providers and other regulation fees that are directly related to its activity, such as a fee for granting the usage of certain numbers or certain frequencies. Such fees were recently revised by Administrative Rule 157/2017 of May 10, 2017, amending Administrative Rule 1473-B/2008 of December 17, 2008.

ERC also collects annual regulation fees regarding some of our activities, namely regarding television distribution and social media (Portal SAPO—news aggregator).

Municipalities collect a municipal fee for rights of way (the “**MFRW**”), established in the 2004 Communications Law, based on the provider’s turnover concerning end users in each municipality. The fee is freely established by each municipality, up to a maximum of 0.25% of each wireline services bill and is supported the operators whose network infrastructures are located in each such municipality (without the possibility of making them reflect on the customers). It is our, and the courts, understanding that this MFRW exempts us from the payment of other municipal taxes related with rights of way, so PT OpCo has challenged in court all the taxes applied by municipalities regarding rights of way, on the grounds that these represent double taxation.

## **Dominican Republic**

### ***Overview***

The legal framework of the telecommunications sector in the Dominican Republic is set forth by General Telecommunications Law 153-98 of May 27, 1998 (Mod.) (“**Law 153-98**”), resolutions issued by the telecommunications regulator on the grounds of Law 153-98 and various decrees of the Executive Power on matters related to the National Plan of Attribution of Frequencies (“**PNAF**”).

We believe that we hold all necessary licenses to operate our business. On July 15, 1996, Altice Dominicana was awarded a nineteen-year universal telecom concession, which allows it to provide telecom services without any technological restrictions (e.g. fixed/wireless technologies, television and internet). An automatic twenty-year renewal process is set forth in the concession agreement unless either party served three years’ notice of an intention not to renew. Since neither party served such a notice, the renewal process under the concession began automatically in August 2014. Altice Dominicana is also subject to Law No. 153-98 which provides for a renewal process of the concession. On April 4, 2014 Indotel authorized Orange Dominicana, S. A. to transfer its social control in favor of Altice Dominican Republic II, S.A.S. Further, on December 19, 2016 Indotel ordered the registration of the change of business name of the concessionaire Orange Dominicana, S.A. to Altice Hispaniola, S.A. Furthermore, on May 9, 2018, Indotel ordered the registration of the change of business name of the concessionaire Altice Hispaniola, S. A. to Altice Dominicana, S. A. Also, on April 27, 2015 Altice Dominicana presented a formal renewal request of its concession agreement to Indotel, and since Indotel has not expressly denied such request, the concession and all of its related authorizations and licenses have been renewed *de facto* for 20 years effective from August 2015 pursuant to article 27.2 of Law 153-98. However, Indotel has not yet provided a template of the proposed new concession agreements to be signed with local operators in similar situation (concessions granted on or before Law 153-98).

The Constitution of the Dominican Republic guarantees the freedom of enterprise, trade and industry among other individual and social rights, in addition to the industry specific legal framework. The Constitution specifically sets forth that monopolies shall not be permitted except in favor of the Dominican State and must be created by law. The Dominican Constitution provides that the secrecy of the communication telegraphic, telephonic, cable graphic, electronic, telematics or established by another mean, shall not be breached, except by an order of a judge or competent authority, in accordance with the law. Also, the Dominican Constitution guarantees public services of radio, television, library and information networks, to allow universal access to the information.

### ***General Telecommunications Law 153-98***

Law 153-98 classifies telecommunications services as follows:

- a) Carrier services to provide the necessary capacity to transport signals between two points of termination of a defined network;
- b) Final services or teleservices to provide the complete capacity that makes communication possible among users (e.g. telephone, telex, telegraphic);
- c) Value added services to work as support carrier services, adding some characteristic or facility to the service that is being used on the ground (e.g. internet/intranet systems, voice mail, SMS, electronic mail, digital transmission of information in general);
- d) Broadcasting services: telecommunication services in which the communication takes place normally one way to various points of reception simultaneously (e.g. radio and television).

Law 153-98 provides a basic framework to regulate the installation, maintenance and operation of telecommunications networks and the rendering of telecommunications services. Law 153-98 reaffirms the “Universal Service Principle” by guaranteeing access to telecommunications services at affordable prices in low-income rural and urban areas. Law 153-98 created the “Contribution to the Development of Telecommunications” (“**CDT**”) consisting of a 2% tax fund for the development of the telecommunications sector that is payable by customers and collected by telecommunications providers from customers based on billings to customers for telecommunications services.

According to Law 153-98, Indotel is the regulatory body created as a decentralized state entity, with operational, jurisdictional and financial autonomy, with its own patrimony and legal personality, responsible for guaranteeing the existence of sustainable, fair, and effective competition in the rendering of public telecommunications services as well as ensuring the efficient use of the public domain of the radio electric spectrum.

Law 153-98 sets forth the responsibilities, authorities and procedures of the regulator. Indotel is made up of a Board of Directors and an Executive Director. The Board of Directors is the highest authority of Indotel, composed of five members designated by the Executive Power.

Among other management powers, Indotel administers the entrance and participation of the telecommunications service providers in the Dominican telecommunications market, and has various functions including (i) granting, expanding and revoking concessions and licenses under the conditions provided for by the laws in force, allowing the entrance of new providers of telecommunications services; (ii) managing and administering the spectrum orbit resources, including the management of the orbital portions of the telecommunications satellites with their respective bands of frequencies, as well as the satellite orbits for Dominican satellites which may exist and coordinating their use and operation with international entities and organisms and with other countries; (iii) controlling the compliance with obligations of the concessionaires of public telecommunications services and of the users of the radio electric spectrum, protecting the right of defense of the parties in its actions.

Law 153-98 promotes competition in all telecommunications services by enforcing the right to interconnect with existing participants and ensuring against monopolistic practices, and at the same time upholding those concessions that are operational. Law 153-98 provides that the regulator shall ensure charges are non-discriminatory, strengthening effective and sustainable competition. In case of disagreement between the parties, the regulator shall intervene by means of a motivated resolution, taking as parameters the costs, including a reasonable remuneration for the investment, calculated according to the “Regulation of tariffs and costs of the services”.

In accordance with Law 153-98 a concession granted by Indotel is required for providing public Telecommunications services to third parties, with the exceptions set forth in Law 153-98. The authorization process is governed by “Regulations governing on Concessions, Inscriptions in the Special Registries and Licenses to provide Telecommunications Services in the Dominican Republic” contained in Resolution No. 007-02, issued by the Board of Directors of Indotel (as amended Indotel’s Board of Directors Resolution No. 129-04) (“**Resolution 007-02**”) and currently under review by means of Indotel’s Board of Directors Resolution 086-18.

Pursuant to Law 153-98 a license granted by Indotel shall be required for the use of the public radio electric domain, with the exceptions set forth in the corresponding regulations. The authorization process is governed by Resolution 007-02. When concessions and licenses are required for the rendering of a public telecommunications service, they shall be granted simultaneously.

According to Law No. 153-98 the transfer, assignment, lease or granting of rights of use of any title or the creation of a lien on licenses shall be performed, under penalty of forfeiture, prior to authorization of the regulating authority, which authorization may not be denied without justified cause. The acquirer shall meet all the conditions imposed on the grantor and shall be ruled by the same obligations as the concessionaire or licensee.

Law No. 153-98 constitutes the ratifying instrument of the Fourth Protocol attached to the General Agreement on Commerce of Services (GATS) concerning negotiations on basic telecommunications of the World Trade Organization (WTO), for liberalization of telecommunication services. Law No. 153-98 provides the corresponding regulatory framework to comply with the liberalization commitments undertaken pursuant to said agreement and to guarantee the efficient provision of telecommunications services.

Law 153-98 combined with technological advances and the sustained growth of private investment promotes the development of the telecommunications sector in the Dominican Republic.

### ***Certain Relevant Resolutions of Indotel***

On the grounds of Law 153-98 Indotel issued various resolutions. Some of such resolutions regulating certain areas of telecommunications in the Dominican Republic are as follows:

- Resolution 110-12 dated August 9, 2012 by means of which Indotel's Board of Directors approved the General Regulation for Telephone Services amended by Indotel's Board of Directors Resolutions numbers 62-17 dated October 25, 2017, that approved the Regulation on the Rights and Obligations of Users and Providers of Public Telecommunications Services and 003-13 of January 22, 2013, that approved the amendments to the General Regulation for Telephone Services. The principal purpose of this regulation is to set forth a regulatory framework governing relations between the public telephone service providers and their customers and users, in all its forms (post-paid or pre-paid), regardless of the technology used to provide the service, in order to guarantee the rights of each party explicitly maintaining their respective obligations.

The abovementioned regulation sets forth basics rights of users, including: (i) access to telephone services in terms of continuity, generality, equality, neutrality, transparency and quality, in accordance with the principles of the Telecommunications General Law No. 153-98; (ii) their right to choose their service provider; (iii) their right to have a phone number and numeric portability; (iv) their right to sign a contract in accordance with terms, conditions and rights set forth in this regulation; (v) their right to cancel the service in accordance with the procedure indicated in this regulation.

This regulation considers as "abusive clauses" those imposing conditions on users that affect their interests and rights, and those that are disproportionate, or contrary to the laws, regulations and standards. According to Article 14.2 of the General Regulation for Telephone Services approved by Indotel's Board of Directors Resolution 110-12 amended by Indotel's Board of Directors Resolution No. 003-13, abusive clauses on contracts will be unenforceable. Indotel shall require the amendment of abusive clauses such as to make them conform to reasonable standards. If telecommunications service providers do not amend the contract, Indotel may unilaterally enforce the amendment.

- Resolution No. 64-11 dated July 27, 2011, approved the bill of the National Frequency Allocation Plan (PNAF) drafted by Indotel to be submitted to the Executive Power for its final approval. Decree 520-11 dated August 25, 2011, issued by the Executive Power approved the new PNAF and repealed Decree of the Executive Power No. 518-02 dated July 5, 2002. The new PNAF approved by Decree 520-11 seeks to optimize and rationalize the use of the radio electric spectrum to efficiently satisfy present and future frequency needs with regard to all systems, equipment and devices that send or receive radio electric waves within the national territory. According to the PNAF, migration of services shall not restrain the correct functioning of services provided. Indotel is in charge of deciding, applying and resolving all matters arising in connection with the frequencies allocation and migration. On January 23, 2019 Indotel's Board of Directors ordered the beginning of a public consultation process to amend the PNAF approved by Decree 520-11 (Resolution No. 004-19).
- Resolution No. 156 06 dated August 30, 2006, issued by the Board of Directors of Indotel, that approves the General Regulation related to Numeric Portability, among other resolutions issued by the Board of Directors of Indotel related to numeric portability. This Resolution was modified by Indotel's Board of Directors Resolutions numbers 065-08 of April 22, 2008, 015-09 dated February 13, 2009, 015-15 dated July 8, 2015, 037-15 of December 9, 2015, issued by the Board of Directors of Indotel.
- Resolution No. 022-05 that approves Regulation on Free and Fair Competition for the Telecommunications Sector provides that Indotel will review, authorize, object or condition the operations related to economic concentration which must be previously informed pursuant to said Regulation, in order to comply with the purposes of Law 153-98. Indotel will also investigate and impose sanctions in the cases where the information obligation of the mentioned operations is not complied with.
- Resolution No. 022-05 defines economic concentration in the telecommunications sector as a juridical transaction by means of which the structure of direct or indirect control, total or partial, of one or more providers of public telecommunications services is modified permanently and stably, for the benefit of persons that control other providers of public telecommunications services, whenever such transaction has

the potential to modify the structure and functioning of the markets in the telecommunications sector in accordance with the purposes set forth in article 3 of Law No. 153-98.

The providers of public telecommunications services, as well as any other persons subject to said Regulation must previously inform Indotel of all those operations that could result in an economic concentration in the telecommunications sector in the terms therein defined, in order to previously obtain the authorization of Indotel to do so.

In addition to the obligations set forth in Resolution 007-02, relating to requirements for the authorization to transfer the rights or permits, the assessment to determine if there is any economic concentration in the telecommunications sector, will be based in its restrictive, predictable and verified effects, mainly considering certain circumstances set forth in Resolution No. 022-05.

The failure to inform and/or apply for an authorization prior to an economic concentration operation in the telecommunications sector constitutes an infringement of Resolution No. 022-05 that will result in the sanctions set forth therein.

Application for an authorization related to economic concentration must be filed pursuant to the provisions set forth in Chapter VIII of Resolution 007-02, before the Executive Director of Indotel.

- Resolution No. 160-05 dated October 13, 2005, that approves the Regulation concerning Cable Broadcasts and Other Measures, including “Must Carry” provisions;
- Resolution No. 038-11 dated May 12, 2011 that amends the General Ruling concerning Interconnection;
- Resolution No. 025-10 dated March 2, 2010, that approves the Ruling concerning Resolution of Controversies between the Telecommunications Services Providers;
- Resolution No. 151-04 that approves the Regulation concerning the Installation and Use of Common Telecommunications Infrastructures in Properties of Joint Ownership;
- Resolution No. 128-04 that approves the General Regulation concerning the Use of the Radio Electric Spectrum;
- Resolution No. 120-04 that approves the Regulation concerning Television Broadcasting Service;
- Resolution No. 093-02 dated November 14, 2002, that amends several Articles of Resolution No. 045 02 that approved the Regulation concerning Sound Broadcasting Frequency Modulation (FM);
- Resolution No. 046-02 dated July 20, 2002, that approves the Regulation concerning Sound Broadcasting Amplitude Modulation (AM); and
- Resolution No. 089-17, amended by Resolution 005-19 dated February 7, 2019, that approves the General Regulations for the Sharing of Passive Infrastructure and Related Telecommunications Facilities.

### ***Trademark/Copyright Laws***

From a technical standpoint, broadcasting services are essentially regulated by Law 153-98 and the regulations approved by the regulator. Now, in connection with the content of the broadcasting services, they shall be governed by the provisions of the specific legislation which regulates the social communications media and by the laws that regulate copyrights, whether they are national laws or resulting from international conventions or agreements signed and ratified by the Dominican Republic.

In the Dominican Republic, patents of invention, trademarks, service marks, commercial names, signs, logos and commercial slogans are governed by Industrial Property Law No. 20-00 dated May 8, 2000, modified by Law No.424-06 for the Implementation of the Free Trade Agreement between the Dominican Republic, Central America and the United States (DR CAFTA).

The Dominican Republic grants copyright protection to original literary, dramatic, musical and artistic work, under the Copyright Law No. 65-00 dated August 21, 2000, also modified by Law No.424-06 for the implementation of the free trade agreement between the Dominican Republic, Central America and the United States of America (DR CAFTA).

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Group has entered into various agreements or transactions with its equity associates, its ultimate controlling shareholder and its principal shareholder, Altice Europe, as well as the companies that Altice Europe controls from time to time. These agreements and transactions are carried out on arm's length terms and the Group believes that the terms of these agreements are no more favorable to the related parties and the Group's affiliates than what they would have been with disinterested third parties.

The following summary describes the Group's material related party transactions. See Note 29 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2018, Note 28 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017, and Note 28 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2016, included elsewhere in these Listing Particulars for more information.

### Transactions with Altice Europe

#### *General*

In the ordinary course of business, we have entered into arrangements with Altice Europe and its affiliates for the provision or sourcing of certain products and services (by Altice Europe to the Group and vice-versa) and/or negotiation of related contractual arrangements, including the following:

- procurement of services, such as access to an international communications backbone, international carrier services and call termination services;
- prior to the acquisition of ACS, ATS and ATS France, the Group relied on Altice Europe for the purchase of customer and technical support services; and
- negotiation of programming contracts and acquisition of content, as further described below.

#### *Transactions with Altice TV*

Altice Europe runs its Altice TV division which, with its subsidiaries (including AENS and Altice Picture), encompasses Altice Europe's content distribution division. The Altice France Group has entered into various arrangements with Altice TV division, including: (i) exclusive distribution rights in France provided to the Altice France Group with respect to a subscription-based VOD service known as "SFR PLAY" produced by Altice TV division; (ii) exclusive distribution rights in France provided to the Altice France Group with respect to certain sports and other channels produced by Altice TV division including RMC Sport 1 through 4, RMC Sport News, BFM Paris, My Cuisine and Altice Studio (amongst others), which includes certain exclusive premium sports content acquired by Altice TV division; (iii) exclusive distribution rights in France provided to the Altice France Group of the following channels Syfy, 13ème Rue, E!; (iv) exclusive distribution rights in France provided to the Altice France Group of Discovery Channels; and (v) non-exclusive distribution rights in France provided to the Altice France Group of Netflix. The Altice International Group has entered into various arrangements with Altice TV division, including: (i) exclusive distribution rights in Portugal provided to the Altice International Group of My Cuisine produced by Altice TV division; (ii) non-exclusive distribution rights in Portugal, Israel and Dominican Republic provided to the Altice International Group of Netflix and Discovery Channels.

On January 8, 2018, Altice Europe announced that existing content wholesale contracts between the Altice France Group, and AENS, would be cancelled and replaced by new revenue sharing non-exclusive contracts with a lower guaranteed minimum amount payable by the Altice France Group, as applicable. This new arrangement includes the transfer of other premium content contracts from the Altice France Group to AENS and allows the Altice France Group to continue to distribute premium pay TV content to its customers, including RMC Sport channels, BFM Paris, SFR PLAY, Altice Studio, My Cuisine, Syfy, 13ème Rue, E!, Discovery Channels and BeIN.

#### *Acquisition of NextRadioTV*

On January 30, 2017, the Altice France Group announced that it intended to take over exclusive control of NextRadioTV by acquiring the 51% stake held by News Participations S.A.S in GNP and, to that effect, had filed the necessary application with the CSA and the French Competition Authority in order to obtain their clearance



of the proposed transaction, which would be implemented through the conversion of existing convertible bonds. On June 13, 2017, the French Competition Authority granted its clearance and authorized the transaction.

On April 5, 2018, the Altice France Group acquired the minority stake held by News Participations S.A.S. in Altice Content Luxembourg S.A., an indirect parent of NextRadioTV and direct parent of Groupe News Participations, for the amount of €100 million by exercising the call option it held on News Participations S.A.S' 25% stake in Altice Content Luxembourg S.A. News Participations S.A.S. is an entity controlled by Alain Weill, the Group's Chairman and CEO and CEO of Altice Europe.

On April 20, 2018, the CSA granted its clearance and authorized the transaction and on May 31, 2018 the transaction was consummated.

### ***Transactions with AMI***

On January 31, 2018, the Altice International Group completed the sale of 100% of the share capital of Altice Management International, S.A. ("AMI") to Altice Group Lux. The transaction value was 1 CHF.

AMI, a company based in Switzerland and a direct subsidiary of Altice Group Lux, acted as the global provider of call center and telemarketing services to the Altice France Group and the Altice International Group. These services improved the efficiency of the services provided by the Altice France Group and the Altice International Group, respectively, for the benefit of its customers and were provided at price points that are lower relative to prior arrangements between the Altice France Group and the Altice International Group and multiple external suppliers that previously delivered such services. All of these services, for which AMI charged management fees to the Altice France Group and the Altice International Group, were terminated during 2018. As of December 31, 2018, the Group owed payables to AMI in the amount of €400,000 and €29 million, respectively.

### ***European Commission gun jumping penalty***

In connection with the European Commission's €124.5 million fine imposed on the Altice International Group and Altice Europe following the European Commission's investigation on gun jumping during the PT Portugal Acquisition, the Altice International Group agreed to reimburse Altice Europe in an amount equal to the penalty amount. As a result, an operating expense of €124.5 million was recognized by the Altice International Group in the year ended December 31, 2017 and a trade payable to Altice Europe of the same amount was outstanding as of December 31, 2018.

### **Transactions with Altice USA**

#### ***Sale of i24NEWS to Altice USA***

On April 23, 2018, the Altice France Group completed the sale of i24 News (which was acquired as part of the acquisition of SFR Presse), an Israeli international 24-hour news and current affairs television channel, to Altice USA for \$2.5 million.

#### ***Other transactions***

Teads and Altice Dominicana provide online advertising and long-distance traffic services, respectively, to Altice USA. In addition, PT Portugal sold software licences and equipment to Altice USA. For the year ended December 31, 2018, revenues generated by the Group related to such services and sales amounted to €22 million. As of December 31, 2018, the outstanding trade receivables balance owed by Altice USA to the Group was €2 million and related primarily to the transactions with Teads, Altice Dominicana and PT Portugal.

### **Transactions with our Controlling Shareholder**

#### ***Acquisition of SFR Presse***

On May 25, 2016, the Altice France Group completed the acquisition of SFR Presse from a company controlled by Altice Europe's controlling shareholder. SFR Presse is a leading diversified and profitable media group in France, which publishes more than 20 major national titles, including iconic and well-known brands such as Libération, L'Express, L'Expansion and Stratégies. The total consideration for the transaction amounted to €196 million.

### ***Transactions with SCI Quadrans***

In December 2016, the Altice France Group entered into a fixed twelve-year lease contract with SCI Quadrans, a company controlled by Altice Europe's ultimate beneficial owner, for office space in France. A letter of intent was also executed in connection with additional buildings that were under construction at the time. In March 2017, a second fixed twelve-year lease contract for an administrative building was entered into with SCI Quadrans, in accordance with such letter of intent. In the year ended December 31, 2018, the Altice France Group incurred rental expenses in the amount of €50 million. As of December 31, 2018, the trade payable to SCI Quadrans for rental of office space for the Altice France Group amounted to €40 million. The Altice France Group also has a deposit with SIC Quadrans which as of December 31, 2018, amounted to €12 million.

### ***Brand licence and service agreement***

The Group licences the Altice brand from Next Alt S.à r.l. ("**Next Alt**"), a company controlled by Altice Europe's controlling shareholder, as part of a brand licence and service agreement entered into in 2016. Under 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 in territories defined in the agreement. During 2017, the brand licence and service agreement was amended such that, instead of receiving a license fee, Next Alt was granted 30 million performance options under the Group's Performance Stock Option Plan. In connection with the brand licence and service agreement, a total operating expense of €56 million and €53 million was recognised for the year ended December 31, 2018 and December 31, 2017, respectively.

### **Transactions with Equity Associates**

#### ***Transactions with La Poste Telecom***

In 2011, the Altice France Group and La Poste formed La Poste Telecom, of which the Altice France Group owns 49% and La Poste owns 51%. This subsidiary is a virtual mobile operator in the retail mobile telephony market under the trademark La Poste Mobile. We are currently party to an MVNO agreement with La Poste Telecom. For the year ended December 31, 2018, the Altice France Group recognized €138 million of revenue for mobile services delivered to La Poste Telecom and incurred operating expenses of €14 million for use of mobile services.

#### ***Transactions with Synerail and Synerail Construction***

On February 18, 2010, a consortium comprised of the Altice France Group, Vinci and AXA (owners of 30% each) and TDF (the owner of a 10% interest) signed a GSMR public-private partnership contract with Réseau Ferré de France. This contract, worth a total of €1 billion 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% owner) and the Altice France Group (40% owner), is responsible for the construction of this network. As of December 31, 2018, the Altice France Group was owed a loan receivable of €13 million from Synerail.

#### ***Transactions with SPORT TV***

On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV, a sports broadcaster based in Portugal. The Altice International Group incurs certain operating expenses in connection with the acquisition of broadcasting rights to sports events from SPORT TV. For the year ended December 31, 2018, the Altice International Group incurred operating expenses of €65 million with, and owed €12 million in trade payables to, SPORT TV for the broadcasting of sports events.

#### ***Transactions with VOD Factory***

The Altice France Group holds a 36.3% interest in VOD Factory S.A.S. ("**VOD Factory**"), a VOD content, platform and marketing services provider. For the year ended December 31, 2018, the Group incurred €15 million of operating expenses with and owed €5 million in trade payables to, VOD Factory for the provision of VOD services.

### ***Transactions with Phi Holding***

On November 8, 2013, the Altice International Group acquired a 50% interest in Phi Holding, a joint venture with Partner Communications Company Ltd., in connection with the Network Sharing Agreement entered into for the period of 15 years. For the year ended December 31, 2018, the Altice International Group incurred €39 million of operating expenses with, and as of December 31, 2018, owed €47 million in trade payables to, Phi Holding in connection with the development and operation of the shared mobile network pursuant to the Network Sharing Agreement.

### ***Transactions with Fibroglobal***

The Altice International Group holds a 5% interest in Fibroglobal—Comunicações Eletrónicas (“**Fibroglobal**”), a fibre network and infrastructure management company which provides services to PT Portugal. For the year ended December 31, 2018, the Group generated €3 million of revenues from Fibroglobal related to specialized works and the lease of ducts, posts and technical spaces through which its network passes. Over the same period, the Group incurred €9 million of operating expenses with Fibroglobal related to a fee for any new customer installation and a monthly fee for PT Portugal’s customer base that use Fibroglobal’s network. As of December 31, 2018, €14 million was outstanding under a loan made by PT Portugal to Fibroglobal.

### ***Transactions with PT ACS***

As of December 31, 2018, the Altice International Group was owed receivables of €14 million by, and owed trade payables of €6 million to, PT—Associação de Cuidados de Saúde (“**PT ACS**”), the entity that provides health care services to certain active and retired employees of PT Portugal and their eligible relatives.

### ***Transactions with Wananchi***

The Altice International Group holds a 17% stake in Wananchi Group Holdings Ltd. (“**Wananchi**”), a cable telecommunications provider with operations in Kenya, Tanzania and Uganda. As of December 31, 2018, €58 million was outstanding under a subordinated loan made by Altice Africa to Wananchi.

### ***Transactions with OMTEL***

The Altice International Group holds a 25% stake in the tower company OMTEL, Estruturas de Comunicações. S.A. (“**OMTEL**”). OMTEL, comprising 2,961 sites, was formed in connection with the recent sale of the Portuguese tower business to a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners. As of December 31, 2018, the Group incurred operating expenses in the amount of €19 million with, and owed €17 million in trade payables to, OMTEL in relation to the infrastructure services.

## **Transactions with Unrestricted Subsidiaries**

### ***Sale of a 49.99% Interest in SFR FTTH***

On January 31, 2019, Altice France entered into an agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients, and OMERS Infrastructure (together, the “**JV Consortium**”), regarding the sale of a 49.99% interest in SFR FTTH, an alternative FTTH infrastructure wholesale operator. The transaction closed on March 27, 2019, upon which €522 million total assets and 1,100,000 total homes passed were transferred to SFR FTTH. The final proceeds amounted to €1.7 billion, based on an equity value at closing of €3.4 billion. SFR FTTH is accounted for as an associate and therefore will not be consolidated in the Issuer’s financial statements.

SFR FTTH will be the largest alternative FTTH infrastructure wholesale operator in France, with approximately 5 million homes expected to be passed in low density areas in the next four years in addition to any others that may be franchised or acquired. SFR FTTH will sell wholesale services to all operators, including the Group, on the same terms and conditions and with no minimum volume commitments. Altice France will sell technical services to SFR FTTH for the construction, subscriber connection and maintenance of its FTTH network. SFR FTTH is an associate of the Group, has been designated as an Unrestricted Subsidiary under the agreements, instruments and indentures governing the Group’s debt, and will be designated as an Unrestricted Subsidiary under the Indenture.

For additional information regarding the Group’s sale of a 49.99% interest in SFR FTTH, including certain related debt, shareholder and operational arrangements, see “*Description of Other Indebtedness—Indebtedness of Unrestricted Subsidiaries—2019 SFR FTTH Senior Facilities Agreement*” and “*Description of Our Business—Altice France Group—Material Contracts—SFR FTTH*”.

## DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of our key items of indebtedness and is presented, unless otherwise indicated, as of the date hereof. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

### Indebtedness of the Issuer

#### Existing Altice Lux Notes

##### Existing Altice Lux 2022 Notes

On May 8, 2014, the Issuer issued €4,172 million (equivalent) in aggregate principal amount of senior notes, comprised of the following tranches: (i) \$2,900 million aggregate principal amount of its 7¾% senior notes due 2022 denominated in U.S. dollars (the “**Existing Altice Lux 2022 Dollar Notes**”), and (ii) €2,075 million aggregate principal amount of its 7¼% senior notes due 2022 denominated in euro (the “**Existing Altice Lux 2022 Euro Notes**”) and, together with the Existing Altice Lux 2022 Dollar Notes, the “**Existing Altice Lux 2022 Notes**”). The Existing Altice Lux 2022 Notes will mature on May 15, 2022. Interest on the Existing Altice Lux 2022 Notes is payable semi-annually in cash in arrears on each February 15 and August 15. The Existing Altice Lux 2022 Notes are governed by a New York law governed indenture entered into on May 8, 2014 (the “**Existing Altice Lux 2022 Notes Indenture**”).

The Existing Altice Lux 2022 Notes are general obligations of the Issuer and (i) rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Existing Altice Lux 2022 Notes; (ii) rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Existing Altice Lux 2022 Notes; and (iii) will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Existing Altice Lux 2022 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Existing Altice Lux 2022 Notes are senior obligations of the Issuer and are guaranteed on a senior basis by the Guarantor, which guarantee will rank *pari passu* in right of payment with the Notes. The Existing Altice Lux 2022 Notes benefit from first ranking pledges over all of the share capital of Altice International and the Guarantor and the AI Mandatory Convertible Notes (the “**Notes Collateral**”), which also secures the Notes.

The Notes Collateral also secures the obligations of the Issuer under the Existing Altice Lux 2025 Notes, the Altice Lux Revolving Credit Facility Agreement and certain hedging agreements. Under the terms of the Intercreditor Agreement dated as of May 8, 2014 governing the rights for the creditors of the Issuer (the “**Altice Lux Intercreditor Agreement**”), in the event of an enforcement of the collateral securing the Existing Altice Lux 2022 Notes, the holders of the Existing Altice Lux 2022 Notes will receive proceeds from such collateral only after the lenders under the Altice Lux Revolving Credit Facility Agreement and the counterparties to the aforementioned hedging agreements have been repaid in full.

At any time, the Issuer may redeem some or all of the Existing Altice Lux 2022 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from May 15 of each year indicated below:

<b>Year</b>	<b>Repurchase price</b>			
	<b>Existing Altice Lux 2022 Dollar Notes</b>	<b>Existing Altice Lux 2022 Euro Notes</b>	<b>Existing Altice Lux 2022 Dollar Notes</b>	<b>Existing Altice Lux 2022 Euro Notes</b>
2019 .....	101.938	%	101.813	%
2020 and thereafter .....	100.000	%	100.000	%

In addition, the Issuer may redeem all of the Existing Altice Lux 2022 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Issuer and its restricted subsidiaries sell certain of their assets, or if the Issuer experiences specific kinds of changes of control, the Issuer may be required to make an offer to repurchase the Existing Altice Lux 2022 Notes at the prices set forth herein.

We expect to use a portion of the proceeds of the Notes to consummate the Refinancing Transactions. See “Summary—The Refinancing Transactions” and “Use of Proceeds”.

#### Existing Altice Lux 2025 Notes

On February 4, 2015, the Issuer issued €2,055 million (equivalent) in aggregate principal amount of senior notes, comprised of the following tranches: (i) \$1,480 million aggregate principal amount of its 7<sup>3</sup>/<sub>8</sub>% senior notes due 2025 denominated in U.S. dollars (the “Existing Altice Lux 2025 Dollar Notes”) and (ii) €750 million aggregate principal amount of its 6<sup>1</sup>/<sub>4</sub>% senior notes due 2025 denominated in euro (the “Existing Altice Lux 2025 Euro Notes”) and, together with the Existing Altice Lux 2025 Dollar Notes, the “Existing Altice Lux 2025 Notes” and, together with the Existing Altice Lux 2022 Notes, the “Existing Altice Lux Notes”). The Existing Altice Lux 2025 Notes will mature on February 15, 2025. Interest on the Existing Altice Lux 2025 Notes is payable semi-annually in cash in arrears on each April 1 and October 1. The Existing Altice Lux 2025 Notes are governed by a New York law governed indenture entered into on February 4, 2015 (the “Existing Altice Lux 2025 Notes Indenture”), together with the Existing Altice Lux 2022 Notes Indenture, the “Existing Altice Lux Notes Indentures”).

The Existing Altice Lux 2025 Notes are general obligations of the Issuer and (i) rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Existing Altice Lux 2025 Notes, including indebtedness under the Altice Lux Revolving Credit Facility and the Existing Altice Lux 2022 Notes; (ii) rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Existing Altice Lux 2025 Notes; and (iii) will be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Existing Altice Lux 2025 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Existing Altice Lux 2025 Notes are senior obligations of the Issuer and are guaranteed on a senior basis by the Guarantor, which guarantee will rank *pari passu* in right of payment with the Notes. The Existing Altice Lux 2025 Notes are secured by the Notes Collateral.

The Notes Collateral also secures the obligations of the Issuer under the Existing Altice Lux 2022 Notes, the Altice Lux Revolving Credit Facility Agreement and certain hedging agreements and also secures the Notes. Under the terms of the Altice Lux Intercreditor Agreement, in the event of an enforcement of the collateral securing the Existing Altice Lux 2025 Notes, the holders of the Existing Altice Lux 2025 Notes will receive proceeds from such collateral only after the lenders under the Altice Lux Revolving Credit Facility Agreement and the counterparties to the aforementioned hedging agreements have been repaid in full.

At any time prior to February 15, 2020, the Issuer may redeem some or all of the Existing Altice Lux 2025 Notes at a price equal to 100% of the principal amount plus a “make whole” premium. At any time on or after February 15, 2020, the Issuer may redeem some or all of the Existing Altice Lux 2025 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from February 15 of each year indicated below:

Year	Repurchase price			
	Existing Altice Lux 2025 Dollar Notes		Existing Altice Lux 2025 Euro Notes	
2020 .....	103.813	%	103.125	%
2021 .....	102.542	%	102.083	%
2022 .....	101.271	%	101.042	%
2023 and thereafter .....	100.000	%	100.000	%

In addition, the Issuer may redeem all of the Existing Altice Lux 2025 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Issuer and its restricted subsidiaries sell certain of their assets or, if the Issuer experiences specific kinds of changes of control, the Issuer may be required to make an offer to repurchase the Existing Altice Lux 2025 Notes at the prices set forth herein.

### *Existing Altice Lux Notes Indentures*

Each of the Existing Altice Lux Notes Indentures, among other things, further limits the ability of the Issuer and its restricted subsidiaries to (i) make investments or other restricted payments, (ii) create liens, (iii) sell assets and subsidiary stock, (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt, (v) engage in certain transactions with affiliates, (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, (vii) engage in mergers or consolidations, and (viii) incur indebtedness. These covenants are subject, in each case, to a number of important exceptions and qualifications.

Each of the Existing Altice Lux Notes Indentures provides for certain events of default, including, among others, defaults under other debt instruments which (i) are caused by the failure to pay principal of, and, in the case of the Existing Altice Lux 2022 Notes, interest on or premium, if any, on the indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) result in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €50 million or more.

### *Altice Lux Revolving Credit Facility*

The Issuer entered into a revolving credit facility agreement on May 8, 2014, with, amongst others, the lenders party thereto from time to time (the “**Altice Lux RCF Lenders**”), the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch, as facility agent and Deutsche Bank AG, London Branch, as security agent (as amended, supplemented, restated or otherwise modified from time to time, the “**Altice Lux Revolving Credit Facility Agreement**”), pursuant to which the Altice Lux RCF Lenders agreed to provide the Issuer with a €200 million senior secured revolving credit facility (the “**Altice Lux Revolving Credit Facility**”). The available tranches of commitments under the Altice Lux Revolving Credit Facilities Agreement as of December 31, 2018 are (a) the facility A commitment in the original aggregate principal amount of €14 million (the “**Altice Lux Revolving Credit Facility A**”) and (b) the facility B commitment in the aggregate principal amount of €186 million (the “**Altice Lux Revolving Credit Facility B**”, and together with the Altice Lux Revolving Credit Facility A, the “**Altice Lux Revolving Credit Facility**”). As of December 31, 2018, the Altice Lux Revolving Credit Facilities were fully undrawn.

The description set forth below sets out the principal terms and conditions of the Altice Lux Revolving Credit Facility Agreement.

#### *Limitations on Use of Funds*

The Altice Lux Revolving Credit Facility can be used by the Issuer for general corporate and working capital purposes of the Issuer and certain of its subsidiaries (excluding certain unrestricted subsidiaries) (the “**Altice Lux Borrower Group**”).

#### *Conditions to Borrowing*

A drawdown of the Altice Lux Revolving Credit Facility Agreement cannot be made until, among other things, the facility agent has received (or waived) certain customary conditions precedent documents and evidence in form and substance reasonably satisfactory to it. Drawdowns are subject to further customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated leverage ratio is not greater than the specified ratio in the Altice Lux Revolving Credit Facility Agreement.

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

The Issuer is permitted to make a specified number of drawdowns under the Altice Lux Revolving Credit Facility Agreement with interest periods relating thereto of one, two, three or six months (or any other period agreed by Altice Lux and the facility agent), but no such interest period shall end after the final maturity date of the Altice Lux Revolving Credit Facility. Drawdowns under the Altice Lux Revolving Credit Facility Agreement must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date.

The interest rate on each loan under the Altice Lux Revolving Credit Facility Agreement for each interest period is equal to the aggregate of: (x) the applicable margin, and (y) EURIBOR. The margin under the Altice Lux Revolving Credit Facility is between 4.25% and 5.00% per annum. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period).

With respect to any available but undrawn amounts under the Altice Lux Revolving Credit Facility Agreement, the Issuer is obligated to pay a commitment fee on such undrawn amounts calculated on undrawn and un-cancelled commitments from a date to be agreed between the Issuer and the Altice Lux RCF Lenders until one month prior to the final maturity date of the Altice Lux Revolving Credit Facility.

#### *Repayment*

The final maturity date of the Altice Lux Revolving Credit Facility A will be the earlier of (i) May 9, 2019, and (ii) the date on which the Altice Lux Revolving Credit Facility A is fully repaid and cancelled.

The final maturity date of the Altice Lux Revolving Credit Facility B will be the earlier of (i) July 18, 2021, (ii) the date on which the Altice Lux Revolving Credit Facility B is fully repaid and cancelled.

#### *Mandatory Prepayment*

Upon the occurrence of a Change of Control (as defined in the Altice Lux Revolving Credit Facility Agreement), the Issuer must repay the Altice Lux Revolving Credit Facility in full together with accrued interest and all other amounts accrued under related finance documents and the Altice Lux Revolving Credit Facility Agreement will be cancelled.

If an amount in excess of 50% of the Existing Altice Lux 2022 Notes is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the Altice Lux Borrower Group, the Issuer must apply an amount equal to such excess to cancellation of the Altice Lux Revolving Credit Facility and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the Issuer from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Altice Lux Revolving Credit Facility.

#### *Guarantees*

Each of the guarantors of the Existing Altice Lux Notes and the Issuer also guarantee the obligations of each Obligor under the Altice Lux Revolving Credit Facility, which guarantee will rank *pari passu* in right of payment with the Notes.

#### *Security*

The Altice Lux Revolving Credit Facility is secured by the Notes Collateral that secures the Existing Altice Lux Notes and which also secures the Notes.

#### *Representations and Warranties*

The Altice Lux Revolving Credit Facility Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

#### *Undertakings*

The Altice Lux Revolving Credit Facility Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the Existing Altice Lux Notes Indentures.



The Altice Lux Revolving Credit Facility Agreement also requires the Altice Lux Borrower Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) *pari passu* ranking of all payment obligations under the Altice Lux Revolving Credit Facility Agreement and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) permitting access to the facility agent, security agent and advisors in certain circumstances; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the collateral; (xii) an Obligor not moving its center of main interest from, or having an “establishment” in any jurisdiction other than, its jurisdiction of incorporation; and (xiii) restricting the making of proceeds drawn under the Altice Lux Revolving Credit Facility available to any sanctioned person or sanctioned country.

#### *Financial Covenants, Events of Default*

The Altice Lux Revolving Credit Facility Agreement requires the Altice Lux Borrower Group to maintain a Consolidated Net Leverage Ratio (as defined in the Altice Lux Revolving Credit Facility Agreement) of no more than 5.50:1, tested prior to utilization and quarterly to the extent there are loans outstanding.

The Altice Lux Revolving Credit Facility Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts; and/or (iii) declare that all or part of the loans be repayable on demand. The proceeds of any enforcement of collateral will be applied in accordance with the Altice Lux Intercreditor Agreement.

#### *Altice Lux Intercreditor Agreement*

To establish the relative rights of certain creditors, on May 8, 2014, the Issuer entered into an intercreditor agreement (the “**Altice Lux Intercreditor Agreement**”) with, amongst others:

- the creditors under the Altice Lux Revolving Credit Facility Agreement (the “**RCF Creditors**”);
- any person that accedes to the Altice Lux Intercreditor Agreement as a Senior Notes Representative, including the Trustee, on its behalf and on behalf of the holders of Senior Notes, including the Notes (the “**Senior Notes Creditors**”);
- any persons that accedes to the Altice Lux Intercreditor Agreement as counterparties to certain hedging agreements (the “**Hedging Agreements**”) in accordance with the terms of the Altice Lux Intercreditor Agreement (the “**Hedging Banks**”, together with the RCF Creditors, the “**Super Priority Creditors**”);
- any person that accedes to the Altice Lux Intercreditor Agreement under any future term or revolving credit facility (other than the Altice Lux Revolving Credit Facility Agreement) designated as a senior bank facility (a “**Senior Bank Facility**”) in accordance with the terms of the Altice Lux Intercreditor Agreement (the “**Senior Bank Creditors**”, together with the Senior Notes Creditors, the “**Senior Creditors**”); and
- any person that accedes to the Altice S.A. Intercreditor Agreement in their capacity as a creditor (the “**Shareholders**”) any shareholder indebtedness provided to the Issuer (the “**Shareholder Debt**”);

The Altice Lux Intercreditor Agreement provides that existing indebtedness of the Issuer may be refinanced and/or future indebtedness may be incurred by the Issuer subject to the terms of the Altice Lux Intercreditor Agreement and each finance document then existing. Future debt designated under the Altice Lux Intercreditor Agreement as ranking on enforcement of the security in priority to liabilities owed to the Senior Creditors is subject to certain conditions, including that it may only be in the form of a revolving credit facility, which is a working capital facility, or hedging indebtedness, and to the extent permitted (or not prohibited) by the terms of each finance document.

For the purposes of the Altice Lux Intercreditor Agreement, the creditors of each class of debt will vote together and a representative trustee or agent within that class of debt (a “**Representative**”) may act on the instructions of the majority of creditors of that class of debt (or, in the case of the Super Priority Debt or Senior Bank Debt (as defined below), on the instructions of 66<sup>2</sup>/<sub>3</sub>% of creditors of that class of debt) (a “**Relevant Majority**”). Hedging Banks will vote together with the Super Priority Debt. In addition, in certain circumstances (as set out in the Altice Lux Intercreditor Agreement) certain classes of creditors will vote together as part of an instructing group (the “**Instructing Group**”), which is the Relevant Majority of (i) (if Senior Bank Debt has been discharged and while any Senior Notes Debt remains outstanding) the Senior Notes Creditors and (ii) (while Senior Bank Debt remains outstanding) the Senior Creditors.

By accepting a Note the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Altice Lux Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Altice Lux Intercreditor Agreement that relate to the rights and obligations of the Senior Notes Creditors. It does not restate the Altice Lux Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt and you are urged to read that document in its entirety because it, and not the discussions here, define certain rights of the parties to the Altice Lux Intercreditor Agreement, including the Notes.

### **Order of Priority**

#### *Ranking & Priority*

The Altice Lux Intercreditor Agreement provides, subject to certain provisions, the liabilities of the Issuer (and any member of its group which accedes to the Altice Lux Intercreditor Agreement as a new obligor (together with, amongst others, the Issuer, the “**Obligors**”)) under or in respect of, amongst others, the (i) Altice Lux Revolving Credit Facility Agreement (the “**RCF Debt**”), (ii) the Hedging Agreements (the “**Hedging Debt**” and together with the RCF Debt, the “**Super Priority Debt**”), (iii) the Senior Notes (including the Notes) (the “**Senior Notes Debt**”), (iv) the Senior Bank Facilities (the “**Senior Bank Debt**” and together with the Senior Notes Debt, the “**Senior Debt**”) and (v) the Shareholder Debt will rank in right and order of payment in the following order:

- i. first, the RCF Debt, Senior Bank Debt, Senior Notes Debt, Hedging Debt and any other Super Priority Debt, Senior Debt and amounts due to the Trustee, *pari passu* without any preference between them; and
- ii. second, the Shareholder Debt.

#### *Priority of Security*

The Altice Lux Intercreditor Agreement provides that the security provided by the Obligors (the “**Security**”) for the Senior Debt and the Super Priority Debt (together, the “**Senior Secured Debt**”) will rank the RCF Debt, Senior Bank Debt, Senior Notes Debt, Hedging Debt and any other Super Priority Debt and Senior Debt and amounts due to the Trustee *pari passu* without any preference between them.

#### *Additional Secured Debt*

The creditors party to the Altice Lux Intercreditor Agreement acknowledge that the Obligors may wish to incur incremental Senior Secured Debt, which in any such case is intended to rank *pari passu* with any existing Secured Debt and/or share *pari passu* with any existing Security. By execution of the Altice Lux Intercreditor Agreement, the creditors confirm that if and to the extent such a financing and such ranking and such Security is permitted by the terms of the finance documents at such time, they will (at the cost of the Obligors) co-operate with the Obligors with a view to enabling such financing and such sharing in the Security to take place. In particular, but without limitation, the Super Priority Creditors, the Senior Bank Creditors, the Hedging Banks, and the Senior Notes Creditors have authorised and directed their Representative to execute any amendment to the Altice Lux Intercreditor Agreement and such other finance documents required to reflect such arrangements to the extent such financing and/or sharing is permitted by such finance documents.

#### *Restrictions*

Subject to certain limited exceptions and subject to, *inter alia*, the provisions set forth under the captions “—*Permitted Payments*” and “—*Restrictions on Enforcement*”, while any Senior Secured Debt is outstanding, the

Altice Lux Intercreditor Agreement restricts (to the extent not otherwise consented to by the relevant Representative representing the Relevant Majority of: (i) Super Priority Creditors (while any Super Priority Debt is outstanding); (ii) Senior Bank Creditors (while any Senior Bank Debt is outstanding) and (only to the extent prohibited under the Senior Notes Indentures) the Senior Notes Creditors; and/or (iii) (only to the extent prohibited under the Senior Notes Indentures) the Senior Notes Creditors (while any Senior Notes Debt remains outstanding)):

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any Shareholder Debt;
- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Shareholder Debt, or otherwise to provide financial support in relation to such liabilities; and
- the ability of the Obligors to discharge the Shareholder Debt by set off, any right of combination of accounts or otherwise.

#### *Limitation of Credit Support*

Pursuant to the Altice Lux Intercreditor Agreement, the Obligors are prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt.

#### *Permitted Payments*

While any Senior Secured Debt is outstanding, Obligors will only be permitted to make payments of Shareholder Debt:

- a. with the prior written consent of:
  - i. (while any Super Priority Debt is outstanding) the relevant Representatives representing the Relevant Majority of the Super Priority Creditors;
  - ii. (if any Senior Bank Debt is outstanding) the Representatives representing the Relevant Majority of the Senior Bank Creditors; and
  - iii. (if any Senior Notes Debt is outstanding) (only to the extent prohibited by the Senior Notes Indentures) the relevant Representatives representing the Relevant Majority of the Senior Notes Creditors; or
- b. such payments are not prohibited by the debt documents in respect of the Senior Secured Debt and if, at that time, no Senior Secured Creditor has accelerated any of the Senior Secured Debt.

#### *Restrictions on Enforcement*

Subject to certain limited exceptions, and except with the consent of the Relevant Majority of Super Priority Creditors, the Shareholders cannot: (i) demand payment of any Shareholder Debt; (ii) accelerate any of the Shareholder Debt or otherwise declare any of the aforementioned debt prematurely due or payable on an event of default or otherwise; (iii) enforce any of the Shareholder Debt by attachment, set off, execution or otherwise; (iv) petition for, initiate, support or take any steps with a view to any insolvency or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving an Obligor; (v) sue or bring or support any legal proceedings against any Obligor or its subsidiaries; or (vii) otherwise exercise any remedy for the recovery of any Shareholder Debt.

A Shareholder will be allowed to bring or support proceedings to prevent the loss of any right to bring or support proceedings by reason of expiry of statutory limitation periods.

#### *Enforcement Instructions*

No Senior Secured Creditor has any independent power to enforce, or has recourse to, any Security except through the Security Agent and the Security Agent shall enforce Security (if then enforceable) if so instructed by the

Relevant Majority of Super Priority Creditors or the Instructing Group. The Security Agent may disregard any instructions from any other person to enforce the Security and may disregard any instructions to enforce any Security if those instructions are inconsistent with the Altice Lux Intercreditor Agreement. The Security Agent is not obliged to enforce the Security if it has not received security and/or indemnity to its satisfaction by the relevant creditors.

To the extent that the Super Priority Creditors or the Instructing Group wish to enforce Security, they must notify the Senior Agent and each other Senior Representative 10 business days prior to the date it issues the enforcement instructions (the “**Proposed Enforcement Instruction Date**”). To the extent any Super Priority Creditors or the Instructing Group wish to accelerate any debt owing to any Senior Secured Creditor, they must notify the Security Agent and each other Senior Representative at least three business days prior to the date it intends to accelerate. If the Security Agent receives conflicting enforcement instructions prior to the Proposed Enforcement Instruction Date, the Representatives of the Super Priority Creditors and the Representative of the Instructing Group shall consult with one another and with the Security Agent in good faith for 30 days (or such shorter period as may be agreed) (the “**Consultation Period**”). Consultation will not be required if the Security has become enforceable as a result of an insolvency event relating to an Obligor against whom such enforcement action is taken or if any of such instructing Representatives determines in good faith that consultation (and thereby delay) could reasonably be expected to have a material adverse effect on the ability to enforce the Security or the realization of proceeds of enforcement.

While any Super Priority Debt is outstanding, if the Security Agent receives conflicting enforcement instructions from the Representatives of the Super Priority Debt or the Instructing Group, and the Consultation Period has passed, the Security Agent shall comply with the instruction from the Instructing Group. The failure by a creditor group to issue enforcement instructions will be deemed to be conflicting, provided that if the Representatives of the Instructing Group fail to give instructions as to enforcement and the Consultation Period has elapsed, the Security Agent will comply with the instructions of the Representative of the Super Priority Debt. The instructions of the Super Priority Creditors will prevail if (i) the Super Priority Creditors have not been fully and finally discharged in cash within six months of the Proposed Enforcement Instruction Date, or (ii) the Security Agent has not commenced any enforcement action within 3 months of the Proposed Enforcement Date. All enforcement instructions will need to comply with the following security enforcement principles:

1. It shall be the aim of any enforcement of the Security to achieve the Security Enforcement Objective. “**Security Enforcement Objective**” means maximizing, so far as is consistent with a prompt and expeditious enforcement of the Security, the recovery of the Super Priority Creditors and (without prejudice to the waterfall described in “—*Application of Proceeds*” below) the Senior Creditors.
2. The security enforcement principles may be amended, varied or waived with the prior written consent of the Relevant Majority of Super Priority Creditors, an Instructing Group and the Security Agent.
3. Without prejudice to the Security Enforcement Objective, the Security will be enforced and other action as to enforcement of the Security will be taken such that either:
  - (a) in the event enforcement is being effected in accordance with the instructions of the Instructing Group either:
    - (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in “—*Application of Proceeds*” below; or
    - (ii) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the waterfall described in “—*Application of Proceeds*” below), the Super Priority Debt is repaid and discharged in full (unless the Relevant Majority of Super Priority Creditors agree otherwise); or
  - (b) in the event enforcement is being effected in accordance with the instructions of the Super Priority Creditors either:
    - (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in “—*Application of Proceeds*” below; or

- (ii) with the consent of the Instructing Group, the proceeds are received by the Security Agent in cash and non cash consideration for distribution in accordance with the waterfall described in “—*Application of Proceeds*” below.
  - 4. The enforcement must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Altice Lux Intercreditor Agreement, the time frame for realization of value from the enforcement of the Security pursuant to enforcement will be determined by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group provided that it is consistent with the Security Enforcement Objective.
  - 5. On:
    - (a) a proposed enforcement of any of the Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds \$3,000,000 (or its equivalent); or
    - (b) a proposed enforcement of any of the Security over some, but not all, of the shares in a member of the Group over which Security exists;
- the Security Agent shall, if so requested by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group, and at the expense of such creditors, obtain an opinion from any (X) reputable and independent internationally recognized accounting firm, (Y) reputable and independent internationally recognized investment bank, or (Z) other reputable and independent professional services firm experience in restructuring and enforcement (a “**Financial Advisor**”), that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances. If the Security Agent is unable to obtain such an opinion, it shall notify the Super Priority Representatives and the Senior Representatives representing an Instructing Group and may proceed to enforce the Security without obtaining such opinion.
- 6. The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the security enforcement principles or any other provision of the Altice Lux Intercreditor Agreement.
  - 7. The Financial Advisor’s opinion will be conclusive evidence that the Security Enforcement Objective has been met.
  - 8. If enforcement of any Security is conducted by way of public auction in any relevant jurisdiction, no Financial Advisor shall be required to be appointed in relation to such enforcement action. Nothing shall require the enforcement of Security to take place by way of public auction.

#### *Release of Security and Guarantees*

If a disposal of an asset owned by the Obligor is made to a person or persons outside of the Group and either (i) the disposal is not permitted or prohibited by the underlying finance documents, or (ii) the disposal is being effected at the request of the relevant creditor in circumstances where it is entitled to take enforcement action under the Altice Lux Intercreditor Agreement (and such disposal is consistent with certain security enforcement principles), or (iii) the disposal is pursuant to enforcement action in accordance with the Altice Lux Intercreditor Agreement, and, in each case, the Security Agent is authorized to release any Security and other claims (including guarantees) under any finance document over that asset and, if that asset comprises of the shares in the capital of an Obligor or any of its subsidiaries which are subject to Security, release on behalf of the relevant creditor and each Obligor and its Subsidiaries that subsidiary and its subsidiaries from all present and future obligations and liabilities under the relevant finance document provided that the proceeds of the disposal applied in accordance with the relevant finance document and with the Altice Lux Intercreditor Agreement.

Where a disposal relates to (ii) or (iii) above, and the asset which is disposed of consists of shares in an Obligor or its holding company and the Security Agent decides to dispose of all or part of the liabilities of such Obligor, holding company or any subsidiary under the finance documents, the Security Agent may: (a) dispose of all or part of such liabilities such that the transferee shall not be treated as a Senior Secured Creditor or a secured party;

and (b) dispose of all (and not part) of such liabilities owed to the Senior Creditors on behalf of the relevant creditors and Obligors such that the transferee be treated as a Senior Secured Creditor or a secured party.

#### *Turnover*

The Altice Lux Intercreditor Agreement provides that if any Super Priority Creditor or Senior Creditor or Shareholder receives or recovers a payment which is prohibited by the Altice Lux Intercreditor Agreement or not paid in accordance with the provisions described under “—*Application of Proceeds*”, subject to certain exceptions, the receiving or recovering Creditor will promptly notify the Security Agent and hold any amount on trust for the Creditors and, upon demand by the Security Agent, pay that amount to the Security Agent or, if lower, the amount of debt owed to the relevant category of Creditor, in each case less the third party costs and expenses (if any) reasonably incurred in receiving or recovering such amount, for application by the Security Agent in accordance with the order of priority described under “—*Application of Proceeds*”. These provisions will not apply to any receipt or recovery by the Hedging Banks in relation to certain netting and set off arrangements with Obligors, permitted refinancing, or otherwise in accordance with the loss sharing provisions of the Altice Lux Intercreditor Agreement.

#### *Subordination on Insolvency*

After the occurrence of an insolvency event in relation to any Obligor (the “**Insolvent Obligor**”), the Shareholder Debt owed by the Insolvent Obligor will be subordinated in right of payment to the Super Priority Debt and Senior Debt owed by such Insolvent Obligor.

#### *Filing of Claims*

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of (while any Super Priority Debt) the Relevant Majority of Super Priority Creditors or the Instructing Group) to: (i) claim, enforce and prove for any debt owed by the Insolvent Obligor, (ii) only with respect to Shareholder Debt, exercise all powers of convening meetings, voting and representations in respect of the shareholder debt owed by the Insolvent Obligor and (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary to recover any debt owed by the Insolvent Obligor.

If the Security Agent is not entitled or does not take any of the actions referred to above, the Shareholders will do so promptly when requested by the Security Agent (acting on the instructions of the Relevant Majority of Super Priority Creditors or the Instructing Group).

#### *Application of Proceeds*

Subject to the rights of any creditor (other than a Secured Creditor) with prior security or preferential claims, all amounts from time to time received pursuant to the provisions described under “—*Turnover*” or otherwise recovered by the Security Agent (or any other creditors) in connection with the realization or enforcement of all or any part of the security in favor of the Senior Secured Debt, apply them at any time as the Security Agent sees fit, and to the extent permitted by law, in the following order:

- first, in payment of the following amounts in the following order of priority: (i) *pari passu* and pro rata to the Security Agent and thereafter to the Senior Notes Representatives in respect of any amounts due to each such party, and (ii) *pari passu* and pro rata to each Representative of Senior Secured Debt of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such Representative and any receiver, attorney or agent appointed by such Representative under the security documents or the Altice Lux Intercreditor Agreement;
- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Super Priority Creditor and each Senior Creditor in connection with such enforcement;
- third, in payment *pari passu* and pro rata to the Representative of the Super Priority Debt and the Hedging Banks for application towards the balance of the Super Priority Debt;
- fourth, in payment *pari passu* and pro rata to each Representative of Senior Debt for application towards (i) Senior Bank Debt and (ii) Senior Notes Debt;

- fifth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

#### *Amendment*

Prior consent of each Representative is required for any waivers, consents, or amendments in relation to any security documents if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of Security is distributed.

The Altice Lux Intercreditor Agreement may be amended by the Obligors and the Security Agent without consent of the other parties if the amendment is to cure defects, typographical errors, resolve ambiguities or reflect changes, in each case, of a minor technical or administrative nature. Where an amendment affects the rights and obligations of one or more parties to the Altice Lux Intercreditor Agreement, and could not reasonably be expected to be adverse to the interests of other parties or class of parties, only the parties affected by such amendment need to agree to the amendments.

Other than in respect of certain customary amendments and waivers (which require the consent of each of the Senior Secured Creditors, the Security Agent and the Issuer), the Altice Lux Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Notes Creditors the Issuer and the Security Agent.

#### **Indebtedness of the Altice France Group**

##### *Altice France Notes*

On May 8, 2014, Altice France issued (i) \$1,375 million aggregate principal amount of its 6<sup>1</sup>/<sub>4</sub>% senior secured notes due 2024 denominated in U.S. dollars (the “**Altice France 2024 Dollar Notes**”), and (ii) €1,250 million aggregate principal amount of its 5<sup>5</sup>/<sub>8</sub>% senior secured notes due 2024 denominated in euro (the “**Altice France 2024 Euro Notes**” and, together with the Altice France 2024 Dollar Notes, the “**Altice France 2024 Notes**”).

The Altice France 2024 Notes will mature on May 15, 2024. Interest on the Altice France 2024 Notes is payable semi-annually in cash in arrears on each February 15 and August 15. The Altice France 2024 Notes are governed by the indenture entered into on May 8, 2014, between, among others, Altice France, as issuer and Deutsche Bank AG, London Branch, as trustee (collectively, and as amended, restated, supplemented or otherwise modified from time to time, the “**Altice France 2024 Notes Indenture**”).

On April 11, 2016, Altice France issued \$5,190 million aggregate principal amount of its 7<sup>3</sup>/<sub>8</sub>% senior secured notes due 2026 denominated in U.S. dollars (the “**Altice France 2026 Notes**”).

The Altice France 2026 Notes will mature on May 1, 2026. Interest on the Altice France 2026 Notes is payable semi-annually in cash in arrears on each January 15 and July 15. The Altice France 2026 Notes are governed by the indenture entered into on April 11, 2016, between, among others, Altice France, as issuer and Deutsche Bank Trust Company Americas, as trustee (the “**Altice France 2026 Notes Indenture**”).

On July 31, 2018, Altice France issued (i) \$1,750 million aggregate principal amount of its 8<sup>1</sup>/<sub>8</sub>% senior secured notes due 2027 denominated in U.S. dollars (the “**Altice France 2027 Dollar Notes**”), and (ii) €1,000 million aggregate principal amount of its 5<sup>7</sup>/<sub>8</sub>% senior secured notes due 2027 denominated in euro (the “**Altice France 2027 Euro Notes**” and, together with the Altice France 2027 Dollar Notes, the “**Altice France 2027 Notes**”), and, together with the Altice France 2024 Notes and the Altice France 2026 Notes, the “**Altice France Notes**”).

The Altice France 2027 Notes will mature on February 1, 2027. Interest on the Altice France 2027 Notes is payable semi-annually in cash in arrears on each February 1 and August 1. The Altice France 2027 Notes are governed by the indenture entered into on July 31, 2018, between, among others, Altice France, as issuer, and Deutsche Bank Trust Company Americas, as trustee (the “**Altice France 2027 Notes Indenture**” and, together with the Altice France 2024 Notes Indenture and the Altice France 2026 Notes Indenture, the “**Altice France Notes Indentures**”).

The Altice France Notes are general obligations of Altice France and (i) rank *pari passu* in right of payment with all existing and future indebtedness of Altice France that is not subordinated in right of payment to the Altice France Notes, including indebtedness under the Altice France Term Loans, the Altice France Revolving Credit Facilities Agreement and certain hedging obligations, (ii) rank senior in right of payment to all existing and future

indebtedness of Altice France that is expressly subordinated in right of payment to the Altice France Notes and (iii) will be effectively subordinated to any existing and future indebtedness of Altice France that is secured by property or assets that do not secure the Altice France Notes, to the extent of the value of the property and assets securing such indebtedness.

The Altice France Notes are guaranteed on a senior basis by each of SFR Presse, SFR Presse Distribution, Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S., Numericable U.S. LLC and (other than with respect to the Altice France 2024 Notes) SFR (the “**Altice France Notes Guarantors**”).

The Altice France Notes are secured by (i) senior pledges over all of the capital stock of SFR Presse, SFR Presse Distribution, Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S., Numericable U.S. LLC; (ii) senior pledges over certain intercompany loans; (iii) senior pledges over the business (*fonds de commerce*) of SFR Fibre; (iv) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of SFR Presse, SFR Presse Distribution, Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S., Numericable U.S. LLC and (v) senior pledges over certain bank accounts of, and intercompany receivables owed to, Altice France. Additionally, the Altice France 2026 Notes and the Altice France 2027 Notes benefit from senior pledges over the capital stock of SFR held by the Group, a senior pledge over certain bank accounts of SFR and the intragroup loan between Altice France and SFR (the “**SFR Intragroup Loans**”); a senior pledge over the business (*fonds de commerce*) and intellectual property rights of SFR; and senior pledges over receivables owed to SFR by certain of its subsidiaries. The Altice France 2024 Notes benefit from senior pledges over the capital stock of SFR held by the Group and over the SFR Intragroup Loans (all such security described in this paragraph, the “**Altice France Collateral**”). None of the network assets of the Group are pledged as security for the Altice France Notes. The Altice France Collateral also secures indebtedness due under the Altice France Term Loans, the Altice France Revolving Credit Facilities and certain related hedging obligations.

Under the terms of the Altice France Intercreditor Agreement, in the event of an enforcement of the Altice France Collateral, the holders of the Altice France Notes will receive proceeds from such Altice France Collateral *pari passu* with the lenders under the Altice France Term Loans, the lenders under the Altice France Revolving Credit Facilities Agreement, and counterparties to certain hedging agreements.

Prior to May 15, 2019, Altice France may redeem all or a portion of the Altice France 2024 Notes at a price equal to 100% of the principal amount plus a make whole premium. From May 15, 2019, Altice France may redeem all or part of the Altice France 2024 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period of twelve months of May 15 of each year indicated below:

Year	Repurchase price			
	Altice France 2024 Dollar Notes		Altice France 2024 Euro Notes	
2019 .....	103.125	%	102.813	%
2020 .....	102.083	%	101.875	%
2021 .....	101.042	%	100.938	%
2022 and thereafter .....	100.000	%	100.000	%

Prior to May 1, 2021, Altice France may redeem all or a portion of the Altice France 2026 Notes at a price equal to 100% of the principal amount plus a make whole premium. From May 1, 2021, Altice France may redeem all or part of the Altice France 2026 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period of twelve months of May 1 of each year indicated below:

Year	Repurchase price	
	Altice France 2026 Dollar Notes	
2021 .....	103.688	%
2022 .....	102.458	%
2023 .....	101.229	%



Year	Repurchase price	
	Altice France 2026 Dollar Notes	
2024 and thereafter .....	100.000	%

Prior to February 1, 2022, Altice France may redeem all or a portion of the Altice France 2027 Notes at a price equal to 100% of the principal amount plus a make whole premium. From February 1, 2022, Altice France may redeem all or part of the Altice France 2027 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period indicated below:

Year	Repurchase price			
	Altice France 2027 Dollar Notes		Altice France 2027 Euro Notes	
February 1, 2022 until August 1, 2022 .....	106.094	%	104.406	%
August 1, 2022 until August 1, 2023 .....	104.063	%	102.938	%
August 1, 2023 until August 1, 2024 .....	102.031	%	101.469	%
August 1, 2024 and thereafter .....	100.000	%	100.000	%

The Altice France Notes Indentures, among other things, further limit the ability of Altice France and the ability of its restricted subsidiaries to (i) make investments or other restricted payments; (ii) create liens; (iii) sell assets and subsidiary stock; (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (v) engage in certain transactions with affiliates; (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (vii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

Among other exceptions, the Altice France Notes Indentures permit the incurrence of indebtedness by Altice France or an Altice France Notes Guarantor so long as the consolidated net leverage ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0, and such indebtedness may be secured if the consolidated net leverage ratio (*pro forma* for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (*pro forma* for such transaction) and so long as there is no default or event of default outstanding, the Altice France Notes Indentures permit the distribution of dividends and other restricted payments in an unlimited amount. Further, subject to certain payment blocking events (i.e., a payment default or acceleration of Altice France Notes), the Altice France Notes Indentures permit Altice France to pay dividends or other distributions to its shareholders in an amount such that Altice Lux FR S.A.'s pro rata share of such dividends or other distributions is equal to the amount required by the Issuer for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness.

The Altice France Notes Indentures provide for certain events of default, including, among others, defaults under other debt instruments which (i) are caused by the failure to pay principal of, and, in the case of the Altice France 2024 Notes, interest on or premium, if any, on the indebtedness at its stated maturity prior to expiration of any applicable grace period or (ii) result in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Altice France Notes Indentures are governed by the laws of the State of New York.

## Altice France Term Loans

### Overview

On May 8, 2014, Altice France entered into a senior secured term loan credit facility which provided for euro and U.S. dollar term loans in an initial aggregate principal amounts of €1,900 million and \$2,600 million, with Altice France, Ypso France S.A.S and Numericable U.S. LLC as borrowers (the “**Altice France Term Loans Borrowers**”), certain lenders party thereto, Deutsche Bank AG, London Branch as euro administrative agent and as security agent and Deutsche Bank AG, New York Branch, as dollar administrative agent (as amended, restated, supplemented or otherwise modified from time to time, the “**Altice France Term Loan Agreement**”).

The following table shows all outstanding tranches of the term loans under the Altice France Term Loan Agreement (the “**Altice France Term Loans**”) and balances outstanding as of December 31, 2018:

	<b>Borrower</b>	<b>Maturity</b>	<b>Original Principal Amount of Drawing</b>	<b>Outstanding At December 31, 2018</b>
(in million)				
EUR Term Loan B11 .....	Altice France and Ypso France	July 31, 2025	€ 1,145	€ 1,128
EUR Term Loan B12 .....	Altice France	January 31, 2026	€ 1,000	€ 990
USD Term Loan B11 .....	Altice France	July 31, 2025	\$ 1,420	\$ 1,221
USD Term Loan B12 .....	Altice France	January 31, 2026	\$ 2,150	\$ 1,859
USD Term Loan B13 .....	Altice France	August 14, 2026	\$ 2,500	\$ 2,183

### ***Interest Rate and Fees***

Borrowings under USD Term Loan B11 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question adjusted for certain additional costs, and (b) 0.00% plus (ii) a margin of 2.75%. Borrowings under USD Term Loan B12 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question adjusted for certain additional costs, and (b) 0.00% plus (ii) a margin of 3.6875%. Borrowings under USD Term Loan B13 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question and (b) 0.00% plus (ii) a margin of 4.00%.

Borrowings under EUR Term Loan B11 and EUR Term Loan B12 bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR for the period of interest corresponding to the loans in question and (b) 0.00% plus (ii) a margin of 3.00%.

### ***Mandatory Prepayments***

The Altice France Term Loan Agreement requires us to prepay outstanding term loans thereunder, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions, and (ii) 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than or equal to 4.0 to 1.0.

### ***Voluntary Prepayments***

The Altice France Term Loans may be voluntarily prepaid at any time subject to customary “breakage” costs with respect to Eurodollar Loans.

### ***Amortization and Final Maturity***

Altice France is required to make quarterly repayments of the principal amount outstanding under the Altice France Term Loans according to an agreed timetable, with each payment being equal to 0.25% of the principal amount of Altice France Term Loans, with payment of the balance due on July 31, 2025 with respect to the USD Term Loan B11 and EUR Term Loan B11, January 31, 2026 with respect to USD Term Loan B12 and EUR Term Loan B12 and August 14, 2026 with respect to USD Term Loan B13.

### ***Guarantees***

Each Altice France Notes Guarantor and Altice France, guarantees, or will guarantee on a senior basis, the obligations of each other obligor under the Altice France Term Loan Agreement and related finance documents subject to applicable guarantee limitations specified therein. Altice France is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated EBITDA and gross assets of Altice France and its subsidiaries.

### ***Security***

The Altice France Term Loans are secured by the same Altice France Collateral securing the Altice France Revolving Credit Facilities and the Altice France Notes.

### ***Most Favored Nation***

Borrowings under EUR Term Loan B12 and the USD Term Loan B12 are subject to a “most favoured nation” provision until October 2018. Borrowings under USD Term Loan B13 are subject to a “most favoured nation” provision until the maturity date of the loan (August 14, 2026). Accordingly the margin and/or “floor” relating to these tranches are subject to change, depending on the yield applicable to any future incurrence of incremental loans in the relevant currency.

### ***Certain Covenants and Events of Default***

The Altice France Term Loan Agreement includes negative covenants that, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence based Consolidated Net Leverage Ratio or Consolidated Net Senior Secured Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations.

The Altice France Term Loan Agreement also contains certain customary representations and warranties, covenants and events of default (including, among others, an event of default upon a change of control trigger event). If an event of default occurs, the lenders under the Altice France Term Loans will be entitled to take various actions, including the acceleration of amounts due under the Altice France Term Loans and all actions permitted to be taken by a secured creditor, subject to the Altice France Intercreditor Agreement.

The Altice France Term Loan Agreement permits the incurrence of indebtedness so long as the Consolidated Net Leverage Ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the Consolidated Net Senior Secured Leverage Ratio (*pro forma* for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 Consolidated Net Leverage Ratio (*pro forma* for such transactions), so long as there is not a default or an event of default outstanding and so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to 100% of the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the original issue date of the Altice France Notes until the most recently ended quarter, less 1.4 times the consolidated interest expense for such period, the Altice France Term Loan Agreement permits the distribution of dividends and other restricted payments in an unlimited amount.

The Altice France Term Loan Agreement also provides that, for so long as no payment block events have occurred and are continuing, Altice France may pay dividends or other distributions to its shareholders in an amount such that the Altice Lux FR S.A.’s pro rata share of such dividends or other distributions is equal to the amount required by the Issuer for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness.

### **Altice France Revolving Credit Facilities**

Altice France entered into a revolving credit facilities agreement (as amended, restated, supplemented or otherwise modified from time to time, the “**Altice France Revolving Credit Facilities Agreement**”) on May 8, 2014, with, among others, certain lenders party thereto from time to time (the “**Altice France RCF Lenders**”), the mandated lead arrangers party thereto and Deutsche Bank AG, London Branch as facility agent and as security agent, pursuant to which the Altice France RCF Lenders agreed to provide Altice France and certain of its subsidiaries, including SFR, senior secured revolving credit facilities in the initial aggregate principal amount of €750 million. In 2015, the maximum amount of borrowings available under the Altice France Revolving Credit Facilities Agreement was increased to €1,125 million. The available tranches of commitments under the Altice France Revolving Credit Facilities Agreement as of December 31, 2018 are (a) the facility C commitment in the original aggregate principal amount of €296 million (the “**Altice France Revolving Credit Facility C**”) and (b) the facility D commitment in the aggregate principal amount of €196 million (the “**Altice France Revolving Credit Facility D**”) and (c) the facility E commitment in the aggregate principal amount of €633 million (the “**Altice France Revolving Credit Facility E**”, and together with the Altice France Revolving Credit Facility C and the Altice France Revolving Credit Facility D, the “**Altice France Revolving Credit Facilities**”). As of December 31, 2018, the Altice France Revolving Credit Facilities were fully undrawn. The aggregate principal amount of indebtedness outstanding under the Altice France Revolving Credit Facilities as of the date of the Offering

Memorandum is nil. Subject to certain requirements, the Altice France Revolving Credit Facilities may be utilized by way of cash drawings and guarantees.

### ***Limitations on Use of Funds***

The Altice France Revolving Credit Facilities are used by Altice France and certain of its subsidiaries for general corporate and working capital purposes of Altice France and its subsidiaries (excluding certain unrestricted subsidiaries) (the “**Altice France Borrower Group**”).

### ***Conditions to Borrowing***

Drawdowns under the Altice France Revolving Credit Facilities Agreement are subject to certain customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated net senior secured leverage ratio is not greater than the ratio specified in the Altice France Revolving Credit Facilities Agreement.

### ***Incremental Facility***

Subject to the satisfaction of certain conditions set out in the Altice France Revolving Credit Facilities Agreement, a new commitment lender (selected by Altice France) may provide new or additional commitments under the Altice France Revolving Credit Facilities Agreement.

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

Altice France and certain of its subsidiaries are permitted to make a specified number of drawdowns under each of the Altice France Revolving Credit Facilities for terms of one, two, three or six months (or any other period agreed by Altice France and the facility agent), but no such period shall end beyond the final maturity date of the Altice France Revolving Credit Facilities Agreement. Drawdowns under the Altice France Revolving Credit Facilities must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date.

The interest rate on each loan under the Altice France Revolving Credit Facilities Agreement for each interest period is equal to the aggregate of: (x) the applicable margin and (y) EURIBOR. The margin under the Altice France Revolving Credit Facilities Agreement is 3.25% per annum. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period).

Until one month prior to the final maturity date of the Altice France Revolving Credit Facilities Agreement, Altice France is obligated to pay a commitment fee on the available but undrawn amounts under the Altice France Revolving Credit Facilities Agreement at the rate of 40% of the margin calculated on undrawn and un-cancelled commitments.

### ***Repayment***

The final maturity date of the Altice France Revolving Credit Facility C will be the earlier of (i) May 21, 2019, and (ii) the date on which the Altice France Revolving Credit Facility C is fully repaid and cancelled.

The final maturity date of the Altice France Revolving Credit Facility D will be the earlier of (i) July 5, 2021, and (ii) the date on which the Altice France Revolving Credit Facility D is fully repaid and cancelled.

The final maturity date of the Altice France Revolving Credit Facility E will be the earlier of (i) August 16, 2023 and (ii) the date on which the Altice France Revolving Credit Facility E is fully repaid and cancelled.

### ***Automatic Cancellation***

Customary partial or total cancellation events apply to the Altice France Revolving Credit Facilities Agreement, including where it becomes unlawful for any RCF Lender to fund, issue or maintain its participation in the Altice France Revolving Credit Facilities Agreement.

### ***Mandatory Prepayment***

Upon the occurrence of a Change of Control Triggering Event, Altice France and the other borrowers thereunder must repay the Altice France Revolving Credit Facilities in full together with accrued interest and all other amounts accrued under related finance documents and the Altice France Revolving Credit Facilities Agreement will be cancelled.

Certain excess proceeds received by Altice France from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Altice France Revolving Credit Facilities.

### ***Guarantees***

Each of the Altice France Guarantors also guarantee the obligations of each obligor under the Altice France Revolving Credit Facilities Agreement and related finance documents subject to applicable guarantee limitations specified therein. Altice France is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated EBITDA and gross assets of Altice France and its subsidiaries.

### ***Security***

The Altice France Revolving Credit Facilities Agreement is secured by the Altice France Collateral that secures the Altice France Term Loans and the Altice France Notes.

### ***Representations and Warranties***

The Altice France Revolving Credit Facilities Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

### ***Undertakings***

The Altice France Revolving Credit Facilities Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the Altice France Notes Indentures.

The Altice France Revolving Credit Facilities Agreement also requires Altice France and Altice France Borrower Group to observe certain general undertakings subject to materiality and other customary and agreed exceptions. These general undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) at least *pari passu* ranking of all payment obligations under the Altice France Revolving Credit Facilities Agreement and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) maintenance and protection of intellectual property rights; (x) no amendments to constitutional documents that are likely to materially adversely affect the Altice France Collateral; (xi) an Obligor not moving its center of main interest from, or having an “establishment” in any jurisdiction other than, its jurisdiction of incorporation; and (xii) restricting the making of proceeds drawn under the Altice France Revolving Credit Facilities Agreement to any sanctioned person or sanctioned country.

### ***Financial Covenants, Events of Default***

The Altice France Revolving Credit Facilities Agreement requires Altice France and the Altice France Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio of no more than 4.5 to 1.0 only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the Altice France Revolving Credit Facilities Agreement at the end of each financial quarter.

The Altice France Revolving Credit Facilities Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, will allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts; and/or

(iii) declare that all or part of the loans be repayable on demand. The proceeds of any enforcement of collateral will be applied in accordance with the Altice France Intercreditor Agreement.

The Altice France Revolving Credit Facilities Agreement permits the incurrence of indebtedness so long as the Consolidated Net Leverage Ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the Consolidated Net Senior Secured Leverage Ratio (*pro forma* for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 Consolidated Net Leverage Ratio (*pro forma* for such transactions) and so long as there is no default or event of default outstanding, the Altice France Revolving Credit Facilities Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to 100% of the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the original issue date of the Altice France Notes until the most recently ended quarter, less 1.4 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. The Altice France Revolving Credit Facilities Agreement also provides that, for so long as no payment block events have occurred and are continuing, Altice France may pay dividends or other distributions to its shareholders in an amount such that the Altice Lux FR S.A.'s pro rata share of such dividends or other distributions is equal to the amount required by the Issuer for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness.

### **Perpetual Subordinated Notes**

In 2006, one of the subsidiaries of the Group, SFR Fibre issued perpetual subordinated notes (the “**Perpetual Subordinated Notes**”) for the benefit of Vilorex, a subsidiary of GDF SUEZ. The proceeds of the Perpetual Subordinated Notes have been allocated to the funding of the construction of connectors in cities in the southern part of SIPPAREC (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Perpetual Subordinated Notes bear interest at an annual rate of 7%. The interest on the Perpetual Subordinated Notes is capitalized. As of December 31, 2018, total financial liabilities, excluding interest, under the Perpetual Subordinated Notes amounted to €53 million. The Perpetual Subordinated Notes have been issued for an indefinite period and are repayable either in the case of liquidation or dissolution of SFR Fibre, or when SFR Fibre reaches a certain level of turnover generated by the customers covered by the connectors. These trigger thresholds have not been attained since the date of the issuance of Perpetual Subordinated Notes. SFR Fibre may choose to pay in advance all or part of the Perpetual Subordinated Notes upon ten days' notice.

### **Security Deposits Received from Subscribers**

Security deposits received from subscribers amounted to €200 million, €200 million and €188 million and as of December 31, 2018, December 31, 2017, and 2016 respectively. These deposits are made when subscribers receive equipment from the Group. The subscribers' deposits are reimbursed upon cancellation of their subscription, on the condition of subscribers having paid outstanding invoices and returning the equipment. The guarantee deposits are recorded in the statement of financial position as long-term debt.

### **Finance Leases**

Several companies of the Group have entered into contracts of finance leases on real estate properties (usually for periods of 20 to 30 years), office equipment (mainly for periods of four years) and technical equipment. All of our lease contracts are denominated in euro. Some real estate leases provide that at the beginning of the rental period annual rents will be fixed but will subsequently become linked to an index based on the rate of inflation (corresponding to a specific percentage increase).

See “*Capitalization*” elsewhere in these Listing Particulars for the commitments of the Group (the current value of minimum rents) under its finance leases.

### **2019 Hivory Senior Revolving Facilities**

#### ***Overview***

On February 22, 2019, Hivory, a restricted subsidiary of Altice France, entered into a facility agreement which provided for a senior revolving facility, in an initial aggregate principal amount of €300 million (the “**Hivory RCF**”) with Hivory as the borrower and guarantor, certain lenders party thereto and Wilmington Trust (London) Limited as facility agent (as amended, restated, supplemented or otherwise modified from time to time, the

“**Hivory RCF Agreement**”) in connection with the Towers Transaction to refinance the indebtedness of Hivory and its holding companies and subsidiaries (the “**Hivory Group**”), pay transaction costs and to finance general corporate purposes and/or working capital of the Hivory Group. The Hivory RCF may be utilized by way of revolving credit loans or bank guarantees. See “*Description of Our Business—Altice France Group—Material Contracts—Hivory—Agreement to Dispose of Tower Assets*”.

The Hivory RCF matures on February 22, 2024.

### ***Interest Rate and Fees***

Borrowings under the Hivory RCF bear interest at an annual rate equal to (i) the higher rate between (a) the LIBOR (or in the case of loans in Euros, EURIBOR) rate and (b) 0.00% plus (ii) a specified margin. The undrawn commitment fee is based on a specified percentage of margin.

A guarantee fee in respect of each issued and outstanding bank guarantee accrues at an annual rate derived from the margin applicable to a loan under the Hivory RCF, subject to a specified floor. In addition, each issuing bank of a guarantee will receive an issuing fee accruing at a specified annual rate on the amount of the relevant guarantee.

### ***Prepayments***

The Hivory RCF may be voluntarily prepaid at any time without premium or penalty, subject to customary “breakage” costs.

The Hivory RCF Agreement permits the lenders to request Hivory to repay outstanding loans and cancel the outstanding commitments thereunder in the order of application set out in the Hivory RCF Agreement upon a change of control or sale of all or substantially all of the business and assets of the Hivory Group.

### ***Guarantees and Security***

Hivory and the other members of the Hivory Group, guarantee or will guarantee on a senior basis, the obligations of each other obligor under the Hivory RCF Agreement and related finance documents subject to applicable guarantee limitations specified therein. Hivory is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated EBITDA of the Hivory Group. Each entity that is a material subsidiary of Hivory (calculated as having at least 5% of consolidated EBITDA of the Hivory Group) and each holding company of such subsidiary (as well as the holding company of any borrower) that is a member of the Hivory Group and that is incorporated in France is required to become a guarantor.

The Hivory RCF is not secured.

### ***Certain Covenants and Events of Default***

The Hivory RCF Agreement requires Hivory to maintain a maximum 2.25:1 ratio of consolidated net leverage to pro forma EBITDA for the periods set out therein.

The Hivory RCF Agreement includes negative covenants that, among other things and subject to certain exceptions and qualifications, limit the ability of obligors to: (i) create security over assets, (ii) dispose of assets, and (iii) change the line of business.

The Hivory RCF Agreement also contains certain customary representations and warranties, covenants and events of default. If an event of default occurs, the lenders under the Hivory RCF will be entitled to take various actions, including the acceleration of amounts due under the Hivory RCF and all actions permitted to be taken by a creditor.

### **Indebtedness of the Altice International Group**

#### ***Altice Financing 2023 Notes***

On February 4, 2015, Altice Financing issued (i) \$2,060 million aggregate principal amount of its 6<sup>5</sup>/<sub>8</sub>% senior secured notes due 2023; and (ii) €500 million aggregate principal amount of its 5<sup>1</sup>/<sub>4</sub>% senior secured notes due 2023 (the “**Altice Financing 2023 Notes**”). The Altice Financing 2023 Notes mature on February 15, 2023.

Interest on the Altice Financing 2023 Notes is payable semi-annually in cash in arrears on each April 1 and October 1. The Altice Financing 2023 Notes are governed by a New York law governed indenture entered into on February 4, 2015 (the “**Altice Financing 2023 Notes Indenture**”).

The Altice Financing 2023 Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Financing that is not subordinated in right of payment to the Altice Financing 2023 Notes, (ii) rank senior in right of payment to any existing or future indebtedness of Altice Financing that is expressly subordinated in right of payment to the Altice Financing 2023 Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Financing that is secured by property or assets that do not secure the Altice Financing 2023 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Altice Financing 2023 Notes are guaranteed on a senior secured basis by the Altice Finco Notes Guarantors (as defined below) other than Altice Financing (the “**Altice Financing Notes Guarantors**”). Each such guarantee is a general obligation of the applicable Altice Financing Notes Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the applicable Altice Financing Notes Guarantor that is not subordinated in right of payment to such Altice Financing Notes Guarantor’s guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the applicable Altice Financing Notes Guarantor that is expressly subordinated in right of payment to such Altice Financing Notes Guarantor’s guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the applicable Altice Financing Notes Guarantor, including any existing or future indebtedness such Altice Financing Notes Guarantor that is secured by property or assets that do not secure such Altice Financing Notes Guarantor’s guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Altice Financing Notes Guarantor that does not guarantee the Altice Financing 2023 Notes. The guarantees of the Altice Financing 2023 Notes are subject to release under certain circumstances.

The Altice Financing 2023 Notes are secured by (i) first-ranking pledges over all of the share capital of Altice Financing, the Altice Financing Notes Guarantors (other than Altice International) (the share pledges over the share capital of Altice Dominicana and Global Interlink will be effective upon approval by Indotel) and the capital stock of HOT; (ii) a first-ranking pledge over the bank accounts and all receivables of Altice Financing, including the Altice Financing Pledged Proceeds Loans; (iii) first-ranking pledges (or assignments, as applicable) over all of the material assets of each Altice Financing Notes Guarantor and the Covenant Party Pledged Proceeds Loans, other than (a) shares of Altice Blue Two held by Altice Caribbean, (b) licenses and real estate assets below €5 million in the Dominican Republic and (c) Altice Portugal, PT Portugal and PT OpCo (the security granted by such Altice Financing Notes Guarantors is set forth below); (iv) a first-ranking pledge over all of the share capital of Altice Portugal up to an amount equal to the applicable Aggregate Portuguese Security and Guarantee Limit (the “**Altice Portugal Security**”); (v) first-ranking pledges over all of the shares of PT Portugal, PT OpCo, PT Cloud and PT Móveis up to an amount equal to the applicable Aggregate Portuguese Security and Guarantee Limit (collectively, the “**PT Portugal Security**”); (vi) a first-ranking pledge over the Existing AF Proceeds Loans; and (vii) a first-ranking pledge over the Cool Shareholder Loan (the “**Altice Financing Notes Collateral**”).

Altice Financing may redeem some or all of the Altice Financing 2023 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from February 15 of each year indicated below:

Year	Repurchase price			
	Altice Financing 2023		Altice Financing 2023	
	Dollar Notes		Euro Notes	
2019 .....	103.313	%	102.625	%
2020 .....	101.656	%	101.313	%
2021 and thereafter .....	100.000	%	100.000	%

In addition, Altice Financing may redeem all of the Altice Financing 2023 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Financing or Altice International experience specific kinds of changes in control, or if certain minority shareholder options are exercised with respect to the shares of HOT, Altice Financing may be required to make an offer to repurchase the Altice Financing 2023 Notes at specified redemption prices.



The Altice Financing 2023 Notes Indenture, among other things, limits the ability of Altice Financing, the ability of Altice International, and the ability of its Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The Altice Financing 2023 Notes Indenture permits the incurrence of indebtedness by Altice Financing so long as the consolidated net senior secured leverage ratio (pro forma for such transaction) is not greater than 3 to 1. Subject to the consolidated net leverage ratio not exceeding 4 to 1 (pro forma for such transaction) and so long as there is no default or event of default outstanding, the Altice Financing 2023 Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregate amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first day of the first full fiscal quarter commencing prior to December 12, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, the Altice Financing 2023 Notes Indenture permits unlimited restricted payments so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4 to 1.

The Altice Financing 2023 Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of such indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Altice Financing 2023 Notes Indenture, the Altice Financing 2023 Notes and the guarantees thereof are governed by the laws of the State of New York.

#### ***Altice Financing 2026 Notes***

On May 3, 2016, Altice Financing issued \$2,750 million aggregate principal amount of its 7½% senior secured notes due 2026 (the “**Altice Financing 2026 Notes**”, and together with the Altice Financing 2023 Notes, the “**Altice Financing Notes**”). The Altice Financing 2026 Notes mature on May 15, 2026. Interest on the Altice Financing 2026 Notes is payable semi-annually in cash in arrears on each January 15 and July 15. The Altice Financing 2026 Notes are governed by a New York law governed indenture entered into on May 3, 2016 (the “**Altice Financing 2026 Notes Indenture**”).

The Altice Financing 2026 Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Financing that is not subordinated in right of payment to the Altice Financing 2026 Notes, (ii) rank senior in right of payment to any existing or future indebtedness of Altice Financing that is expressly subordinated in right of payment to the Altice Financing 2026 Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Financing that is secured by property or assets that do not secure the Altice Financing 2026 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Altice Financing 2026 Notes are guaranteed on a senior secured basis by the Altice Financing Notes Guarantors. Each such guarantee is a general obligation of the applicable Altice Financing Notes Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the applicable Altice Financing Notes Guarantor that is not subordinated in right of payment to such Altice Financing Notes’ guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the applicable Altice Financing Notes Guarantor that is expressly subordinated in right of payment to such Altice Financing Notes’ guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the applicable Altice Financing Notes Guarantor, including any existing or future indebtedness of such Altice Financing Notes Guarantor that is secured by property or assets that do not secure such Altice Financing Notes Guarantor’s guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Altice Financing Notes Guarantor that does not guarantee the Altice Financing 2026 Notes. The guarantees of the Altice Financing 2026 Notes are subject to release under certain circumstances.

The Altice Financing 2026 Notes are secured by the Altice Financing Notes Collateral.

Prior to May 15, 2021, Altice Financing may redeem all or a portion of the Altice Financing 2026 Notes at a price equal to 100% of the principal amount plus a make-whole premium. On or after May 15, 2021, Altice Financing may redeem some or all of the Altice Financing 2026 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from May 15 of each year indicated below:

<b>Year</b>	<b>Repurchase price</b>	
2021 .....	103.750	%
2022 .....	102.500	%
2023 .....	101.250	%
2024 and thereafter .....	100.000	%

In addition, prior to May 15, 2019, Altice Financing may redeem up to 40% of the aggregate principal amount of the Altice Financing 2026 Notes with the proceeds of certain equity offerings at a redemption price equal to 107.500% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to, but not including, the redemption date, provided that at least 60% of the original aggregate principal amount of the Altice Financing 2026 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Financing may redeem all of the Altice Financing 2026 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Financing or Altice International experience specific kinds of changes in control, Altice Financing may be required to make an offer to repurchase the Altice Financing 2026 Notes at specified redemption prices.

The Altice Financing 2026 Notes Indenture, among other things, limits the ability of Altice Financing, the ability of Altice International and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based consolidated leverage ratio test), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The Altice Financing 2026 Notes Indenture permits the incurrence of senior secured indebtedness by Altice Financing so long as the consolidated net senior secured leverage ratio (pro forma for such transaction) is not greater than 3 to 1. Subject to the consolidated net leverage ratio not exceeding 4 to 1 (pro forma for such transaction) and so long as there is no default or event of default outstanding, the Altice Financing 2026 Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregate amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first day of the first full fiscal quarter commencing prior to December 12, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period (although compliance with such consolidated net leverage ratio is not required to make a restricted investment). The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, the Altice Financing 2026 Notes Indenture permits unlimited restricted payments so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4 to 1.

The Altice Financing 2026 Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Altice Financing 2026 Notes Indenture, the Altice Financing 2026 Notes and the guarantees thereof are governed by the laws of the State of New York.

## Altice Finco 2023 Notes

On June 19, 2013, Altice Finco issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the “**Altice Finco 2023 Notes**”). The Altice Finco 2023 Notes mature on June 15, 2023. Interest on the Altice Finco 2023 Notes is payable semi-annually in cash in arrears on each January 15 and July 15. The Altice Finco 2023 Notes are governed by a New York law governed indenture entered into on June 19, 2013 (the “**Altice Finco 2023 Notes Indenture**”).

The Altice Finco 2023 Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the Altice Finco 2023 Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the Altice Finco 2023 Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Finco that is secured by property or assets that do not secure the Altice Finco 2023 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Altice Finco 2023 Notes are guaranteed on a senior subordinated basis by Altice Financing, Altice International, Altice Caribbean S.à r.l., Altice Bahamas S.à r.l., Cool Holding Ltd., H. Hadaros 2012 Ltd., Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Portugal, Global Interlink Ltd., Altice Dominicana S.A., PT Portugal and PT OpCo (the “**Altice Finco Notes Guarantors**”). Each such guarantee is a general obligation of the applicable Altice Finco Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is not subordinated in right of payment to such Altice Finco Notes Guarantor’s guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the applicable Altice Finco Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is expressly subordinated in right of payment to such Altice Finco Notes Guarantor’s guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is secured by property or assets that do not secure such Altice Finco Notes Guarantor’s guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Altice Finco Notes Guarantor that does not guarantee the Altice Finco 2023 Notes. The guarantees of the Altice Finco 2023 Notes are subject to release under certain circumstances.

The Altice Finco 2023 Notes are secured by (i) a first ranking pledge over all of the share capital of Altice Finco, (ii) second ranking pledges over all of the share capital of Altice Financing, Cool Holding Ltd. and Altice Holdings S.à r.l., (iii) a second ranking pledge over the Cool Shareholder Loan and (iv) second ranking pledges of the AF Proceeds Loans (the “**Altice Finco Notes Collateral**”).

At any time, Altice Finco may redeem some or all of the Altice Finco 2023 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from June 15 of each year indicated below:

<b>Year</b>	<b>Repurchase price</b>
2018 .....	104.500 %
2019 .....	103.000 %
2020 .....	102.250 %
2021 and thereafter .....	100.000 %

In addition, Altice Finco may redeem all of the Altice Finco 2023 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, or if certain minority shareholder options are exercised with respect to the shares of HOT, Altice Finco may be required to make an offer to repurchase the Altice Finco 2023 Notes at specified redemption prices.

The Altice Finco 2023 Notes Indenture, among other things, limits the ability of Altice Finco, the ability of Altice International and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness, (subject to an incurrence based consolidated leverage ratio test), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment

of intercompany loans and advances, and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The Altice Finco 2023 Notes Indenture permits the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4 to 1. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the Altice Finco 2023 Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregate amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, the Altice Finco 2023 Notes Indenture permits unlimited restricted payments so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.

The Altice Finco 2023 Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period provided, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Altice Finco 2023 Notes Indenture, the Altice Finco 2023 Notes and the guarantees thereof are governed by the laws of the State of New York.

#### ***Altice Finco 2024 Notes***

On December 12, 2013, Altice Finco issued \$400 million aggregate principal amount of its 8<sup>1</sup>/<sub>8</sub>% senior notes due 2024 (the “**Altice Finco 2024 Notes**”). The Altice Finco 2024 Notes mature on January 15, 2024. Interest on the Altice Finco 2024 Notes is payable semi-annually in cash in arrears on each January 15 and July 15. The Altice Finco 2024 Notes are governed by a New York law governed indenture entered into on December 12, 2013 (the “**Altice Finco 2024 Notes Indenture**”).

The Altice Finco 2024 Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the Altice Finco 2024 Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the Altice Finco 2024 Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Finco that is secured by property or assets that do not secure the Altice Finco 2024 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Altice Finco 2024 Notes are guaranteed on a senior subordinated basis by the Altice Finco Notes Guarantors. Each such guarantee is a general obligation of the applicable Altice Finco Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is not subordinated in right of payment to such Altice Finco Notes Guarantor’s guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the applicable Altice Finco Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is expressly subordinated in right of payment to such Altice Finco Notes Guarantor’s guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is secured by property or assets that do not secure such Altice Finco Notes Guarantor’s guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Altice Finco Notes Guarantor that does not guarantee the Altice Finco 2024 Notes. The guarantees of the Altice Finco 2024 Notes are subject to release under certain circumstances.

The Altice Finco 2024 Notes are secured by the Altice Finco Notes Collateral.

Altice Finco may redeem some or all of the Altice Finco 2024 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from December 15 of each year indicated below:

Year	Repurchase price
2018	104.063 %
2019	102.708 %
2020	101.354 %
2021 and thereafter	100.000 %

In addition, Altice Finco may redeem all of the Altice Finco 2024 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, or if certain minority shareholder options are exercised with respect to the shares of HOT, Altice Finco may be required to make an offer to repurchase the Altice Finco 2024 Notes at specified redemption prices.

The Altice Finco 2024 Notes Indenture, among other things, limits the ability of Altice Finco, the ability of Altice International and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The Altice Finco 2024 Notes Indenture permits the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4 to 1 Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the Altice Finco 2024 Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregate amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Altice Finco 2024 Notes Indenture are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3 to 1.

The Altice Finco 2024 Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Altice Finco 2024 Notes Indenture, the Altice Finco 2024 Notes and guarantees thereof are governed by the laws of the State of New York.

### ***Altice Finco 2025 Notes***

On February 4, 2015, Altice Finco issued \$385 million aggregate principal amount of its 7<sup>5</sup>/<sub>8</sub>% senior notes due 2025 (the “**Altice Finco 2025 Notes**”). The Altice Finco 2025 Notes mature on February 15, 2025. Interest on the Altice Finco 2025 Notes is payable semi-annually in cash in arrears on each April 1 and October 1. The Altice Finco 2025 Notes are governed by a New York law governed indenture entered into on February 4, 2015 (the “**Altice Finco 2025 Notes Indenture**”).

The Altice Finco 2025 Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the Altice Finco 2025 Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the Altice Finco 2025 Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Finco that is secured by property or assets that do not secure the Altice Finco 2025 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Altice Finco 2025 Notes are guaranteed on a senior subordinated basis by the Altice Finco Notes Guarantors. Each such guarantee is a general obligation of the applicable Altice Finco Notes Guarantor and (i) is subordinated

in right of payment with any existing and future Indebtedness of the applicable Altice Finco Notes Guarantor that is not subordinated in right of payment to such Altice Finco Notes Guarantor's guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the applicable Altice Finco Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is expressly subordinated in right of payment to such Altice Finco Notes Guarantor's guarantee; (iv) is effectively subordinated to any existing and future Indebtedness of the applicable Altice Finco Notes Guarantor that is secured by property or assets that do not secure such Altice Finco Notes Guarantor's guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Altice Finco Notes Guarantor that does not guarantee the Altice Finco 2025 Notes. The guarantees of the Altice Finco 2025 Notes are subject to release under certain circumstances.

The Altice Finco 2025 Notes are secured by the Altice Finco Notes Collateral.

Prior to February 15, 2020, the Altice Finco may redeem all or a portion of the Altice Finco 2025 Notes at a price equal to 100% of the principal amount plus a make-whole premium. On or after February 15, 2020, Altice Finco may redeem some or all of the Altice Finco 2025 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from December 15 of each year indicated below:

<b>Year</b>	<b>Repurchase price</b>
2020 .....	103.813 %
2021 .....	102.542 %
2022 .....	101.271 %
2023 and thereafter .....	100.000 %

In addition, Altice Finco may redeem all of the Altice Finco 2025 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the Altice Finco 2025 Notes at specified redemption prices.

The Altice Finco 2025 Notes Indenture, among other things, limits the ability of Altice Finco, the ability of Altice International and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications. The Altice Finco 2025 Notes Indenture permits the incurrence of indebtedness by Altice Finco so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4 to 1. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the Altice Finco 2025 Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregate amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first day of the first full fiscal quarter commencing prior to December 12, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Altice Finco 2025 Notes Indenture are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4 to 1.

The Altice Finco 2025 Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Altice Finco 2025 Notes Indenture, the Altice Finco 2025 Notes and the guarantees thereof are governed by the laws of the State of New York.

### **Altice Finco 2028 Notes**

On October 11, 2017, Altice Finco issued €675 million aggregate principal amount of its 4¾% senior secured notes due 2028 (the “**Altice Finco 2028 Notes**”, together with the Altice Finco 2023 Notes, the Altice Finco 2024 Notes and the Altice Finco 2025 Notes, the “**Altice Finco Notes**”). The Altice Finco 2028 Notes mature on January 15, 2028. Interest on the Altice Finco 2028 Notes is payable semi-annually in cash in arrears on each January 15 and July 15. The Altice Finco 2028 Notes are governed by a New York law governed indenture entered into on October 11, 2017 (the “**Altice Finco 2028 Notes Indenture**”).

The Altice Finco 2028 Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the Altice Finco 2028 Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the Altice Finco 2028 Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Finco that is secured by property or assets that do not secure the Altice Finco 2028 Notes, to the extent of the value of the property and assets securing such indebtedness.

The Altice Finco 2028 Notes are guaranteed on a senior subordinated basis by the Altice Finco Notes Guarantors (except Altice Bahamas). Each such guarantee is a general obligation of the applicable Altice Finco Notes Guarantor and (i) is subordinated in right of payment with any existing and future Indebtedness of the applicable Altice Finco Notes Guarantor that is not subordinated in right of payment to such Altice Finco Notes Guarantor’s guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the applicable Altice Finco Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the applicable Altice Finco Notes Guarantor that is expressly subordinated in right of payment to such Altice Finco Notes Guarantor’s guarantee; (iv) is effectively subordinated to any existing and future Indebtedness of the applicable Altice Finco Notes Guarantor that is secured by property or assets that do not secure such Altice Finco Notes Guarantor’s guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Altice Finco Notes Guarantor that does not guarantee the Altice Finco 2028 Notes. The guarantees of the Altice Finco 2028 Notes are subject to release under certain circumstances.

The Altice Finco 2028 Notes are secured by the Altice Finco Notes Collateral.

Prior to October 15, 2022, the Altice Finco may redeem all or a portion of the Altice Finco 2028 Notes at a price equal to 100% of the principal amount plus a make-whole premium. On or after October 15, 2022, Altice Finco may redeem some or all of the Altice Finco 2028 Notes at the redemption prices, plus accrued and unpaid interest and additional amounts, if any, during the period of twelve months from October 15 of each year indicated below:

<b>Year</b>	<b>Repurchase price</b>
2022	102.375 %
2023	101.583 %
2024	100.792 %
2025 and thereafter	100.000 %

In addition, Altice Finco may redeem all of the Altice Finco 2028 Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the Altice Finco 2028 Notes at specified redemption prices.

The Altice Finco 2028 Notes Indenture, among other things, limits the ability of Altice Finco, the ability of Altice International and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations. These covenants are subject

to a number of important exceptions and qualifications. The Altice Finco 2028 Notes Indenture permits the incurrence of indebtedness by Altice Finco so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4 to 1. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the Altice Finco 2028 Notes Indenture permits the distribution of dividends and other restricted payments so long as the aggregate amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first day of the first full fiscal quarter commencing prior to December 12, 2012 until the most recently ended quarter, less 1.4 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Altice Finco 2028 Notes Indenture are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4 to 1.

The Altice Finco 2028 Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Altice Finco 2028 Notes Indenture, the Altice Finco 2028 Notes and the guarantees thereof are governed by the laws of the State of New York.

### ***Altice Financing Term Loans***

#### *Overview*

On January 30, 2015, Altice Financing, together with certain guarantors, entered into a senior secured term loan credit facility, as amended from time to time (the “**Altice Financing Term Loan Agreement**”), and borrowed Euro and U.S. dollar term loans in an aggregate principal amount equivalent to €841 million (the “**Initial 2015 Term Loan**”). On July 14, 2015, Altice Financing entered into an incremental loan assumption agreement under the Altice Financing Term Loan Agreement, and borrowed €450 million under an incremental facility (the “**2015 Incremental Loans**”). On June 21, 2016, Altice Financing entered into a refinancing amendment under the Altice Financing Term Loan Agreement, and borrowed in an aggregate amount of €448 million under a refinancing facility that refinanced in full the 2015 Incremental Loans (the “**2016 Refinancing Loans**”). The Initial 2015 Term Loan was refinanced in full with the proceeds from the issuance of the Altice Financing 2026 Notes.

On April 18, 2017, Altice Financing entered into a refinancing amendment and incremental loan assumption agreement under the Altice Financing Term Loan Agreement, and borrowed \$485 million under a refinancing facility that refinanced in full the 2016 Refinancing Loans and \$425 million under an incremental facility (collectively, the “**2017 April Term Loans**”). On November 2, 2017, Altice Financing entered into an incremental loan assumption agreement under the Altice Financing Term Loan Agreement, and borrowed \$900 million (the “**2017 Dollar November Term Loans**”) and €300 million (the “**2017 Euro November Term Loans**”), together with the 2017 Dollar November Term Loans, the “**2017 November Term Loans**”) under incremental facilities.

The following table shows all tranches of outstanding Altice Financing Term Loans under the Altice Financing Term Loan Agreement as of December 31, 2018:

	<b>Borrower</b>	<b>Maturity</b>	<b>Original Principal Amount of Drawing (in million)</b>	<b>Outstanding At December 31, 2018</b>
2017 April Term Loans.....	Altice Financing	July 15, 2025	\$ 910	\$ 778
2017 Dollar November Term Loans .....	Altice Financing	January 31, 2026	\$ 900	\$ 775
2017 Euro November Term Loans.....	Altice Financing	January 31, 2026	€ 300	€ 296



### *Interest Rate and Fees*

Borrowings under the Altice Financing Term Loan Agreement bear interest at a rate per annum equal to the applicable margin plus (i) in the case of U.S. dollar denominated loans, at our option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds Effective Rate as published by the Federal Reserve Bank of New York plus 0.50%, (2) the prime rate determined from time to time by the administrative agent under the Altice Financing Term Loan Agreement as the prime rate, (3) the LIBO rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1% and (4) a “floor” or (b) a LIBOR rate equal to the greater of (A) a rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, and (B) a “floor,” and (ii) in the case of Euro-denominated loans, the greater of (A) a EURIBOR rate determined by reference to the costs of funds for Euro deposits for the interest period relevant to such borrowing adjusted for certain additional costs, and (B) a “floor.”

The applicable margin with respect to the 2017 April Term Loans and the 2017 November Term Loans is 2.75% per annum, the “floor” for the LIBO rate is 0.00% per annum, and the “floor” for the base rate is 1%. The applicable margin with respect to the 2017 Euro November Term Loans is 2.75% per annum and the “floor” for the EURIBOR rate is 0.00% per annum.

### *Mandatory Prepayments*

The Altice Financing Term Loan Agreement requires us to prepay outstanding Term Loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to thereunder reinvestment rights and certain other exceptions; and (ii) 50% of our annual excess cash flow if the annual excess cash exceeds €15 million, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than 4 to 1.

### *Voluntary Prepayments*

Any outstanding Term Loans may be voluntarily prepaid at any time subject to customary “breakage” costs with respect to Eurodollar Loans.

### *Amortization and Final Maturity*

We are required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the Altice Financing Term Loans with the balance, with respect to the 2017 April Term Loans, due on July 15, 2025 and, with respect to the 2017 November Term Loans, due on January 31, 2026.

### *Guarantees*

The Altice Financing Notes Guarantors guarantees, on a senior basis, the obligations of each other obligor under the Altice Financing Term Loan Agreement and related finance documents subject to applicable guarantee limitations specified therein.

### *Security*

Loans under the Altice Financing Term Loan Agreement are secured substantially by the Altice Financing Notes Collateral.

### *Certain Covenants and Events of Default*

The Altice Financing Term Loan Agreement includes negative covenants that substantially reflect the covenants contained in the indenture governing the Altice Financing 2026 Notes, and, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional indebtedness, subject to an incurrence based consolidated net leverage ratio or consolidated net senior secured leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations.

The Altice Financing Term Loan Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control trigger event). If an event of default occurs, the lenders under the Altice Financing Term Loan Agreement will be entitled to take various actions, including the acceleration of amounts due under the Altice Financing Term Loan Agreement and all actions permitted to be taken by a secured creditor, subject to the Altice International Intercreditor Agreement.

The Altice Financing Term Loan Agreement permits the incurrence of senior secured indebtedness so long as the consolidated net senior secured leverage ratio (pro forma for such transaction) is not greater than 3 to 1. Subject to compliance with the 4 to 1 consolidated net leverage ratio (pro forma for such transactions) and so long as there is not default or event of default outstanding, the Altice Financing Term Loan Agreement permits the distribution of dividends and other restricted payments so long as the aggregate amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to December 12, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period (although compliance with such consolidated net leverage ratio is not required to make a restricted investment). The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Altice Financing Term Loan Agreement are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4 to 1.

### ***Altice Financing Revolving Credit Facilities***

#### *Altice Financing Revolving Credit Facilities*

The Altice Financing Revolving Credit Facilities are comprised of: (i) a €501 million *pari passu* revolving facility (as amended from time to time, the “**2014 *Pari passu* Revolving Credit Facility**”) available under the agreement entered into on December 9, 2014 between, among others, Altice Financing, as original borrower and guarantor, certain lenders party thereto, Morgan Stanley Bank International Limited, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA, J.P. Morgan Limited, Credit Suisse AG, London Branch, BNP Paribas Fortis SA/NV, Crédit Agricole Corporate and Investment Bank, Barclays Bank plc and ING Bank France as mandated lead arrangers, Citibank International Limited as facility agent and Citibank N.A., London Branch as security agent (the “**2014 *Pari passu* Revolving Credit Facility Agreement**”) and (ii) a €330 million super senior revolving facility (as amended from time to time, the “**2015 Revolving Credit Facility**” and, together with the 2014 *Pari passu* Revolving Credit Facility, the “**Altice Financing Revolving Credit Facilities**”) available under the agreement entered into on January 30, 2015 between, among others, Altice Financing, as original borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, J.P. Morgan Limited, Deutsche Bank AG, London Branch, Morgan Stanley Bank International Limited, Credit Suisse AG, London Branch, BNP Paribas Fortis SA/NV, Crédit Agricole Corporate and Investment Bank, Société Générale Corporate and Investment Bank, Nomura International plc, HSBC France and Citigroup Global Markets Limited as mandated lead arrangers, the borrower, Citibank International Limited as facility agent and the Citibank, N.A., London Branch as security agent (the “**2015 Revolving Credit Facility Agreement**” and, together with the 2014 *Pari passu* Revolving Credit Facility Agreement, the “**Altice Financing Revolving Credit Facility Agreements**”). Each Altice Financing Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the “borrower,” “borrowers,” “guarantor” or “guarantors” under this section refer to Altice Financing and any additional borrowers or guarantors (as applicable) who accede to the Altice Financing Revolving Credit Facility Agreements in that capacity. As of December 31, 2018, the Altice Financing Revolving Credit Facilities were fully undrawn. The aggregate principal amount of indebtedness outstanding under the Altice Financing Revolving Credit Facilities as of the date of the Offering Memorandum is nil.

#### *Structure of the Altice Financing Revolving Credit Facilities*

The final maturity date of the 2014 *Pari passu* Revolving Credit Facility is the earlier of (i) the date falling five years after July 18, 2016 and (ii) the date on which the 2014 *Pari passu* Revolving Credit Agreement has been fully repaid and cancelled. The 2015 Revolving Credit Facility Agreement was amended and restated on June 30, 2016 such that, among other things, the €330 million commitments under the 2015 Revolving Credit Facility were divided into Facility A and Facility B. The final maturity date of the €52.5 million of commitments under Facility A is (i) the date falling five years after June 2, 2015 and (ii) the date on which the 2015 Revolving Credit Facility has been fully repaid and cancelled. The final maturity date of the remaining €277.5 million of commitments under Facility B is the earlier of (i) July 18, 2021 and (ii) the date on which the 2015 Revolving Credit Facility

has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the Altice Financing Revolving Credit Facility Agreements for terms of, at the relevant borrower's election, one, two, three or six months (or any other period agreed by Altice Financing and the relevant lenders), but no such period shall end beyond the final maturity date of the relevant Altice Financing Revolving Credit Facility Agreement. Drawdowns under the Altice Financing Revolving Credit Facility Agreements must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date (save for certain roll-over loans).

#### *Limitations on Use of Funds*

The Altice Financing Revolving Credit Facilities and the 2017 Altice Financing Guarantee Facility (as defined below) may be used by the borrowers for general corporate and working capital purposes of the applicable Restricted Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of such Restricted Group.

#### *2017 Altice Financing Guarantee Facility*

A guarantee facility agreement for an aggregate principal amount of €331 million consisting of (i) Facility A for an amount of €15 million (the “**2017 Altice Financing Guarantee Facility A**”) and (ii) Facility B for an amount of €316 million (the “**2017 Altice Financing Guarantee Facility B**”) and, together with 2017 Altice Financing Guarantee Facility A, and as amended from time to time, the “**2017 Altice Financing Guarantee Facility**”) was entered into on June 23, 2017, by, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, BNP Paribas SA, J.P. Morgan Securities plc and Credit Agricole Corporate and Investment Bank, as original lenders, BNP Paribas SA and J.P. Morgan Limited, as mandated lead arrangers, J.P. Morgan Europe Limited, as facility agent and Citibank, N.A., London Branch, as security agent (“**2017 Altice Financing Guarantee Facility Agreement**”). The 2017 Altice Financing Guarantee Facility has been made available to the borrowers for general corporate and working capital purposes of the Restricted Group. The 2017 Altice Financing Guarantee Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the “borrower,” “borrowers,” “guarantor” or “guarantors” under this section refer to Altice Financing and any additional borrowers or guarantors (as applicable) who accede to the 2017 Altice Financing Guarantee Facility Agreement in that capacity. The 2017 Altice Financing Guarantee Facility currently allows for requests for guarantees to be issued up to a maximum of €331 million.

#### *Structure of the 2017 Altice Financing Guarantee Facility*

The final maturity date of the 2017 Altice Financing Guarantee Facility A is the date falling five years after June 23, 2017 and the final maturity date of 2017 Altice Financing Guarantee Facility B is July 7, 2021.

#### *Conditions to Borrowings*

Drawdowns under the Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility Agreement are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following (in the case of the Revolving Facility Agreements): (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties specified in the Altice Financing Revolving Credit Facility Agreements being true in all material respects. Drawdowns under the 2015 Revolving Credit Facility Agreement and under the 2014 *Pari passu* Revolving Credit Facility Agreement are subject to the following additional conditions precedent on the date the drawdown is requested and on the drawdown date: other than in respect of rollover loans, the facility agent having received certification from Altice Financing that, pro forma for the drawdown, the consolidated leverage ratio for the ratio period immediately preceding the drawdown is not greater than 5.25 to 1.

#### *Interest Rates and Fees*

The interest rate on each loan under the Altice Financing Revolving Credit Facility Agreements for each interest period is equal to the aggregate of: (x) the applicable margin; (y) LIBOR, or, in relation to any loan in euro, EURIBOR; and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements).

The margin under the 2014 *Pari passu* Revolving Credit Facility Agreement is 3.50% per annum. The margin under the 2015 Revolving Credit Facility Agreement is 3.50% per annum. The margin under the 2017 Altice

Financing Guarantee Facility A is 2.50% per annum and the margin under the 2017 Altice Financing Guarantee Facility B is, from (and including) the first date on which the applicable guarantee is to be issued (the “**Utilization Date**”) to (and excluding) the date falling three months after the first Utilization Date, 1.50% per annum, and thereafter 2.5% per annum.

Interest under the Altice Financing Revolving Credit Facility Agreements accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six month period) and is calculated on the basis of a 360 day year. With respect to any available but undrawn amounts under the Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility A, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncanceled commitments from the date falling 30 days after the date of the relevant Altice Financing Revolving Credit Facility Agreement and the 2017 Altice Financing Guarantee Facility (as applicable) until one month prior to the final maturity date of the relevant Altice Financing Revolving Credit Facility Agreement and the 2017 Altice Financing Guarantee Facility (as applicable). A guarantee fee is payable to the relevant issuing bank issuing guarantees under the 2017 Altice Financing Guarantee Facility in an amount equal to 0.125% of the face value of the relevant guarantee.

#### *Guarantees*

Each of the Altice Financing Notes Guarantors guarantees, on a senior basis, the obligations of each other obligor under the Altice Financing Revolving Credit Facility Agreements and related finance documents and each of the Altice Financing Notes Guarantors (except Altice Bahamas) guarantees, on a senior basis, the obligations of each other obligor under the 2017 Altice Financing Guarantee Facility Agreement and related finance documents.

#### *Security*

The Altice Financing Revolving Credit Facilities and the 2017 Altice Financing Guarantee Facility are substantially secured by the Altice Financing Notes Collateral (except for the collateral provided by Altice Bahamas, which does not secure the 2017 Altice Financing Guarantee Facility).

#### *Mandatory Prepayment*

Upon the occurrence of a Change of Control (as defined in each of the Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility, as applicable), the borrowers must repay the Altice Financing Revolving Credit Facilities and the 2017 Altice Financing Guarantee Facility in full together with accrued interest and all other amounts accrued under related finance documents and the Altice Financing Revolving Credit Facilities and the 2017 Altice Financing Guarantee Facility will be cancelled.

Subject to certain exceptions, if an amount in excess of 50% of the Senior Secured Debt (as defined in the 2015 Revolving Credit Facility Agreement) is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the Restricted Group, the relevant borrowers must apply a pro rata amount of such excess in cancellation of the 2015 Revolving Credit Facility and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the borrowers and guarantors from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Altice Financing Revolving Credit Facilities.

#### *Financial Covenants, Events of Default*

Each of the Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility requires Altice Financing and the applicable Restricted Group to maintain a Consolidated Leverage Ratio (as defined in each of the Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility Agreement), of no more than 5.25 to 1, to be tested at the end of each fiscal quarter.

The Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility Agreement contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all

outstanding loans together with other accrued amounts; and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Altice International Intercreditor Agreement, the proceeds of any enforcement of collateral will be applied towards repayment of the Altice Financing Revolving Credit Facilities (other than the 2014 *Pari passu* Revolving Credit Facility) and certain hedging obligations prior to repayment of the 2014 *Pari passu* Revolving Credit Facility, the Altice Finco Notes, the Altice Financing Notes, the 2017 Altice Financing Guarantee Facility and the Altice Financing Term Loans.

#### *Representations and Warranties*

The Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility Agreement contain certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

#### *Undertakings*

The Altice Financing Revolving Credit Facilities and the 2017 Altice Financing Guarantee Facility includes negative covenants that among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence based Consolidated Net Leverage Ratio or Consolidated Net Senior Secured Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations.

The Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility Agreement require the applicable Restricted Groups to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) *pari passu* ranking of all payment obligations under the relevant Altice Financing Revolving Credit Facility Agreements or the 2017 Altice Financing Guarantee Facility Agreement, as appropriate, and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Agent (as defined in the Altice Financing Revolving Credit Facility Agreements and the 2017 Altice Financing Guarantee Facility Agreement, as appropriate)/accountants/other professional advisers having access to investigate reasonably suspected events of default; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the pledges over shares or partnership interests; (xii) an entity not moving its center of main interest from, or having an establishment in any jurisdiction other than, its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by Altice International, Cool Holding, Hadaros and Altice Financing; and (xiv) restricting the making of proceeds drawn under the Altice Financing Revolving Credit Facility Agreements or the 2017 Altice Financing Guarantee Facility available to any sanctioned person or sanctioned country.

#### ***2018 Altice Financing Guarantee Facility***

A guarantee facility agreement for an aggregate principal amount of €93.375 million plus an additional amount equal to the interest accrued in respect of the proportionate amount of the EC Fine (as defined below) (as amended from time to time, the “**2018 Altice Financing Guarantee Facility**”) was entered into on July 25, 2018, by, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, BNP Paribas SA and Credit Agricole Corporate and Investment Bank, as original lenders and mandated lead arrangers, BNP Paribas SA, as facility agent and issuing bank and Citibank, N.A., London Branch, as security agent (“**2018 Altice Financing Guarantee Facility Agreement**”). The 2018 Altice Financing Guarantee Facility has been made available to Altice Financing to guarantee the obligations of Altice Europe to the European Commission in connection with the European Commission Decision C(2018) 2418 final of 24 April 2018 (the “**EC Fine**”).

The 2018 Altice Financing Guarantee Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the “borrower,” “borrowers,” “guarantor” or “guarantors” under this section refer to Altice Financing and any additional borrowers or guarantors (as applicable) who accede to the 2018 Altice Financing Guarantee Facility Agreement in that capacity. As of December 31, 2018, the aggregate principal amount of issued and outstanding guarantees under the 2018 Altice Financing Guarantee Facility was €93.375 million plus an additional amount equal to the interest accrued in respect of a proportionate amount of the EC Fine.

#### *Structure of the 2018 Altice Financing Guarantee Facility*

The final maturity date of the 2018 Altice Financing Guarantee Facility is the earliest of (i) 26 July 2021, (ii) the date of repayment and cancellation thereof and (iii) 5 business days after the date on which the EC Fine is revoked by a non-appealable decision of the European Union Court of Justice or the European Commission determines that the relevant guarantee is no longer needed.

The guarantee issued under the 2018 Altice Financing Guarantee Facility is provided on a one-year basis with automatic extensions until such time as BNP Paribas SA provides 45 day notice of termination thereof. The guarantee will expire upon (i) the date of repayment of the principal and interest thereunder, (ii) its replacement with another financial guarantee approved by the accounting officer of the European Commission or (iii) 5 years after the date of definitive judgement by the Court of Justice of the European Union concerning the EC Fine.

#### *Conditions to Utilizations*

Guarantee issuances and renewals under the 2018 Altice Financing Guarantee Facility Agreement are subject to certain customary conditions precedent on the date the relevant guarantee issuance or renewal is requested and on the guarantee issuance or renewal date, including the following: (i) no default (or in the case of renewals only, no event of default) and/or insolvency event continuing or occurring as a result of that issuance or renewal; and (ii) certain representations and warranties specified in the 2018 Altice Financing Guarantee Facility Agreement being true in all material respects.

#### *Interest Rates and Fees*

The fee on each guarantee under the 2018 Altice Financing Guarantee Facility Agreement for each guarantee fee period is equal to the aggregate of: (i) the applicable margin and (ii) EURIBOR.

The margin under the 2018 Altice Financing Guarantee Facility A is 3.00% per annum, reduced to 0.25% per annum for any portion of any guarantee issued thereunder that is equal to the balance standing to the credit of the cash collateral account for each day during which such balance is a positive amount.

A guarantee fronting fee is payable to the relevant issuing bank issuing guarantees under the 2018 Altice Financing Guarantee Facility in an amount equal to 0.125% of the outstanding amount of each guarantee which is counter-indemnified by the other lenders (other than affiliates of the issuing bank) for the period from the issue of that guarantee until its expiry date.

The guarantee fee and the guarantee fronting fee under the 2018 Altice Financing Guarantee Facility accrue daily from the date of issuance of the relevant guarantee and are payable on the last day of each guarantee fee period (unless the guarantee fee period is longer than six months, in which case the relevant fee is payable on the last day of each six month period), calculated on the basis of a 360-day year and days elapsed.

With respect to any available but undrawn amounts under the 2018 Altice Financing Guarantee Facility, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncanceled commitments.

#### *Guarantees*

Each of the Altice Financing Notes Guarantors guarantees, on a senior basis, the obligations of each other obligor under the 2018 Altice Financing Guarantee Facility Agreement and related finance documents.

### *Security*

The 2018 Altice Financing Guarantee Facility is substantially secured by the Altice Financing Notes Collateral (except for the collateral provided by Altice Bahamas, which does not secure the 2018 Altice Financing Guarantee Facility).

### *Mandatory Cancellation*

Upon the occurrence of a Change of Control (as defined in the 2018 Altice Financing Guarantee Facility), the borrowers must repay the 2018 Altice Financing Guarantee Facility in full together with accrued interest and all other amounts accrued under related finance documents and the 2018 Altice Financing Guarantee Facility will be cancelled.

### *Financial Covenants, Events of Default*

The 2018 Altice Financing Guarantee Facility requires Altice Financing to maintain a Consolidated Net Leverage Ratio (as defined in the 2018 Altice Financing Guarantee Facility Agreement), of no more than 5.25 to 1, to be tested at the end of each fiscal quarter only if the amount of drawings under the guarantees that have not been reimbursed or cash collateralized exceeds zero on such date.

The 2018 Altice Financing Guarantee Facility Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding utilizations together with other accrued amounts; (iii) declare that all or part of the utilizations be repayable on demand and/or (iv) declare that cash cover in respect of each guarantee be immediately due and payable and/or or payable on demand.

### *Representations and Warranties*

The 2018 Altice Financing Guarantee Facility Agreement contains certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

### *Undertakings*

The 2018 Altice Financing Guarantee Facility includes negative covenants that among other things and subject to certain significant exceptions and qualifications, limit the ability of Altice International and its restricted subsidiaries to: (i) incur or guarantee additional indebtedness, subject to an incurrence based Consolidated Net Leverage Ratio or Consolidated Net Senior Secured Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, (viii) change the line of business and (ix) engage in mergers or consolidations.

The 2018 Altice Financing Guarantee Facility Agreement requires Altice International and its restricted subsidiaries to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) at least *pari passu* ranking of all payment obligations under the 2018 Altice Financing Guarantee Facility Agreement and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Agent (as defined in the 2018 Altice Financing Guarantee Facility Agreement)/accountants/other professional advisers having access to investigate reasonably suspected events of default; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect transaction security interests; (xii) an entity not moving its centre of main interest from, or having an establishment in any jurisdiction other than, its jurisdiction of incorporation; (xiii) further assurances and (xiv) use of proceeds in breach of sanctions regulations.

### ***2018 Altice Financing Additional Financial Guarantee***

An additional standalone financial guarantee for an aggregate principal amount of €31.125 million plus an additional amount equal to the interest accrued in respect of the proportionate amount of the EC Fine (as defined above) (as amended from time to time, the “**2018 Altice Financing Additional Financial Guarantee**”) was issued on July 26, 2018 by Credit Agricole Corporate and Investment Bank for the benefit of the European Commission.

The 2018 Altice Financing Additional Financial Guarantee is fully cash collateralized and has been made available to guarantee the obligations of Altice Europe to the European Commission in connection with the EC Fine.

The 2018 Altice Financing Additional Financial Guarantee is provided on a one-year basis with automatic extensions until such time as Credit Agricole Corporate and Investment Bank provides 45 day notice of termination thereof. The 2018 Altice Financing Additional Financial Guarantee will expire upon (i) the date of repayment of the principal and interest thereunder, (ii) its replacement with another financial guarantee approved by the accounting officer of the European Commission or (iii) 5 years after the date of definitive judgement by the Court of Justice of the European Union concerning the EC Fine.

The fee in respect of the 2018 Altice Financing Additional Financial Guarantee is equal to 0.25% per annum, calculated on the amount of the guarantee as increased from time to time, payable quarterly in advance. Any amounts under the guarantee that are overdue and unpaid shall accrue interest equal to the aggregate of (i) a margin of 2.00% per annum and (ii) EURIBOR (subject to a 0.00% floor), calculated on the basis of actual number of days elapsed and a 365-day year.

### ***HOT Credit Facility***

On April 25, 2013, HOT entered into a facility agreement (as amended, restated, supplemented or otherwise modified from time to time, the “**HOT Credit Facility Agreement**”) with Bank Hapoalim B.M., Israel Discount Bank Ltd., and First International Bank of Israel Ltd. as lenders, extending a credit facility for an aggregate principal amount of NIS 200 million and a guarantee facility for an aggregate principal amount of NIS 105 million.

### **Indebtedness of Unrestricted Subsidiaries**

SFR FTTH is accounted for as an associate and therefore will not be consolidated in the Issuer’s financial statements.

### ***2019 SFR FTTH Senior Facilities Agreement***

#### *Overview*

On March 17, 2019, SFR FTTH, an associate of the Group designated as an unrestricted subsidiary under the agreements, instruments and indentures governing the Group’s debt, entered into a senior secured facilities agreement which provided for (i) a senior term facility, in an initial aggregate principal amount of €1.7 billion (the “**SFR FTTH Term Facility**”) (of which an amount of up to €500 million may be reallocated to a separate floating-rate term facility tranche provided by institutional investors (the “**SFR FTTH Institutional Term Facility**”)), (ii) a revolving credit VAT facility, in an initial aggregate principal amount of up to €100 million (the “**SFR FTTH VAT Facility**”) and (iii) a revolving credit guarantee and letter of credit facility, in an initial aggregate initial principal amount of €125 million (the “**SFR FTTH Guarantee Facility**”), in each case with SFR FTTH as the borrower and guarantor, certain lenders party thereto and Crédit Agricole Corporate and Investment Bank as facility agent and as security agent (the “**SFR FTTH Agent**”) (as amended, restated, supplemented or otherwise modified from time to time, the “**2019 SFR FTTH Senior Facilities Agreement**”) to finance certain infrastructure projects. See “*Description of Our Business—Altice France Group—Material Contracts—SFR FTTH— Sale of a 49.99% Interest in SFR FTTH*”.

#### *Interest Rate and Fees*

Borrowings under the SFR FTTH Term Facility bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR rate and (b) 0.00% plus a specified margin (with increases to such margin on certain specified dates).



Borrowings under the SFR FTTH Institutional Term Facility bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR rate and (b) 0.00% plus (ii) a margin to be agreed.

Borrowings under the SFR FTTH VAT Facility bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR rate and (b) 0.00% plus (ii) a specified margin.

A guarantee fee in respect of each issued and outstanding guarantee or letter of credit accrues at an annual rate equal to (i) the higher rate between (a) the EURIBOR rate and (b) 0.00% plus (ii) a guarantee fee applicable to the relevant type and duration of the guarantee, as specified in the 2019 SFR FTTH Senior Facilities Agreement.

In addition, each issuing bank of a guarantee or letter of credit will receive a fronting fee accruing at a specified annual rate on the amount of the respective guarantee or letter of credit that is counter-indemnified by other lenders.

An undrawn commitment fee in respect of the SFR FTTH Term Facility, the SFR FTTH Institutional Term Facility and the SFR FTTH VAT Facility is payable based on the percentage of margin in respect of such facility at such time. An undrawn commitment fee in respect of the SFR FTTH Guarantee Facility is payable at a specified rate per annum on the relevant lender's available commitment under that facility.

#### *Incremental Facilities*

Subject to the satisfaction of certain conditions set out in the 2019 SFR FTTH Senior Facilities Agreement, a new commitment lender may provide new or additional commitments under the 2019 SFR FTTH Senior Facilities Agreement.

#### *Mandatory Prepayments*

The 2019 SFR FTTH Senior Facilities Agreement requires SFR FTTH to prepay outstanding loans and cancel the outstanding commitments thereunder in the order of application set out in the 2019 SFR FTTH Senior Facilities Agreement, with (i) a change of control, (ii) proceeds of certain disposals of assets, subject to reinvestment rights and certain other exceptions, (iii) proceeds of insurance claims, subject to reinvestment rights and certain other exceptions, (iv) cash VAT receipts received from French tax authorities, (v) a percentage of annual excess cash flow, subject to certain exceptions, (vi) a percentage of the amount of capital expenditure in connection with withdrawn concession contracts and (vii) the proceeds received in respect of termination of certain concession contracts or the seizure, expropriation or nationalisation of assets by governmental or other authorities, subject to certain exceptions.

#### *Voluntary Prepayments*

The SFR FTTH Term Facility and the SFR FTTH Institutional Term Facility may be voluntarily prepaid subject to customary "breakage" costs and certification that the company has sufficient funding to complete certain infrastructure projects *pro forma* for such prepayment. In addition, voluntary prepayments under the SFR FTTH Institutional Term Facility are subject to a specified prepayment premium (with such premium decreasing after certain specified dates and declining to 0% if the prepayment is made on or after March 17, 2022).

The SFR FTTH VAT Facility may be voluntarily prepaid at any time, subject to customary "breakage" costs.

#### *Guarantees*

SFR FTTH and certain of its subsidiaries, guarantee or will guarantee on a senior basis, the obligations of each other obligor under the 2019 SFR FTTH Senior Facilities Agreement and related finance documents subject to applicable guarantee limitations specified therein. SFR FTTH is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated recurring cash EBITDA and gross assets of SFR FTTH and its subsidiaries (the "**SFR FTTH Group**"). Each entity that is a material wholly-owned subsidiary of SFR FTTH (calculated as having at least 5% of recurring cash consolidated EBITDA or gross assets of the SFR FTTH Group) and each holding company of such subsidiary that is a member of the SFR FTTH Group is required to become a guarantor.

### *Security*

The outstanding borrowings under the facilities under the 2019 SFR FTTH Senior Facilities Agreement are secured by a customary security package for similar infrastructure financing transactions, including security over: (i) shares in the obligors and the obligors' bank accounts and intercompany receivables, (ii) SFR FTTH's rights under hedging agreements, (iii) certain wholesale agreement receivables and receivables from concession contracts, (iv) the subordinated shareholder loans provided by investors to SFR FTTH and its subsidiaries, and (v) SFR FTTH's rights under each equity commitment letter provided by the shareholders of SFR FTTH.

### *Certain Covenants and Events of Default*

The 2019 SFR FTTH Senior Facilities Agreement requires SFR FTTH to maintain (i) a loan life coverage ratio, (ii) an interest coverage ratio and (iii) a leverage ratio, in each case for the periods set out in the 2019 SFR FTTH Senior Facilities Agreement.

### *Equity Commitment*

Altice France has entered into a commitment to purchase equity of SFR FTTH for cash in an aggregate amount not to exceed €68 million to the extent such cash amount is required by SFR FTTH to make certain utilizations under the 2019 SFR FTTH Senior Facilities Agreement.

## DESCRIPTION OF NOTES

*You will find definitions of certain capitalized terms used in this “Description of Notes” under the heading “Certain Definitions”. Certain capitalized terms used in this “Description of Notes” may have different definitions to the same term used in other sections of these Listing Particulars. For purposes of this “Description of Notes”, references to the “Issuer” refer only to Altice Luxembourg S.A.*

Altice Luxembourg S.A., a Luxembourg public limited liability company (*société anonyme*), with registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg and registered with the Luxembourg Register of Commerce and Companies (*R.C.S. Luxembourg*) under number B 197134 (the “*Issuer*”) is the issuer of the Notes.

The Issuer issued \$1,600 million aggregate principal amount of its 10.500% Senior Notes due 2027 (the “*Dollar Notes*”) and €1,400 million aggregate principal amount of its 8.000% Senior Notes due 2027 (the “*Euro Notes*”) and, together with the Dollar Notes, the “*Notes*”) under an indenture (the “*Indenture*”) between, *inter alios*, itself, Deutsche Bank Trust Company Americas, as trustee (the “*Trustee*”) and Deutsche Bank AG, London Branch, as security agent (the “*Security Agent*”). The Notes were issued in a private transaction not subject to the registration requirements of the Securities Act.

The Issuer used the net proceeds of the Notes as described in these Listing Particulars under “*Summary—The Refinancing Transactions*” and “*Use of Proceeds*”.

The Indenture is unlimited in aggregate principal amount and €1,400 million aggregate principal amount of Euro Notes and \$1,600 million aggregate principal amount of Dollar Notes issued in the offering on the Issue Date. The Issuer may issue an unlimited principal amount of additional Notes at later dates under the same Indenture (the “*Additional Notes*”); *provided, however*, that the Issuer is only permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness (as described below under “*—Certain Covenants—Limitation on Indebtedness*”) and the Incurrence of Liens (as described below under “*—Certain Covenants—Limitation on Liens*”). The Notes issued in the offering and, if issued, any Additional Notes are treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture. However, in order for any Additional Notes to have the same CUSIP number and ISIN as the Dollar Notes or the Euro Notes, as applicable, such Additional Notes must be fungible with such Dollar Notes or Euro Notes, as applicable, for U.S. federal income tax purposes. Unless the context otherwise requires, in this “*Description of Notes*”, references to the “*Notes*” include the Notes and any Additional Notes that are actually issued. The terms of the Notes include those set forth in the Indenture. The Indenture is not qualified under, and does not incorporate by reference any of the provisions of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

This “*Description of Notes*” is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement and the Security Documents (as defined below). It does not restate those agreements in their entirety. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture, the form of Notes, the Intercreditor Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights because they, and not this summary, define your rights as Holders. Copies of the Indenture, the form of Notes, the Security Documents, and the Intercreditor Agreement are available as set forth under “*Available Information*”. See the section entitled “*Description of Other Indebtedness—Indebtedness of the Issuer—Altice Lux Intercreditor Agreement*” for a summary of certain material terms of the Intercreditor Agreement.

The Holder is treated as the owner of such Note for all purposes. Only Holders have rights under the Indenture.

### General

#### *The Notes*

The Notes:

- are general obligations of the Issuer;
- are Guaranteed by the Initial Guarantor and benefit from the security as set forth below under “*—Notes Security*”;

- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the Altice Luxembourg Revolving Credit Facility, the Existing Senior Notes and certain Hedging Obligations;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- are effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- are structurally subordinated to the Indebtedness and the other obligations of Subsidiaries of the Issuer that do not Guarantee the Notes.

The Issuer is a holding company that does not conduct any operations and is wholly dependent on payments from its Subsidiaries to meet its obligations, including under the Notes. See “*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Notes Guarantee.*”

The Notes are structurally subordinated in right of payment to all Indebtedness and other obligations (including trade payables and lease obligations) of Subsidiaries of the Issuer and the Initial Guarantor that do not Guarantee the Notes, including Altice France and its Subsidiaries and Altice International and its Subsidiaries. Any right of the Issuer to receive assets of any of the Subsidiaries of the Issuer that do not Guarantee the Notes upon that non-Guarantor Subsidiary’s liquidation or reorganization (and the consequent right of Holders to participate in those assets) are effectively subordinated to the claims of that non-Guarantor Subsidiary’s creditors, except to the extent that the Issuer is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of the Issuer would still be subordinate in right of payment to any Indebtedness or other obligations that benefit from any security in the assets of the non-Guarantor Subsidiary (to the extent of the value of such assets) and any Indebtedness or other obligations of the non-Guarantor Subsidiary senior to that held by the Issuer.

### **Principal and Maturity**

The Issuer issued \$1,600 million aggregate principal amount of Dollar Notes and €1,400 million aggregate principal amount of Euro Notes on the Issue Date. The Dollar Notes mature on May 15, 2027, at which time 100% of the principal amount of the Dollar Notes shall be payable, unless redeemed prior thereto as described herein. The Euro Notes mature on May 15, 2027, at which time 100% of the principal amount of the Euro Notes shall be payable, unless redeemed prior thereto as described herein. The Dollar Notes are issued in minimum denominations of \$200,000 in principal amount and in integral multiples of \$1,000 in excess thereof, and the Euro Notes are issued in minimum denominations of €100,000 in principal amount and in integral multiples of €1,000 in excess thereof.

### **Interest**

Interest on the Dollar Notes accrues at the rate of 10.500% per annum and interest on the Euro Notes accrues at the rate of 8.000% per annum.

Interest on the Notes:

- accrues from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- is payable in cash semi-annually in arrears on each May 15 and November 15, commencing on November 15, 2019;
- is payable to the holder of record of such Notes on May 1 and November 1 immediately preceding the related interest payment date; and
- is computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, including Additional Amounts, if any, accrue at a rate that is 1% higher than the interest rate on the Notes.

If the due date for any payment in respect of any Notes is not a Business Day, the Holder thereof is not entitled to payment of the amount due until the next succeeding Business Day, and is not entitled to any further interest or other payment as a result of any such delay.

### **Methods of Receiving Payments on the Notes**

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents (as defined below); *provided* that payments on the Dollar Global Notes (as defined below) will be made to Cede & Co. as the registered holder of the Dollar Global Notes, which will, in turn, make such payments to The Depository Trust Company (“DTC”) or its nominee, and payments on the Euro Global Notes (as defined below) will be made to the Paying Agents, which will, in turn, make such payments to Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”) or their respective nominees.

Principal, interest and premium, if any, on any certificated Notes (“*Definitive Registered Notes*”) will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, at the option of the Issuer, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See “—*Paying Agents and Registrars for the Notes*”.

### **Paying Agents and Registrars for the Notes**

The Issuer will maintain one or more paying agents for the Euro Notes (each a “*Euro Paying Agent*”) and one or more Paying Agents for the Dollar Notes (each a “*U.S. Paying Agent*”). The initial Euro Paying Agent will be Deutsche Bank AG, London Branch in London and the initial U.S. Paying Agent will be Deutsche Bank Trust Company Americas (collectively with any other paying agents, the “*Paying Agents*”).

The Issuer will also maintain one or more registrars (each, a “*Registrar*”). The initial Registrars will be Deutsche Bank Trust Company Americas with respect to the Euro Notes (the “*Euro Registrar*”) and Deutsche Bank Trust Company Americas with respect to the Dollar Notes (the “*U.S. Registrar*” and, together with the Euro Registrar, the “*Registrars*” and each a “*Registrar*”). The Issuer will also maintain one or more transfer agents. The initial transfer agents will be Deutsche Bank AG, London Branch with respect to the Euro Notes (the “*Euro Transfer Agent*”) and Deutsche Bank Trust Company Americas with respect to the Dollar Notes (the “*U.S. Transfer Agent*” and, together with the Euro Transfer Agent, the “*Transfer Agents*” and each a “*Transfer Agent*”). The Registrars will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time, if any, and will facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Each Registrar shall provide a copy of the register and any update thereof to the Issuer. Each Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), to the extent and in the manner permitted by the rules and regulations of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

### **Transfer and Exchange**

The Notes have been issued in the form of several registered notes in global form, without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A have initially been represented by one or more global notes in registered form without interest coupons attached (the “*144A Global Notes*”).

- The 144A Global Notes representing the Dollar Notes (the “*Dollar 144A Global Notes*”) have been deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.
- The 144A Global Notes representing the Euro Notes (the “*Euro 144A Global Notes*”) have been deposited with and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.
- Notes sold outside the United States pursuant to Regulation S have initially been represented by one or more global notes in registered form without interest coupons attached (the “*Regulation S Global Notes*” and, together with the 144A Global Notes, the “*Global Notes*”).
  - The Regulation S Global Notes representing the Dollar Notes (the “*Dollar Regulation S Global Notes*” and, together with the Dollar 144A Global Notes, the “*Dollar Global Notes*”) have been deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. During the 40-day “distribution compliance period” (as such term is defined in Rule 902 of Regulation S), the Dollar Regulation S Global Notes have initially been credited within DTC for the accounts of Euroclear and Clearstream. After the 40-day distribution compliance period ends, investors may also hold their interests in the applicable permanent Dollar Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.
  - The Regulation S Global Notes representing the Euro Notes (the “*Euro Regulation S Global Notes*”, and together with the Euro 144A Global Notes, the “*Euro Global Notes*”) have been deposited with and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period, book-entry interests (“*Book-Entry Interests*”) in the Regulation S Global Notes may be (1) held only through Euroclear and Clearstream (including, with respect to the Dollar Regulation S Global Notes, as indirect participants in DTC), and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A. After the 40-day distribution compliance period, Book-Entry Interests in the Regulation S Global Notes may also be held through organizations other than Euroclear or Clearstream that are participants in Euroclear, Clearstream or DTC, as applicable. Ownership of interests in the Book-Entry Interests and transfers thereof are subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions*”. In addition, transfers of Book-Entry Interests between participants in Euroclear, participants in Clearstream or participants in DTC are effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in a 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

Book-Entry Interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the applicable 144A Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the applicable Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of (i) in the case of the Dollar Notes, \$200,000 in principal amount and integral multiples of \$1,000 in excess thereof or (ii) in the case of the Euro Notes, €100,000 in principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions*”.

Subject to the restrictions on transfer referred to above, Dollar Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of \$200,000 in principal amount and integral multiples of \$1,000 in excess thereof and the Euro Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to such Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrars are entitled to treat the Holder of a Note as the owner of it for all purposes.

## **The Note Guarantees**

### ***General***

On the Issue Date, the Notes are Guaranteed by Altice Luxembourg FR (the “*Initial Guarantor*”).

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (each an “*Additional Guarantor*” and, together with the Initial Guarantor, the “*Guarantors*”) by causing it to execute and deliver to the Trustee a supplemental indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of such Note Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor and provide a Note Guarantee.

The Initial Guarantor will irrevocably Guarantee (such Guarantee, the “*Initial Guarantee*”) and each Additional Guarantor will irrevocably Guarantee (each Guarantee, an “*Additional Guarantee*” and, together with the Initial Guarantee, the “*Note Guarantees*”), jointly and severally with each other Guarantor, on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The obligations of any Guarantor will be contractually limited under its Note Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Guarantor and its shareholders, directors and general partner. See “*Risk Factors—Risks Relating to the Notes and the Structure—The Notes Guarantee is be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may*

*limit its validity and enforceability” and “Limitation on Validity and Enforceability of the Guarantee and the Security Interests and Insolvency Laws of Certain Jurisdictions”.*

Each Note Guarantee:

- is a general obligation of the applicable Guarantor;
- ranks *pari passu* in right of payment with all existing and future Indebtedness of the applicable Guarantor that is not subordinated in right of payment to such Guarantor’s Note Guarantee, including with respect to the Initial Guarantor’s Initial Guarantee its Guarantee of Indebtedness under the Altice Luxembourg Revolving Credit Facility, the Existing Senior Notes and certain Hedging Obligations;
- ranks senior in right of payment to all existing and future Indebtedness of the applicable Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- is effectively subordinated to all existing and future Indebtedness obligations of the applicable Guarantor that is secured by liens on property or assets of such Guarantor, to the extent of the value of the property or assets securing such obligations; and
- is effectively subordinated to the Indebtedness and other obligations of Subsidiaries of the applicable Guarantor that do not Guarantee the Notes.

The Initial Guarantor is a holding company that does not conduct any operations and is wholly dependent on payments from its Subsidiaries to meet its obligations, including under its Note Guarantee. The Initial Guarantor, directly or indirectly, holds approximately 90.7% of the share capital of Altice France. See “*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and the Guarantor are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and the Notes Guarantee.*”

The Note Guarantees will be structurally subordinated in right of payment to all Indebtedness and other obligations (including trade payables and lease obligations) of Subsidiaries of the applicable Guarantor that do not Guarantee the Notes. Any right of a Guarantor to receive assets of any of the Subsidiaries of the Guarantors that do not Guarantee the Notes upon that non-Guarantor Subsidiary’s liquidation or reorganization (and the consequent right of the Holders to participate in those assets) will be effectively subordinated to the claims of that non-Guarantor Subsidiary’s creditors, except to the extent that such Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of such Guarantor would still be subordinated in right of payment to any Indebtedness or other obligations that benefit from any security in the assets of the non-Guarantor Subsidiary (to the extent of the value of such assets) and any Indebtedness or other obligations of the non-Guarantor Subsidiary senior to that held by such Guarantor. See “*Risk Factors—Risks Relating to the Notes and the Structure—Your right to receive payments under the Notes may be structurally or effectively subordinated to the claims of certain existing and future creditors of the Issuer’s subsidiaries that do not guarantee the Notes.*”

### ***Releases of the Note Guarantees***

The Note Guarantee of a Guarantor terminates:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company of such Guarantor) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case if the sale or other disposition does not violate the covenant described under “*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or “*—Certain Covenants—Minimum Holdings*”;
- upon the designation in accordance with the Indenture of that Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in “*—Defeasance*” and “*—Satisfaction and Discharge*”;



- in accordance with an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under “—*Amendments and Waivers*”;
- as described under “—*Certain Covenants—Additional Guarantors*”;
- with respect to any Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under “—*Certain Covenants—Merger and Consolidation—The Guarantors*”; or
- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

The Trustee and the Security Agent (as applicable) shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effective without the consent of the Holders or any action on the part of the Trustee. Neither the Trustee nor the Issuer are required to make a notation on the Notes to reflect any such release, termination or discharge.

## Notes Security

### *General*

The Notes are secured by security interests granted on a first-priority basis over (i) all of the Capital Stock of the Initial Guarantor and Altice International and (ii) the AI Mandatory Convertible Notes (together with any other additional security interests that may in the future be granted to secure the obligations under the Notes, the Note Guarantees and the Indenture, the “*Notes Collateral*”).

The Notes Collateral also secures Indebtedness under the Altice Luxembourg Revolving Credit Facility, the Existing Senior Notes and certain Hedging Obligations of the Issuer which, in the case of the Altice Luxembourg Revolving Credit Facility and such Hedging Obligations, is Super Priority Indebtedness. The pledge agreements and the other security documents in respect of the Notes Collateral are referred to as the “*Security Documents*”.

Subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Limitation on Liens*” and “—*Certain Covenants—Impairment of Security Interests*”, the Issuer and its Restricted Subsidiaries will be permitted to Incur certain additional Indebtedness in the future that may be secured on the Notes Collateral, including any Additional Notes, certain Indebtedness under Credit Facilities (including revolving credit facility Indebtedness which may be Super Priority Indebtedness) and Hedging Obligations (which in the case of Interest Rate Agreements and Currency Agreements related to Indebtedness of the Issuer may be Super Priority Indebtedness), in each case, permitted under the Indenture and other Indebtedness of the Issuer and its Subsidiaries.

The proceeds from the sale of the Notes Collateral remaining after sharing with other creditors entitled to share in such proceeds may not be sufficient to satisfy the obligations owed to the Holders. No appraisals of the Notes Collateral have been made in connection with the offering of Notes. By its nature, some or all of the Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Notes Collateral may not be able to be sold in a short period of time, or at all. In addition, the Intercreditor Agreement places, and any Additional Intercreditor Agreement may place, limitations on the ability of the Security Agent to release the security interests in some of the Notes Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See “*Description of Other Indebtedness—Indebtedness of the Issuer—Altice Lux Intercreditor Agreement*” and “*Risk Factors—Risks Relating to the Notes and the Structure—The value of the Notes Collateral may not be sufficient to satisfy our obligations under the Notes and such Notes Collateral may be reduced or diluted under certain circumstances.*”

The creditors under the Altice Luxembourg Revolving Credit Facility, the counterparties to certain Hedging Obligations, the trustees under the Existing Senior Notes Indentures, the holders of the Existing Senior Notes, and

the Trustee have, and by accepting a Note each Holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. The creditors under the Altice Luxembourg Revolving Credit Facility, the counterparties to certain Hedging Obligations, the trustees under the Existing Senior Notes Indentures, the holders of the Existing Senior Notes, and the Trustee have, and by accepting a Note each Holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

### ***Security Documents***

Under the Security Documents, the applicable grantor of security has granted or will grant security interests over the Notes Collateral to secure the payment when due of the Issuer's and/or the Guarantors' payment obligations under the Notes, the Note Guarantees and/or the Indenture (as applicable) (the "*Security Interests*"). The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties referred to therein. When entering into the Security Documents, the Security Agent will act in its own name, but also (except where the Security Documents only secure the "parallel debt" created under the Intercreditor Agreement and/or any Additional Intercreditor Agreement and owed to the Security Agent) as a representative of the secured parties (including the Holders from time to time). Under the Intercreditor Agreement and any Additional Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Altice Luxembourg Revolving Credit Facility, the holders of the Existing Senior Notes, the counterparties to certain Hedging Obligations and holders of any additional Indebtedness that is permitted to be secured by the Notes Collateral in favor of such parties.

The Indenture provides that, subject to the terms thereof and of the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by the Security Interests. Such Security Interests also secure the obligations under the Altice Luxembourg Revolving Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by such Notes Collateral. However, the Security Interests may be released under certain circumstances as provided under "*Release of Notes Collateral*" below. See "*Risk Factors—Risks Relating to the Notes and the Structure—There are circumstances other than repayment or discharge of the Notes under which the Notes Guarantee and the Notes Collateral will be released automatically, without your consent or the consent of the Trustee*".

The Security Documents will provide that the rights with respect to the Notes and the Note Guarantees must be exercised by the Security Agent. Because the Holders will not be a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

In the event that the Issuer or other grantor of a security interest in the Notes Collateral enters into insolvency, bankruptcy or similar proceedings, the Security Interests or the rights and obligations enumerated in the Intercreditor Agreement or any Additional Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Notes Guarantee is be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantee and the Security Interests and Insolvency Laws of Certain Jurisdictions*".

### ***Release of Notes Collateral***

The Issuer and the Guarantors will be entitled to release the Security Interests in respect of the Notes Collateral securing the Notes and the Note Guarantees under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of the Notes Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—*"

*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or “*—Certain Covenants—Minimum Holdings*”, but only in respect of the Notes Collateral sold or otherwise disposed of;

- (2) in connection with the release of a Guarantor from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in “*—Defeasance*” and “*—Satisfaction and Discharge*”;
- (5) in accordance with an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (6) as described under “*—Amendments and Waivers*”, “*—Certain Covenants—Impairment of Security Interests*” and the second paragraph under “*—Certain Covenants—Limitation on Liens*”;
- (7) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;
- (8) to release and re-take any Lien on any Notes Collateral to the extent not otherwise prohibited by the terms of the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (9) in connection with a transaction permitted by the covenant described below under the caption “*—Certain Covenants—Merger and Consolidation*”; or
- (10) with the consent of holders of at least 75% in aggregate principal amount of Notes (including, without limitation, consent obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). Upon certification by the Issuer, the Trustee (to the extent action is required by it) and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications. The Security Agent and the Trustee (as applicable) will take all necessary action required to effectuate any release of the Notes Collateral, in accordance with the provisions of the Indenture, the Intercreditor Agreement and any applicable Additional Intercreditor Agreement and the relevant Security Documents. Each of the releases set forth above shall be effected by the Security Agent without the further consent of the Holders or any action on the part of the Trustee.

### **Intercreditor Agreement**

To establish the relative rights of certain creditors of the Group under its financing arrangements, including, without limitation, the lenders under the Altice Luxembourg Revolving Credit Facility, the trustee and holders of notes under the Existing Senior Notes Indentures and the counterparties to certain Hedging Obligations secured on the Notes Collateral, the Issuer, the facility agent under the Altice Luxembourg Revolving Credit Facility, the counterparties to certain Hedging Obligations, the trustees under the Existing Senior Notes Indentures and the Security Agent entered into or acceded to the Intercreditor Agreement. Please see “*Description of Other Indebtedness—Indebtedness of the Issuer—Altice Lux Intercreditor Agreement*”. On the Issue Date, the Trustee (in its capacity as representative of the Holders) acceded to the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Altice Luxembourg Revolving Credit Facility and certain Hedging Obligations that are secured on the Notes Collateral will receive priority over amounts received from the sale of the Notes Collateral following an enforcement sale or other distressed disposal of such Notes Collateral. Any proceeds received upon any enforcement over any Notes Collateral, after all obligations under the Altice Luxembourg Revolving Credit Facility have been repaid and such Hedging Obligations and any other Indebtedness of the Issuer and the Guarantor permitted to be Incurred and secured by the Notes Collateral on a super priority basis have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture, the Notes, the Existing Senior Notes and obligations under the Existing Senior Notes Indentures and any other Indebtedness of the Issuer and the Guarantors permitted to be

Incurred and secured by the Notes Collateral on a *pari passu* basis pursuant to the Indenture and the Intercreditor Agreement.

Subject to the Security Interests becoming enforceable, the Holders (together with any other holders of Indebtedness of the Issuer that ranks *pari passu* with the Notes) and the holders of Super Priority Indebtedness, in each case acting through their respective agent or trustee, are entitled to instruct the Security Agent on enforcement of the Notes Collateral. In the event either group of creditors issues conflicting enforcement instructions, subject to certain exceptions, a 30-day consultation period is required. In the event both creditor groups do not agree on the manner of enforcement after the consultation period, the Intercreditor Agreement provides that the Security Agent will act on the instructions of the majority of the aggregate principal amount of the Notes and all other Indebtedness of the Issuer which ranks *pari passu* with the Notes. If all Super Priority Indebtedness is not repaid within six months after date on which proposed enforcement instructions are issued or the Security Agent has not commenced any enforcement action within three months of such date, thereafter the instructions of the majority holders of Super Priority Indebtedness will prevail. See “*Description of Other Indebtedness—Indebtedness of the Issuer—Altice Lux Intercreditor Agreement*”.

The Indenture also provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

#### ***Additional Intercreditor Agreements; Agreement to Be Bound***

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under “—*Certain Covenants—Additional Intercreditor Agreements*”.

The Indenture provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of any Additional Intercreditor Agreement and to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

#### **Restricted Subsidiaries and Unrestricted Subsidiaries**

On the Issue Date, all of the Issuer’s Subsidiaries other than the Issue Date Unrestricted Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*”, the Issuer is permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries are not subject to many of the restrictive covenants in the Indenture.

#### **Optional Redemption**

Except as described below and except as described under “—*Redemption for Changes in Withholding Taxes*”, the Notes are not redeemable until May 15, 2022.

On and after May 15, 2022 the Issuer may redeem all or, from time to time, part of the Dollar Notes and/or Euro Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of the principal amount of the Dollar Notes and/or Euro Notes, as applicable) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

<b>Year</b>	<b>Redemption Price</b>	
	<b>Dollar Notes</b>	<b>Euro Notes</b>
2022 .....	105.250 %	104.000 %
2023 .....	102.625 %	102.000 %
2024 and thereafter .....	100.000 %	100.000 %

Prior to May 15, 2022, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Dollar Notes and/or up to 40% of the original principal amount of the Euro Notes (including, in each case, the original principal amount of any Additional Notes denominated in such currencies), upon not less

than 10 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings (i) in the case of the Dollar Notes, at a redemption price of 110.500% of the principal amount of the Dollar Notes, and (ii) in the case of the Euro Notes, at a redemption price of 108.000% of the principal amount of the Euro Notes, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) at least 60% of the original principal amount of the Dollar Notes and/or Euro Notes (including the original principal amount of any Additional Notes denominated in such currencies), as applicable, remains outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to May 15, 2022, the Issuer may redeem all or, from time to time, part of the Dollar Notes and/or Euro Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

For the avoidance of doubt, in each case above, the Issuer may choose to redeem the Dollar Notes or the Euro Notes either together or separately.

At any time on or after the Issue Date, the Issuer may, at its option, following completion of an Exchange Transaction redeem all, but not less than all, of the Notes issued under the Indenture upon not less than 10 nor more than 60 days' notice (which notice of redemption shall be given no later than 10 business days following the completion of such Exchange Transaction), at a redemption price (expressed as a percentage of the principal amount thereof) of:

- (1) 101% of the principal amount of the applicable Notes (if such redemption is on or before the 24-month anniversary of the Issue Date); or
- (2) 102% of the principal amount of the applicable Notes (if such redemption is after the 24-month anniversary of the Issue Date);

in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date.

Any redemption notice given in respect of the redemption of any Notes (including upon an Equity Offering or in connection with a transaction (or series of related transactions) or an event that constitutes a Change of Control) may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, the completion or occurrence of the relevant transaction, as the case may be. In addition, if such redemption or purchase is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied or waived, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date as so delayed, or such notice may be rescinded at any time at the Issuer's discretion if in the good faith judgment of the Issuer any or all of such conditions will not be, or are not likely to be, satisfied. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. In no event shall the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of the Notes eligible under the Indenture to be redeemed.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

As market conditions warrant, we, our equity holders and those who directly or indirectly control us, including the Investor, Investor Affiliates and members of our management, may from time to time seek to purchase our outstanding debt securities or loans, including the Notes, in privately negotiated or open-market purchases, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, including the Indenture, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt, including borrowings under our credit facilities. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the attendant reduction in the trading liquidity of such class or series.

### **Sinking Fund**

The Issuer is not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

### **Selection and Notice**

If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected in accordance with the procedures of DTC, Euroclear and/or Clearstream, as applicable, or if DTC, Euroclear and/or Clearstream, as applicable, prescribe no method of selection, the Issuer will instruct the relevant Paying Agent or the relevant Registrar to select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, or if the Notes are not so listed or such exchange prescribes no method of selection, based on a method that most nearly approximates a *pro rata* selection or by lot; *provided, however*, that no Dollar Note of \$200,000 in principal amount or less shall be redeemed in part and only Dollar Notes in integral multiples of \$1,000 will be redeemed and no Euro Note of €100,000 in principal amount or less shall be redeemed in part and only Euro Notes in integral multiples of €1,000 will be redeemed. Neither the Paying Agents nor the Registrars will be liable for any selections made in accordance with this paragraph.

For so long as the applicable Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will mail, in the case of Definitive Registered Notes, notice of redemption to applicable Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. In the case of Global Notes, notice of redemption will be delivered to DTC (in the case of the Dollar Notes) or Euroclear and Clearstream (in the case of the Euro Notes) for communication to entitled account holders. Such notice of redemption may also be posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), to the extent and in the manner permitted by the rules and regulations of the Luxembourg Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. Unless the Issuer defaults in the payment of the redemption price, on and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

### **Redemption for Changes in Withholding Taxes**

The Issuer may redeem the applicable series of Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of such series of Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption

or otherwise (subject to the right of holders of such Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of such Notes, the Issuer or any Guarantor is or would be required to pay Additional Amounts, and (a) the Issuer or the relevant Guarantor cannot avoid such requirement by taking reasonable measures available to it (including the designation of a different Paying Agent), (b) in the case of a Guarantor, such amounts cannot be paid by the Issuer or any other Guarantor who in turn can pay such amounts without the obligation to pay Additional Amounts and (c) the requirement arises as a result of:

- (1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction (as defined in “—*Withholding Taxes*” below) which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of such Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of such Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer’s Certificate to the effect that (a) it or the relevant Guarantor cannot avoid its obligation to pay Additional Amounts by the Issuer or the relevant Guarantor taking reasonable measures available to it and (b) in the case of a Guarantor, the amounts giving rise to such obligation cannot be paid by the Issuer or any other Guarantor without the obligation to pay Additional Amounts.

In the absence of bad faith on its part, the Trustee will accept and shall be entitled to rely conclusively and without further inquiry on such Officer’s Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the applicable Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes and any political subdivision thereof or therein.

### **Withholding Taxes**

All payments made under or with respect to the Notes or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax (“*Taxes*”) unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a “*Tax Jurisdiction*”) will at any time be required to be made from any payments made under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by each Holder or beneficial owner of the Notes after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the Holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), other than connections arising from the holding of such Note or any Note Guarantee, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;
- (2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);
- (3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes or any excise Taxes imposed on transfers;
- (4) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;
- (5) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the Holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the Holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such Tax Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the Holder or beneficial owner is legally eligible to provide such certification or documentation;
- (6) all United States federal backup withholding taxes;
- (7) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code; or
- (8) any combination of items (1) through (7) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the applicable Note been the Holder of such Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (8) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the Holder or beneficial owner for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or the enforcement of, any of the Notes or any Note Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (3) or (5) through (7) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to any Notes or any related Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 10 days



prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 10 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay such Additional Amounts to Holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a Holder or beneficial owner upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the Holders or beneficial owners of the applicable Notes.

Whenever in the Indenture or in this "*Description of Notes*" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a Holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes (and any political subdivision or governmental authority thereof or therein having power to tax) and any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes or any Note Guarantee and any political subdivision thereof or therein.

You should carefully consider all of the information contained in these Listing Particulars before making a decision to invest in the Notes, including the information described in this "*Description of Notes*" and "*Risk Factors*" contained elsewhere in these Listing Particulars.

### **Change of Control**

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder has the right to require the Issuer to repurchase all or any part (equal to \$200,000 in principal amount or an integral multiple of \$1,000 in excess thereof, in the case of the Dollar Notes, and €100,000 in principal amount and integral multiples of €1,000 in excess thereof, in the case of the Euro Notes) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the applicable Notes, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase any series of the Notes as described under this heading, "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of such series of Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Dollar Notes held by any Holder to below \$200,000 or the Euro Notes held by any Holder to below €100,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, or, at the Issuer's option, at any time prior to a Change of Control following the public announcement thereof or if a definitive agreement is in place for the Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Notes by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to,

but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “*Change of Control Payment*”);

- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “*Change of Control Payment Date*”) and the record date;
- (3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased;
- (6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and
- (7) certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules and regulations, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See “*Risk Factors—Risks Relating to the Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture*”.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the relevant Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Euro Paying Agent (in the case of the Euro Notes) and the U.S. Paying Agent (in the case of the Dollar Notes) the applicable Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agents, at the Issuer’s expense, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly instruct its authenticating agent to authenticate and, at the Issuer’s expense, mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided*

that each such new Definitive Registered Note will be in a principal amount that is at least \$200,000 and integral multiples of \$1,000 in excess thereof, in the case of the Dollar Notes, and €100,000 and integral multiples of €1,000 in excess thereof, in the case of the Euro Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes of a series validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer *in lieu* of the Issuer as described above, purchases all of the Notes of such series validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes of such series that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of the delivery of the notice for such redemption.

The provisions of the Indenture does not afford Holders the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction, certain transactions with the Issuer's management or its Affiliates or certain other sale transactions, including a takeover, reorganization, recapitalization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Issuer by management or its Affiliates) involving the Issuer that may adversely affect Holders, if such transaction is not a transaction defined as a Change of Control.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. Certain existing indebtedness of the Issuer and/or its Restricted Subsidiaries contain, and future Indebtedness of the Issuer or the Restricted Subsidiaries may also contain, prohibitions of certain events that would constitute a "change of control" thereunder or require such Indebtedness to be repurchased or repaid upon such a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's and its Restricted Subsidiaries' then existing financial resources (including, in the case of the Restricted Subsidiaries of the Issuer, after giving effect to any repurchase or repayment obligations of any such Restricted Subsidiaries resulting from a change of control) and the ability of the Restricted Subsidiaries to upstream cash to the Issuer under the terms of their existing or future Indebtedness. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture*".

The definition of “Change of Control” includes a direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person (including any “person” (as that term is used in Section 13(d)(3) of the Exchange Act)), other than a Permitted Holder. Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the property or assets of a Person. Holders may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of the Issuer’s board of directors, including in connection with a proxy contest, where the Issuer’s board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a Change of Control requiring a repurchase offer under the terms of the Indenture. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of holders of a majority in outstanding principal amount of the Notes.

## **Certain Covenants**

### ***Limitation on Indebtedness***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that:

- (1) Altice International and its Restricted Subsidiaries may Incur Indebtedness if on the date on which such Indebtedness is Incurred the Consolidated Net Leverage Ratio of Altice International would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been Incurred at the beginning of the relevant period;
- (2) Altice France and its Restricted Subsidiaries may Incur Indebtedness if on the date on which such Indebtedness is Incurred the Consolidated Net Leverage Ratio of Altice France would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been Incurred at the beginning of the relevant period; and
- (3) the Issuer and the Guarantors may Incur Pari Passu Indebtedness if on the date on which such Indebtedness is Incurred the Consolidated Net Leverage Ratio of the Issuer would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Pari Passu Indebtedness had been Incurred at the beginning of the relevant period.

The first paragraph of this covenant will not prohibit the Incurrence of the following items of Indebtedness:

- (1) (a) Indebtedness Incurred by Altice International and its Restricted Subsidiaries pursuant to any Credit Facility (including in respect of letters of credit or bankers’ acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed the greater of (i) €1,500 million and (ii) 80% of Consolidated EBITDA of Altice International;
- (b) Indebtedness Incurred by Altice France and its Restricted Subsidiaries pursuant to any Credit Facility (including in respect of letters of credit or bankers’ acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed the greater of (i) €2,500 million and (ii) 80% of Consolidated EBITDA of Altice France; and
- (c) Indebtedness Incurred by the Issuer and the Guarantors pursuant to any Credit Facility (including in respect of letters of credit or bankers’ acceptances issued or created thereunder),

and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed €200 million;

*plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

- (2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent such guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant; *provided* that (i) if such Indebtedness is subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or a Note Guarantee, as applicable, then the Guarantee of such Indebtedness shall be subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or such Note Guarantee, as applicable, substantially to the same extent as such guaranteed Indebtedness and (ii) if such Guarantee is of Indebtedness of the Issuer or a Guarantor, such Restricted Subsidiary complies with the first paragraph of the covenant described under “—*Additional Guarantors*”; *provided, however*, none of Altice International or any of its Restricted Subsidiaries shall Guarantee any Indebtedness of Altice France or any of its Restricted Subsidiaries; or (b) without limiting the covenant described under “—*Limitation on Liens*”, Indebtedness arising by reason of any Lien granted by or applicable to the Issuer or any Restricted Subsidiary securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is not prohibited by the terms of the Indenture;
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary, or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary (other than any Indebtedness of Altice International or any of its Restricted Subsidiaries owing to and held by Altice France or any of its Restricted Subsidiaries or any Indebtedness of Altice France or any of its Restricted Subsidiaries owing to and held by Altice International or any of its Restricted Subsidiaries); *provided* that if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of intercompany current liabilities Incurred in connection with cash management positions of the Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; *provided, further*, that:
- (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and
- (ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;
- (4) (a) Indebtedness represented (i) by the Notes (other than any Additional Notes) issued on the Issue Date and the Note Guarantees thereof and (ii) the Existing Senior Notes and the Guarantees thereof;
- (b) any Indebtedness (other than Indebtedness described in clauses (1), (3) and (4)(a) of this paragraph) outstanding on the Issue Date, after giving effect to the Refinancing Transactions, including the issuance of the Notes and the application of the proceeds thereof;
- (c) Refinancing Indebtedness Incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any, or otherwise Incurred in respect of any, Indebtedness described in sub-clauses (a), (b), (c) or (f) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant;

- (d) Management Advances;
  - (e) Indebtedness represented by the Security Documents, the Existing Altice France Security Documents and the Existing Altice International Security Documents and, including, with respect to each such Indebtedness, “parallel debt” obligations created under the Intercreditor Agreement, any Additional Intercreditor Agreement, the Existing Altice France Intercreditor Agreement (or any additional intercreditor agreement on substantially the same terms as the applicable Existing Altice France Intercreditor Agreement) and Existing Altice International Intercreditor Agreement (or any additional intercreditor agreement on substantially the same terms as the applicable Existing Altice International Intercreditor Agreement); and
  - (f) the Senior Notes;
- (5) Indebtedness:
- (a) (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of Altice France or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Altice France or any Restricted Subsidiary of Altice France or (ii) of Altice France or any Restricted Subsidiary of Altice France Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary of Altice France or was otherwise acquired by Altice France or any Restricted Subsidiary of Altice France or otherwise in connection with or contemplation of such acquisition; *provided, however*, with respect to each of clause (5)(a)(i) and (5)(a)(ii), that immediately following consummation of such acquisition or other transaction (x) Altice France would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (2) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5)(a) or (y) the Consolidated Net Leverage Ratio of Altice France would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;
  - (b) (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of Altice International or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Altice International or any Restricted Subsidiary of Altice International or (ii) of Altice International or any Restricted Subsidiary of Altice International Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary of Altice International or was otherwise acquired by Altice International or any Restricted Subsidiary of Altice International or otherwise in connection with or contemplation of such acquisition; *provided, however*, with respect to each of clause (5)(b)(i) and (5)(b)(ii), that immediately following the consummation of such acquisition or other transaction, (x) Altice International would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (1) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5)(b) or (y) the Consolidated Net Leverage Ratio of Altice International would not be greater than it was immediately prior to giving effect to such acquisition or other transaction; and
  - (c) (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer (other than a Restricted Subsidiary of Altice International, Altice France or any of their Restricted Subsidiaries) or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Altice International, Altice France or any of their Restricted Subsidiaries) or (ii) of the Issuer or any Restricted Subsidiary of the Issuer (other than Altice International, Altice France or any of their Restricted Subsidiaries) Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary of the Issuer (other than a Restricted Subsidiary of Altice International, Altice France or any of their Restricted Subsidiaries) or was otherwise acquired by the Issuer or any Restricted Subsidiary of the Issuer (other than Altice International, Altice France or any of their Restricted Subsidiaries) or otherwise in connection with or contemplation of such acquisition; *provided, however*, with

respect to each of clause (5)(c)(i) and (5)(c)(ii), that immediately following consummation of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (3) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5)(c) or (y) the Consolidated Net Leverage Ratio of the Issuer would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

- (6) [Reserved];
- (7) (a) Indebtedness under Currency Agreements (other than Currency Agreements described in clause (b) below), Interest Rate Agreements and Commodity Hedging Agreements and (b) Indebtedness under Currency Agreements entered into in order to hedge any operating expenses and capital expenditures Incurred in the ordinary course of business so long as (i) such operating expenses and capital expenditures are denominated in euro or U.S. dollars and (ii) the term of any such Currency Agreement is not more than 360 days, in each case with respect to clauses (a) and (b) hereof, entered into for bona fide hedging purposes of the Issuer or the Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer, Altice International or Altice France, as applicable), in each case, other than any such Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements of (x) Altice International or any of its Restricted Subsidiaries in respect of Indebtedness or other obligations of Altice France or any of its Restricted Subsidiaries or (y) Altice France or any of its Restricted Subsidiaries in respect of Indebtedness or other obligations of Altice International or any of its Restricted Subsidiaries;
- (8) (a) Indebtedness Incurred by Altice International or any of its Restricted Subsidiaries consisting of (A) mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8)(a) and then outstanding, will not exceed at any time outstanding the greater of €350 million and 2.8% of Altice International Total Assets; and
- (b) Indebtedness Incurred by Altice France or any of its Restricted Subsidiaries consisting of (A) mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8)(b) and then outstanding, will not exceed at any time outstanding the greater of €250 million and 2.8% of Altice France Total Assets;
- (9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, including in relation to a governmental requirement to provide a guarantee or bond; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, *provided, however*, that upon the drawing of such letters of

credit or other instrument, such obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

- (10) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness in connection with such disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and the Restricted Subsidiaries in connection with such disposition;
- (11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
- (12) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;
- (13) (a) Indebtedness Incurred by a Receivables Subsidiary of Altice International in a Qualified Receivables Financing of Altice International and its Restricted Subsidiaries; and (b) Indebtedness Incurred by a Receivables Subsidiary of Altice France in a Qualified Receivables Financing of Altice France and its Restricted Subsidiaries;
- (14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer and the Restricted Subsidiaries from the issuance or sale (other than to the Issuer or a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under clauses (1), (6) and (10) of the second paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” to the extent the Issuer or a Restricted Subsidiary Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (14) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment under clauses (1), (6) and (10) of the second paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” in reliance thereon; and
- (15) (a) Indebtedness Incurred by the Issuer and the Guarantors (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred by the Issuer pursuant to this clause (15)(a) and then outstanding, will not exceed €100 million;
- (b) Indebtedness Incurred by Altice International and its Restricted Subsidiaries (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred by Altice International and its Restricted Subsidiaries pursuant to this clause (15)(b) and then outstanding, will not exceed the greater of (i) €500 million and (ii) 4.0% of Altice International Total Assets; and



- (c) Indebtedness Incurred by Altice France and its Restricted Subsidiaries (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred by Altice France and its Restricted Subsidiaries pursuant to this clause (15)(c) and then outstanding, will not exceed the greater of (i) €400 million and (ii) 4.0% of Altice France Total Assets.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that:
  - (i) Indebtedness Incurred under clause (1) of the second paragraph of the description of this covenant cannot be reclassified;
  - (ii) Indebtedness outstanding on the Issue Date under the Existing Altice International RCFs, the Existing Altice France RCF and the Altice Luxembourg Revolving Credit Facility will be deemed to be Incurred under clause (1)(a), clause (1)(b) and clause (1)(c), respectively, of the second paragraph of this covenant and cannot be reclassified; and
  - (iii) Indebtedness permitted to be Incurred by Altice France and its Restricted Subsidiaries under this covenant cannot be reclassified to include Indebtedness of Altice International and its Restricted Subsidiaries and Indebtedness permitted to be Incurred by Altice International and its Restricted Subsidiaries under this covenant cannot be reclassified to include Indebtedness of Altice France and its Restricted Subsidiaries;
- (2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (8), (14) or (15) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of the Issuer or a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and
- (6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “—*Limitation on Indebtedness*”, the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amount and interest payable on such Indebtedness, the amount of such Indebtedness, will be the Euro Equivalent of the principal payment required to be made under such Currency Agreement plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

For purposes of determining compliance with the Consolidated Net Leverage Ratio on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or the date first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio to test compliance with any covenant in the Indenture, in determining the amount of Indebtedness outstanding in euro on any date of determination, with respect to any Indebtedness denominated in a currency other than euro (the “*Foreign Currency*”):

- (1) subject to a currency swap arrangement or contract, the aggregate principal amount of such Foreign Currency Indebtedness on any such date of determination shall be the euro amount of the aggregate principal amount to be paid by the Issuer or a Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, by Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable) on the maturity date of such currency swap arrangement or contract pursuant to the terms thereof; or
- (2) subject to a currency forward arrangement, forward accretion curve or contract, the aggregate principal amount of such Foreign Currency Indebtedness shall be converted into euro at the exchange rate specified under the terms of such currency forward arrangement, forward accretion curve or contract as applicable to such Foreign Currency Indebtedness on such date of determination.

For the avoidance of doubt, notwithstanding a Group member entering into any such arrangement or contract hedging foreign exchange exposure of any Foreign Currency Indebtedness, for the purposes of calculating the Consolidated Net Leverage Ratio, the aggregate principal amount of Indebtedness subject to any such arrangement or contract shall be attributed to the total Indebtedness of the Person that originally Incurred such Indebtedness.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary (or (i) Altice International or any of its Restricted Subsidiaries or (ii) Altice France or any of its Restricted Subsidiaries, as applicable) may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

### ***Limitation on Restricted Payments***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) except:
    - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and
    - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
  - (2) purchase, redeem, retire or otherwise acquire for value (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer) any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
  - (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement; and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");
  - (4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding; or
  - (5) make any Restricted Investment in any Person
- (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*").

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

- (1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to the Issuer or a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares or through an Excluded Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the last paragraph of this covenant) of property, assets or marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded for purposes of the "Optional Redemption" provisions of the Indenture;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

- (3) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or such Restricted Subsidiary, and (b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case under (a) and (b), is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case (other than such sale of Preferred Stock of the Issuer that is not Disqualified Stock) constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
- (a) (i) from Net Available Cash to the extent permitted under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the Issuer shall have first complied with the terms described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or
- (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if required, if the Issuer shall have first complied with the terms described under “—*Change of Control*” and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or
- (c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and at a purchase price not greater than 100% of the principal amount of such Acquired Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;
- (5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €20 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Restricted Payments made under this clause (6) do not exceed €30 million in any fiscal year), *plus* (2) the Net Cash Proceeds received by the Issuer or the Restricted Subsidiaries since the Original Notes Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof);

- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*” above;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication) the amounts required for any Parent to pay:
  - (a) any Parent Expenses or any Related Taxes; and
  - (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2) (with respect to fees and expenses Incurred in connection with the transactions described therein), (5) and (11) of the second paragraph under “—*Certain Covenants—Limitation on Affiliate Transactions*”;
- (10) [Reserved];
- (11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (14) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (15) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; *provided, however*, that the amount of all dividends declared or paid by the Issuer pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer from the issuance or sale of such Designated Preference Shares;
- (16) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment to the extent that, after giving *pro forma* effect to any such Restricted Payment, the Consolidated Net Leverage Ratio of the Issuer would be no greater than 4.0 to 1.0; and
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom) Restricted Payments in an aggregate amount outstanding at any time not to exceed €50 million.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the categories described in clauses (1) through (17) above, the Issuer will be entitled to classify such Restricted Payment (or portion thereof) on the date of its payment or later reclassify such Restricted Payment (or portion thereof) in any manner that complies with this covenant.

Except as otherwise specified, the amount of all Restricted Payments or Permitted Investments (other than cash) shall be the fair market value on the date of such Restricted Payment or Permitted Investments of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment or Permitted Investment. The fair market value of any cash Restricted Payment or Permitted Investments shall be its face amount, and the fair market value of any non-cash Restricted

Payment or Permitted Investments or any other property, assets or securities required to be valued by this covenant shall be determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith.

### ***Limitation on Liens***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of their property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “*Initial Lien*”), except (a) in the case of any property or asset that does not constitute Notes Collateral, (i) Permitted Liens or (ii) Liens on assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured and (b) in the case of any property or assets that constitutes Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(ii) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under “—*Notes Security—Release of Notes Collateral.*”

### ***No Layering of Debt***

The Issuer will not Incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms (as determined in good faith by the Issuer); *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of being unsecured, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

At all times, each of Altice International and the Initial Guarantor shall be a direct Subsidiary of the Issuer and Altice France shall be a direct Subsidiary of the Initial Guarantor.

No Guarantor will Incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) that is contractually subordinated in right of payment to any Indebtedness of such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to such Guarantor’s Note Guarantee on substantially identical terms (as determined in good faith by the Issuer); *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of such Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

The Issuer will not permit the Initial Guarantor to Incur any Indebtedness other than (i) Guarantees of Indebtedness of the Issuer Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” and (ii) Indebtedness Incurred pursuant to clause (3) of the first paragraph and clauses (3), (4)(a), (4)(c) (other than in respect of Refinancing Indebtedness that refinances Indebtedness of Altice International, Altice France or any of their Restricted Subsidiaries), (4)(e), (5)(c), (9), (10), (11), (12), (14) and (15)(a) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”.

### ***Minimum Holdings***

The Issuer shall at all times own directly (i) at least 75% of each class of Capital Stock of Altice International and (ii) 100% of each class of Capital Stock of the Initial Guarantor. The Initial Guarantor shall at all times own directly at least 50.1% of each class of Capital Stock of Altice France.

### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;
- (B) make any loans or advances to the Issuer or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary;

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to any Credit Facility or any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Issuer);
- (2) [Reserved];
- (3) encumbrances or restrictions existing under or by reason of the Indenture, the Notes, the Note Guarantees, the Existing Senior Notes Indentures, the Existing Senior Notes, the Existing Altice France Indentures, the Existing Altice France Notes, the Existing Altice France Senior Credit Facility, the Existing Altice France RCF, the Altice Luxembourg Revolving Credit Facility, the Existing Altice International Indebtedness the Senior Notes, the Senior Notes Indenture and in each case of the foregoing the Guarantees thereof, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Existing Altice France Intercreditor Agreement (or any additional intercreditor agreement on substantially the same terms as the Existing Altice France Agreement), the Existing Altice International Intercreditor Agreement (or any additional intercreditor agreement on substantially the same terms as the applicable Existing Altice International Intercreditor Agreement), the Security Documents, the Existing Altice International Security Documents and the Existing Altice France Security Documents.
- (4) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which (i) such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (in each case, other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary) and outstanding on such date; *provided* that, for the purposes of this clause (4), if another Person is the Successor Company (as defined under “—*Certain Covenants—Merger and Consolidation*”), or any Subsidiary thereof, any agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;
- (5) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews,

refunds, refinances or replaces, an agreement or instrument referred to in clause (1), (3) or (4) of this paragraph or this clause (5) (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (3) or (4) of this paragraph or this clause (5); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);

- (6) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements;
  - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary; or
  - (d) pursuant to the terms of any license, authorization, concession or permit;
- (7) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
- (8) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (9) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (10) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, governmental license or order, or required by any regulatory authority or stock exchange;
- (11) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (12) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (13) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Existing Altice France Senior Credit Facility, the Existing Altice France RCF, the Existing Altice International Senior Credit Facility, the Existing Altice International RCFs or the Altice Luxembourg Revolving Credit Facility, together with the Security Documents, the Existing Altice International Security Documents and the Existing Altice France Security Documents associated therewith, or the Intercreditor Agreement, the Existing Altice France Intercreditor Agreement or the Existing Altice International Intercreditor Agreement, in each case of the foregoing, as in effect on or immediately prior to the Issue Date or (ii) is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of clause (ii), the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions (x) will



not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes as and when they become due or (y) such encumbrances and restrictions apply only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;

- (14) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or
- (15) any encumbrance or restriction existing by reason of any Lien permitted under "*Certain Covenants—Limitation on Liens*".

#### ***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by an Officer or the Board of Directors of the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition or such series of related Asset Dispositions (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition (other than any Asset Disposition of Capital Stock of Altice International), the Issuer or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of the Issuer or such Restricted Subsidiary):

- (a) within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash (i) to prepay, repay, purchase or redeem any Pari Passu Indebtedness of the Issuer or a Guarantor that is secured in whole or in part by a Lien on the Notes Collateral which Lien ranks *pari passu* with the Liens securing the Notes, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer or such Guarantor, as applicable, shall prepay, redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (i) only if the Issuer or such Guarantor makes an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (ii) to prepay, repay, purchase or redeem (x) any Indebtedness of a Restricted Subsidiary that is not a Guarantor; *provided* that at the time of any such prepayment, repayment, purchase or redemption, the Issuer owns, directly or indirectly, at least 75% of each class of Capital Stock of such Restricted Subsidiary or (y) any Indebtedness of the Issuer or a Guarantor that is secured on assets which do not constitute Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided further* that if such Asset Disposition relates to assets owned by Altice International and its Restricted Subsidiaries, such Indebtedness being prepaid, repaid, purchased or redeemed shall be Indebtedness of Altice International and its Restricted Subsidiaries and if such Asset Disposition relates to assets owned by Altice France and its Restricted Subsidiaries, such Indebtedness being prepaid, repaid, purchased or redeemed shall be Indebtedness of Altice France and its Restricted Subsidiaries; or (iii) to purchase the Notes pursuant to an offer to all Holders at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

- (b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary) within 395 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer, Altice International or Altice France, as applicable, that is executed or approved within such time will satisfy this requirement, so long as such investment or commitment to invest is consummated within 180 days of such 395th day; *provided further* that if such Asset Disposition relates to assets owned by Altice International and its Restricted Subsidiaries, such investment in or purchase or commitment to invest in or purchase Additional Assets, shall be made by Altice International and its Restricted Subsidiaries and if such Asset Disposition relates to assets owned by Altice France and its Restricted Subsidiaries, such investment in or purchase or commitment to invest in or purchase Additional Assets, shall be made by Altice France and its Restricted Subsidiaries;
- (c) to make a capital expenditure within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer, Altice International or Altice France, as applicable, that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 395th day; *provided further* that if such Asset Disposition relates to assets owned by Altice International and its Restricted Subsidiaries, such capital expenditure shall be made by Altice International and its Restricted Subsidiaries and if such Asset Disposition relates to assets owned by Altice France and its Restricted Subsidiaries, such capital expenditure shall be made by Altice France and its Restricted Subsidiaries; or
- (d) any combination of the foregoing,

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

After the receipt of any Net Cash Proceeds from an Asset Disposition of any Capital Stock of Altice International, the Issuer or a Restricted Subsidiary, as the case may be, shall apply such Net Cash Proceeds directly or indirectly within 30 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Cash Proceeds to make an offer (an “*Altice International Share Disposition Offer*”) to all Holders to purchase the maximum principal amount of Notes to which the Altice International Disposition Offer applies that may be purchased out of such Net Cash Proceeds, at an offer price in respect of the Notes in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture in minimum denominations of \$200,000 in principal amount and in integral multiples of \$1,000 in excess thereof, in the case of Dollar Notes, and €100,000 in principal amount and integral multiples of €1,000 in excess thereof, in the case of Euro Notes.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the second paragraph of this covenant will be deemed to constitute “Excess Proceeds”. On the 396th day (or the 576th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer, Altice International or Altice France (as applicable) pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €50 million, the Issuer will be required within ten (10) Business Days thereof to make an offer (an “*Asset Disposition Offer*”) to all Holders and, to the extent the Issuer elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and (i) in the case of the Dollar Notes, in minimum denominations of \$200,000 in

principal amount and in integral multiples of \$1,000 in excess thereof and (ii) in the case of the Euro Notes, in minimum denominations of €100,000 in principal amount and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer and the Restricted Subsidiaries may use any remaining Excess Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that the aggregate amount of Notes so validly tendered and not properly withdrawn pursuant to an Altice International Share Disposition Offer is less than the Net Cash Proceeds for the Asset Disposition of Capital Stock of Altice International, the Issuer and the Restricted Subsidiaries may use any remaining Net Cash Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Altice International Share Disposition Offer by Holders exceeds the amount of such Net Cash Proceeds, the Net Cash Proceeds shall be allocated among the Notes to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period.

To the extent that any portion of Net Available Cash or Net Cash Proceeds payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash or Net Cash Proceeds, as applicable, into such currency.

The Asset Disposition Offer or the Altice International Share Disposition Offer, as applicable, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer or Altice International Share Disposition Offer, as applicable.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer or Altice International Share Disposition Offer, as applicable, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of \$200,000 in principal amount and in integral multiples of \$1,000 in excess thereof, in the case of the Dollar Notes, and €100,000 in principal amount and integral multiples of €1,000 in excess thereof, in the case of the Euro Notes. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agents, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will, via an authenticating agent, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of \$200,000, in the case of the Dollar Notes, and

€100,000, in the case of the Euro Notes. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant (other than an Asset Disposition of Capital Stock of Altice International), the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition, to the extent of the cash received;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary (as applicable) are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Issuer or a Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and
- (5) (i) if such Asset Disposition relates to assets owned by Altice International or any of its Restricted Subsidiaries, any Designated Non-Cash Consideration received by Altice International or any of its Restricted Subsidiaries in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received by Altice International and its Restricted Subsidiaries pursuant to this covenant that is at that time outstanding, not to exceed the greater of €185 million and 1.5% of Altice International Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); (ii) if such Asset Disposition relates to assets owned by Altice France or any of its Restricted Subsidiaries, any Designated Non-Cash Consideration received by Altice France and its Restricted Subsidiaries in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received by Altice France and its Restricted Subsidiaries pursuant to this covenant that is at that time outstanding, not to exceed the greater of €150 million and 1.5% of Altice France Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and (iii) if such Asset Disposition relates to assets owned by the Issuer or any of its Restricted Subsidiaries (other than assets owned by Altice International and its Restricted Subsidiaries and Altice France and its Restricted Subsidiaries), any Designated Non-Cash Consideration received by the Issuer and such Restricted Subsidiaries in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received by the Issuer and such Restricted Subsidiaries pursuant to this clause (iii) that is at that time outstanding, not to exceed €75 million (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

#### ***Limitation on Affiliate Transactions***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being “*Affiliate Transactions*”) involving aggregate value in excess of €5 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable

transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €25 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; *provided* that an Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in this covenant if the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on arm's length basis.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*”, any Permitted Payments (other than pursuant to clause (9)(b) of the second paragraph of the covenant described under “—*Limitation on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (17) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) other than any transaction directly or indirectly between or among Altice International or any of its Restricted Subsidiaries on the one hand and Altice France or any of its Restricted Subsidiaries on the other, any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among the Issuer, any Restricted Subsidiary or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) the Refinancing Transactions and the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time (including, without limitation, to add additional Persons in connection with any such Person becoming a Restricted Subsidiary) in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering (including the Initial Public Offering);
- (7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or management purposes in the ordinary course of business;

- (8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services and Associates, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;
- (11) without duplication in respect of payments made pursuant to the definition of Parent Expenses, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed an amount equal to €50 million per year; (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith; and (c) payments of all fees and expenses related to the Refinancing Transactions;
- (12) any transaction effected as part of a Qualified Receivables Financing;
- (13) any participation in a rights offer or public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such rights, tender or exchange offer;
- (14) any transaction between or among Altice International and its Restricted Subsidiaries, on the one hand, and Altice France and its Restricted Subsidiaries, on the other hand, if the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of each of the Board of Directors of Altice International and Altice France resolving that the terms of such transaction taken as a whole are not materially less favorable to Altice International and its Restricted Subsidiaries and Altice France and its Restricted Subsidiaries, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate;
- (15) any transaction by Altice International or its Restricted Subsidiaries (other than a transaction described in clause (14) of this paragraph), if the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of Altice International resolving that the terms of such transaction taken as a whole are not materially less favorable to Altice International and its Restricted Subsidiaries than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and
- (16) any transaction by Altice France or its Restricted Subsidiaries (other than a transaction described in clause (14) of this paragraph), if the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of Altice France

resolving that the terms of such transaction taken as a whole are not materially less favorable to Altice France and its Restricted Subsidiaries than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate.

### ***Maintenance of Listing***

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading on its Euro MTF Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of the Notes on another recognized stock exchange.

### ***Reports***

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

- (1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2019, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all material respects to the annual report of the Issuer for the year ended December 31, 2018, the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the most recent fiscal year (and comparative information as of the end of the prior fiscal year) and audited consolidated income statements and statements of cash flow of the Issuer for the most recent fiscal year (and comparative information as of the end of the prior fiscal year), including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for (i) any acquisition or disposition by the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of the Issuer on a *pro forma* consolidated basis or (ii) recapitalizations by the Issuer or a Restricted Subsidiary, in each case, that have occurred since the beginning of the most recently completed fiscal year (unless such *pro forma* information has been provided in a prior report pursuant to clause (2) or (3) below); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments (to the extent not previously reported pursuant to clause (2) or (3) below).
- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending March 31, 2019, all quarterly reports of the Issuer containing the following information in a level of detail comparable in all material respects to the quarterly report of the Issuer for the nine months ended September 30, 2018: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow for the most recent quarter year-to-date period ending on the date of the unaudited condensed balance sheet, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any acquisition or disposition by the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the relevant quarter, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of the Issuer on a *pro forma* consolidated basis (unless such *pro forma* information has been provided in a prior report pursuant to clause (3) below); (c) a summary operating and financial review of the unaudited financial statements, including a discussion of revenues, Consolidated EBITDA, capital expenditures, operating cash flow, and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course

of business in commitments and contingencies since the most recent report; and (d) material recent developments (to the extent not previously reported pursuant to clause (3) below); and

- (3) promptly after the occurrence of such event, information with respect to (a) any change in the independent public accountants of the Issuer, (b) any material acquisition, disposal, merger or similar transaction or (c) any development determined by an Officer of the Issuer to be material to the business of the Issuer and its Restricted Subsidiaries (taken as a whole).

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods.

Except as provided for herein, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in these Listing Particulars and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time if any Subsidiary of the Issuer is an Unrestricted Subsidiary and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary, then the quarterly and annual financial information required by the first paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) of the first paragraph of this covenant, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that such reports cannot be made available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, at the Issuer's registered office or, to the extent and in the manner permitted by such rules and regulations, post such reports on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and holders of beneficial interests in the Notes and, upon their request, prospective purchasers of the Notes or prospective and purchasers of beneficial interests in the Notes, the information required to be delivered pursuant to Rule 144A(d)(4).

Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other parties' compliance with any of its covenants in the Indenture (as to which the Trustee will be entitled to rely exclusively on Officer's Certificates that are delivered).

### ***Merger and Consolidation***

#### *The Issuer*

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the "*Successor Company*") (if not the Issuer) will be a Person organized and existing under the laws of any member state of the European Union, Switzerland,



Canada, the United States, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement and the Security Documents, as applicable;

- (2) immediately after giving *pro forma* effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable two-quarter period, either (a) the Issuer or the Successor Company would have been able to Incur at least an additional €1.00 of Indebtedness pursuant to sub-clause (3) of the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Consolidated Net Leverage Ratio of the Issuer would not be greater than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence in which the Issuer is the Successor Company), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer; and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary or the Issuer; *provided* that Altice International or any of its Restricted Subsidiaries shall not consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to Altice France or any of its Restricted Subsidiaries. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence) of the first paragraph of this covenant, the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this “*Merger and Consolidation*” covenant) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

#### *The Guarantors*

None of the Guarantors (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving Person);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it;

unless:

- (A) the other Person is the Issuer or Restricted Subsidiary that is a Guarantor or becomes a Guarantor as a result of such transaction; or
- (B)
  - (1) either (x) a Guarantor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement and Security Documents, as applicable; and
  - (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing; or
- (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture and the proceeds therefrom are applied as required by the Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Guarantor or the Issuer and (b) any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Guarantor reincorporating the Guarantor in another jurisdiction, or changing the legal form of the Guarantor.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

### ***Lines of Business***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Similar Business, except to such extent as would not be material to the Issuer and the Restricted Subsidiaries, taken as a whole.

### ***Additional Guarantors***

The Issuer will not permit any of its Restricted Subsidiaries (other than a Guarantor) to Guarantee any Indebtedness of the Issuer or any Guarantor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”, except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness.

Note Guarantees granted after the Issue Date pursuant to this covenant shall be released as set forth under “—*Releases of the Note Guarantees*”. In addition, Note Guarantees granted after the Issue Date pursuant to the first paragraph of this covenant may be released at the option of the Issuer if, at the date of such release, (i) the

Indebtedness which required such Note Guarantee has been released or discharged in full, (ii) no Event of Default would arise as a result of such release, and (iii) there is no other Indebtedness of such Guarantor outstanding that was Incurred after the Issue Date and that could not have been Incurred in compliance with the Indenture as of the date Incurred if such Guarantor were not a Guarantor as at that date. The Trustee and the Security Agent (to the extent action is required by it) shall each take all necessary actions requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to provide a Note Guarantee to the extent and for so long as the Incurrence of such Note Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Note Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from Incurring such Note Guarantee by the terms of any Indebtedness of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary); *provided* that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness.

#### ***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “*Suspension Event*”), then, the Issuer shall notify the Trustee of these events and beginning on that day and continuing until such time, if any, at which the applicable series of Notes ceases to have Investment Grade Status (the “*Reversion Date*”), the provisions of the Indenture summarized under the following captions will not apply to such series of Notes: “—*Certain Covenants—Limitation on Indebtedness*”, “—*Certain Covenants—Limitation on Restricted Payments*”, “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”, “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”, “—*Certain Covenants—Limitation on Affiliate Transactions*”, and “—*Certain Covenants—Impairment of Security Interests*”, the provisions of clause (3) of the first paragraph of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Issuer*” and, in each case, any related default provision of the Indenture ceases to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the “—*Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer’s option, as having been Incurred pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under “—*Limitation on Indebtedness*”, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”.

### ***Impairment of Security Interests***

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Notes Collateral (it being understood that, subject to the next succeeding paragraph, the Incurrence of Permitted Collateral Liens, shall under no circumstances be deemed to materially impair the Security Interests) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent (or its delegate), for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien over any of the Notes Collateral; *provided* that, subject to the next succeeding paragraph, (x) the Issuer may Incur Permitted Collateral Liens, (y) the Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, released, modified or replaced in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Documents and (z) the Issuer and the Restricted Subsidiaries may consummate any other transaction permitted under “—*Certain Covenants—Merger and Consolidation*”.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Security Interest in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) (i) to cure any ambiguity, omission, defect or inconsistency therein; (ii) to provide for Permitted Collateral Liens; (iii) to make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement transactions permitted under “—*Certain Covenants—Merger and Consolidation*”; (iv) to add to the Notes Collateral; (v) to provide for the release of any Security Interest from the Lien of the Security Documents, provided that such release is followed by the substantially concurrent re-taking of a Lien of at least equivalent priority over the same properties and assets securing the Notes or any Note Guarantee; or (vi) to make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that, contemporaneously with any such action in clauses (ii), (iii), (iv), (v) and (vi), the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the Person granting the Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Issuer and the Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

### ***Payments for Consents***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude Holders in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities

laws and the laws of the European Union or its member states or the State of Israel), which the Issuer in its sole discretion determine (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

### ***Additional Intercreditor Agreements***

The Indenture provides that, at the request of the Issuer, in connection with the Incurrence by the Issuer or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Liens, the Issuer or a Restricted Subsidiary, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an “*Additional Intercreditor Agreement*”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Liens over the Notes Collateral (or terms not materially less favorable to the Holders); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* or subordinated security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Lien).

The Indenture also provides that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Notes Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof, (8) make any change reasonably necessary or desirable, in the good faith determination of the Issuer in order to implement any transaction that is subject to the covenants described under the caption “—*Merger and Consolidation*”, or (9) implement any transaction in connection with the renewal extension, refinancing, replacement or increase of Indebtedness that is not prohibited by the Indenture or make any other change to any such agreement that does not adversely affect the Holders in any material respect; *provided* that no such changes shall be permitted to the extent they affect the ranking of any Note or Note Guarantee, enforcement of Liens over the Notes Collateral, the application of proceeds from the enforcement of Notes Collateral or the release of any Note Guarantees or Lien over the Notes Collateral in a manner than would adversely affect the rights of the Holders in any material respect except as otherwise permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement immediately prior to such change. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*”, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture also provides that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, at the request of the Issuer, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments*”.

The Indenture also provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then

entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

### ***Limitations on Holding Company Activities***

Notwithstanding anything contained in the Indenture, neither the Issuer nor the Initial Guarantor will engage in any business activity or undertake any other activity, except:

- (1) Investments in its direct Subsidiaries;
- (2) the provision of administrative, management, legal and accounting services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;
- (3) any activity relating to the offering, sale, issuance, Incurrence, servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Notes, any Additional Notes, the Altice Luxembourg Revolving Credit Facility, the Existing Senior Notes, or other Indebtedness (including any Refinancing Indebtedness in respect of any of the foregoing) permitted to be Incurred by the terms of the Indenture (including the lending, directly or indirectly, of the proceeds of such sale of the Notes, any Additional Notes or other Indebtedness permitted by the terms of the Indenture pursuant to intercompany proceeds loans) or the performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under this Indenture;
- (4) the granting of Liens permitted pursuant to the covenant described under “—*Limitation on Liens*”;
- (5) any activity undertaken with the purpose of, directly or indirectly, fulfilling its obligations or exercising its rights under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or documents related to any Indebtedness specified in clause (3) above;
- (6) the ownership of cash and Cash Equivalents or any activities related to cash management activities on behalf of its Restricted Subsidiaries;
- (7) making Investments in any Indebtedness specified in clause (3) above or any Investments permitted to be made by it under the definition of Permitted Investments;
- (8) making Restricted Payments (other than Restricted Investments) and Permitted Payments not prohibited under the covenant described under “—*Limitation on Restricted Payments*”;
- (9) any activity directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries’ corporate existence;
- (10) any activity directly related or reasonably incidental to the Refinancing Transactions; or
- (11) (i) any transaction or activity not to exceed €10 million in the aggregate and (ii) other activities not specifically enumerated above that are immaterial in nature.

### **Events of Default**

Each of the following is an “*Event of Default*” under the Indenture:

- (1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer or any Restricted Subsidiary to comply for 30 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with any of its obligations under

the covenants described under “Change of Control” above or under the covenants described under “—*Certain Covenants*” above (in each case, other than (i) a failure to purchase Notes, which will constitute an Event of Default under clause (2) above and (ii) a failure to comply with the covenant described under “—*Certain Covenants—Minimum Holdings*”, which shall be governed by clause (9) below);

- (4) failure by the Issuer, any Restricted Subsidiary or any other grantor of a Lien over the Notes Collateral to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by the failure to pay principal of such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (“*payment default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross-acceleration provision*”),and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €50 million or more;
- (6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (the “*bankruptcy provisions*”);
- (7) failure by the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €50 million, exclusive of any amounts that a solvent insurance company has acknowledged liability for, which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the “*judgment default provision*”);
- (8) any Security Interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Indenture) with respect to Notes Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable and the Issuer shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days (the “*security default provision*”); and
- (9) failure by the Issuer to comply with any of the provisions of the covenant described under “—*Certain Covenants—Minimum Holdings*”.

However, a default under clauses (3), (4), (5), (7) or (9) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5) or (7) the Issuer does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes, and Additional Amounts, if any, will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the

then outstanding Notes, the Trustee shall, declare all the Notes to be due and payable immediately. The Trustee shall not be deemed to have notice of any Default or Event of Default (other than a payment default) unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except non-payment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee, and the Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee on behalf of the Holders or of exercising any trust or power conferred on the Trustee on behalf of the Holders.

The Indenture provides that, in the event an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee is aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture provides that if a Default occurs and is continuing and a Responsible Officer of the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or



premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

### **Amendments and Waivers**

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any Default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided, however*, that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes only the consent of the Holders of at least a majority in principal amount of the then outstanding Dollar Notes or Euro Notes (and not the consent of at least a majority of all Notes then outstanding), as the case may be, shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes affected (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) (*provided, however*, that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes only the consent of the Holders of at least 90% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes, as the case may be, shall be required (and not the consent of at least 90% of the aggregate principal amount of all Notes then outstanding)), an amendment, supplement or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver, supplement or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*");
- (3) reduce the principal of, or extend the Stated Maturity of, any Note;
- (4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "*—Optional Redemption*" (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*");
- (5) make any Note payable in money other than that stated in the Note (except to the extent the currency stated in the Notes has been succeeded or replaced pursuant to applicable law);
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes (it being understood that this clause (6) will not apply to provisions under the caption "*—Change of Control*" and "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" except to the extent payments thereunder are at such time due and payable);

- (7) make any change in the provision of the Indenture described under “—*Withholding Taxes*” that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on such Notes (except pursuant to a rescission of acceleration of such Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or
- (9) make any change in the amendment or waiver provisions which require the Holders’ consent described in this sentence.

In addition, (A) without the consent of at least 75% in aggregate principal amount of Notes then outstanding (*provided, however*, that if any amendment, waiver or other modification will only affect the Dollar Notes or the Euro Notes only the consent of the holders of at least 75% of the aggregate principal amount of the then outstanding Dollar Notes or the Euro Notes, as the case may be (and not the consent of at least 75% of the aggregate principal amount of all Notes then outstanding), will be required), no amendment, supplement or waiver may: (1) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; or (2) release any of the Security Interests (to the extent any Notes Collateral so released in any transactions or series of transactions has a fair market value in excess of €25 million) other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture, as applicable.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Notes Document;
- (3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes Incurred in accordance with the terms of the Indenture;
- (6) to provide for a Restricted Subsidiary to provide a Note Guarantee in accordance with the Indenture, to add Note Guarantees, to add security to or for the benefit of the Notes, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including Liens in the Notes Collateral and under the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Indenture, the Note Guarantees, the Security Documents or the Notes to any provision of this “*Description of Notes*” to the extent that such provision in this “*Description of Notes*” was intended to be a verbatim recitation of a provision of the Indenture, a Note Guarantee, the Security Documents or the Notes;
- (8) to evidence and provide for the acceptance and appointment under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant

to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document; or

- (9) as provided in “—*Certain Covenants—Additional Intercreditor Agreements*” and “—*Certain Covenants—Impairment of Security Interests*”.

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer’s Certificates and Opinions of Counsel as set forth in the Indenture.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder’s Notes will not be rendered invalid by such tender.

For the purpose of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of any Dollar Notes shall be as of the Issue Date.

For the avoidance of doubt, the provisions of Articles 470-1 to 470-19 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules and regulations of the Luxembourg Stock Exchange.

#### **Acts by Holders**

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with the Issuer will be disregarded and deemed not to be outstanding.

#### **Defeasance**

The Issuer at any time may terminate all obligations of the Issuer under the Notes and the Indenture (“*legal defeasance*”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the right to receive payment, defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Security Agent (with respect to the Notes), the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under certain covenants described under “—*Certain Covenants*” and “—*Change of Control*” and the default provisions relating to such covenants described under “—*Events of Default*” above, the operation of the cross-default upon a payment default, the cross-acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under “—*Events of Default*” above (“*covenant defeasance*”).

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to the first paragraph and clauses (1) and (2) of the first

paragraph of the covenant described under “—*Certain Covenants—Merger and Consolidation*”), (4), (5), (6) (with respect only to the Issuer and Significant Subsidiaries), (7) or (8) under “—*Events of Default*” above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “*defeasance trust*”) with the Trustee (or an entity designated or appointed as agent by it for this purpose) cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes) for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel (subject to customary exceptions and exclusions) from United States counsel to the effect that Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel from United States counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);
- (2) an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer’s Certificate stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

### **Satisfaction and Discharge**

The Indenture and the Notes, and the rights of the Trustee and the Holders thereunder and under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the relevant Paying Agent for cancellation; or (b) all Notes not previously delivered to the relevant Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or an entity designated or appointed as agent by it for this purpose) cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes), in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; and (4) the Issuer has delivered to the Trustee an Officer’s Certificate to the effect that all conditions precedent under the “—*Satisfaction and Discharge*” section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

## **Listing and General Information**

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer's annual audited consolidated financial statements, the Issuer's unaudited consolidated interim quarterly financial statements and these Listing Particulars may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

## **Available Information**

Any Holder or holder of a beneficial interest in the Notes, following the Issue Date, may obtain a copy of the Indenture, the form of Notes, the Security Documents, the Intercreditor Agreement and any applicable Additional Intercreditor Agreement without charge by writing to the Issuer, 5, rue Eugène Ruppert, L-2453 Luxembourg, Attention: Chief Financial Officer.

## **Concerning the Trustee and Certain Agents**

Deutsche Bank Trust Company Americas is Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which the Trustee has been notified in accordance with the provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture is not construed as an obligation or duty.

The Issuer shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee, the Paying Agents and the Registrars will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification and/or security of the Trustee by the Issuer and the Guarantors for any loss, liability, taxes or expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

## **Notices**

All notices to Holders are validly given if mailed or delivered to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, notices with respect to such Notes will be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

For Notes which are represented by global certificates held on behalf of DTC, Euroclear and/or Clearstream, as applicable, notices may be given by delivery of the relevant notices to DTC, Euroclear and/or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

## **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

## **Currency Indemnity**

The sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Dollar Notes and Note Guarantees thereof is U.S. dollars and the Euro Notes and Note Guarantees thereof is euro, including damages. Any amount received or recovered in a currency other than U.S. dollars or euro, as applicable, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the U.S. dollar amount or euro amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount or euro amount is less than the U.S. dollar amount or euro amount, as applicable, expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

## **Enforceability of Judgments**

Since substantially all the assets of each of the Issuer and the Initial Guarantor is located outside the United States, any judgment obtained in the United States against the Issuer or the Initial Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

## **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Note Guarantees, the Issuer and each Guarantor has, in the Indenture or any supplemental indenture, as applicable, appointed Numericable US LLC or any other member of the Group or an Affiliate as its agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

## **Governing Law**

The Indenture, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of the State of New York. The application of the provisions set out in Articles 470-1 to 470-19 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded. The Intercreditor Agreement is, and the rights and duties of the parties thereunder are, governed by and construed in accordance with the laws of England and Wales. The Security Documents governing the Security Interests shall be governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg.

## Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Additional Assets*” means:

- (1) any property or assets (other than Indebtedness and Capital Stock) not classified as current assets under IFRS used or to be used by the Issuer or a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of an Asset Disposition shall be deemed an investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*AI Mandatory Convertible Notes*” means the mandatory convertible notes issued by Altice International for an aggregate nominal amount of up to €2,055 million and subscribed to by the Issuer.

“*Altice Financing*” means Altice Financing S.A., a Luxembourg public limited liability company (*société anonyme*) with registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.

“*Altice France*” means Altice France S.A., a French public limited liability company (*société anonyme*) with registered office at 16, rue du Général Alain de Boissieu, 75015, Paris, France.

“*Altice France Total Assets*” means the consolidated total assets of Altice France and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of Altice France prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of Indebtedness giving rise to the need to calculate Altice France Total Assets.

“*Altice International*” refers to Altice International S.à r.l., a private limited company (*société a responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg.

“*Altice International Total Assets*” means the consolidated total assets of Altice International and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of Altice International prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of Indebtedness giving rise to the need to calculate Altice International Total Assets.

“*Altice Luxembourg FR*” refers to Altice Luxembourg FR S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg.

“*Altice Luxembourg Revolving Credit Facility*” refers to the revolving facility agreement, dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer as initial borrower, the lenders from time to time party thereto, Deutsche Bank AG, London Branch as facility agent and Deutsche Bank AG, London Branch as security agent.

“*Applicable Premium*” means:

- (A) with respect to any Dollar Note the greater of:
- (i) 1% of the principal amount of such Dollar Note; and
  - (ii) the excess (to the extent positive) of:
    - (1) the present value at such redemption date of (i) the redemption price of such Dollar Note at May 15, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the “—*Optional Redemption*” section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Dollar Note to and including May 15, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over
    - (2) the outstanding principal amount of such Dollar Note,
- (B) with respect to any Euro Note the greater of:
- (i) 1% of the principal amount of such Euro Note; and
  - (ii) the excess (to the extent positive) of:
    - (1) the present value at such redemption date of (i) the redemption price of such Euro Note at May 15, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the “—*Optional Redemption*” section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Euro Note to and including May 15, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
    - (2) the outstanding principal amount of such Euro Note,

in each case, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or Paying Agents.

“*Asset Disposition*” means, with respect to the Issuer and the Restricted Subsidiaries any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of the Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, transfer, issuance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—*Change of Control*” and/or the provisions described above under the caption “—*Certain Covenants—Merger and Consolidation*” and not by the provisions described under the caption “—*Certain Covenants—Limitation on Sales of Assets and*



*Subsidiary Stock*". Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary (other than by Altice International or any of its Restricted Subsidiaries to Altice France or any of its Restricted Subsidiaries);
- (2) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;
- (4) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of obsolete, surplus or worn out equipment or other assets or equipment or other similar assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;
- (5) transactions permitted under "*Certain Covenants—Merger and Consolidation*" (other than as permitted under clause (C) of the first paragraph under "*Certain Covenants—Merger and Consolidation—The Guarantors*") or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;
- (7) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) not to exceed:
  - (i) if such disposition or series of related dispositions relates to assets owned by the Issuer or any of its Restricted Subsidiaries (other than Altice International, Altice France and their respective Restricted Subsidiaries), the fair market value of Capital Stock, properties or assets does not exceed €100 million;
  - (ii) if such disposition or series of related dispositions relates to assets owned by Altice International or any of its Restricted Subsidiaries, the fair market value of Capital Stock, properties or assets does not exceed the greater of €125 million and 1.0% of Altice International Total Assets; and
  - (iii) if such disposition or series of related dispositions relates to assets owned by Altice France or any of its Restricted Subsidiaries, the fair market value of Capital Stock, properties or assets does not exceed €150 million;
- (8) (i) any Restricted Payment that is permitted to be made under the covenant described above under "*Certain Covenants—Limitation on Restricted Payments*" or (ii) solely for the purposes of the second paragraph under "*Certain Covenants—Limitation on Sale of Assets and Subsidiary Stock*", a disposition, the proceeds of which are used to make Restricted Payments permitted to be made under the covenant described above under "*Certain Covenants—Limitation on Restricted Payments*";
- (9) the granting of Liens not prohibited by the covenant described above under the caption "*Certain Covenants—Limitation on Liens*";
- (10) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

- (11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases, subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales, transfers or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (15) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (18)
  - (a) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of assets of Altice International or any of its Restricted Subsidiaries to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by Altice International or any of its Restricted Subsidiaries to such Person; *provided, however*, that the Board of Directors of the Issuer or Altice International shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Altice International and its Restricted Subsidiaries (considered as a whole);
  - (b) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of assets of Altice France or any of its Restricted Subsidiaries to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by Altice France or any of its Restricted Subsidiaries to such Person; *provided, however*, that (1) the Board of Directors of the Issuer or Altice France shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Altice France and its Restricted Subsidiaries (considered as a whole); and (2) that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18)(b), does not exceed the greater of €100 million and 1.0% of Altice France Total Assets; and
- (19) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; *provided* that network assets of the Issuer or any Restricted Subsidiary shall be excluded from this clause (19) unless the Net Cash Proceeds of such sale and leaseback transaction are applied in accordance with the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”.

“Associate” means (i) any Person engaged in a Similar Business of which the Issuer or a Restricted Subsidiary are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Issuer or any Restricted Subsidiary.

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“*Bund Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

- (1) “Comparable German Bund Issue” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to May 15, 2022 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Euro Notes and of a maturity most nearly equal to May 15, 2022; *provided, however*, that, if the period from such redemption date to May 15, 2022 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to May 15, 2022, is less than one year, a fixed maturity of one year shall be used;
- (2) “Comparable German Bund Price” means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and
- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, the Grand Duchy of Luxembourg or New York, New York, United States are authorized or required by law to close.

“*Capital Stock*” of any Person means any and all shares of, interests, rights to purchase, warrants or options for, participation or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. For the avoidance of doubt, operating leases will not be deemed Capitalized Lease Obligations.

*“Cash Equivalents”* means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States Government, the United Kingdom, Switzerland or any member state of the European Union, in each case, any agency or instrumentality of thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof) having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by a bank or trust company (a) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “P-1” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that such bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P or “P-2” or the equivalent thereof by Moody’s or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by any state of the United States, any member of the European Union or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or Preferred Stock issued by Persons with a rating of “BBB-” or higher from S&P or “Baa3” or higher from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United States or a member state of the European Union eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

*“Change of Control”* means:

- (1) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any “person” (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer, measured by voting power rather than number of shares;
- (2) during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors on the Board of Directors of the Issuer (together with any new directors whose election by the majority of such directors on such Board of Directors of the Issuer or whose nomination for election by shareholders of the Issuer, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Issuer then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors on the Board of Directors of the Issuer, then in office; or

- (3) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to a Person (including any “person” as defined above), other than a Permitted Holder.

“*Commodity Hedging Agreements*” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements) to which such Person is a party or a beneficiary.

“*Consolidated EBITDA*” for any period means, without duplication, the Consolidated Net Income of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, of Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable) for such period, plus the following to the extent deducted in calculating such Consolidated Net Income (in each case of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable)):

- (1) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization and impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including, as applicable, any such fees, expenses or charges related to the Refinancing Transactions), in each case, as determined in good faith by the Issuer (or, if the calculation relates to Altice International or Altice France, by Altice International or Altice France, as applicable);
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consultancy and advisory fees and related expenses paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*”; *provided* that any payments for such fees and related expense shall not be included in Consolidated EBITDA for any period to the extent they were accrued for in such period or any prior period and added back to Consolidated EBITDA in such period or any such prior period; and
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other non-cash items classified by the Issuer (or, if the calculation relates to Altice International or Altice France, by Altice International or Altice France, as applicable) as special items less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (14) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

“*Consolidated Income Taxes*” means taxes or other payments, including deferred Taxes, based on income, profits or capital of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable) whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

“*Consolidated Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable), whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;
- (3) non-cash interest expense;
- (4) dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer (or, if the calculation relates to Altice International or Altice France, to the extent held by Persons other than Altice International or a Subsidiary of Altice International or Altice France or a Subsidiary of Altice France, as applicable);
- (5) the consolidated interest expense that was capitalized during such period;
- (6) net payments and receipts (if any) pursuant to Hedging Obligations (other than Currency Agreements) (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations (other than Currency Agreements)); and
- (7) any interest actually paid by the Issuer or any Restricted Subsidiary on Indebtedness of another Person that is Guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on assets of the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, any interest actually paid (i) by Altice International or any of its Restricted Subsidiaries or (ii) Altice France or any of its Restricted Subsidiaries, as applicable, on Indebtedness of another Person that is Guaranteed by (i) Altice International or any of its Restricted Subsidiaries or (ii) Altice France or any of its Restricted Subsidiaries, as applicable, or secured by a Lien on assets of (i) Altice International or any of its Restricted Subsidiaries or (ii) Altice France or any of its Restricted Subsidiaries, as applicable).

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding (or, if the calculation relates to Altice International or Altice France, any interest accrued, capitalized or paid in respect of any subordinated shareholder funding (defined in a similar manner to Subordinated Shareholder Funding under the Indenture), (ii) any commissions, discounts, yield and other fees and charges related to a Qualified Receivables Financing, (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS, (iv) net payments and receipts (if any) pursuant to Currency Agreements (including unrealized mark-to-market gains and losses attributable to Hedging Obligations) and (v) any pension liability interest costs.

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable) determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, to Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable) as a dividend or other distribution or return on investment;
- (2) [Reserved];

- (3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, of Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable) (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer of the Issuer (or, if the calculation relates to Altice International or Altice France, by an Officer of Altice International or Altice France, as applicable));
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance or any expenses, charges, reserves, gains or other costs related to the Refinancing Transactions
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;
- (7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments;
- (9) any unrealized foreign currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, in respect of Indebtedness or other obligations of Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable, owing to Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable);
- (11) any one-time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries (or, if the calculation relates to Altice International or Altice France, involving Altice International or its Subsidiaries or Altice France or its Subsidiaries, as applicable);
- (12) any goodwill or other intangible asset impairment charge or write-off; and
- (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding (or, if the calculation relates to Altice International or Altice France, on any subordinated shareholder funding (defined in a similar manner to Subordinated Shareholder Funding under the Indenture)); and
- (14) the amount of management, monitoring, consultancy and advisory fees and related expenses paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under “*Certain Covenants—Limitation on Affiliate Transactions*”.

“*Consolidated Net Leverage*” means (A) the sum, without duplication, of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, of Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable) on a consolidated basis (excluding (i) Hedging Obligations and (ii) other than for purposes of the covenant

described under “—*Certain Covenants—Limitation on Restricted Payments*”, any Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”), less (B) the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, of Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable) on a consolidated basis.

“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage of the Issuer and its Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, of Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable) at such date to (y) the aggregate amount of Pro forma EBITDA of the Issuer and its Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, of Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable) for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal financial statements of the Issuer (or, if the calculation relates to Altice International or Altice France, for which internal financial statements of Altice International or Altice France, as applicable) are available multiplied by 2.0; *provided, however*, that in each case, the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under the caption “—*Certain Covenants—Limitation on Indebtedness*”.

For the avoidance of doubt, in determining any Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Credit Facility*” means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds, note purchase agreements or indentures or commercial paper facilities and overdraft facilities with banks, institutions, funds or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, bonds, debentures letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, institutions or investors and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder,



- (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or
- (4) otherwise altering the terms and conditions thereof.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, cap, floor, ceiling, collar, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“*Default*” means any event which is, or after giving notice or with the passage of time or both would be, an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”.

“*Designated Preference Shares*” means, with respect to the Issuer, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof.

“*Disinterested Director*” means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or
- (3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case, on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”.

“*Equity Offering*” means a public or private sale of (x) Capital Stock of the Issuer or (y) Capital Stock or other securities, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Issuer or any of its Restricted Subsidiaries, in each case other than:

- (1) Disqualified Stock;

- (2) Designated Preference Shares;
- (3) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;
- (4) any such sale to an Affiliate of the Issuer or a Restricted Subsidiary; and
- (5) any such sale that constitutes an Excluded Contribution.

“*Escrowed Proceeds*” means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

“*euro*” or “*€*” means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro (“*Other Currency*”), at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such Other Currency involved in such computation into euro at the spot rate for the purchase of euro with the Other Currency as published in *The Financial Times* in the “Currency Rates” section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

“*Euro MTF Market*” means the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange.

“*European Government Obligations*” means direct obligations of, or obligations guaranteed by, a member state of the European Monetary Union as of the date of the Indenture, and the payment for which such member state of the European Monetary Union pledges its full faith and credit; *provided* that such member state has a long-term government debt rating of “*A1*” or higher by Moody’s or “*A+*” or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Exchange Transaction*” means an exchange offer by the Senior Notes Issuer at its sole option pursuant to which one or more series of Senior Notes are offered in exchange for all outstanding Notes issued under the Indenture; provided that (1) no Default or Event of Default has occurred and is continuing at the time any such exchange offer is made or would result therefrom, (2) holders of at least 50.1% of the aggregate principal amount of each series of the outstanding Dollar Notes and Euro Notes have elected to participate in such offer, (3) for each €1,000 in principal amount of Euro Notes tendered and accepted, each holder tendering such Euro Notes will receive €1,000 in principal amount of Senior Notes, (4) for each \$1,000 in principal amount of Dollar Notes tendered and accepted, each holder tendering such Dollar Notes will receive \$1,000 in principal amount of Senior Notes, (5) the exchange offer complies with Rule 14e-1 under the Exchange Act and any other applicable securities law or regulation, (6) the Senior Notes Issuer accepts for exchange all Notes tendered in such exchange offer and issues the relevant Senior Notes in exchange therefor, (7) the exchange offer is open to all holders of the Notes on substantially similar terms; provided that the Senior Notes Issuer shall be permitted to exclude Holders in any jurisdiction to the extent that the extension of such exchange offer to such Holders would require the Senior Notes Issuer to file a registration statement, prospectus or similar document under any applicable securities laws and (8) the exchange offer is not conditioned upon holders of the Notes consenting to any amendments to the terms of the notes or the Indenture.

“*Excluded Contribution*” means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Original Notes Issue Date or from the issuance or sale (other than to the Issuer, a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the

Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

*"Existing Altice France Indentures"* means the indentures governing the Existing Altice France Notes.

*"Existing Altice France Intercreditor Agreement"* means the intercreditor agreement dated as of May 8, 2014 and made between (among others) Altice France, the Security Agent (as defined therein), the Facility Agent (as defined therein), certain financial institutions party thereto, the Hedging Banks (as defined therein) and the trustees under the Existing Altice France Indentures, as amended, restated, supplemented or otherwise modified from time to time.

*"Existing Altice France Notes"* means the (1) €1,250,000,000 aggregate principal amount of 5 <sup>5</sup>/<sub>8</sub>% Senior Secured Notes due 2024, (2) \$1,375,000,000 aggregate principal amount of 6 <sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2024, (3) \$5,190,000,000 aggregate principal amount of 7 <sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2026, (4) \$1,750 million aggregate principal amount of 8 <sup>1</sup>/<sub>8</sub>% Senior Secured Notes due 2027 and (5) €1,000 million aggregate principal amount of 5 <sup>7</sup>/<sub>8</sub>% Senior Secured Notes due 2027, in each case issued by Altice France.

*"Existing Altice France RCF"* means the revolving facility agreement (and the facilities available thereunder) dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified or replaced from time to time, among, *inter alios*, Altice France as borrower, the Lenders from time to time party thereto, the Facility Agent and Security Agent (as each are defined therein).

*"Existing Altice France Security Documents"* means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to, and granting the security interests as contemplated by, the Existing Altice France Notes, Existing Altice France RCF and the Existing Altice France Senior Credit Facility, as applicable, as the same may be amended, supplemented or otherwise modified from time to time.

*"Existing Altice France Senior Credit Facility"* means the term loan credit agreement (and the facilities available thereunder), dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified or replaced from time to time, among, *inter alios*, Altice France, Ypso France SAS and Numericable U.S. LLC as Borrowers, the Lenders from time to time party thereto, and the Facility Agent and Security Agent (as each are defined therein).

*"Existing Altice International Guarantee Facilities"* means the (1) guarantee facility agreement dated June 23, 2017, as amended, restated, supplemented or otherwise modified from time to time, by, among others, Altice Financing as borrower, the lenders from time to time party thereto, J.P. Morgan Europe Limited as facility agent and Citibank, N.A., London Branch as security agent, (2) guarantee facility agreement dated July 25, 2018, by, among others, Altice Financing, as borrower and guarantor, the lenders from time to time party thereto, BNP Paribas SA and Credit Agricole Corporate and Investment Bank, as original lenders and mandated lead arrangers, BNP Paribas SA, as facility agent and issuing bank and Citibank, N.A., London Branch, as security agent and (3) standalone financial guarantee issued on July 26, 2018 by Credit Agricole Corporate and Investment Bank for the benefit of the European Commission.

*"Existing Altice International Indebtedness"* means, collectively, the (1) the Existing Altice International Senior Secured Notes, (2) the Existing Altice International Senior Notes, (3) the Existing Altice International Senior Credit Facility, (4) the Existing Altice International RCFs, (5) the Existing Altice International Guarantee Facilities, (6) the HOT Credit Facility and (7) any proceeds loans or intercompany loans between Altice International and any of its Restricted Subsidiaries or between any Restricted Subsidiaries of Altice International, in each case, including any Guarantees (if any) relating thereto, and each as amended, restated, supplemented or otherwise modified from time to time.

*"Existing Altice International Intercreditor Agreement"* means the intercreditor agreement dated December 12, 2012 and made between (among others) Altice Financing, Altice Finco S.A., the security agent, the facility agent, the Mandated Lead Arrangers (as defined therein), certain financial institutions party thereto, the Hedging Banks (as defined therein) and the Trustee, as amended, restated, supplemented or otherwise modified from time to time.

*"Existing Altice International RCFs"* means, collectively, the (1) revolving credit facility agreement, dated December 9, 2014, as amended, restated, supplemented or otherwise modified from time to time, among Altice Financing, as borrower, the lenders from time to time party thereto, Citibank International Limited as facility agent and Citibank, N.A., London Branch, as security agent and (2) revolving credit facility agreement, dated

January 15, 2015, as amended, restated, supplemented or otherwise modified from time to time, among Altice Financing, as borrower, the lenders from time to time party thereto, Citibank International Limited as facility agent and Citibank, N.A., London Branch, as security agent.

“*Existing Altice International Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Existing Altice International Indebtedness, as the same may be amended, supplemented or otherwise modified from time to time.

“*Existing Altice International Senior Credit Facility*” means the term loan credit agreement dated as of January 30, 2015, between Altice Financing as borrower and the persons listed in Schedule 2.01 thereto as lenders, Deutsche Bank AG, London Branch as the administrative agent and Citibank, N.A., London Branch as security agent, as amended, restated, supplemented or otherwise modified from time to time.

“*Existing Altice International Senior Notes*” means, collectively, the (1) €250 million aggregate principal amount of 9% senior notes due 2023, (2) \$400 million aggregate principal amount of 8<sup>1</sup>/<sub>8</sub>% senior notes due 2024, (3) \$385 million aggregate principal amount of 7<sup>5</sup>/<sub>8</sub>% senior notes due 2025 and (4) \$675 million aggregate principal amount of 4<sup>3</sup>/<sub>4</sub>% of senior notes due 2028, in each case issued by Altice Finco S.A.

“*Existing Altice International Senior Secured Notes*” means, collectively, the (1) €500 million aggregate principal amount of 5<sup>1</sup>/<sub>4</sub>% senior secured notes due 2023, (2) \$2,060 million aggregate principal amount of 6<sup>5</sup>/<sub>8</sub>% senior secured notes due 2023 and (3) \$2,750 million aggregate principal amount of 7<sup>1</sup>/<sub>2</sub>% senior secured notes due 2026, in each case issued by Altice Financing.

“*Existing Senior Notes*” means, collectively, the (1) \$2,900 million aggregate principal amount of 7<sup>3</sup>/<sub>4</sub>% senior notes due 2022 which have been redeemed in full or part as part of the Refinancing Transactions and as described in “*Use of Proceeds*” in the Offering Memorandum, (2) €2,075 million aggregate principal amount of 7<sup>1</sup>/<sub>4</sub>% senior notes due 2022 which have been redeemed in full part as part of the Refinancing Transactions and as described in “*Use of Proceeds*” in the Offering Memorandum, (3) \$1,480,000,000 aggregate principal amount of 7<sup>5</sup>/<sub>8</sub>% Senior Notes due 2025 and (4) €750,000,000 aggregate principal amount of 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2025, in each case issued by the Issuer.

“*Existing Senior Notes Indentures*” means the indentures dated as of May 8, 2014 and February 4, 2015, as amended, among, *inter alios*, the Issuer, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the Existing Senior Notes.

“*fair market value*” wherever such term is used in this “*Description of Notes*” or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and except as otherwise specifically provided in this “*Description of Notes*” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Group*” means the Issuer and its Restricted Subsidiaries.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

*provided, however*, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business or any guarantee of performance. The term “Guarantee” used as a verb has a corresponding meaning.

“*Guarantor*” means each Person (including the Initial Guarantor and the Additional Guarantors (if any)) that executes a Note Guarantee in accordance with the provisions of the Indenture in its capacity as a guarantor of the Notes and its respective successors and assigns, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*Holder*” means each Person in whose name the Notes are registered.

“*HOT Credit Facility*” means the Facility Agreement dated April 25, 2013 between and made between (among others) HOT Telecommunications Systems Ltd. and HSBC Bank plc, Israel Discount Bank Ltd. and First International Bank of Israel Ltd. in their respective capacities as Lenders as may be amended, restated, supplemented or otherwise modified from time to time.

“*IFRS*” means International Financial Reporting Standards as issued by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the Original Notes Issue Date, or, with respect to the covenant described under the caption “—*Certain Covenants—Reports*” as in effect from time to time; *provided that* at any date after the Original Notes Issue Date, the Issuer may make an irrevocable election to establish that “*IFRS*” shall mean IFRS as in effect on a date that is on or prior to the date of such election (except with respect to the covenant described under the caption “—*Certain Covenants—Reports*”). The Issuer shall give notice of any such election to the Trustee and the Holders.

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however,* that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by the Issuer or such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “*Incurred*” and “*Incurrence*” have meanings correlative to the foregoing and any Indebtedness pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall only be “*Incurred*” at the time any funds are borrowed thereunder.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of assets acquired or services supplied (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (6) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

- (7) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (8) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Commodity Hedging Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “Indebtedness” shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease or any Operating IRU), concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations, (vi) obligations under or in respect of Qualified Receivables Financing, (vii) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) Indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, (x) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with a transaction where (A) such Indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody’s and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such Indebtedness. For the avoidance of doubt and notwithstanding the above, the term “Indebtedness” excludes any accrued expenses and trade payables and any obligations under guarantees issued in connection with various operating and telecommunication licenses (including, without limitation, any obligations under the guarantee by HOT issued to the Ministry of Communications and Broadcast Council and the bank guarantee in connection with the HOT Mobile’s winning a frequency allotment and receiving a cellular license, and any obligations of HOT Systems towards the State of Israel under an agreement dated July 10, 2001, between HOT Systems and other cable companies and between the State of Israel, in each case, as in effect on December 12, 2012).

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (6), (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;
- (ii) for the avoidance of doubt, any obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness; or
- (iv) Capitalized Lease Obligations.

“*Indenture*” means the indenture dated as of the Issue Date, as amended, among, *inter alios*, the Issuer, as issuer, the Initial Guarantor and the Trustee, governing the Notes.

“*Independent Financial Advisor*” means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

“*Initial Public Offering*” means the Equity Offering of common stock or other common equity interests of Altice Europe N.V. (or its predecessor company) which was completed on February 5, 2014, as a result of which the shares of common stock or other common equity interests of Altice Europe N.V. in such offering are listed on Euronext Amsterdam.

“*Intercreditor Agreement*” means the intercreditor agreement dated as of May 8, 2014 and made between (among others) the Issuer, the Security Agent, the Facility Agent (as defined therein), the Mandated Lead Arrangers (as defined therein) and certain financial institutions party thereto, as amended, restated, supplemented or otherwise modified from time to time.

“*Interest Rate Agreement*” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “—*Certain Covenants—Limitation on Restricted Payments*”.

For purposes of “—*Certain Covenants—Limitation on Restricted Payments*”:

- (1) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer’s “Investment” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer’s equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by an Officer or the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer (or if earlier at the time of entering into an agreement to sell such property), in each case as determined in good faith by an Officer or the Board of Directors of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a member state of the European Union, Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “A” or higher from S&P or “A3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among Altice International and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade Status*” shall occur when the Notes receive both of the following:

- (1) a rating of “BBB–” or higher from S&P; and
- (2) a rating of “Baa3” or higher from Moody’s,

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*Investor*” means Altice Europe N.V. (or any of its successors) and the ultimate controlling shareholder of Altice Europe N.V. on the Issue Date.

“*Investor Affiliate*” means (i) the Investor or any of his immediate family members, and any such persons’ respective Affiliates and direct and indirect Subsidiaries, (ii) any sponsor, limited partnerships or entities managed or controlled by the Investor or any of his immediate family, or any of such persons’ respective Affiliates and direct or indirect Subsidiaries, (iii) any trust of the Investor or any of his immediate family, or any of such persons’ respective Affiliates and direct or indirect Subsidiaries or any trust in respect of which any such persons is a trustee, (iv) any partnership of which the Investor or any of his immediate family, or any of such persons’ respective Affiliates or direct or indirect Subsidiaries is a partner that is managed or controlled by the Investor, any of his immediate family or any of such persons’ respective Affiliates or direct or indirect Subsidiaries, and (v) any trust, fund or other entity which is managed by, or is under the control of, the Investor or any of his immediate family, or any of such persons’ respective Affiliates or direct or indirect Subsidiaries, but excluding the Issuer or any of its Subsidiaries.

“*Issue Date*” means May 8, 2019.

“*Issue Date Unrestricted Subsidiaries*” means SFR FTTH S.A.S. (a French corporation incorporated as a société par actions simplifiée registered under sole identification number 844 717 587 R.C.S. Nanterre with its registered office at 124 Boulevard de Verdun, 92400 Courbevoie, France), Auberimmo SAS and, in each case, their respective Subsidiaries.

“*Issuer*” means Altice Luxembourg S.A., a Luxembourg public limited liability company (*société anonyme*) with registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg and registered with the Luxembourg Trade and Companies’ Register under number B197134.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*Management Advances*” means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:



- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such Person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Restricted Subsidiaries or any Parent (i) not to exceed an amount (net of repayments of any such loans or advances) equal to €25 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Management Advances made under this sub-clause (b)(i) do not exceed €40 million in any fiscal year) or (ii) with the approval of the Board of Directors of the Issuer;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €17.5 million in the aggregate outstanding at any time.

“*Management Investors*” means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the Beneficial Owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

“*Moody's*” means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” shall have the same meaning as used in Section 3(a)(62) of the Exchange Act.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against (a) any liabilities associated with the assets disposed in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; or (b) any purchase price adjustment or earn-out in connection with such Asset Disposition.

“*Net Cash Proceeds*” means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, any Incurrence of any Indebtedness or any sale of any asset, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“*Note Guarantee*” means the Guarantee by each Guarantor of the Issuer’s obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

“*Notes Collateral*” has the meaning given to such term under “—*Notes Security—General*”.

“*Notes Documents*” means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement.

“*Offering Memorandum*” means the offering memorandum in relation to the Notes dated May 3, 2019.

“*Officer*” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Indenture by the Board of Directors of such Person.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*Operating IRU*” means an indefeasible right of use of, or operating lease or payable for lit or unlit fiber optic cable or telecommunications conduit or the use of either.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee, which opinion may contain customary assumptions and qualifications. The counsel may be an employee of or counsel to any Parent, the Issuer or any of their Subsidiaries.

“*Original Notes Issue Date*” means February 4, 2015.

“*Parent*” means any Person of which the Issuer at any time is or becomes a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“*Parent Expenses*” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of a Parent, the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to a Parent, the Issuer or their respective Subsidiaries;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to a Parent, the Issuer or their respective Subsidiaries and reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (4) fees and expenses payable by any Parent in connection with the Refinancing Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries including acquisitions or dispositions by the Issuer or a Subsidiary permitted hereunder (whether or not successful), in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such Parent or (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing Transactions;

- (6) any fees and expenses required to maintain any Parent’s corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent;
- (7) to reimburse out-of-pocket expenses of the Board of Directors of any Parent and payment of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;
- (8) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Refinancing Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €15 million in any fiscal year;
- (9) any Public Offering Expenses; and
- (10) payments pursuant to any Tax Sharing Agreement in the ordinary course of business or as a result of the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business.

“*Pari Passu Indebtedness*” means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes; and (2) with respect to the Guarantors, any Indebtedness that ranks *pari passu* in right of payment to such Guarantor’s Guarantee of the Notes.

“*Paying Agent*” means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

“*Permitted Asset Swap*” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”.

“*Permitted Collateral Liens*” means:

- (1) Liens on the Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) of the definition of “Permitted Liens”;
- (2) Liens on the Notes Collateral to secure (a) the Notes issued on the Issue Date (other than any Additional Notes) and the Note Guarantees thereof, (b) Indebtedness that is permitted to be Incurred under sub-clause (3) the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, (c) Indebtedness that is permitted to be Incurred under clauses (1)(c) (which may be Super Priority Indebtedness), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Notes Collateral and specified in this definition of Permitted Collateral Liens), (4)(a), 5(c)(ii), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness of the Issuer) (which may be Super Priority Indebtedness); (14) (so long as, in the case of clause (14), on the date of Incurrence of Indebtedness pursuant to such clause (14) and after giving effect thereto on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if such Indebtedness had been Incurred at the beginning of the relevant period, the Consolidated Net Leverage Ratio of the Issuer is no greater than 4.0 to 1.0) and (15)(a) under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a), (b) or (c); *provided, however*, that (i) such Lien shall rank *pari passu* or junior to the Liens securing the Notes and the Note Guarantees (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement); (ii) in each case, all property and assets (including, without limitation, the Notes Collateral) securing such Indebtedness also secure the Notes or the Note Guarantees on a senior or *pari passu* basis (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement but no such Indebtedness (other than Super Priority Indebtedness) shall have priority to the Notes over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral); and (iii) each of the parties

thereto or their applicable representatives will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

“*Permitted Holders*” means, collectively, (1) the Investor, (2) Investor Affiliates and (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted Investment*” means (in each case, by the Issuer or any of the Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) any Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary, in each case other than Investments by Altice International or any of its Restricted Subsidiaries in Altice France or any of its Restricted Subsidiaries;
- (2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;
- (5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary (including obligations of trade creditors and customers), or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or in compromise or resolution of any litigation, arbitration or other dispute;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” and other Investments resulting from the disposition of assets in transactions excluded from the definition of “Asset Disposition” pursuant to the exclusions from such definition;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment existing on the Issue Date or (b) as otherwise permitted by the Indenture;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred pursuant to clause (7) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
- (11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*”;

- (12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);
- (14) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (15) Investments in the Notes, any Additional Notes, the Existing Senior Notes, the, the Existing Altice France Notes, loans under the Existing Altice France Senior Credit Facility, loans under the Existing Altice France RCF, the Senior Notes, the Existing Altice International Indebtedness or any Pari Passu Indebtedness of the Issuer or a Guarantor;
- (16) (a) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under “—*Certain Covenants—Merger and Consolidation*” to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and (b) Investments of a Restricted Subsidiary existing on the date such Person becomes a Restricted Subsidiary to the extent that such Investments were not made in contemplation of such Person becoming a Restricted Subsidiary;
- (17) (a) Investments by the Issuer and its Restricted Subsidiaries (other than Altice International, Altice France and their respective Restricted Subsidiaries), taken together with all other Investments made pursuant to this clause (17)(a) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €50 million *plus* the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section “—*Certain Covenants—Limitation on Restricted Payments*”); (b) Investments by Altice International and its Restricted Subsidiaries, taken together with all other Investments made pursuant to this clause (17)(b) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of 3.0% of Altice International Total Assets and €375 million *plus* the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section “—*Certain Covenants—Limitation on Restricted Payments*”); and (c) Investments by Altice France and its Restricted Subsidiaries, taken together with all other Investments made pursuant to this clause (17)(c) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of 3.0% of Altice France Total Assets and €300 million *plus* the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section “—*Certain Covenants—Limitation on Restricted Payments*”); *provided* that, if an Investment is made pursuant to this clause (17) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (18) Investments by Altice France and its Restricted Subsidiaries in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause (18) that are at the time outstanding, not to exceed the greater of €300 million and 3.0% of Altice France Total Assets at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value); and
- (19) Investments by Altice International and its Restricted Subsidiaries in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause (19) that are at the time outstanding, not to exceed the greater of €375 million and 3.0% of Altice International Total Assets at the time of such Investment (with the

fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

“*Permitted Liens*” means, with respect to any Person:

- (1) (a) Liens on assets or property of Altice International or any of its Restricted Subsidiaries securing Indebtedness of Altice International or any of its Restricted Subsidiaries; (b) Liens on assets or property of Altice France or any of its Restricted Subsidiaries securing Indebtedness of Altice France or any of its Restricted Subsidiaries; and (c) other than with respect to the Restricted Subsidiaries described in clauses (a) and (b), Liens on assets or property of a Restricted Subsidiary (other than Altice International, Altice France or any of their respective Restricted Subsidiaries) that is not a Guarantor securing Indebtedness of such Restricted Subsidiary or another Restricted Subsidiary (other than Altice International, Altice France or any of their respective Restricted Subsidiaries) that is not a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements and including Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) (a) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and (b) Liens in connection with cash management programs established in the ordinary course of business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;
- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default and notices of *lis pendens* and associated rights so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order, award or notice have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Issuer or any Restricted Subsidiary (including Capital Stock) for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the

payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture (excluding Indebtedness Incurred pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

- (11) Liens arising by virtue of any statutory or common law provisions relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on or provided for or required to be granted under written agreements existing on the Issue Date after giving effect to the Refinancing Transactions, including the issuance of the Notes and the application of the proceeds thereof;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

- (22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (23) bankers' Liens, Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business of such Person to facilitate the purchase, shipment or storage of such inventory or other goods and Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, and pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;
- (25) Permitted Collateral Liens;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) any security granted over Cash Equivalents in connection with the disposal thereof to a third party and Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or similar provisions as among the Holders and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (29) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;
- (30) Liens on property and assets of the Issuer and its Restricted Subsidiaries (other than Altice International, Altice France or any of their respective Restricted Subsidiaries) securing Indebtedness or other obligations of Issuer and such Restricted Subsidiaries not to exceed €30 million at any time outstanding.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock*”, as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Pro forma EBITDA*” means, for any period, the Consolidated EBITDA of the Issuer and the Restricted Subsidiaries (or, if the calculation relates to Altice International or Altice France, of Altice International and its Restricted Subsidiaries or Altice France and its Restricted Subsidiaries, as applicable), *provided* that for the purposes of calculating Pro forma EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable) has disposed of any company, any business, or any group of assets constituting an operating unit of a business or otherwise ceases to be a Restricted Subsidiary (and is not a Restricted Subsidiary at the end of such period) (any such disposition, a “*Sale*”)



or if the transaction giving rise to the need to calculate Pro forma EBITDA is such a Sale, Pro forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes “discontinued operations” in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

- (2) since the beginning of such period, a Parent, the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable) (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or a Person otherwise becomes a Restricted Subsidiary (and remains a Restricted Subsidiary at the end of such period) (any such Investment, acquisition or designation, a “Purchase”), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Pro forma EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period; and
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, into Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable) since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary (or, if the calculation relates to Altice International or Altice France, by Altice International or any of its Restricted Subsidiaries or Altice France or any of its Restricted Subsidiaries, as applicable) since the beginning of such period, Pro forma EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income, Consolidated Net Leverage Ratio (a) whenever *pro forma* effect is to be given to any transaction (including, without limitation, transactions listed in clauses (1) to (3) hereof) or calculation hereunder or such other definitions, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (or, if the calculation relates to Altice International or Altice France, of Altice International or Altice France, as applicable) (including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies)) (calculated on a *pro forma* basis as though such expense and cost reductions and synergies had been realized on the first day of the period for which Pro forma EBITDA is being determined and as though such cost savings, operating expense reductions and synergies were realized during the entirety of such period), (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (c) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months).

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“*Public Offering*” means any offering, including the Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S to professional market investors or similar persons).

“*Public Offering Expenses*” means expenses Incurred by any Parent in connection with any Public Offering or any offering of Public Debt (whether or not successful):

- (1) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary;
- (2) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or
- (3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary of such Parent.

“*Purchase Money Obligations*” means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“*Qualified Receivables Financing*” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

“*Receivables Assets*” means any assets that are or will be the subject of a Qualified Receivables Financing.

“*Receivables Fees*” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“*Receivables Financing*” means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

“*Receivables Repurchase Obligation*” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Receivables Subsidiary*” means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer (other than Altice France) makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Issuer nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and
- (3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*", "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture has a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness of the Issuer or any Restricted Subsidiary to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);
- (3) if the Indebtedness being refinanced is expressly subordinated to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the Notes or such Note Guarantee, as applicable, on terms at least as favorable to the Holders as those contained in, the documentation governing the Indebtedness being refinanced; and
- (4) if the Issuer or any Guarantor was the obligor on the Indebtedness being refinanced, such Indebtedness is Incurred either by the Issuer or by a Guarantor,

*provided, however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or any Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary, (ii) Indebtedness of the Issuer owing to and held by the Issuer or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary, (iii) Indebtedness of Altice International or any Restricted Subsidiary of Altice International that refinances Indebtedness of Altice France or any Restricted Subsidiary of Altice France, (iv) Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than Altice International, Altice France or any of their respective Restricted Subsidiaries) that refinances Indebtedness of Altice International, Altice France or any of their respective Restricted Subsidiaries.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge, or repayment of any such Credit Facility or other Indebtedness.

“*Refinancing Transactions*” means the transactions described under “*Summary—The Refinancing Transactions*” in these Listing Particulars.

“*Regulation S*” means Regulation S promulgated under the Securities Act.

“*Related Taxes*” means, without duplication (including, for the avoidance of doubt, without duplication of any amounts paid pursuant to any Tax Sharing Agreement):

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding taxes), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:
  - (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Subsidiary of the Issuer);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of the Issuer or any Subsidiary of the Issuer;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiary of the Issuer; or
  - (e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to “*—Certain Covenants—Limitation on Restricted Payments*”; or
- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and Subsidiaries of the Issuer would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and the Subsidiaries of the Issuer had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and the Subsidiaries of the Issuer.

“*Representative*” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“*Responsible Officer*” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee having direct responsibility for the administration of the Indenture and any other offices of the Trustee to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means a Subsidiary of the Issuer other than an Unrestricted Subsidiary (or if the context requires, a Subsidiary of Altice International or Altice France, as applicable, in each case other than an Unrestricted Subsidiary).

“*Rule 144A*” means Rule 144A promulgated under the Securities Act.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Sale*” is defined in the definition of “Pro forma EBITDA”.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“Security Agent” means Deutsche Bank AG, London Branch acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

“Security Documents” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Notes Collateral as contemplated by the Indenture.

“Security Interests” means the security interests in the Notes Collateral that is created by the Security Documents and secures obligations under the Notes or the Note Guarantees and the Indenture.

“Senior Notes” means senior notes issued by the Senior Notes Issuer; *provided* that (1) such senior notes will be guaranteed on a subordinated basis by Altice France (which, for the avoidance of doubt, would be subject to the Existing Altice France Intercreditor Agreement and subordinated to the obligations of Altice France under the Existing Altice France Notes, the Existing Altice France RCF and the Existing Altice France Senior Credit Facility), (2) the Indebtedness incurred under such senior notes is permitted to be Incurred pursuant to the terms and conditions of any other material Indebtedness of Altice France and its Subsidiaries outstanding upon consummation of the Exchange Transaction, (3) the applicable coupon of each series of such senior notes shall not be less than the applicable coupon of the series of Notes for which they are exchanged, (4) all amounts due and owing on such senior notes will be payable in the same currency as the relevant series of Notes for which they are exchanged, (5) the redemption provisions of such senior notes will have at least the remaining call protection applicable to the relevant series of Notes for which they are exchanged and (6) the Stated Maturity of such senior notes will be no later than the Stated Maturity of the relevant series of Notes for which they are exchanged.

“Senior Notes Indenture” means the indenture to be entered into among, *inter alios*, the Senior Notes Issuer, as issuer and the trustee party thereto, governing the Senior Notes, as amended, restated, supplemented or otherwise modified from time to time.

“Senior Notes Issuer” means a public limited liability company (*société anonyme*) to be organized and established under the laws of the Grand Duchy of Luxembourg prior to an Exchange Transaction that will be a direct or indirect Subsidiary of Altice France.

“Significant Subsidiary” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Issuer’s and the Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Issuer’s and the Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) if positive, the Issuer’s and the Restricted Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and the Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“Similar Business” means (a) any businesses, services or activities (including marketing) engaged in by the Issuer or any of their Subsidiaries on the Issue Date, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by the Issuer or any of their Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, in the case of the Issuer, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Notes or pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Note Guarantee of such Guarantor.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months following the Stated Maturity of the Notes, is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of the Restricted Subsidiaries; and
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof;  
or

- (2) any partnership, joint venture, limited liability company or similar entity of which:
- (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Super Priority Indebtedness*” means any Indebtedness incurred under a Credit Facility or Hedging Obligations that is or will be secured by the same Notes Collateral that secures the Notes but has priority over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement.

“*Taxes*” has the meaning given to such term under “—*Withholding Taxes*”.

“*Tax Sharing Agreement*” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in:
  - (a) direct obligations of, or obligations Guaranteed by, (i) the United States, (ii) any European Union member state, (iii) Switzerland, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or
  - (b) direct obligations of any country recognized by the United States rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above, or
  - (b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A” by S&P or “A-2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any

Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States, any European Union member state or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least “BBB-” by S&P or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United States or a member state of the European Union eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least “A” by S&P or “A-2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

“*Total Assets*” means the consolidated total assets of the Issuer and the Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Issuer prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any Purchase and Sales that have occurred subsequent to such period, including any such Purchase to be made with the proceeds of Indebtedness giving rise to the need to calculate Total Assets.

“*Treasury Rate*” means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two (2) Business Days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to May 15, 2022; *provided* that if the period from such redemption date to May 15, 2022, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“*U.S. GAAP*” means generally accepted accounting principles in the United States as in effect from time to time.

“*U.S. Government Obligations*” means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) of the United States, for the timely payment of which its full faith and credit is pledged or (b) obligations (or certificates representing an ownership interest in such obligations) of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, rated at least “A-1” by S&P or “P-1” by Moody’s, and which are not callable or redeemable at the option of the issuer thereof.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means:

- (1) the Issue Date Unrestricted Subsidiaries (until any such Subsidiary is designated as a Restricted Subsidiary in the manner provided below);
- (2) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and



- (3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (other than the Initial Guarantor, Altice France and Altice International) (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer and the Restricted Subsidiaries in such Subsidiary complies with “—*Certain Covenants—Limitation on Restricted Payments*”.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation:

- (1) no Default or Event of Default would result therefrom; and
- (2) (i) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under sub-clause (3) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Consolidated Net Leverage Ratio of the Issuer would be no higher than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation; or
- (ii) if such Subsidiary will become a Restricted Subsidiary of Altice International, (x) Altice International could Incur at least €1.00 of additional Indebtedness under sub-clause (1) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Consolidated Net Leverage Ratio of Altice International would be no higher than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation; or
- (iii) if such Subsidiary will become a Restricted Subsidiary of Altice France, (x) Altice France could Incur at least €1.00 of additional Indebtedness under sub-clause (2) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Consolidated Net Leverage Ratio of Altice France would be no higher than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation.

Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“*Wholly Owned Subsidiary*” means a Restricted Subsidiary of a Person, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than such Person or another Wholly Owned Subsidiary of such Person) is owned by such Person or another Wholly Owned Subsidiary of such Person.

## BOOK-ENTRY, DELIVERY AND FORM

### General

Each series of the Notes sold outside the United States pursuant to Regulation S are initially represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**”). The Regulation S Global Notes representing the Dollar Notes (the “**Dollar Regulation S Global Notes**”) were deposited upon issuance with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Notes representing the Euro Notes (the “**Euro Regulation S Global Notes**”) were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Each series of the Notes sold within the United States to “qualified institutional buyers” pursuant to Rule 144A are initially represented by one or more global notes in registered form without interest coupons attached (the “**144A Global Notes**” and, together with the Regulation S Global Notes, the “**Global Notes**”). The 144A Global Notes representing the Dollar Notes (the “**Dollar 144A Global Notes**”) were deposited upon issuance with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro Notes (the “**Euro 144A Global Notes**”) were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

The Dollar 144A Global Notes and the Dollar Regulation S Global Notes are collectively referred to herein as the “**Dollar Global Notes**”. The Euro 144A Global Notes and the Euro Regulation S Global Notes are collectively referred to herein as the “**Euro Global Notes**”.

Ownership of interests in the 144A Global Notes (the “**144A Book-Entry Interests**”) and ownership of interests in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**” and, together with the 144A Book-Entry Interests, the “**Book-Entry Interests**”) are limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The Book-Entry Interests in the Euro Global Notes were issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Book-Entry Interests in the Dollar Global Notes were issued only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of the Notes, under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositories for DTC, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither we, the Registrars, Deutsche Bank Trust Company Americas, as custodian for DTC, the common depository for the accounts of Euroclear and Clearstream nor the Trustee under the Indenture nor any of our or their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

In accordance with Article 100-14 paragraph 2 of the Luxembourg Law dated 10 August 1915 on commercial companies, as amended, the application of the provisions set out in Articles 470-1 to 470-19 is expressly excluded.

## **Issuance of Definitive Registered Notes**

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the “**Definitive Registered Notes**”):

- if DTC (with respect to the Dollar Global Notes), or Euroclear and Clearstream (with respect to the Euro Global Notes) notify the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days,
- if DTC (with respect to the Dollar Global Notes), or Euroclear or Clearstream (with respect to the Euro Global Notes) so requests following an event of default under the Indenture, or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear and/or Clearstream, as applicable, following an event of default under the Indenture.

In such an event, the Registrars will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear and/or Clearstream, as applicable, or the Issuer (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in “*Notice to Investors*”, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrars shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the applicable Global Notes is evidenced through registration from time to time in the register maintained by the Registrars, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes, however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and/or Clearstream, as applicable.

## **Redemption of the Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided, however*, that no Book-Entry Interest of less than €100,000, in the case of the Euro Global Notes, or \$200,000, in the case of the Dollar Global Notes, principal amount at maturity, or less, may be redeemed in part.

## **Payments on Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Euro Paying Agent (in respect of the Euro Notes) and/or the U.S. Paying Agent (in respect of the Dollar Notes). The Euro Paying Agent will, in turn, make such payments to Euroclear and Clearstream (in the case of the Euro Global Notes) and the U.S. Paying Agent will, in turn, makes such payments to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer, the Trustee the Registrars, the Transfer Agents and the Paying Agents will treat the registered holder of the Global Notes (for example, DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrars the Transfer Agents nor the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, or
- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or
- DTC, Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depository or the custodian.

Payments made by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in “street name”.

### **Currency and Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes will be paid to holders of interests in such Notes (each a “**Euroclear/Clearstream Holder**” and together, the “**Euroclear/Clearstream Holders**”) through Euroclear and/or Clearstream, as applicable, in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (each a “**DTC Holder**” and together, the “**DTC Holders**”) through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in U.S. dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in U.S. dollars in accordance with Euroclear or Clearstream’s customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder’s election. All costs of conversion resulting from any such election will be borne by such Euroclear/Clearstream Holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euro in accordance with DTC’s customary procedures, which include, among other things, giving to DTC a notice of such holder’s election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such DTC Holder.

### **Action by Owners of Book-Entry Interests**

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes (including the presentation of the Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### **Transfers**

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical

delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes bear a legend to the effect set forth in “*Notice to Investors*”. Book-Entry Interests in the Global Notes are subject to the restrictions on transfer discussed in “*Notice to Investors*”.

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the “**40-day Period**”), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available).

Subject to the foregoing, and as set forth in “*Notice to Investors*”, Book-Entry Interests may be transferred and exchanged as described under “*Description of Notes—Transfer and Exchange*”. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of Notes—Transfer and Exchange*” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Notice to Investors*”.

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Dollar Global Note will be effected by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Information Concerning DTC, Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Trustee, the Paying Agents, the Registrars and the Transfer Agents nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under New York Banking Law,
- a “banking organization” within the meaning of New York Banking Law,
- a member of the Federal Reserve System,
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and
- a “clearing agency” registered pursuant to the provision of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”).

DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC’s direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic book-entry transfers and pledges between direct participants’ accounts. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

### **Global Clearance and Settlement Under the Book-Entry System**

The Notes represented by the Global Notes are expected to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market thereof and to trade in DTC’s Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes is therefore required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC’s rules on behalf of each of Euroclear or Clearstream by its common depository, however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC, will be received with value on the settlement date of DTC, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time.

None of the Issuer, the Trustee, the Registrars, the Transfer Agents nor the Paying Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Notes was made in euro and U.S. dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests are credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

We expect that secondary trading in the Notes will also be settled in immediately available funds.

The Book-Entry Interests trade through participants of DTC and Euroclear or Clearstream and settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## NOTICE TO INVESTORS

The Notes and the Notes Guarantee have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the Notes may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The Notes are being offered, sold and issued to (i) in the United States, to “qualified institutional buyers” in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) outside of the United States, to “non U.S. persons” as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (1) You are not acting on behalf of the Issuer and you (A) (i) are a “qualified institutional buyer” (as defined in Rule 144A), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S) (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.
- (2) You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the Issuer; or (v) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the Issuer’s and Trustee’s right prior to any such offer, sale or transfer pursuant to this clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to them, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you or it of the resale restrictions referred to the legend below.
- (3) You acknowledge that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than by the Issuer with respect to the information contained in the Offering Memorandum, which Offering Memorandum was delivered to you and upon which you were relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of the Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantor, the Indenture, the Notes Collateral Documents and the Notes as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.
- (4) You also acknowledge that:
  - (a) the Issuer and the Trustee reserve the right to require, in connection with any offer, sale or other transfer of the Notes under the paragraph two above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Trustee; and
  - (b) each Global Note contains a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ‘U.S. SECURITIES ACT’), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY



INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATES OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY)] [IN THE CASE OF REGULATIONS NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATIONS UNDER THE U.S. SECURITIES ACT)], ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT IN THE UNITED STATES, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN, (1) EITHER (A) THE ACQUIRER OR TRANSFEREE IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, (THE "CODE"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA) BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S AND/OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS") AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY

INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS UNDERTAKING TO ACT AS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THIS NOTE, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THIS NOTE, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THIS NOTE.

- (c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE: U.S. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, IF ANY, THE ISSUE PRICE, THE ISSUE DATE AND YIELD TO MATURITY BY CONTACTING THE ISSUER, 5, RUE EUGÈNE RUPPERT, L-2453 LUXEMBOURG ATTN: CHIEF FINANCIAL OFFICER.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (1) You acknowledge that the Registrars will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrars that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
  - (a) The Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify such Issuer and the Initial Purchasers promptly in writing; and
  - (b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
    - (i) you have sole investment discretion; and
    - (ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.
- (3) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.
- (4) You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of the Notes issued under Rule 144A) or 40 days (in the case of the Notes issued under Regulation S) after the later of the closing date and the last date that the Issuer or any of its affiliates was the owner of the

Notes or any predecessor of the Notes (the “**Resale Restriction Period**”), and will not apply after the applicable Resale Restriction Period ends.

- (5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to such Issuer, the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and/or in the front of these Listing Particulars under “*Prohibition of Offers To EEA Retail Investors*”, “*MIFID II Product Governance/Professional Investors and ECPS only Target Market*”, “*Notice to Certain European Investors*” and “*Notice to Investors in Canada*” and/or under “*Plan of Distribution*” or “*Certain Employee Benefit Plan Considerations*”.

### **ERISA Considerations**

By acquiring the Notes, you will be deemed to have further represented and agreed as follows:

With respect to the acquisition, holding and disposition of the Notes or any interest therein, (A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)), subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), applies, or any entity whose underlying assets include “*plan assets*” (within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA) by reason of such an employee benefit plan’s and/or plan’s investment in such entity (each, a “**Benefit Plan Investor**”), or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (“**Similar Laws**”) and no part of the assets to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any Benefit Plan Investor or such a governmental, church or non-U.S. plan, or (ii) your acquisition, holding and disposition of such Notes, or any interest therein, does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Laws) and (B) neither the Issuer nor any of their affiliates is undertaking to act as a Fiduciary (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or non-U.S. plan, any definition of “*fiduciary*” under Similar Laws) with respect to you, as the purchaser or holder, in connection with your purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of their affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of their affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser or holder in connection with the Notes.

## CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, “**ERISA Plans**”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under “*Risk Factors*” and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, “**Plans**”), and certain persons (referred to as “parties in interest” under ERISA or “disqualified persons” under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to U.S. federal, state, local, non U.S. or other laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (“**Similar Laws**”).

Each of us, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Notes to such Plans, the purchase of such Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of us, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the Notes are acquired by a Plan with respect to which we, the Initial Purchasers, the Trustee, any holder of the Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Notes by or on behalf of such Plan could be considered to constitute a prohibited transaction. Moreover, the acquisition or holding of the Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to a prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan’s acquisition of a Note depending in part upon the type of fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption (“**PTE**”) 84–14, regarding transactions effected by a “qualified professional asset manager”; PTE 90–1, regarding investments by insurance company pooled separate accounts; PTE 91–38, regarding investments by bank collective investment funds; PTE 95–60, regarding investments by insurance company general accounts and PTE 96–23, regarding investments by certain “in house asset managers”. In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than “adequate

consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

Under ERISA and a regulation issued by the U.S. Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the “**Plan Asset Regulation**”), the assets of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”) will be deemed to constitute “plan assets” for the purposes of ERISA and Section 4975 of the Code if a “Benefit Plan Investor” (within the meaning of Section 3(42) of ERISA) acquires an “equity interest” in the entity and none of the exceptions contained in the Plan Asset Regulation is applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Under the exceptions in the Plan Asset Regulation, an entity will not be deemed to hold plan assets if (i) participation in the entity by Benefit Plan Investors is not “significant” (e.g., Benefit Plan Investors hold less than 25% of the total value of each class of equity interest in the entity), or (ii) the entity is an operating company, including a “venture capital operating company” or “real estate operating company”.

Although there is little guidance on the subject, it is intended that, at the time of their issuance, the Notes should not be treated as equity interests of the Issuer for purposes of the Plan Asset Regulation.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN, THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD SUCH NOTE OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS UNDERTAKING TO ACT AS A “FIDUCIARY” (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF “FIDUCIARY” UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THE NOTES.

WE, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES (OR ANY INTEREST THEREIN) WITHOUT FURTHER INQUIRY.

It should be noted that an insurance company’s general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company’s ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and the U.S. Department of Labor regulation at 29 C.F.R. Section 2550.401c-1.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan’s portfolio with respect to diversification by

type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The sale of any Note or any interest therein to a Plan or a governmental, church or non U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular plan; or that such an investment is appropriate for such plan generally or any particular plan.

The discussion of ERISA and Section 4975 of the Code contained in these Listing Particulars, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

## CERTAIN TAX CONSIDERATIONS

### Certain Luxembourg Tax Considerations

The following is a summary of certain Luxembourg material tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell the Notes. It should be read in conjunction with “*Risk Factors*”. It is based on the laws, regulations, and administrative and judicial interpretations presently in force in Luxembourg, although it is not intended to be, nor should it be construed to be, legal or tax advice or to cover any and all types of investors. Potential investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax and net wealth tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax and municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

#### **Withholding Tax**

##### (i) Nonresident Noteholders

The European Union Savings Directive (Council Directive 2003/48/EC of June 3, 2003, on taxation of savings income in the form of interest payments, the “**EU Savings Directive**”) has been repealed by the Directive 2015/2060/EC of November 10, 2015, with effect as from 1 January 2016.

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or non-participating interests made to Luxembourg non-resident holders of the Notes, nor on accrued but unpaid non-participating interests in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg non-resident holders.

##### (ii) Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the “**December Law**”), mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holder of Notes, nor on accrued but unpaid interest in respect of the Notes nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the December Law, payments of interest or similar income made by a paying agent (within the meaning of the December Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident Investor may be subject to a final tax of 20%. Such tax will be in full discharge of income tax if the individual beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax will be assumed by the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the December Law) who is a resident of Luxembourg may opt in accordance with the December Law to self declare and pay a final tax of 20% when he/she receives such interest or similar income from a paying agent established in another EU Member State, in a member state of the EEA which is not an EU Member State. In such case, the 20% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agent. The option for the 20% final levy must cover all payments of interest or similar income made by the paying agent to the Luxembourg resident beneficial owner or, under certain circumstances, to a Residual Entity established in another EU Member State, during the entire civil year. The individual resident who is the beneficial owner of interest is responsible for the declaration and the payment of the 20% final tax.

## ***Income Taxation***

### **(i) Nonresident Noteholders**

Nonresident Noteholders, not having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income thereon are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal or redemption of the Notes. Nonresidents holders who have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal of the Notes.

### **(ii) Resident Noteholders**

#### ***Individuals***

A resident Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest or similar income received, redemption premiums or issue discounts, under the Notes, except if tax has been levied on such payments in accordance with the December Law.

A gain realized by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the December Law.

Gains realized upon a disposal of the Notes by an individual Noteholder acting in the course of the management of a professional or business undertaking and who is resident of Luxembourg for tax purposes are subject to Luxembourg income taxes.

#### ***Corporations***

A corporate resident Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

Luxembourg corporate resident Noteholders who benefit from a special tax regime, such as, for example, (i) an undertaking for collective investment subject to the amended law of December 17, 2010, (ii) a specialized investment fund governed by the amended law of February 13, 2007, (iii) a family wealth management company governed by the amended law of May 11, 2007 or (iv) a reserved alternative investment fund governed by the law of July, 23 2016 not having elected for the regime of investment company in risk capital, are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

## ***Net Wealth Taxation***

#### ***Individuals***

An individual Noteholder, whether he/she is resident in Luxembourg or not, is not subject to Luxembourg net wealth tax on such Notes.

#### ***Corporations***

Luxembourg resident corporate Noteholders and non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg net wealth tax on such Notes, except if the Noteholder is (i) an undertaking for collective investment subject to the amended law of December 17, 2010, (ii) a securitization company governed by the amended law of March 22, 2004 on securitization (except for the minimum net wealth tax), (iii) a company governed by the amended law of June 15, 2004 on venture capital vehicles (except for the minimum net wealth tax), (iv) a specialized investment



fund governed by the amended law of February 13, 2007, (v) a family wealth management company governed by the amended law of May 11, 2007 or (vi) a reserved alternative investment fund governed by the law of July 23, 2016 on reserved alternative investment funds (except for the minimum net wealth tax applicable to reserved alternative investment funds having elected for the regime of investment company in risk capital governed by the law of June 15, 2004 on venture capital vehicles).

### ***Other Taxes***

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may apply upon voluntary registration of the Notes in Luxembourg.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

### **European Information Exchange Regimes**

On December 9, 2014, the Council of the European Union adopted a Directive (EC Council Directive 2014/107/EU amending EU Council Directive 2011/16/EU) to implement the OECD measures known as the “Common Reporting Standard.” Member States were required to begin exchanging information pursuant to such Directive no later than September 30, 2017 (although this date was extended to September 30, 2018 for Austria). The Common Reporting Standard is generally broader than the (now repealed) European Union Council Directive 2003/48/EC on the taxation of savings income, although it does not impose withholding taxes.

### **Certain U.S. Federal Income Tax Considerations**

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the Notes by a U.S. Holder thereof as defined below, except for the discussion under “—FATCA” and “—U.S. Backup Withholding Tax and Information Reporting”. This description only applies to Notes held as capital assets (generally, property held for investment) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- individual retirement accounts or other tax deferred accounts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting; or

- U.S. Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the 3.8% Medicare tax on net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their initial issue price (generally, in each case, the first price to the public at which a substantial amount of the Notes is sold for money). Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax considerations described herein. No opinion of counsel to the Issuer or the holders or ruling from the Internal Revenue Service (“IRS”) has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Certain accrual basis taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Notes at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

### **Redemptions and Additional Amounts**

In certain circumstances, the Issuer may be obligated to or may elect to make payments in excess of stated interest or principal of the Notes and/or redeem the Notes in advance of their stated maturity. The Issuer believes, and intends to take the position, if required, that the Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments or redemption. This position is based in part on assumptions, as of the date of issuance of the Notes, (1) regarding the likelihood that such payments will have to be paid or that the Issuer will elect to pay such amounts and/or (2) relating to the expected yield to maturity of the Notes. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in “—*Sale, Exchange, Retirement or Other Taxable Disposition*” and any payments of additional amounts in respect of withholding taxes would be taxable as additional ordinary income when received or accrued, in accordance with such holder’s method of accounting for U.S. federal income tax purposes. The Issuer’s position is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury Regulations. The IRS, however, may take a position contrary to the Issuer’s position, which could affect the amount, timing and character of a U.S. Holder’s income with respect to the Notes. U.S. Holders should consult their own tax advisors regarding the

potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Notes are not treated as contingent payment debt instruments.

### **Stated Interest**

Stated interest paid on the Notes generally will be treated as “qualified stated interest.” Payments of qualified stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder’s method of accounting for U.S. federal income tax purposes, as detailed below. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer), or that is treated as constructively received, at least annually at a single fixed rate.

Stated interest on the Euro Notes will be included in a U.S. Holder’s gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is converted to U.S. dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Interest (including OID, if any, as described below) included in a U.S. Holder’s gross income with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, interest generally should constitute “passive category income”. Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to the U.S. Holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

### **Original Issue Discount**

One or more series of the Notes may be treated as issued with OID for U.S. federal income tax purposes. A Note will be treated as having been issued with OID for U.S. federal income tax purposes if its “stated redemption price at maturity” exceeds its issue price by at least the “OID *de minimis* amount”. The OID *de minimis* amount equals  $\frac{1}{4}$  of 1% of the debt instrument’s stated redemption price at maturity multiplied by the number of complete years from its issue date to maturity. The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on the Note other than qualified stated interest payments.

If a Note is issued with OID, a U.S. Holder generally will be required to include OID in income before the receipt of the associated cash payment, regardless of the U.S. Holder’s accounting method for tax purposes. The amount of OID with respect to a Note that a U.S. Holder must include in income is the sum of the “daily portions” of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which the U.S. Holder held the Note. The daily portion is determined by allocating a pro rata portion of the OID for each day of the

accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the excess of (1) the product of the “adjusted issue price” of the Note at the beginning of the accrual period and its yield to maturity (computed on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) over (2) the amount of any stated interest allocable to the accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is generally the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments on the Note that were not stated interest. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the “adjusted issue price” at the beginning of the period. Under applicable U.S. Treasury Regulations, a U.S. Holder of a Note with OID may elect to include in gross income all interest (including stated interest) that accrues on the Note using the constant yield method described above. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting the Issuer, 5, Rue Eugène Ruppert, L-2453 Luxembourg, Attn: Chief Financial Officer.

Any OID on a Euro Note generally will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a sale or disposition of such a Note or otherwise), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as stated interest received by an accrual basis U.S. Holder, as described above. U.S. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules. For these purposes, all receipts on a Euro Note will be viewed first, as payments of stated interest payable on the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earlier accrual periods first; and, third, as receipts of principal.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

### **Sale, Exchange, Retirement or Other Taxable Disposition**

A U.S. Holder generally will recognize capital gain or loss on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition of the Note (less any amounts attributable to accrued but unpaid interest, which will be subject to tax in the manner described above under “—*Stated Interest*” to the extent not previously so taxed), and the U.S. Holder’s adjusted tax basis in the Note.

If the Notes are redeemed pursuant to the special optional redemption in connection with the Exchange Transaction (see “*Description of Notes*”), a U.S. Holder would generally recognize gain or loss as described in the preceding paragraph.

A U.S. Holder’s adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the Note. If a U.S. Holder purchases a Note with euros, the U.S. dollar cost of the Note generally will be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Note generally will be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) should determine the U.S. dollar value of the cost of or amount received on the Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, any gain or loss recognized on the sale, exchange, retirement, or other taxable disposition of a Note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year as of the date of disposition. Long-term capital gain of a non-corporate U.S. Holder generally is taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

Any gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Euro Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other taxable disposition and (ii) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the date of purchase of the Note. The realization of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest and any OID, will be limited to the amount of overall gain or loss realized on the disposition of the Notes.

### **Possible Effect of Certain Transactions Including Reorganizations, Mergers and Consolidations**

The Issuer may engage in certain transactions, including without limitation reorganizations, mergers and consolidations as described above under "*Description of Notes—Merger and Consolidation*". Depending on the circumstances, a change in the obligor of the Notes as a result of the transaction could result in a deemed taxable exchange to a U.S. Holder and the modified Note could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss.

The Issuer may be required to report certain information regarding such transaction that may be relevant to U.S. Holders either (1) by filing Form 8937 with the IRS and providing copies to certain of its Holders or (2) by posting the form on its website.

### **Reportable Transaction Reporting**

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other taxable disposition of the Notes.

### **U.S. Backup Withholding Tax and Information Reporting**

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest (including accruals of OID, if any) on, Notes and to proceeds from the sale, exchange, retirement or disposition of Notes that are held by U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a Note to, or from gross proceeds on the sale or disposition of a Note paid to, a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale, exchange, retirement or disposition to a holder of a Note that is not a U.S. person generally are subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under

the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

## **FATCA**

Sections 1471 through 1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, “**FATCA**”) generally imposes withholding at a rate of 30% on payments of interest made to any foreign entity on debt obligations generating U.S. source interest or certain other debt obligations generating non-U.S. source interest issued by a foreign financial institution, unless that foreign entity complies with certain reporting rules under FATCA or otherwise qualifies for an exemption. Even if payments on the Notes are treated as paid from a foreign financial institution and any portion of such payments is treated as a “foreign passthru payment,” the Notes will be grandfathered because no final regulations defining a “foreign passthru payment” have been issued and therefore are not subject to the FATCA withholding rules. If, however, the Notes are modified at a time when the grandfathering rules are no longer available, withholding may apply and holders and beneficial owners of the Notes will not be entitled to receive any additional amounts to compensate them for any such withholding. Grandfathering will not apply to the Notes to the extent the Notes are modified more than six months after the date final regulations defining a “foreign passthru payment” are published, although FATCA withholding would not apply until two years from such date of publication. In addition, if additional Notes are issued after the expiration of the grandfathering period and have the same ISIN or CUSIP as the Notes issued, then withholding agents may treat all notes, including the Notes issued, as subject to withholding under FATCA. Holders should consult their tax advisors regarding the availability of a refund in that circumstance. An intergovernmental agreement between the United States and a foreign country where the Issuer, a holder or intermediary is located may modify the requirements in this paragraph. Prospective holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the Notes.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.**

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the “Purchase Agreement”) by and among, *inter alios* the Issuer and the Initial Purchasers, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, Dollar Notes in an aggregate principal amount of \$1,600 million and Euro Notes in an aggregate principal amount of €1,400 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers offered the Notes for resale at the respective issue price indicated on the cover page hereof. The Initial Purchasers may offer and sell Notes through certain of their affiliates. Sales in the United States will be made through affiliates of the Initial Purchasers, which are registered with the U.S. Securities and Exchange Commission as U.S. registered broker dealers.

In the Purchase Agreement, the Issuer and the Guarantor have agreed that:

- subject to certain exceptions, neither the Issuer nor any of its subsidiaries will offer, sell, contract to sell or otherwise dispose of any of their debt securities, or guarantee such debt securities (other than the Notes, the Notes Guarantee and any intercompany debt), without the prior written consent of the Representatives (as defined therein), for a period of 30 days after the Issue Date; and
- the Issuer and the Guarantor will indemnify the Initial Purchasers and their respective affiliates against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

Each purchaser of Notes, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under “*Notice to Investors*”.

### **Selling Restrictions**

The Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither these Listing Particulars nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. These Listing Particulars does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession these Listing Particulars comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of these Listing Particulars and resale of the Notes. See “*Notice to Investors*”.

### ***European Economic Area***

#### *Prohibition of Offers To EEA Retail Investors*

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). No key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making

them available to retail investors in the EEA has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### *Professional Investors and ECPS Only Target Market*

Solely for the purposes of the product approval process of each of Goldman Sachs International and BNP Paribas (each, a “**manufacturer**”), the target market assessment in respect of the Notes described in these Listing Particulars has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending such Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

#### *United Kingdom*

In the Purchase Agreement, each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

#### *United States of America*

The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of the offering and (ii) the issue date of the Notes, an offer or sale within the United States of Notes initially sold in reliance on Regulation S by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation. For a description of certain further restrictions on resale or transfer of the Notes, see “*Notice to Investors*”.

The Initial Purchasers have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Each Initial Purchaser has also agreed in the Purchase Agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes these Listing Particulars, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force.



In connection with the offering, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers and/or their respective affiliates from time to time have provided in the past and may enter into in the future investment banking, financial advisory and/or lending and commercial banking transactions with, and/or may perform other services for, to us and/or our affiliates in the ordinary course of business for which they have received or may receive customary fees, commissions and reimbursement of expenses (including acting as initial purchasers and/or lenders in connection with previous issuances of debt securities and debt facilities of the Issuer and its affiliates). In connection with our strategy to review and evaluate selective acquisitions and other business combinations or strategic transactions, we and our shareholders regularly engage mergers and acquisition advisors and other financial advisors to assist us. Certain of the Initial Purchasers and their affiliates may be currently advising us or other interested parties, and the Initial Purchasers and their affiliates may advise us or other interested parties from time to time on other transactions in the future. In addition, certain of the Initial Purchasers or their affiliates are party to certain of our hedging arrangements and other financing and/or debt arrangements and may hold other proprietary positions in us, our current or future subsidiaries and affiliates and/or financial intermediaries and the financial instruments issued by any of them.

Depending on market conditions, the Initial Purchasers may decide to initially purchase and hold a portion of the Notes for their own account.

Delivery of the Notes has been made against payment on the Notes on the date specified on the cover page of these Listing Particulars, which was three business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes. Trades in the secondary market generally settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of the Offering Memorandum or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Altice Europe or its controlling shareholder or any of their respective affiliates may purchase Notes in the offering at a purchase price per Note equal to the issue price set forth on the cover page of these Listing Particulars. The Purchase Agreement between the Issuer and the Initial Purchasers will not restrict the ability of Altice Europe or its controlling shareholder or any of their respective affiliates to buy or sell Notes in the future and, as a result, Altice Europe or its controlling shareholder or any of their respective affiliates may buy or sell the Notes in open market transactions at any time following the consummation of the offering of the Notes.

In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (and/or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts

of their customers, and such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. The Initial Purchasers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Affiliates of certain Initial Purchasers are agents and/or lenders under the Altice France Term Loan Agreement, the Altice France Revolving Credit Facility Agreement, the Altice Financing Term Loan Agreement, the Altice Financing Revolving Credit Facilities Agreements, the 2017 Altice Financing Guarantee Facility Agreement, the 2018 Altice Financing Guarantee Facility Agreement and the Altice Lux Revolving Credit Facility Agreement. Certain of the Initial Purchasers or their respective affiliates may also beneficially own the Existing Altice Lux 2022 Notes and may therefore receive a portion of the proceeds of the Notes pursuant to the Refinancing Transactions.

## LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEE AND THE SECURITY INTERESTS AND INSOLVENCY LAWS OF CERTAIN JURISDICTIONS

The following is a summary of certain limitations on the enforceability of the Notes Guarantee and the Notes Collateral in the jurisdictions in which the Issuer and Guarantor are organized and a general discussion of insolvency proceedings governed by Luxembourg and French law for informational purposes only. It does not address all the Luxembourg and French legal considerations that may be relevant to holders.

### European Union

Pursuant to Regulation (EU) 2015/848 of 20 May 2015 on insolvency proceedings recast (the “**New Insolvency Regulation**”), which applies within the European Union (other than Denmark), the courts of the Member State in which a debtor’s “center of main interests” (as that term is used in Article 3(1) of the New Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a rebuttable presumption under Article 3(1) of the New Insolvency Regulation that a debtor has its center of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 30 of the New Insolvency Regulation states that the center of main interests of a “debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis, which is therefore ascertainable by third parties”. The courts have taken into consideration a number of factors in determining the center of main interests of a debtor, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor’s creditors are established. A debtor’s center of main interests is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If the center of main interests of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the debtor under the New Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the New Insolvency Regulation. Insolvency proceedings commenced in one Member State under the New Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If the center of main interests of a debtor is in a Member State (other than Denmark), under Article 3(2) of the New Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary (territorial) insolvency proceedings against that debtor only if such debtor has an “establishment” (within the meaning and as defined in Article 2(10) of the New Insolvency Regulation) in the territory of such other Member State. An “establishment” is defined to mean a place of operations where the debtor carries on non-transitory economic activity with human means and goods.

Where main proceedings have been commenced in the Member State in which the debtor has its center of main interests, any proceedings commenced subsequently in another Member State in which the debtor has an establishment (secondary proceedings) are limited to “winding up proceedings” listed in Annex A of the New Insolvency Regulation. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its center of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor’s center of main interests is situated under that Member State’s law; or (b) the territorial insolvency proceedings are commenced at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary

proceedings have been commenced there. The insolvency administrator appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's center of main interests is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

Following the entry into force of the New Insolvency Regulation, there is an increased scrutiny in situations where there has been a recent COMI shift. Where a company's COMI has shifted in the preceding 3 months the rebuttable presumption that its COMI is at the place of its registered office will no longer apply. Also, the opening of secondary proceedings in another EU Member State—which will no longer be limited only to “winding-up proceedings”—will be possible not only if the debtor has an establishment in such EU Member State at the time of the opening of main insolvency proceedings, but also if the debtor had an establishment in such EU Member State in the 3-month period prior to the request of opening of main insolvency proceedings.

## **Luxembourg**

### ***Security Interests***

The conditions to be satisfied by the granting of security interests relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

#### *Corporate power*

Limits on corporate power can be imposed either by (i) law or (ii) the articles of association of the Issuer.

##### 1. Limitations imposed by law.

Pursuant to the Luxembourg Civil Code, a company is incorporated with a view to participate in the profits (and the losses) which may arise therefrom. The goal to share the profits is an essential element of every company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are accomplished with a view to the realization, directly or indirectly, of the Issuer's corporate objective. It is normally understood that except in exceptional circumstances, an intragroup security is a type of act which may serve the purpose of realizing a profit.

Thus, it is only in exceptional circumstances where there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee/security to be given by a company, that the validity of such a guarantee/security interest could be challenged for lack of any interest by the guarantor in providing the guarantee/security interest.

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization (which in the case of a Luxembourg company, does not apply to financial activities within a group of companies) or the limitation on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.

##### 2. Limitations imposed by the articles of association.

The provision of security interests by a company must be within the limits of the object clause of its articles of association.

Should the provision of security by a Luxembourg company be considered to exceed the corporate objective as expressed in the articles of association, the Issuer is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objective or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

### *Corporate authority*

When a Luxembourg company grants security interests, applicable corporate procedures typically entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

### *Corporate benefit*

The third condition for a security interest to be granted by a Luxembourg company is that the proposed action by the Issuer must be “in the corporate interest of the Issuer”, which is a translation of the French *intérêt social*, an equivalent term to the English legal concept of corporate benefit. The concept of “corporate interest” is not defined by law, but has been developed by doctrine and court precedents and may be described as being “the limit of acceptable corporate behavior”. Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires subjective judgment. In that context, the concept of a group of companies may be relevant, and while it should first be analyzed whether a transaction is in the best interest of the Issuer on a standalone basis, it should also be examined whether the transaction is justified in the light of the interest at the level of the group, which may result in a benefit for the guarantor.

In general terms, group interest may justify the issue of granting of security in favor of a parent company (upstream guarantee) or a sister company (cross stream guarantee), under the following circumstances:

- the proposed action must be justified on the basis of a common economic, social, or financial policy applicable throughout the whole group;
- the existence of a group should be evidenced through capital links; or
- the proposed action must (i) not be without any consideration, or alternatively (ii) not break up the balance between the undertakings of the various group companies.

To the extent that all companies of the group are asked to bear the burden of security given for the benefit of the other group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified. Similarly, if a group company cannot exist outside of the group and is dependent on the group, assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the security.

However, the failure to comply with the corporate benefit requirement will typically result in liability for the directors or managers of the guarantor concerned. There is a limited risk that the directors or managers of the Luxembourg company be held liable if, *inter alia*:

- the security interest provided would materially exceed the (direct or indirect) benefit derived from the secured obligations for the Luxembourg company;
- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the security interest granted; or
- the commitment of the Luxembourg company exceeds its financial means.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, the security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*).

The above analysis is slightly different within a group of companies where a group interest (*intérêt du groupe*) exists. The existence of a group interest would prevent the security interest from falling foul of the above constraints. In order for a group interest to be recognized, the following cumulative criteria must be met and proven:

- the “assisting” company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates;

- the guarantee must not exceed the assisting company’s financial means;
- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective; and
- the assistance must be granted for purposes of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group.

The criteria mentioned above is applied on a case-by-case basis and a subjective fact-based judgment is required to be made by the directors or managers of the Luxembourg guarantor. As a result, the guarantees (upstream and cross stream) granted by a Luxembourg company are subject to certain limitations, which usually take the form of general limitation language, which is inserted in the relevant transaction document(s) and which covers the aggregate obligations and exposure of the relevant Luxembourg assisting company under the transaction documents.

The Indenture contains the following limitation language:

The guarantee granted by any guarantor which is incorporated and/or having its registered office and its place of central administration in Luxembourg (a “**Luxembourg Guarantor**”) for the obligations of the Issuer which is not a direct or indirect subsidiary of such Luxembourg Guarantor shall be limited at any time to an aggregate amount not exceeding:

- (i) the aggregate amount of the outstanding intercompany loans made to the Luxembourg Guarantor or subsidiaries of that Luxembourg Guarantor (which are subsidiaries of that Luxembourg Guarantor on the issue date or which are subsidiaries of that Luxembourg Guarantor hereafter) by the Issuer, which have been funded directly or indirectly with proceeds deriving from the sale of the Notes, increased by
- (ii) the greater of:
  - (a) 90% of the sum of the Luxembourg Guarantor’s own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Annex I of the Luxembourg Grand-Ducal Regulation of 19 December 2015 in relation to, *inter alia*, Article 34 of the Luxembourg law of 19 December 2002 on the commercial register and annual accounts, as amended (the “**2002 Law**”) as of the issue date (whether as original party or by way of accession);
  - (b) 90% of the sum of the Luxembourg Guarantor’s own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Annex I of the Luxembourg Grand-Ducal Regulation of 19 December 2015 in relation to, *inter alia*, Article 34 of the 2002 Law, as at the date on which a demand is made under the Notes;
  - (c) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the agent or if the agent so decides by a Luxembourg statutory approved auditor (*réviseur d’entreprise agréé*) (an “**Independent Auditor**”) as of the issue date (whether as original party or by way of accession); or
  - (d) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the Trustee or if the Trustee so decides by an Independent Auditor as of the date on which a demand is made under the Notes).

### **Security Interests Considerations**

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held

with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc. If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law.

The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg. Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement over present and future shares must be registered in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor and against third parties by the mere entering into the pledge agreement by the pledgor and the pledgee. However, the debtor is validly discharged from its payment obligations by payment to the pledgor as long as it has not gained knowledge of the pledge.

Article 11 of the Collateral Act 2005 sets out the following enforcement remedies available upon the occurrence of an enforcement event:

- appropriate or cause a third party to appropriate this collateral at a price determined, before or after appropriation, by the valuation method agreed by the parties;
- assign or cause to be assigned the pledged collateral by private sale in a commercially reasonable manner, by sale over a stock exchange or by public auction;
- court adjudication of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, e.g., courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in Article 20(4) of the Collateral Act 2005, a third party creditor may seek the forced sale of the assets of the pledger, which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Collateral Act 2005 may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third party beneficiaries, present or future, to the extent that such third party beneficiaries are or may be determined.

#### *Registration in Luxembourg*

Under the Luxembourg law, it is not necessary that any of the transaction documents be filed, recorded or enrolled with any court or other authority or that any stamp, registration, notarial or similar taxes or fees be paid on or in relation to, or the transactions contemplated by, any of the transaction documents except:

- for any fees payable in respect of registrations required in respect of any transaction documents (where applicable); and
- in cases where the transaction documents are either (a) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (b) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*). In such cases, as well as in case of a voluntary registration, the transaction documents will be subject to registration duties payable by the party registering, or being ordered to register, the transaction documents.

Depending on the nature of the transaction documents, such registration duties would be *ad valorem* or fixed.

### ***Insolvency***

The Issuer is incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company is in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Luxembourg. In the event that a Luxembourg company experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (collectively referred to as “insolvency proceedings”) may be opened against a company incorporated in Luxembourg having its center of main interests in Luxembourg or an establishment within the meaning of the New Insolvency Regulation (in relation to secondary proceedings):

bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the Issuer: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may open bankruptcy proceedings on its own motion. The main effect of such proceedings is the suspension of all measures of enforcement against the Issuer, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets;

controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors and under which a court may order a provisional suspension of payments, including a stay of enforcement of claims by secured creditors; or

- composition proceedings (*concordat préventif de faillite*), the opening of which may only be requested by the Issuer (subject to obtaining the consent of the majority of its creditors) and not by its creditors themselves. The court’s decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity that violates criminal laws or that are in serious breach or violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow rules similar to those applicable to bankruptcy proceedings. Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- VAT and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).



During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Luxembourg company's liabilities in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency law may affect transactions entered into or payments made by a Luxembourg company during the period before the opening of the insolvency proceedings. If the liquidator or administrator (including, without limitation, in relation to a Luxembourg company, any *commissaire*, *juge-commissaire*, *liquidateur* or *curateur* or similar official) can show that the Luxembourg company has given "preference" to any person by defrauding the rights of creditors generally, regardless of when this fraud occurred, a Luxembourg court has the power to void the "abnormal" transaction. If the liquidator or administrator can show that: (i) a payment in relation to a due debt was made during the hardening period (*période suspecte*, which is a maximum of six months and ten days preceding the judgment declaring the opening of the insolvency proceedings) that is disadvantageous to the general body of creditors; and/or (ii) the party receiving such payment is shown to have known that the bankrupt party had ceased to make payments when such payment occurred, a Luxembourg court has the power, among other things, to void the preferential transaction.

In particular:

- pursuant to Article 445 of the Luxembourg Code of Commerce (*code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts that have fallen due by any means other than in cash or by a bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to Article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments;
- pursuant to Article 448 of the Luxembourg Code of Commerce and Article 1167 of the Civil Code (*action paulienne*) the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit; and
- pursuant to Article 21(2) of the Collateral Act 2005, a financial collateral arrangement entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures is valid and binding against third parties, administrators, insolvency receivers or liquidators notwithstanding the suspect period referred to in Articles 445 and 446 of the Luxembourg Code of Commerce, if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the Issuer or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the Issuer. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. After having converted all available assets of the Issuer into cash and after having determined all the Issuer's liabilities, the insolvency receiver will distribute the proceeds of the sale, on a pro rata basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs. Insolvency proceedings may therefore have a material adverse effect on a Luxembourg company's business and assets and the Luxembourg company's respective obligations under the notes.

The bankruptcy receiver decides whether or not to continue performance under ongoing contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the bankruptcy receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the Issuer. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party that are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not require specific performance of the contract.

International aspects of Luxembourg bankruptcy, controlled management or voluntary arrangement with creditors' proceedings may be subject to the New Insolvency Regulation.

Pursuant to the New Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the Issuer concerned has its "center of main interests" (as that term is used in Article 3(1) of the New Insolvency Regulation). The determination of where any such company has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "center of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the New Insolvency Regulation that any such company has its center of main interests in the Member State in which it has its registered office, Preamble 30 of the New Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". In that respect, factors such as where board meetings are held, the location where a company conducts the majority of its business and the location where the majority of a company's creditors are established may all be relevant in the determination of the place where a company has its center of main interests. The time when a company's center of main interests is determined is at the time that the relevant insolvency proceedings are opened.

If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the Issuer under the New Insolvency Regulation would be opened in such jurisdiction, and, accordingly, a court in such jurisdiction would be entitled to open the types of insolvency proceedings referred to in Annex A to the New Insolvency Regulation. Insolvency proceedings opened in one Member State under the New Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the center of main interests of a debtor is in one Member State (other than Denmark) under Article 3(2) of the New Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary proceedings" only in the event that such debtor has an "establishment" (in the meaning of the New Insolvency Regulation) in the territory of such other Member State. The effects of those secondary proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If a company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the New Insolvency Regulation.

To the extent that our center of main interests is deemed to be outside Luxembourg, courts of such other jurisdictions may have jurisdiction over the insolvency proceedings of such company.

## **LEGAL MATTERS**

Certain legal matters in connection with the offering have been passed upon for us by Ropes & Gray International LLP, as to matters of United States federal, New York and English law; by Meitar Liquornik Geva Leshem Tal, as to matters of Israeli law; by Luther S.A., as to matters of Luxembourg law; by Uría Menéndez—Proença de Carvalho, as to matters of Portuguese law; by Franklin, as to matters of French law; and by Castillo y Castillo as to matters of Dominican law.

Certain legal matters in connection with the offering have been upon for the Initial Purchasers by Allen & Overy LLP (London), as to matters of United States federal and New York law and by NautaDutilh Avocats Luxembourg S.à r.l.

## **INDEPENDENT AUDITORS**

As stated in their reports, Deloitte Audit S.à r.l., independent statutory auditors, have audited the consolidated financial statements for the Issuer as of and for the years ended December 31, 2018 (which include comparative figures as of and for the year ended December 31, 2017), December 31, 2017 (which include comparative figures as of and for the year ended December 31, 2016) and December 31, 2016 (which include comparative figures as of and for the year ended December 31, 2015) in accordance with professional standards applicable in Luxembourg.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg. Many of the directors and executive officers of the Issuer and the Group are nonresidents of the United States and a substantial portion of the assets of such persons are located outside the United States. As a consequence, you may not be able to effect service of process on these non-U.S. resident directors and officers in the United States or to enforce judgments against them outside of the United States, including judgments of the U.S. courts predicated upon the civil liability provisions of the U.S. securities laws.

### Luxembourg

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid judgment against an issuer incorporated in Luxembourg with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) set forth in Article 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*), being:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);
- the U.S. court awarding the judgment has jurisdiction to adjudicate the particular matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the judgment was obtained in compliance with the rights of the defendant, i.e., following proceedings at which the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense; and
- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of the Grand Duchy of Luxembourg or have been given in proceedings of a criminal or tax nature.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if the choice of such foreign law was not made bona fide or if (i) the foreign law was not pleaded and proved or (ii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

## LISTING AND GENERAL INFORMATION

### Listing

Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Copies of the following documents may be obtained electronically or inspected in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer and the Paying Agents so long as the Notes remain listed on the official list of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of such exchange require:

- organizational documents of the Issuer and the Guarantor;
- the annual reports and quarterly reports and consolidated financial statements required to be provided under “*Description of Notes—Certain Covenants—Reports*”;
- the Indenture;
- the Offering Memorandum;
- the Altice Lux Intercreditor Agreement; and
- the Notes Collateral Documents.

The Issuer maintains (i) the U.S. Transfer Agent having its address at 60 Wall Street, 16<sup>th</sup> Floor, MS NYC60-130, New York, New York, USA and (ii) the Euro Transfer Agent having its address at Winchester House, 1 Great Winchester Street, London, EC2N 2DB, United Kingdom.

The Issuer reserves the right to vary such appointment and will publish notice of such change of appointment on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Pursuant to Part 1, Chapter 5, Item 502 of the rules and regulations of the Luxembourg Stock Exchange, the Notes are freely transferable on the Luxembourg Stock Exchange, for so long as the Notes are listed in the Official List of the Luxembourg Stock Exchange.

The gross proceeds of the offering of the Dollar Notes is \$1,600 million and the gross proceeds of the offering of the Euro Notes is €1,400 million.

### Clearing Information

#### *Dollar Notes*

The Dollar Notes sold pursuant to Regulation S and to Rule 144A have been accepted for clearance through the facilities of DTC and have been assigned the CUSIP numbers and ISINs set out in the table below.

	<u>CUSIP</u>	<u>ISIN</u>	<u>Common Codes</u>
<i>Rule 144A</i> .....	02156D AA7	US02156DAA72	199296558
<i>Regulation S</i> .....	L01802 AA2	USL01802AA24	199296531

#### *Euro Notes*

The Euro Notes sold pursuant to Regulation S and to Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear and have been assigned the common codes and ISINs set out in the table below.

<u>Common Code</u>	<u>ISIN</u>
--------------------	-------------

<i>Rule 144A</i> .....	199215442	XS 1992154424
<i>Regulation S</i> .....	199215434	XS 1992154341

## Legal Information

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg registered with the Luxembourg Trade and Companies Register under number B197134, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg. The Issuer's LEI number is 2221006ZDZREFLFIFQ42.

The Issuer is a holding company which conducts its operations through its operating subsidiaries.

The issuance of the Notes has been duly authorized by resolutions of the Board of Directors of the Issuer dated April 29, 2019.

## Management

For details on the management of the Issuer, please see "*Management*".

## Business Year

The business year for the Issuer begins on the first day of January and ends on the last day of December of each year.

## Auditors

The independent auditor (*réviseur d'entreprises agréé*) of the Issuer and Altice International is Deloitte Audit S.à r.l., a private limited liability company (*société à responsabilité limitée*), having its registered office at 560, rue de Neudorf, L-2220 Luxembourg registered with the Luxembourg Trade and Companies Register under number B0067895 which is a member of the *Institut des Réviseurs d'Entreprises*.

## Listing Particulars

As of the date of the Offering Memorandum, the Issuer's most recent audited consolidated financial statements available were as of and for the year ended December 31, 2018. Except as disclosed in the Offering Memorandum, there has been no significant or material adverse change in the financial positions or prospects of the Issuer or the Guarantor since December 31, 2018.

Except as disclosed in the Offering Memorandum, the Group is not and has not been involved in any governmental, legal or arbitration proceeding relating to claims or amounts that, individually or in the aggregate, are material in the context of the issuance of the Notes and may have, or have had during the twelve months preceding the date of the Offering Memorandum, a significant effect on the Group's financial position or profitability. So far as we are aware, having made all reasonable inquiries, there are no such litigation, arbitration or governmental proceedings pending or threatened.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the Issuer's knowledge and belief, the information contained in these Listing Particulars with regard to the Issuer is in accordance with the facts and does not omit anything likely to affect the import of such information. However, the information set forth under the headings "*Exchange Rate Information*", "*Summary*", "*Industry, Competition and Market Overview*", "*Description of Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and does not accept further responsibility in respect thereof.

**The Trustee**

The Trustee is Deutsche Bank Trust Company Americas and its address is 60 Wall Street, 16th Floor, MS NYC60-1630, New York, New York 10005, United States. The Trustee will be acting in its capacity of trustee for the holders of the Notes and will provide such services to such holders of the Notes as described in the Indenture.



## GLOSSARY

“3D-TV” .....	Three dimensional television is a technology used to project a television program into a realistic three-dimensional field.
“3G/3G+” .....	See UMTS (3G) and HSDPA (3G+).
“4G” .....	The fourth generation of mobile phone technology standards, providing very-high-speed broadband access.
“5G New Radio” .....	A new air interface being developed for 5G mobile communications.
“ADSL” (Asymmetrical Digital Subscriber Line) .....	ADSL is the most commonly used variant of DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over copper telephone lines. Asymmetric Digital Subscriber Lines normally have three to four times more bandwidth available for purposes of data downloads as compared to data uploads.
“All-IP” .....	All services (internet, telecommunications and video) are carried through Internet Protocol by a federative IP backbone.
“ANACOM” .....	Portuguese electronic communications regulator ( <i>Autoridade Nacional das Comunicações</i> ).
“Analog” .....	Comes from the word “analogous”. In telephone transmission, the signal being transmitted (voice, video or image) is “analogous” to the original signal.
“ARCEP” .....	French telecommunications and posts regulator ( <i>Autorité de régulation des communications électroniques et des postes</i> ).
“ARPU” .....	Average revenue per user.
“Backbone” .....	The principal data routes between interconnected networks.
“Backbone network” .....	Fiber optic backbone transmission network for long distance and very high capacity.
“Backhauling” .....	Transporting data to the backbone network.
“Bandwidth” .....	The width of a communications channel.
“Bit” (Binary Digit) .....	Elementary information unit with binary coding (0 or 1) used by digital systems.
“Broadband” .....	A general term used to describe wide bandwidth equipment or systems. Broadband communications systems can deliver multiple channels and other services.
“Bulk subscriber” .....	Cable subscribers through a collective contract entered into between a cable operator and a property agent or housing association.
“Cable TV” .....	A broadband network employing radio frequency transmission over coaxial and/or fiber optic cable to transmit multiple channels carrying images, sound and data between a central facility and individual customers’ television sets.

“Catch-Up Television” .....	A television service that allows viewing programs after their original broadcast.
“Centrex” .....	A private branch exchange-like service providing switching at a central office instead of at the customer’s premises. The telecommunications provider owns and manages the communications equipment necessary to implement the Centrex service and sells services to the customer.
“Churn” .....	In the B2C segment, the discontinuance of services to a customer either voluntarily or involuntarily. It is the percentage measure of the number of subscribers disconnected during a particular period (either at the subscriber’s request or due to a termination of the subscription by the Group) divided by the number of subscribers at the beginning of the period, excluding transfers between the Group’s products. This definition may be different for other companies, including SFR.
“Cloud computing” .....	Concept which allows the transfer on distant servers of storage and data processing traditionally held on local servers or the user’s hardware.
“Coaxial Cable” .....	Electrical cable with an inner conductor, surrounded by a tubular insulating layer.
“CPE” (Customer Premises Equipment)	Material set up at the customer’s home which provides broadband services use such as voice ports, channel banks, set-top boxes, cable broadband routers or embedded Multimedia Terminal Adaptor.
“CRM” .....	Customer Relationship Management.
“Digital” .....	The use of a binary code to represent information in telecommunications recording and computing. Analog signals, such as voice or music, are encoded digitally by sampling the voice or music analog signals many times a second and assigning a number to each sample. Recording or transmitting information digitally has two major benefits: first, digital signals can be reproduced more precisely so digital transmission is “cleaner” than analog transmission and the electronic circuitry necessary to handle digital is becoming cheaper and more powerful; and second, digital signals require less transmission capacity than analog signals.
“DOCSIS 2.0” .....	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.
“DOCSIS 3.0” .....	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system with enhanced transmission bandwidth and support for Internet Protocol version 6.
“DSL” (Digital Subscriber Line) .....	DSL is generic name for a range of digital technologies relating to the transmission of internet and data signals from the telecommunications service provider’s central office to the end customer’s premises over the standard copper wire used for voice services.
“DTH” .....	Direct-to-home television.

“DTT” (Digital Terrestrial Television)..	A terrestrial broadcasting mode using digital technology, in which video and audio signals are digitized and organized within a single stream. They are then modulated and broadcast terrestrially (through airwaves). DTT provides a clearer picture and superior sound quality when compared to analog television, with less interference. DTT is an alternative to receiving broadcasts through cable and satellite operators.
“Dual-play” or “double-play” .....	Broadband subscriber package including two services: internet access and IP telephony.
“Ethernet” .....	Technology for local network connections with computers connected by a combination of network interface cards installed on each PC and by cables linking the workstations at a rate of 10 Mbps, 100 Mbps, 1 Gbps or 10 Gbps. In an Ethernet network, each workstation may initiate a transmission at any time.
“EuroDocsis 2.0” .....	International telecommunications standard that permits the addition of high-speed data transfer to an existing cable television system. EuroDocsis 2.0 broadband routers have the capacity to achieve download speeds of up to 30 Mbps with the use of one downstream port. EuroDocsis 2.0B (or “wide-band Docsis”) broadband routers have the capacity to achieve download speeds of up to 100 Mbps with the use of three downstream ports.
“EuroDocsis 3.0” .....	International telecommunications standard that permits the addition of high-speed data transfer to an existing cable television system. EuroDocsis 3.0 broadband routers have the capacity to achieve download speeds of up to 400Mbps with the use of eight downstream ports.
“Free-to-air” .....	Transmission of content for which television viewers are not required to pay a fee for receiving transmissions.
“FTTB” (Fiber-To-The-Building) .....	Fiber optics to the entry point of a building.
“FTTH” (Fiber-To-The-Home) .....	Connection by optical fiber directly to the subscriber’s home, ensuring very-high-speed transmission compatible with triple-play packages.
“FTTO” (Fiber-To-The-Office).....	Fiber optic access dedicated to offices.
“FTTx” .....	Fiber optic infrastructure.
“GB”(gigabyte) .....	Gigabyte, commonly abbreviated as GB. See “MB”.
“Gbits/s” .....	Billions of bits (10 power 9) transferred per second on a transmission network. See “— <i>Bit</i> ”.
“GHz” (gigahertz) .....	One billion hertz (a unit of frequency).
“GPON” .....	Gigabit passive optical networks. A high-bandwidth optical fibre network using point-to-multipoint architecture.
“GSM” (Global System for Mobile Communications) .....	A comprehensive digital network for the operation of all aspects of a cellular telephone system.
“HD” (High Definition).....	A technology used notably in video, television and photography that has a resolution substantially higher than that of standard systems

and is capable of producing an image characterized by fine detail, greater quality and better sound reproduction.

“HDTV” (High Definition Television)..	A type of television image transmission that uses HD resolution. HDTV has twice as many scan lines per frame as a standard definition television system, a sharper image, better sound reproduction and a wide-screen format.
“Head-ends” .....	A collection of hardware, typically including a backbone router, satellite receivers, modulators and amplifiers which collects, processes and combines signals for distribution within the cable network.
“HFC” (Hybrid Fiber Coaxial).....	A technology developed by the cable TV industry to provide two-way high-speed data access to the home using a combination of fiber optics and traditional coaxial cable.
“High Speed Broadband Market” .....	Broadband with above 30 Mbps speed capability.
“Homes connected/passed” .....	A home is deemed “connected” or “passed” if it can be connected to the distribution system without further extension of the network.
“HSDPA” (High Speed Downlink Package Access).....	Evolution of the third generation (3G) mobile telephony norm UMTS, also called 2.5G or 3G+. It offers, thanks to an upgraded software, performances tend times greater than 3G technology (UMTS). It supports high speeds in bundled form on the download side.
“HSPA” .....	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
“HSPA+” .....	Evolved High Speed Packet Access, an enhanced UMTS3G network that offers higher download and upload speeds than HSPA.
“HTML5” (HyperText Markup Language 5” .....	The fifth and most recent revision of HTML, the standard programming language for structuring and presenting content on the internet.
“iDEN” .....	Integrated Digital Enhanced Network, a mobile telecommunications technology.
“INSEE” .....	The national statistics bureau of France ( <i>Institut national de la statistique et des études économiques</i> ).
“internet” .....	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol.
“IoT”.....	Internet of Things. A network of physical objects that feature an IP address for internet connectivity, and the communication that occurs between such objects and other devices and systems.
“IP” (Internet Protocol) .....	Internet Protocol is used for communicating data across a packet switched network. It is used for transmitting data over the internet and other similar networks. The data are broken down into data packets, each data packet is assigned an individual address, and then

	the data packets are transmitted independently and finally reassembled at the destination.
“IP Centrex” .....	IP servers are located in the Group’s data center and used by SMEs for VoIP.
“IPTV” (Internet Protocol Television) ..	The transmission of television content using IP over a network infrastructure, such as a broadband connection.
“ISP” .....	Internet Service Provider.
“IRU” (Indefeasible Right of Use) .....	Long-term contract ensuring the temporary ownership, over the term of the contract, of a portion of the capacities of a duct, a cable or a fiber.
“IT” (Information Technology) .....	A general term referring to the use of various software and hardware components when used in a business.
“LAN” (Local Area Network) .....	A network that interconnects computers in a limited area such as within a building.
“LAN to LAN” .....	Ethernet interconnection service between sites through a LAN connection at long distances.
“Local loop” .....	Section of the network connecting the operator’s point of presence to individual subscriber households.
“LTE” (Long Term Evolution).....	Name of a project aiming to produce technical specifications of future fourth generation (4G) mobile network norms. By extension, LTE designates fourth generation mobile systems, which arose out of this project.
“M2M” .....	Machine to machine.
“Mb” (megabyte).....	Megabyte, commonly abbreviated as Mb, is a multiple of the unit byte for digital information storage or transmission, generally used to refer to for computer storage. A megabyte (Mb) is different from a megabit (Mbit): a byte is a unit of information which is defined as a multiple of a bit (one byte equals eight bits).
“Mbps” .....	Megabits per second; a unit of data transfer rate equal 1,000,000 bits per second. The bandwidths of broadband networks are often indicated in Mbps.
“Middleware” .....	Middleware is computer software that provides services to software applications beyond those available from the operating system.
“MHz” .....	Megahertz; a unit of frequency equal to one million Hertz.
“MMS” (Multimedia Message Service)	A system that enables cellular phones to send and receive pictures and sound clips as well as text messages between wireless devices.
“MNO” (Mobile Network Operator) .....	Access solution for multiple services (internet, television and VoIP) through a single broadband access point.
“Multi-play” .....	Access solution for multiple services (internet, television and VoIP) through a single broadband access point.

“MVNO” (Mobile Virtual Network Operator) .....	Mobile operators that use third party network infrastructures to provide their own mobile telephone services.
“NG-PON2” .....	Next Generation Passive Optical Network 2. A network standard for passive optical networks with enhanced bandwidth capabilities.
“OTT content” or “over-the-top content” .....	Broadband delivery of video and audio without the internet service provider being involved in the control or distribution of the content itself. It refers to content received from a third party and delivered to the end-user device with the internet provider being exclusively responsible for transporting IP packets.
“PacketCable” .....	A CableLabs-led initiative to develop interoperable interface specifications for delivering advanced, real-time multimedia services over two-way cable plant. PacketCable networks use internet protocol (IP) technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications.
“PON” .....	Passive optical network, a system that implements a point-to-multipoint architecture to bring optical fiber cabling and signals all or most of the way to the end user.
“Premium pay-TV” .....	Premium pay-TV includes high-value channels providing premium content and corresponds to CanalSat and Canal+ content. Other channels included in pay-TV are low-value and low-price channels.
“PVR” .....	Personal video recording.
“Quadruple-play” .....	Triple-play and mobile telephony.
“RGU” (Revenue Generating Unit).....	Each subscriber receiving cable TV, broadband internet, fixed telephony or mobile telephony services over the Group’s network. Thus, one subscriber who receives all of the Group’s services would be counted as four RGUs.
“Router” .....	A device that provides access to the internet for multiple computers. It typically includes a network switch with several Ethernet ports for wired connections to desktop and laptop computers. The router also provides network address translation, which allows multiple users to reach the internet with one public IP address assigned by the cable or telephone company to the service.
“SAN” (Storage Area Network).....	A high-speed special purpose network that interconnects data storage devices with associated data servers.
“SAN to SAN” .....	Interconnection service provided through a SAN connection.
“SD” (Standard Definition) .....	Television and video broadcasting standard, offering viewers an image with a resolution of 720 pixels (horizontal) by 576 pixels (vertical).
“SDH” (Synchronous Digital Hierarchy) .....	A standard technology for synchronous data transmission on optical media.
“Set-top box” .....	The electronics box which connects television to incoming digital video signal.

“Sites connected” .....	A corporate or public sector site is deemed “connected” if it is connected to the Group’s network.
“Smart card” .....	A pocket sized card with embedded integrated circuits which, when used with a digital receiver, enables the Group’s subscribers to decrypt and receive the Group’s digital television service.
“SME” (Small and Medium-sized companies) .....	The computing market for companies with between 2 and 200 employees.
“SMS” (Short Message Service) .....	A system that allows mobile telephone users to send and receive text messages between wireless devices.
“Subscriber access nodes” .....	Points on the edge of the access network that concentrate individual access lines into a smaller number of feeder lines.
“Symmetric regulation” .....	Regulation applicable to all operators offering the same service, in contrast to asymmetric regulation, applicable only to operators recognized as having significant market power by a regulatory authority.
“TNT” ( <i>Télévision Numérique Terrestre</i> ) (Digital Terrestrial Television) .....	A land-based (terrestrial) broadcast television system.
“Triple-play” .....	Subscriber offering telephony, internet and cable TV services through one access channel.
“UMTS” (Universal Mobile Telecommunications System) .....	Third generation (3G) mobile telephony norm allowing a high speed communication (up to 2 Mbit/s, theoretically symmetrical).
“unbundling” .....	Procedure which allows other providers to use the passive infrastructures of the historical operator’s proprietary local copper-wire loop in order to market their own services to end-users. In order to do this, B2B unbundling customers must install their own equipment at the historical operator’s main distribution frames (subscriber access nodes). These wholesale services are regulated by ARCEP.
“unlimited” .....	With respect to quadruple-play packages, refers to unlimited calls within the limit of a fair usage, as is customarily applied in the French mobile market.
“VDSL” (Very-high-bit-rate Digital Subscriber Line) .....	A variant of DSL; an internet access technology that provides faster data transmission than ADSL over copper telephone lines, at speeds of up to 52 Mbps downstream and 16 Mbps upstream and up to 100 Mbps downstream in VDSL2.
“VGA” .....	Video graphics array; a computing standard that has a resolution of 640 x 480 pixels with colours or 320 x 200 pixels with 256 colours.
“VOD” (Video-On-Demand) .....	VOD is service that provides subscribers with enhanced playback functionality and gives them access to a broad array of on-demand programming.
“VoIP” (Voice over Internet Protocol)..	The transportation of voice services using IP technologies.
“VPN” (Virtual Private Network) .....	A VPN extends a private network across a public network.

“White Label” .....	A production service produced by one entity, the producer, that another entity, the marketer, rebrands and distributes to make it appear as if it had made it.
“xDSL” .....	Asymmetrical DSL connection where the download speed (from the network to the client) is higher speed than the upload speed (from the client to the network).
“Wifi” (Wireless Fidelity) .....	Technology enabling the connection of wireless equipment using radio waves in the 2.4 GHz wavelength, at speeds of 11 Mbps (802.11b standard), 54 Mbps (802.11g standard) or 540 Mbps (802.11n standard). By extending the Ethernet protocol to cover radio services, Wifi offers businesses and individuals the ability to wirelessly connect several computers or shared devices in a network over distances that may reach several dozen meters.
“Wholesale” .....	The carrier-to-carrier market for telecommunication services.



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United States

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United Kingdom

## EURO PAYING AGENT AND EURO TRANSFER AGENT

### Deutsche Bank AG, London Branch

Winchester House  
1 Great Winchester Street  
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United Kingdom

## TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS .....	ix
PRESENTATION OF FINANCIAL AND OTHER INFORMATION .....	xii
CERTAIN DEFINITIONS .....	xv
EXCHANGE RATE INFORMATION .....	xxiv
SUMMARY .....	1
CORPORATE AND FINANCING STRUCTURE .....	12
THE OFFERING .....	14
SUMMARY FINANCIAL INFORMATION AND OTHER DATA .....	19
RISK FACTORS .....	25
USE OF PROCEEDS .....	90
CAPITALIZATION .....	91
INDUSTRY, COMPETITION AND MARKET OVERVIEW .....	94
DESCRIPTION OF OUR BUSINESS .....	118
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	190
MANAGEMENT .....	242
REGULATION .....	243
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS .....	301
DESCRIPTION OF OTHER INDEBTEDNESS .....	306
DESCRIPTION OF NOTES .....	344
BOOK-ENTRY, DELIVERY AND FORM .....	431
NOTICE TO INVESTORS .....	437
CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS .....	441
CERTAIN TAX CONSIDERATIONS .....	444
PLAN OF DISTRIBUTION .....	452
LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEE AND THE SECURITY INTERESTS AND INSOLVENCY LAWS OF CERTAIN JURISDICTIONS .....	456
LEGAL MATTERS .....	464
INDEPENDENT AUDITORS .....	465
SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES .....	466
LISTING AND GENERAL INFORMATION .....	467
GLOSSARY .....	470

## INDEX TO FINANCIAL STATEMENTS

### ALTICE LUXEMBOURG S.A.

	<u>Page</u>
<b>DECEMBER 31, 2018, CONSOLIDATED FINANCIAL STATEMENTS</b>	F-2
Consolidated Statement of Income for the year ended December 31, 2018 .....	F-4
Consolidated Statement of Other Comprehensive Income for the year ended December 31, 2018 .....	F-4
Consolidated Statement of Financial Position as of December 31, 2018 .....	F-5
Consolidated Statement of Changes in Equity for the year ended December 31, 2018 .....	F-6
Consolidated Statement of Cash Flows for the year ended December 31, 2018 .....	F-7
Notes to the Consolidated Financial Statements .....	F-9
Report of the Réviseur d'entreprises agréé .....	F-135
<b>DECEMBER 31, 2017, CONSOLIDATED FINANCIAL STATEMENTS</b> .....	F-137
Consolidated Statement of Income for the year ended December 31, 2017 .....	F-139
Consolidated Statement of Other Comprehensive Income for the year ended December 31, 2017 .....	F-139
Consolidated Statement of Financial Position as of December 31, 2017 .....	F-140
Consolidated Statement of Changes in Equity for the year ended December 31, 2017 .....	F-141
Consolidated Statement of Cash Flows for the year ended December 31, 2017 .....	F-142
Notes to the Consolidated Financial Statements .....	F-143
Report of the Réviseur d'entreprises agréé .....	F-254
<b>DECEMBER 31, 2016, CONSOLIDATED FINANCIAL STATEMENTS</b> .....	F-256
Consolidated Statement of Income for the year ended December 31, 2016 .....	F-258
Consolidated Statement of Other Comprehensive Income for the year ended December 31, 2016 .....	F-258
Consolidated Statement of Financial Position as of December 31, 2016 .....	F-259
Consolidated Statement of Changes in Equity for the year ended December 31, 2016 .....	F-260
Consolidated Statement of Cash Flows for the year ended December 31, 2016 .....	F-261
Notes to the Consolidated Financial Statements .....	F-262
Report of the Réviseur d'entreprises agréé. ....	F-358

**Altice Luxembourg S.A.**



**altice**

ALTICE LUXEMBOURG S.A.  
CONSOLIDATED  
FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018

## Table of Contents

<b>Consolidated Statement of Income</b> .....	<b>F-4</b>
<b>Consolidated Statement of Other Comprehensive Income</b> .....	<b>F-4</b>
<b>Consolidated Statement of Financial Position</b> .....	<b>F-5</b>
<b>Consolidated Statement of Changes in Equity</b> .....	<b>F-6</b>
<b>Consolidated Statement of Cash Flows</b> .....	<b>F-7</b>
<b>Notes to the Consolidated Financial Statements</b> .....	<b>F-9</b>
1 About Altice Luxembourg and Altice Group .....	F-9
2 Significant accounting policies .....	F-12
3 Scope of consolidation .....	F-32
4 Segment reporting .....	F-39
5 Goodwill .....	F-49
6 Intangible assets .....	F-54
7 Property, plant and equipment .....	F-56
8 Contract balances .....	F-58
9 Investment in associates .....	F-59
10 Financial assets and other non-current assets .....	F-61
11 Inventories .....	F-62
12 Trade and other receivables .....	F-63
13 Cash and cash equivalents and restricted cash .....	F-65
14 Shareholders' equity .....	F-66
15 Provisions .....	F-68
16 Employee benefit provisions .....	F-69
17 Borrowings and other financial liabilities .....	F-73
18 Financial risk factors .....	F-83
19 Fair value of financial assets and liabilities .....	F-86
20 Obligations under leases .....	F-89
21 Trade and other payables .....	F-90
22 Other liabilities .....	F-90
23 Taxation .....	F-91
24 Other operating expenses .....	F-95
25 Equity based compensation .....	F-95
26 Depreciation, amortization and impairment losses .....	F-100
27 Net finance cost .....	F-101
28 Average workforce .....	F-102
29 Related party transactions and balances .....	F-102
30 Contractual obligations and commercial commitments .....	F-105
31 Litigation .....	F-109
32 Going concern .....	F-123
33 Events after the reporting period .....	F-124
34 Revised information .....	F-125
35 List of entities included in the scope of consolidation .....	F-129
Report of the réviseur d'entreprises agréé .....	F-135

**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**Consolidated Statement of Income**

	Notes	Year ended December 31, 2018	Year ended December 31, 2017 (revised*)
(€m)			
<b>Revenues</b> .....	4	<b>14,279.3</b>	<b>15,151.0</b>
Purchasing and subcontracting costs .....	4	(4,367.7)	(4,737.9)
Other operating expenses .....	4	(3,114.0)	(3,064.3)
Staff costs and employee benefits .....	4	(1,479.3)	(1,547.0)
Depreciation, amortization and impairment .....	4	(3,845.5)	(4,348.5)
Other expenses and income .....	4	496.3	(1,224.9)
<b>Operating profit</b> .....	4	<b>1,969.1</b>	<b>228.4</b>
Interest relative to gross financial debt .....	27	(1,677.4)	(2,210.0)
Other financial expenses .....	27	(370.3)	(244.8)
Finance income .....	27	127.6	269.8
Net result on extinguishment of a financial liability .....	27	(148.6)	(134.7)
<b>Finance costs, net</b> .....	27	<b>(2,068.7)</b>	<b>(2,319.7)</b>
Share of earnings of associates .....		(7.5)	(16.7)
<b>Loss before income tax from continuing operations</b> .....		<b>(107.1)</b>	<b>(2,108.0)</b>
Income tax (expense)/benefit .....	23	(67.5)	424.8
<b>Loss for the period</b> .....		<b>(174.6)</b>	<b>(1,683.3)</b>
<i>Attributable to equity holders of the parent</i> .....		(135.5)	(1,575.0)
<i>Attributable to non-controlling interests</i> .....		(39.1)	(108.3)

**Consolidated Statement of Other Comprehensive Income**

	Year ended December 31, 2018	Year ended December 31, 2017 (revised*)
(€m)		
<b>Loss for the period</b> .....	<b>(174.6)</b>	<b>(1,683.3)</b>
<b>Other comprehensive income/(loss)</b>		
<b>Items that are reclassified to profit or loss</b>		
Exchange differences on translating foreign operations .....	(107.2)	33.5
Gain on cash flow hedge, net of taxes .....	62.5	136.3
<b>Item that is not reclassified to profit or loss</b>		
Fair value of financial assets through OCI, net taxes .....	(0.9)	0.7
Actuarial gain/(loss), net of taxes .....	29.2	(8.5)
<b>Total other comprehensive loss</b> .....	<b>(16.4)</b>	<b>161.9</b>
<b>Total comprehensive loss for the period</b> .....	<b>(191.0)</b>	<b>(1,521.4)</b>
<i>Attributable to equity holders of the parent</i> .....	(155.1)	(1,414.2)
<i>Attributable to non-controlling interests</i> .....	(35.9)	(107.2)

(\*) Previously published information has been revised to take into account the impact following the adoption of IFRS 15 Revenue from Contracts with Customers. Please refer to note 34 for the reconciliation to previously published results.

The accompanying notes from page 5 to 112 form an integral part of these consolidated financial statements.

**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**Consolidated Statement of Financial Position**

	Notes	As of December 31, 2018	As of December 31, 2017 (revised*) (€m)	As of January 1, 2017 (revised*)
<b>Non-current assets</b>				
Goodwill	5	15,746.7	15,915.6	15,799.5
Intangible assets	6	7,675.8	8,678.9	10,418.3
Property, plant & equipment	7	10,004.7	10,415.6	10,389.0
Contract costs	8	252.5	241.2	232.9
Investment in associates	9	154.1	49.4	60.4
Financial assets	10.1	2,331.8	1,262.0	2,884.8
Deferred tax assets	23	153.7	145.1	109.3
Other non-current assets	10.2	423.7	377.7	156.2
<b>Total non-current assets</b>		<b>36,743.0</b>	<b>37,085.5</b>	<b>40,050.4</b>
<b>Current assets</b>				
Inventories	11	422.2	461.4	393.6
Contract assets	8	265.7	302.3	398.0
Trade and other receivables	12	4,440.8	4,440.8	4,237.3
Current tax assets	23	119.0	165.3	175.6
Financial assets	10	53.4	62.0	68.6
Cash and cash equivalents	13	1,666.0	753.2	719.9
Restricted cash	13	35.9	33.7	19.6
<b>Total current assets</b>		<b>7,003.0</b>	<b>6,218.7</b>	<b>6,012.6</b>
<i>Assets classified as held for sale</i>	3.4	537.8	602.0	476.0
<b>Total assets</b>		<b>44,283.8</b>	<b>43,906.2</b>	<b>46,539.0</b>
Issued capital	14.1	2.5	2.5	2.5
Additional paid in capital	14.2	1,922.7	1,143.2	840.7
Other reserves	14.3	(530.7)	(511.2)	(675.1)
Accumulated losses	14	(3,611.7)	(3,474.9)	(1,870.8)
<b>Equity attributable to owners of the Company</b>		<b>(2,217.2)</b>	<b>(2,840.4)</b>	<b>(1,702.7)</b>
Non-controlling interests	3.3	612.9	157.4	831.3
<b>Total equity</b>		<b>(1,604.3)</b>	<b>(2,683.0)</b>	<b>(871.4)</b>
<b>Non-current liabilities</b>				
Long term borrowings, financial liabilities and related hedging instruments	17	32,534.1	31,804.8	32,370.1
Other financial liabilities	17.6	815.5	539.5	519.7
Provisions	15	1,178.7	1,307.4	1,780.7
Deferred tax liabilities	23	255.8	494.8	947.4
Non-current contract liabilities	8	564.1	466.4	392.0
Other non-current liabilities	22	84.7	127.3	390.2
<b>Total non-current liabilities</b>		<b>35,432.8</b>	<b>34,740.2</b>	<b>36,400.1</b>
<b>Current liabilities</b>				
Short-term borrowings, financial liabilities	17	102.3	413.6	419.9
Other financial liabilities	17.6	2,021.2	2,112.0	2,173.4
Trade and other payables	21	6,756.4	7,103.2	6,637.0
Contract liabilities	8	610.7	719.9	722.3
Current tax liabilities	23	246.6	196.8	294.1
Provisions	15	330.2	429.0	535.2
Other current liabilities	22	188.4	342.6	139.3
<b>Total current liabilities</b>		<b>10,255.8</b>	<b>11,317.1</b>	<b>10,921.2</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	3.4	199.4	531.9	89.2
<b>Total liabilities</b>		<b>45,888.0</b>	<b>46,589.2</b>	<b>47,410.5</b>
<b>Total equity and liabilities</b>		<b>44,283.7</b>	<b>43,906.2</b>	<b>46,539.0</b>

(\*) Previously published information has been revised to take into account the impact following the adoption of IFRS 15 *Revenue from Contracts with Customers*. Please refer to note 34 for the reconciliation to previously published results.

*The accompanying notes from page 5 to 112 form an integral part of these consolidated financial statements.*

**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**Consolidated Statement of Changes in Equity**

	Number of shares on issue	Share capital	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash Flow hedge reserve
<b>Equity at January 1, 2018</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>1,143.2</b>	<b>(3,474.9)</b>	<b>62.3</b>	<b>(521.4)</b>
IFRS 9 transition impact .....	—	—	—	(1.9)	—	—
<b>Equity at January 1, 2018 (*revised)</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>1,143.2</b>	<b>(3,476.8)</b>	<b>62.3</b>	<b>(521.4)</b>
Loss for the period .....	—	—	—	(135.5)	—	—
Other comprehensive profit/(loss) .....	—	—	—	—	(107.8)	60.7
<b>Comprehensive profit/(loss)</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>(135.5)</b>	<b>(107.8)</b>	<b>60.7</b>
Share-based payment .....	—	—	—	0.6	—	—
Dividends .....	—	—	—	—	—	—
Transaction with Altice shareholders .....	—	—	(163.3)	—	—	—
Transactions with non-controlling interests .....	—	—	(415.9)	—	—	—
The sale of minority interest in Hivory .....	—	—	1,390.6	—	—	—
Other .....	—	—	(32.0)	—	—	—
<b>Equity at December 31, 2018</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>1,922.7</b>	<b>(3,611.7)</b>	<b>(45.5)</b>	<b>(460.7)</b>

**Consolidated Statement of Changes in Equity**

	Number of shares on issue	Share capital	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash Flow hedge reserve
<b>Equity at January 1, 2017</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>840.7</b>	<b>(1,870.8)</b>	<b>23.9</b>	<b>(654.7)</b>
Loss for the period .....	—	—	—	(1,575.0)	—	—
Other comprehensive profit/(loss) .....	—	—	—	—	35.2	133.3
<b>Comprehensive profit/(loss)</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,575.0)</b>	<b>35.2</b>	<b>133.3</b>
Share based payments .....	—	—	—	(29.1)	—	—
Transactions with non-controlling interests .....	—	—	(1,420.3)	—	—	—
Transactions with Altice shareholders <sup>1</sup> .....	—	—	(51.1)	—	—	—
Dividends .....	—	—	—	—	—	—
Contribution from sole shareholder .....	—	—	1,800.9	—	—	—
Other .....	—	—	(27.1)	—	3.2	—
<b>Equity at December 31, 2017</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>1,143.2</b>	<b>(3,474.9)</b>	<b>62.3</b>	<b>(521.4)</b>

<sup>1</sup> Transaction with Altice shareholders corresponds to the impairment loss of €51.1 million recorded by the Group in Altice TV (please refer to note 34 for the reconciliation to previously published results).

(\*) Previously published information has been revised to take into account the impact following the adoption of IFRS 15 Revenue from Contracts with Customers (please refer to note 34 for the reconciliation to previously published results).

The accompanying notes from page 5 to 112 form an integral part of these consolidated financial statements.



**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**Consolidated Statement of Cash Flows**

	Year ended December 31, 2018	Year ended December 31, 2017 (revised*)
	(€m)	
<b>Net loss including non-controlling interests</b> .....	<b>(174.6)</b>	<b>(1,683.3)</b>
Adjustments for:		
Depreciation, amortization and impairment .....	3,845.5	4,348.6
Share in income of associates .....	7.5	16.7
Net gain on disposals of business .....	(790.0)	—
Expenses related to share based payment .....	1.9	30.6
Other non-cash operating expenses, net <sup>1</sup> .....	(138.5)	(37.8)
Pension liability payments .....	(81.2)	(129.1)
Finance costs recognized in the statement of income .....	2,068.7	2,319.7
Income tax credit recognized in the statement of income .....	67.5	(352.9)
Income tax paid .....	(145.1)	(304.9)
Payment break fee with Altice TV .....	(300.0)	—
Changes in working capital <sup>2</sup> .....	(398.1)	338.9
<b>Net cash provided by operating activities</b> .....	<b>3,963.6</b>	<b>4,546.5</b>
Payments to acquire tangible and intangible assets .....	(3,183.3)	(3,541.3)
Prepayments for content rights .....	—	(70.5)
Payments to acquire financial assets .....	(32.7)	(45.5)
Proceeds from disposal of businesses <sup>3</sup> .....	872.3	345.1
Proceeds from disposal of tangible, intangible and financial assets .....	99.7	24.9
Payments to acquire interests in associates .....	(21.6)	(34.9)
Payment to acquire subsidiaries, net .....	(109.6)	(289.8)
<b>Net cash used in investing activities</b> .....	<b>(2,375.1)</b>	<b>(3,612.0)</b>
Proceeds from issue of equity instruments by a subsidiary .....	—	18.0
Proceeds from issuance of debts .....	6,271.0	8,519.9
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control <sup>4</sup> .....	1,766.8	—
Transactions with non-controlling interests <sup>5</sup> .....	(416.4)	(661.1)
Payments to redeem debt instruments .....	(6,529.4)	(7,468.8)
Transfers to restricted cash .....	(2.2)	(18.8)
Advances group companies .....	(47.4)	701.5
Dividends paid <sup>6</sup> .....	(20.7)	(12.9)
Interest paid .....	(1,792.0)	(1,952.6)
Other cash provided by financing activities <sup>7</sup> .....	95.8	1.1
<b>Net cash used in financing activities</b> .....	<b>(674.5)</b>	<b>(873.7)</b>
Classification of cash as held for sale .....	(4.7)	(17.6)
Effects of exchange rate changes on the balance of cash held in foreign currencies .....	3.5	(9.8)
<b>Net change in cash and cash equivalents</b> .....	<b>912.8</b>	<b>33.3</b>
Cash and cash equivalents at beginning of the year .....	753.2	719.9
<b>Cash and cash equivalents at end of the year</b> .....	<b>1,666.0</b>	<b>753.2</b>

<sup>1</sup> 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.

<sup>2</sup> Changes in working capital relate to payments and receipts related to inventories, trade and other receivables and trade and other payables.

<sup>3</sup> Proceeds from the disposal of businesses include €539.5 million related to the sale of the tower business in Portugal, €157.1 million regarding the sale of the telecommunications solutions business and data center operations in Switzerland,

€145.5 million regarding the sale of the tower business in the Dominican Republic and €33.0 million regarding the sale of the wholesale business in France, Portugal and the Dominican Republic.

- 4 Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control relates to the provisional purchase price of €1,766.8 million for to the sale of the tower business in Altice France
  - 5 Transactions with non-controlling interest are mainly related to the payment of the ATS call option for an amount of €156.3 million, the buy-out of minority shareholders in Altice Content Luxembourg (ACL) for an amount of €100.0 million, the payment of the put option agreement entered into with previous minority shareholders of HOT for an amount of €52.2 million, the purchase of shares and preferred equity certificates of Deficom Invest S.à r.l. for an amount of €22.5 million, the acquisition of the minority interest in DTV Holding for an amount of €32.7 million, the payment of €15.0 million regarding an NCI liability regarding the French Press Group, the payment of €7.4 million to former owners of Green the acquisition of the minority interest in ERT Luxembourg S.A. for an amount of €4.8 million.
  - 6 Dividends paid relate to dividends paid to non-controlling interests (please refer to note 3.3).
  - 7 Other cash from financing activities include net receipts from the issuance of commercial paper of €72.5 million, factoring arrangements for an amount of €30.9 million and net receipts for financing related items (mainly related to commitment fees and swaps) for an amount of €11.2 million, which was partly offset by net repayments of €18.8 million for securitization arrangements.
- (\*) Previously published information has been revised to take into account the impact following the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial instruments. Please refer to note 34 for the reconciliation to previously published results.

The accompanying notes from page 5 to 112 form an integral part of these consolidated financial statements.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018

#### 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 Europe 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 Europe N.V.. The controlling shareholder of Altice Europe N.V. is Next Alt S.à r.l. (“Next Alt”), which holds 67.53% of the share capital as of December 31, 2018 and is controlled by Mr. Patrick Drahi.

Altice is a convergent leader in telecoms, content, media, entertainment and advertising. Altice delivers innovative, customer-centric products and solutions that connect and unlock the limitless potential of its over 30 million customers over fiber networks and mobile broadband. Altice is also a provider of enterprise digital solutions to millions of business customers. The Altice Group innovates with technology, research and development and enables 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 its customers to enjoy the most well-known media and entertainment.

#### 1.1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of the Group as of December 31, 2018 and for the year then ended were approved by the Board of Directors and authorized for issue on April 26, 2019.

The consolidated financial statements as of December 31, 2018 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”).

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 19).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 1. About Altice Luxembourg and Altice Group (Continued)

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-employment 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 2.27 to the consolidated financial statements for the year ended December 31, 2018.

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

##### 1.3.1. Standards applicable for the reporting period

The following standards have mandatory application for periods beginning on or after January 1, 2018 as described in note 2 to the annual consolidated financial statements.

- IFRS 15 *Revenue from Contracts with Customers*;
- IFRS 9 *Financial Instruments*;
- Amendments to IFRS 2: *Classification and Measurement of Share Based Payment Transactions*;
- IFRIC 22: *Foreign Currency Transactions and Advance Consideration*;
- Annual improvements cycle 2014-2016.

The application of amendments to IFRS 2, IFRIC 22 and annual improvements cycle 2014-2016 had no impact on the amounts recognised in the consolidated financial statements and had no impact on the disclosures in these consolidated financial statements.

Accounting policies in sections 2.3 *Revenue recognition*, 2.15 *Financial assets* and 2.22 *Financial liabilities* have been amended to include the application of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial instruments*.

##### 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 periods before January 1, 2019 and that may impact the amounts reported:

- IFRS 16 *Leases*, effective on January 1, 2019;
- 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;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 1. About Altice Luxembourg and Altice Group (Continued)

- 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;
- Amendments to IAS 1 and IAS 8: *Definition of Material*, effective on or after January 1, 2020;
- Amendments to IFRS 3: *Definition of a Business*, effective on or after January 1, 2020;
- Amendments to References to the Conceptual Framework in IFRS Standards, effective on or after January 1, 2020.

The application of these new standards and interpretations will not have material impact on the amounts recognised in the consolidated financial statements and on the disclosures except for IFRS 16 *Leases* that is presented in section 1.3.3 below.

#### 1.3.3. IFRS 16 Leases

IFRS 16 *Leases*, issued in January 2016, is the new standard on lease accounting and will result in almost all operating leases being recognised in the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, which will become effective on January 1, 2019, an asset (the right to use the leased item) and a financial liability (a liability for discounted minimum lease payments over the lease term) are recognised in the statement of financial position. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases and will have a material impact on the consolidated statement of financial position, but it will not have a material impact on the consolidated statement of profit or loss.

The most significant impact will be the recognition of right-of-use assets and lease liabilities for leases qualifying as operating lease under the current standard (IAS 17 *Leases*), while accounting for leases qualifying as finance lease under the current standard remains substantially unchanged. Most of the lease commitments that will be in scope of the standard relate to mobile sites (land, space in cell towers or rooftop, agreement with towers company), network infrastructure (including local loop unbundling), buildings used for administrative or technical purposes and other assets (vehicles).

Judgment is required in the determination of the discount rates and the assessment of the lease term (considering renewal or termination options).

From a lessor perspective, the standard will not have a material impact as the distinction between operating and finance leases will remain under the new standard.

The Group has decided to apply the new standard based on the modified retrospective approach (cumulative catch-up) and to measure the asset at an amount equal to the liability (adjusted for accruals and prepayments). Therefore, 2018 financial statements will not be restated under the new standard.

As regards the options and exemptions permitted under IFRS 16, the Group will take the following approach:

- Right-of-use assets will be reported separately in the statement of financial position
- The recognition, measurement and disclosure requirements of IFRS 16 will also be applied in full to short-term leases and leases of low-value assets.
- A distinction will be made in leases that contain both lease components and non-lease components except for agreements for which the separation is impracticable (master service agreements with towers company).
- Application of the portfolio approach for the recognition and measurements of certain asset categories with similar characteristics (same residual value, same economic environment), mainly for local loop unbundling.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 1. About Altice Luxembourg and Altice Group (Continued)

- Application of the standard to contracts that were previously identified as finance leases under IAS 17 / IFRIC 4 at the transition date (carry forward of existing finance lease liabilities).
- Calculate outstanding liability for existing operating leases using the incremental borrowing rate at date of transition.
- IFRS 16 will not be applied to leases for intangible assets.
- The Group chooses to apply the relief option, which allows it to adjust the right of use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application.

The Group's preliminary assessment of the impact of IFRS 16 on the Group's balance sheet as at December 31, 2018 is as follows:

- Increase of the right of use assets in counterpart of an increase in the lease liabilities relating to previous operating lease in a range of €3.7—€4.3 billion.

In addition, the Group is assessing the impact of the current discussions at the IFRIC (IFRS Interpretation Committee) relating to subsurfacing rights that can change the IFRS 16 impacts presented above.

During 2019, the Group will record depreciation charges and interest expense (rather than lease expense) in the statement of income. In the statement of cash flows, the repayment portion of the lease liabilities from existing operating leases will reduce net cash from/ used in financing activities and no longer affect net cash from operating activities.

Under IAS 17 *Leases*, the undiscounted expected operating lease payments are disclosed as off-balance sheet commitments in the notes to the consolidated financial statements (refer to note 20). This disclosure is only indicative for the size of the IFRS 16 lease liability, the amounts are undiscounted, and new contracts previously not recognised as a lease could now be in scope and vice versa.

The reconciliation between operating lease commitments as at December 31, 2018 and lease liabilities recognised in the statement of financial position at the date of initial application is presented below:

- The operating lease obligations as at December 31, 2018 amounts to €3.6 billion;
- The effect of the revision of the periods under IFRS 16 (renewal options that are reasonably certain are taken into account under IFRS 16 versus minimum lease payments in IAS 17 disclosure) will increase the operating lease obligations by €1.6 billion;
- The effect of the discounting effect will decrease the operating lease obligations including revision of the periods by €1.2 billion;
- Other effects under finalization will impact the operating lease obligations under IFRS 16 in a range of €(0.3)—€ 0.3 billion.

Therefore, estimated lease liabilities at the date of initial application is estimated in a range of €3.7—€4.3 billion.

#### 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

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 recognises 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 recognises 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 recognised at cost at acquisition date. The consolidated financial statements include the Group's share of income

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

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 recognised 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	
	2018	2017	Dec 31, 2018	Dec 31, 2017
			(€)	
Dominican Pesos (DOP) . . . . .	0.01711	0.01864	0.01738	0.01719
Israeli Shekel (ILS) . . . . .	0.23572	0.24626	0.23315	0.23975
United States Dollar (USD) . . . . .	0.84666	0.88486	0.87321	0.83181
Swiss Franc (CHF) . . . . .	0.86568	0.89927	0.88844	0.85436
Moroccan Dirham (MAD) . . . . .	0.09027	0.09123	0.09132	0.08916

#### 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 expected 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, discounts and after eliminating intercompany sales within the Group.

In accordance with IFRS 15 *Revenue from Contracts with Customers*, the revenue recognition model includes five steps for analysing transactions so as to determine when to recognise revenue and at what amount:

- (1) Identifying the contract with the customer.
- (2) Identifying separate performance obligations in the contract.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

- (3) Determining the transaction price.
- (4) Allocating the transaction price to separate performance obligations.
- (5) Recognizing revenue when or as the performance obligations are satisfied.

For bundled packages, the Group accounts for individual products and services separately if they are distinct—i.e. if a product or service is separately identifiable from other items in the bundled package and if the product or service is distinct from other items in the bundle. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the market prices at which the Group sells the mobile devices and telecommunications services separately. This could lead to the recognition of a contract asset—a receivable arising from the customer contract that has not yet legally come into existence—in the statement of financial position.

The contract asset is amortized over the enforceable period. Enforceable period has been determined for each agreement. It represents the period over which rights and obligation are enforceable. This period is determined not only by the commitment period as stated in the contract, but also by business practices and contracts mechanisms (early renewal, exit options, penalties and other clauses).

##### **2.3.1. Revenues from the sale of equipment**

The Group recognises revenues when a customer takes possession of the device, which is the performance obligation. This usually occurs when the customer signs a new contract. The amount of revenue includes the sale of mobile devices and ancillary equipment for those devices. For mobile devices sold separately, customers pay in full at the point of sale or in several instalments (credit agreement).

##### **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 analysed separately from the main offer, they are considered as related elements and the associated revenues are recognised 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 recognised in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognised in revenue when the service is rendered in accordance with the term of the contract.

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 contract liabilities at the end of the reporting period. Revenues are in any case recognised upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.

## 2. Significant accounting policies (Continued)

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 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 recognised over the expected duration of the contractual relationship and the provision of the principal service.

Installation service revenue is deferred and recognised over the benefit period. For B2B customers, the benefit period is the contract term, which is defined and agreed for 2 years or more. For B2C customers, there is no commitment period and installation costs are recognised over the estimated benefit period.

Revenues linked to switched services are recognised 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, fibre 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 recognised 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 recognised 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. A provision is recognised when any contracts are expected to prove onerous.

### 2.3.6. Advertising revenues

Advertising revenues are recognised 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 recognised 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

- the fee is fixed or determinable; and
- collection is probable. 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 recognised 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 instalments) 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

The Group determines whether it is acting as a principal or as an agent. The Group is acting as a principal if it controls a promised good or service before it is transferred to a customer.

Indicators for acting as a principal include: (1) the Group is primarily responsible for fulfilling the promise to provide the specified good or service, (2) the Group has inventory risk in the specified good or service and (3) the Group has discretion in establishing the price for the specified good or service.

On the other hand, the Group is acting as an agent or an intermediary, if these criteria are not met. When the Group is acting as an agent, revenue is presented on a net basis in the statement of income. When the Group is acting as principal, revenue is presented on a gross basis.

#### 2.4. Finance costs, net

Finance costs, net primarily comprise:

- Interest charges and other expenses paid for financing operations recognised 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 recognised 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. Significant accounting policies (Continued)

### 2.5.2. Deferred tax

Deferred tax assets are recognised 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;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

- 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 IFRS 9 *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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

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 preceding the 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.

<u>The useful lives of the intangible assets are as follows:</u>	<u>Duration</u>
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
Franchises .....	finite and indefinite

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

Franchise rights are periodically reviewed to determine if each franchise has a finite life or an indefinite life in accordance with goodwill and other intangible asset financial accounting standards. Accordingly, the Company believes its franchises qualify for indefinite life treatment and are not amortized but instead are tested for impairment annually or more frequently as warranted by events or changes in circumstances. Costs incurred in negotiating and renewing broadband franchises are amortized on a straight-line basis over the life of the renewal period.

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 20. 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 recognised 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

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:

<u>The estimated useful lives of property, plant and equipment were:</u>	<u>Duration</u>
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. Contract costs

The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Commissions to third parties and sales incentives to employees are considered as costs to obtain a contract and are recognised under the balance sheet caption "contract costs".



## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

#### **2. Significant accounting policies (Continued)**

Assets recognised as contract costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The asset may relate to goods or services to be transferred under a specific anticipated contract. The amortization charge is recognised in the statement of income, within caption "Depreciation, amortization and impairment".

As a practical expedient, the Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognised is one year or less.

#### **2.12. 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.

##### **2.12.1. The Group as lessor**

Amounts due from lessees under finance leases are recognised 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 recognised 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 recognised on a straight-line basis over the lease term.

##### **2.12.2. The Group as lessee**

Assets held under finance leases are initially recognised 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 recognised 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 recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised 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 recognised as an expense in the period in which they are incurred.

If lease incentives are received to enter operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised 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.

#### **2.13. 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. Significant accounting policies (Continued)

### 2.14. Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Company recognises 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 recognised 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 recognised 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.

### 2.15. Financial assets

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Debt financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI).

The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under balance sheet caption "Financial assets" (non-current and current portion).
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. The Group has no instrument in this new category.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its quoted and unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.
- Financial assets at FVPL comprise derivative instruments. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets at FVPL 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.

Under IFRS 9, embedded derivatives are not separated from a host financial asset.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

##### *Impairment of financial assets*

Under IFRS 9, accounting for impairment losses for financial assets is based on a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets, trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### **2.16. 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.

##### **2.17. 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.

##### **2.18. 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.

##### **2.19. Derivatives**

Derivatives are initially recognised 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. Significant accounting policies (Continued)

### 2.20. Hedge accounting

The Group continues to apply the requirement of IAS 39 relating to 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.

### 2.21. 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.

#### 2.21.1. 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 recognised at the value of the proceeds received, net of direct issue costs.

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

### 2.22. Financial liabilities

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

#### 2.22.1. 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

## 2. Significant accounting policies (Continued)

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.

### 2.22.2. Financial liabilities measured at fair value through profit or loss (FVPL)

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

Derivatives, including bifurcated embedded derivatives, are classified as financial liabilities at FVPL 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.

### 2.22.3. 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 recognised 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 attributable to owners of the Company (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 IFRS 9 *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.

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

#### **2. Significant accounting policies (Continued)**

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.

#### **2.23. Provisions**

A provision is recognised 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:

##### **2.23.1. Claims**

A provision regarding claims is recognised 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 expend 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.

##### **2.23.2. Onerous contracts**

Present obligations arising under onerous contracts are recognised 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.

##### **2.23.3. Restructuring**

A restructuring provision is recognised 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.

#### **2.24. Liabilities for employment benefits**

##### **2.24.1. 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

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.

#### **2.24.2. 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.

#### **2.25. Share based payments**

##### **2.25.1. 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.

## 2. Significant accounting policies (Continued)

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.

### 2.25.2. 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 recognised 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.

### 2.26. 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.

### 2.27. 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



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

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.

##### 2.27.1. Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Board of Directors of the Company has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

###### - 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 stand-alone selling prices 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 acting as agent or principle.

##### 2.27.2. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

###### - 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.

###### - 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.

###### - 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.

###### - 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 2. Significant accounting policies (Continued)

to the tax loss carried forwards are recognised 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 losses carried forward.

- 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.

- 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.

- Contract assets and trade receivables

For contract assets and trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### 3. Scope of consolidation

A full list of subsidiaries is included in note 35.

##### 3.1. Transactions completed in the current period

###### 3.1.1. Sale of telecommunications solutions business and data center operations in Switzerland

On February 12, 2018, the Company announced the closing of the transaction 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 valued the business at an enterprise value of approximately 214 million CHF.

The capital gain recorded during the year ended December 31, 2018 amounted to €88.8 million, net of tax. The total proceeds received related to the sale amounted to €156.4 million.

###### 3.1.2. Sale of Altice Management International ("AMI") to Altice Group Lux S.à r.l.

During November and December 2017, the Board of Directors of Altice Europe N.V. decided the transfer of shares of AMI to Altice Group Lux S.à r.l. The sale was completed on January 31, 2018 with a transaction value of 1 CHF. The capital gain recorded in equity during the period amounted to €3.6 million net of tax.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 3. Scope of consolidation (Continued)

##### **3.1.3. Acquisition by Altice France of the minority stake held by News Participations in Altice Content Luxembourg**

On April 5, 2018, Altice France acquired the minority stake held by News Participations (NP) in Altice Content Luxembourg (ACL) for the amount of €100 million by exercising the call option it held on NP's 25% stake in ACL. On May 31, 2018, Altice France increased its ownership in NextRadioTV S.A. via conversion of convertible bonds into equity. Following the transactions described above, the Company's ownership in NextRadioTV S.A. and its subsidiaries increased to 99.7%.

##### **3.1.4. Exercise of the ATS call option**

In April 2018, the Group exercised the call option for the acquisition of the remaining 49% in Altice Technical Services ("ATS") for a price determined on acquisition of ATS of €147 million, bearing interests at an annual rate of EURIBOR 1 month plus 3.5%. The total amount of €156.3 million was paid on November 26, 2018. As a result of the exercise of the call option, the Company's ownership in ATS increased to 100%.

##### **3.1.5. Sale of i24News Europe to Altice USA**

On April 23, 2018, the Group completed the sale of i24News Europe (international 24-hour news and current affairs television channel) to Altice USA for a total consideration of \$2.5 million (€2.1 million). Total capital loss recorded in equity during the year amounted to €28.1 million net of tax.

##### **3.1.6. Closing of the sale of Altice TV to Altice Group Lux S.à r.l.**

During November and December 2017, the Board of Directors of Altice Europe N.V. decided the transfer of shares of Altice TV to Altice Group Lux S.à r.l. (the parent company of Altice Luxembourg). The transaction was closed on May 15, 2018. The capital loss was recorded in shareholders' equity (within the transaction with Altice's shareholder) for an amount of €164.2 million net of tax. Consideration received was €1.

In accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, non-current assets classified as held for sale shall be measured at the lower of its carrying amount and fair value less costs to sell. For Altice TV, the Group has recorded an impairment loss through equity of €51.1 million as of December 31, 2017.

##### **3.1.7. Acquisition of MCS**

On July 2, 2018, Altice France completed the acquisition of MCS from Altice Entertainment News & Sport Lux S.à r.l. to Sportscotv SASU, a subsidiary of NextRadioTV S.A., of all 3,130 shares representing 100% of the share capital and voting rights of MCS for an amount €1.

##### **3.1.8. Share capital increase in Altice Teads S.A.**

On July 3, 2018, following an earn-out payment of Teads (please refer to note 3.2.3), the former owners of Teads reinvested a part of the earn-out payment into the shares of Altice Teads S.A.. The share capital of Altice Teads S.A. increased by €5.2 million as a result of an issuance of 43,546 new Class B Shares having a nominal value of €1 each, and the balance related to the payment of Share Premium B. As of July 3, 2018, the Group's interest in Altice Teads S.A. decreased from 98.5% to 96.2%.

##### **3.1.9. Sale of international wholesale business**

On July 18, 2018, three Sale and Purchase Agreements were signed by Altice France, Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in France, the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018. The total consideration received was €33.0 million. The capital gain recorded for the year ended December 31, 2018 was €9.5 million (please refer to note 4.3.2.7).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 3. Scope of consolidation (Continued)

##### **3.1.10. Sale and purchase agreements signed for the purchase by Altice Technical Services France S.à r.l. of the minority interests in ERT Luxembourg S.A.**

On August 29, 2018, Altice Technical Services France S.à r.l. (“ATS France”) signed sale and purchase agreements with each of the five minority shareholders of ERT Luxembourg S.A. (“ERT Lux”) in order to acquire 253 shares of ERT Lux for a total price of €42.0 million. Four of the five sale and purchase agreements contemplated a transfer of the ERT Lux shares to ATS France upon signing. As a result, on the date thereof and as at December 31, 2018, ATS France owned 84.3 % of the share capital of ERT Lux. Upon completion of the sale under the fifth sale and purchase agreement, which occurred on January 31, 2019, ATS France owns 100% of the share capital of ERT Lux. The payment of this acquisition will be made in several instalments from January 2019 until January 2023.

##### **3.1.11. Altice France acquired the minority interest in DTV Holding**

On September 1, 2018, NextRadioTV S.A., a subsidiary of Altice France, acquired 49% minority interest in DTV Holding (“DTV”), previously known as Pho Holding, for a total consideration of €32.7 million. Following this acquisition and the take-over of DTV in the third quarter of 2017 (please refer to note 3.2.5), the ownership of NextRadioTV in DTV and its subsidiary Diversité TV France increased to 100%.

##### **3.1.12. Sale of towers of Portugal**

On July 18, 2018, PT Portugal reached an agreement with a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners for the sale of the newly formed tower company called OMTEL, that comprises 2,961 sites operated by Altice Portugal, and an acquisition of 25% of the stake in OMTEL by PT Portugal. The transaction closed on September 4, 2018.

The capital gain for the year ended December 31, 2018 amounted to €601.6 million, which consisted of:

- capital gain of €611.7 million that corresponds to the difference between the purchase price of €648 million (including a cash consideration €539.5 million and the acquisition of 25% stake in OMTEL measured at fair value of €108 million) and the carrying value of the net assets transferred, amounting to €37 million, including mainly the towers, prepaid rents and asset retirement obligations; and
- €10.1 million of deferred capital gain (please refer to note 4.3.2.7).

##### **3.1.13. Closing of transaction to sell telecommunication towers in the Dominican Republic**

On October 3, 2018, Altice Europe N.V. announced the closing of the transaction to sell 100% in the tower company Teletorres del Caribe, which comprises 1,039 sites formerly operated by its subsidiary Altice Dominicana, to Phoenix Tower International, a portfolio company of Blackstone. The capital gain recorded amounted to €88.1 million. The consideration received was \$168.0 million (€148.6 million).

##### **3.1.14. PT Portugal acquired the shares of SIRESP**

On October 31, 2018, PT Móveis (“PT – Móveis – Serviços de Telecomunicações, SGPS, S.A.”), a subsidiary of PT Portugal, purchased the shares of SIRESP and thus became majority stakeholder with 52.1% ownership. The number of shares purchased was 4,775 shares (equal to 9.55% share capital of SIRESP) from Datacomp S.A. for the price of €0.8 million and 6,000 shares (equal to 12% share capital of SIRESP) from Esegur S.A. for the price of €1.0 million.

##### **3.1.15. Sale of Altice Blue Two (“AB2”) to Altice Group Lux**

On October 31, 2018, the Group completed the sale of 746,825,057 shares of Altice Blue Two (equal to 5.01% share capital) to Altice Group Lux. Altice Blue Two includes the telecom operations of

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 3. Scope of consolidation (Continued)

Outremer Telecom, a fixed and mobile operator present in the French Overseas Territories (“FOT”). The total consideration received for the year ended December 31, 2018 amounted to €4.7 million in cash. The capital gain recorded in the statements of income for the year ended December 31, 2018 was €3.6 million. As of October 31, 2018, Altice France S.A. and its subsidiary, OMT Ocean 3 S.A.S, have a combined 94.9% ownership in AB2 whilst Altice Group Lux S.à r.l. owns the remaining 5.01%.

##### **3.1.16. Altice West Europe purchased shares and preferred equity certificates of Deficom Invest S.à r.l.**

On November 2, 2018, a sale and purchase agreement was signed by Altice West Europe and Deficom Invest S.à r.l. to acquire 44,793 shares held by Deficom Invest in Deficom Telecom and 20,756,575 preferred equity certificates (“PEC”). The total transaction value was €22.5 million. As a result of the purchase, Altice West Europe’s ownership in Deficom Telecom increased to 100%. On December 27, 2018, Deficom Telecom was dissolved.

##### **3.1.17. The sale of 49.99% equity stake in fibre infrastructure in Altice France**

On November 30, 2018, Altice Europe N.V. announced that its subsidiary, Altice France, had entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients and OMERS Infrastructure (together the “Partners”) regarding the sale of 49.99% equity stake in SFR Fiber to the home (“SFR FTTH”) for a total cash consideration of €1.8 billion based on an estimated €3.6 billion equity value at closing. As a consequence, the assets and liabilities were classified as held for sale as of December 31, 2018 (please refer to note 3.4).

Following the closing of the transaction on March 27, 2019 (please refer to note 33.2), Altice France loses exclusive control over SFR FTTH as Altice France and the Partners will have joint control over the new entity. Furthermore, SFR FTTH will be accounted for under the equity method in the scope of IFRS 11 Joint Arrangements. The final cash consideration at closing was €1.7 billion based on a €3.4 billion equity value. This partnership creates the leading FTTH infrastructure wholesaler in France and brings an additional €1.7 billion of cash to Altice France.

##### **3.1.18. The sale of minority stake in telecommunication towers by Altice France**

On June 20, 2018, Altice France entered into an exclusivity agreement with Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR for the sale of 49.99% of the shares in a newly incorporated tower company called SFR TowerCo that will comprise 10,198 sites currently operated by the Group. Altice France will continue to fully consolidate SFR TowerCo and hence the assets and liabilities related to SFR TowerCo were not classified as held for sale. The Sale and Purchase Agreement was signed on August 7, 2018 for a transaction value of €3.6 billion. The closing of the transaction was subject to customary conditions precedent, including that at least 90% of the sites have been contributed to SFR TowerCo, as well as regulatory approvals. On December 18, 2018, Altice France and KKR announced the closing of the transaction and the creation of the new tower company, named Hivory. The consideration received was €1.8 billion, corresponding to approximately 49.99% of the total transaction value.

#### **3.2. Transactions completed in the prior period**

##### **3.2.1. 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 3. Scope of consolidation (Continued)

##### 3.2.2. Disposal of Coditel

As at December 31, 2016, the Group had entered into an agreement to sell its Belgian and Luxembourg (Belux) telecommunication businesses, and accordingly classified the associated assets and liabilities as a disposal group held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. On June 19, 2017, the Group completed the sale of Coditel Brabant SPRL and Coditel S.à r.l., to Telenet Group BVBA, a direct subsidiary of Telenet Group Holding N.V.. After the final post-closing price adjustments, the Group received €280.8 million, and recognised a loss on sale after transaction costs of €24.0 million.

##### 3.2.3. 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 valued Teads at an enterprise 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. As the defined revenue targets for 2017 were met, an earn-out payment of €48.6 million was made to the non-reinvesting sellers of Teads during the period.

On July 3, 2018, the restricted cash that was held in an escrow account following the acquisition of Teads in the second quarter of 2017 has been fully released. The cash was used to pay non-reinvesting and reinvesting sellers for a total amount of €42.1 million. In addition, an earn-out payment of €13.1 million was made to reinvesting sellers of the company. Subsequent to the earn-out payment of €13.1 million, €5.2 million was reinvested by the former owners in the share capital of the company (please refer to note 3.1.8).

##### 3.2.4. Acquisition of SFR Group S.A. shares

During the year ended December 31, 2017, the Company acquired an aggregate number of 53,574,173 SFR Group shares in private off-market transactions. In consideration for these acquisitions, the Company delivered common shares A, which it held previously as treasury shares.

Following these transactions, the Group had acquired more than 95% of the share capital and voting rights of SFR Group. As a result, the Group filed with the French financial market authority, in September 2017, a buyout offer followed by a squeeze-out for the remaining SFR Group shares for a price of €34.50 per share. The Group acquired 12,766,128 shares during September and October under the buyout offer at the agreed price. The squeeze out of the remaining minority interests occurred on October 9, 2017 in which the Group acquired 5,636,913 shares. In total, the Group paid €649.4 million including transaction costs to acquire the non-controlling interests and obtain 100% control in SFR Group S.A..

##### 3.2.5. DTV Holding (previously known as 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, SFR Group owned 51% of Pho Holding. The consolidation method changed as of September 30, 2017 (from equity accounted to full consolidation), €8.9 million income has been recorded in the Other Expenses and Income caption in the consolidated statement of income in 2017. The purchase price allocation was finalized. The total additional goodwill resulting from the take-over was €53.4 million in 2017.

In the third quarter of 2018, Pho Holding was renamed DTV Holding (please refer to note 3.1.11).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 3. Scope of consolidation (Continued)

##### 3.3. Variations in non-controlling interests

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

Variations in non-controlling interests	Altice France	Hivory	Altice Technical Services (€m)	Other	Group
<b>Opening balance at January 1, 2017</b>					
<b>(*revised)</b> .....	805.8	—	49.8	(24.3)	831.3
Net income .....	(94.4)	—	(7.7)	(6.1)	(108.3)
Other comprehensive income .....	3.0	—	(1.4)	(0.5)	1.1
Dividends .....	(6.9)	—	(6.0)	—	(12.9)
SFR share transfers and squeeze out .....	(524.0)	—	—	—	(524.0)
Variation in minority interest put .....	(3.8)	—	—	(9.2)	(13.0)
Other .....	(18.6)	—	(9.8)	11.6	(16.9)
<b>Closing at December 31, 2017 (*revised)</b> .....	<b>161.0</b>	<b>—</b>	<b>24.9</b>	<b>(28.5)</b>	<b>157.4</b>
<b>Opening balance at January 1, 2018</b> .....	<b>161.0</b>	<b>—</b>	<b>24.9</b>	<b>(28.5)</b>	<b>157.4</b>
IFRS 9 .....	2.0	—	—	—	2.0
<b>Opening balance at January 1, 2018</b>					
<b>(*revised)</b> .....	<b>163.0</b>	<b>—</b>	<b>24.9</b>	<b>(28.5)</b>	<b>159.4</b>
Net income .....	(39.1)	—	(4.3)	4.2	(39.1)
Other comprehensive income .....	2.5	—	0.3	0.3	3.2
Dividends .....	(4.4)	—	(16.3)	—	(20.7)
Acquisition of ATSF and ACS .....	16.8	—	(18.4)	0.9	(0.7)
Sale of i24News .....	(2.6)	—	—	—	(2.6)
Acquisition of MCS .....	(1.4)	—	—	—	(1.4)
Transaction with NCI in ACL and GNP .....	128.7	—	—	—	128.7
Transaction with NCI in DTV Holding .....	12.3	—	—	—	12.3
Transaction with NCI in ERT Luxembourg .....	(11.4)	—	—	—	(11.4)
Acquisition of Deficom instruments .....	—	—	—	35.6	35.6
Disposal of Hivory's minority stake .....	—	361.1	—	—	361.1
Consolidation of SIRESP .....	—	—	—	5.0	5.0
Other .....	(16.2)	—	—	(0.3)	(16.5)
<b>Closing at December 31, 2018</b> .....	<b>248.2</b>	<b>361.1</b>	<b>(13.8)</b>	<b>17.3</b>	<b>612.9</b>

\* Please refer to note 34 for details about the revised information.

##### 3.3.1. Net income

The share of loss for the year ended December 31, 2018 allocated to non-controlling interests was €39.1 million, which was mainly due to the loss attributable to Altice France. The loss allocated to equity holders of the Group for the year ended December 31, 2018 was €135.5 million.

##### 3.3.2. Altice France

The financial interest held by non-controlling interests as of December 31, 2018 was €248.2 million. The increase compared to prior year was mostly due to:

- acquisition by Altice France of the minority stake held by News Participations in Altice Content Luxembourg (please refer to note 3.1.3);
- the extinguishment of the put option of ACL of €128.7 million in Altice France;
- the acquisition of minority interests in ERT Luxembourg S.A. by ATS France (please refer to note 3.1.10), reducing NCI by €11.4 million;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 3. Scope of consolidation (Continued)

- the sale of the 5% stake in French Overseas Territories to Altice Group Lux, reducing NCI by €15.6 million;
- the acquisition of minority interests in DTV Holding (“DTV”) by NextRadioTV (please refer to note 3.1.11), increasing NCI by €12.3 million.

The remaining non-controlling interests relates to other entities, predominantly Hivory and NextRadioTV, for which Altice France does not hold 100% of the equity interest.

##### 3.3.3. Hivory

As of December 31, 2018, the non-controlling interest as the result of the sale of towers through Hivory minority stake was €361.1 million (please refer to note 3.1.18).

##### 3.3.4. 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, 2018 was nil (2017: 49.0%). Main variations during the year ended December 31, 2018 were related to dividend payments of €16.3 million and the acquisition of ATS France by Altice France.

#### 3.4. Assets held for sale

In December 2017, the Board of Directors of the Altice Europe N.V. decided to sell the Group’s international wholesale business. The transits and international outgoing traffic business in Portugal and the Dominican Republic were classified as held for sale as of December 31, 2017, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. On July 18, 2018, three Sale and Purchase Agreements were signed by Altice France, Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in France, the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018 (please refer to note 3.1.9). As a result, the related assets and liabilities were no longer classified as held for sale as of December 31, 2018, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

On November 30, 2018, Altice Europe N.V. announced that its subsidiary, Altice France, had entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients and OMERS Infrastructure (together the “Partners”) regarding the sale of 49.99% of equity stake in SFR FTTH for a total cash consideration of €1.8 billion based on an estimated €3.6 billion equity value at closing. As a consequence, the assets and liabilities were classified as held for sale as of December 31, 2018. The transaction closed on March 27, 2019. The final cash consideration at closing was €1.7 billion based on a €3.4 billion equity value. This partnership creates the leading FTTH infrastructure wholesaler in France and brings an additional €1.7 billion of cash to Altice France. Please refer to notes 3.1.17 and 33.2.

During 2018, PT Portugal classified real estate properties as held for sale with a book value of €15.9 million as at December 31, 2018, following the signature of promise of sale agreements entered with the entity Almost Future, S.A., for a total consideration of €17.7 million. As of December 31, 2018, the real estate deeds were not yet entered into, and the assets were not derecognised.

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

- Altice TV to Altice Group Lux S.à r.l. (Parent company of Altice Luxembourg)
- AMI to Altice Group Lux S.à r.l. (Parent company of Altice Luxembourg).

Therefore, Altice TV and AMI had been classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* as of December 31, 2017. The transfer



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 3. Scope of consolidation (Continued)

of shares of AMI and Altice TV to Altice Group Lux S.à r.l. was completed respectively on January 31, 2018 (please refer to note 3.1.2) and on May 16, 2018 (please refer to note 3.1.6). As consequence, the assets and liabilities of Altice TV and AMI were no longer classified as held for sale as of December 31, 2018. Furthermore, since both entities were not considered or qualified as major lines of business of the Group, they were not presented as discontinuing operation as of December 31, 2018. The contribution of Altice TV and AMI to the statement of income for the year ended December 31, 2018 and 2017 are provided in note 4, in the segment Altice TV and Others, respectively.

In the prior year, green.ch AG and Green Datacenter AG had been classified as held for sale. The sale was completed on February 12, 2018. Please refer to note 3.1.1.

Table below provides the details of assets and liabilities classified as held for sale as of December 31, 2018 and December 31, 2017:

<b>Disposal groups held for sale</b>	December 31, 2018			December 31, 2017					
	SFR FTTH	Other	Total	Green	Wholesale Market (€m)	Altice TV	AMI	Other	Total
Goodwill . . . . .	—	—	—	18.2	—	7.8	—	—	26.1
Tangible and intangible assets . . . . .	438.7	15.9	454.6	113.1	—	215.7	(0.8)	—	328.0
Other non-current assets . . . . .	0.6	—	0.6	0.4	—	70.6	(1.5)	—	69.4
Investment in associates . . . . .	—	—	—	—	—	—	—	4.4	4.4
Currents assets . . . . .	82.7	—	82.7	13.6	36.0	115.0	9.3	—	174.1
<b>Total assets held for sale . . . . .</b>	<b>521.9</b>	<b>15.9</b>	<b>537.8</b>	<b>145.3</b>	<b>36.0</b>	<b>409.1</b>	<b>6.9</b>	<b>4.4</b>	<b>602.0</b>
Non-current liabilities . . . . .	(95.7)	—	(95.7)	(54.2)	—	(21.3)	(.1)	—	(75.6)
Current liabilities . . . . .	(103.7)	—	(103.7)	(25.0)	(25.4)	(298.1)	(107.8)	—	(456.3)
<b>Total liabilities related to assets held for sale . . . . .</b>	<b>(199.4)</b>	<b>—</b>	<b>(199.4)</b>	<b>(79.2)</b>	<b>(25.4)</b>	<b>(319.4)</b>	<b>(107.9)</b>	<b>—</b>	<b>(531.9)</b>

#### 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 Board of Directors. 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. The businesses that the Group owns and operates do not show significant seasonality, except for the mobile B2C and B2B segments, which can show significant changes in sales at year end and at the end of the summer season (the "back to school" period). The B2B business is also impacted by the timing of the preparation of the annual budgets of public and private sector companies. 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 Altice France S.A. ("Altice France"), 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 SFR and the associated brands. Additionally, the media division of Altice France includes SFR Presse companies and NextRadioTV, which cover press and audiovisual activities in France, respectively.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 4. Segment reporting (Continued)

As of 2018, this segment also comprises of the French Overseas Territories (FOT), ATS France and Altice Customer Services (“ACS”). As of July 2, 2018, this segment also includes MCS S.A.S following the sale of this company by Altice Entertainment News & Sport Lux S.à r.l. to Altice France.

- **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. As of 2018, this segment also includes the Altice Technical Services entities in Portugal.
- **Israel:** Fixed and mobile services are provided using the HOT telecom, HOT mobile and HOT net brands to B2C and B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network, as well as content application called Next and OTT services through Next Plus. As of 2018, this segment also includes the Altice Technical Services entity in Israel.
- **Dominican Republic:** The Group provides fixed and mobile services to B2C, B2B and wholesale clients using the Altice brand. As of 2018, this segment also includes the Altice Technical Services entity in the Dominican Republic.
- **Teads:** Provides digital advertising solutions.
- **Altice TV:** Content business from the use of content rights. Altice TV was not classified as discontinued operations as of December 31, 2017 (please refer to note 3.4) and was sold to Altice Group Lux S.à r.l. in May 2018 (please refer to note 3.1.6).
- **Others:** This segment includes 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 “Others”.

Following the change in segment definition as of 2018, the comparative segment information of 2017 was restated accordingly.

#### 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, 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

#### 4. Segment reporting (Continued)

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. The definition of the Adjusted EBITDA used in the covenants has not changed with the adoption of the IFRS 15 *Revenue from Contracts with Customers* by the Group.

##### 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 share-based 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 income 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

Capex is an important indicator to follow, as the profile varies greatly between activities:

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

##### 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*.

#### 4.2.2. 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),
- Business to business (B2B) market,
- Wholesale, and
- Other.

Intersegment revenues represented 0.6% of total revenues for the year ended December 31, 2018, compared to 4.6% of total revenues for the year ended December 31, 2017 (€92.0 million compared to €694.5 million). Intersegment revenues mainly relate to services rendered by certain centralized Group functions (relating to content production, technical services and customer services) to the operational segments of the Group.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

4. Segment reporting (Continued)

4.3. Segment results

4.3.1. Operating profit per segment

For the year ended December 31, 2018	France	Portugal	Israel	Dominican Republic	Teads <sup>1</sup>	Altice TV	Others	Inter- segment elimination	Total
					€m				
<b>Revenues</b> . . . . .	<b>10,358.8</b>	<b>2,109.5</b>	<b>941.2</b>	<b>590.2</b>	<b>342.1</b>	<b>28.6</b>	<b>0.8</b>	<b>(92.0)</b>	<b>14,279.3</b>
Purchasing and subcontracting costs . . . . .	(3,372.8)	(545.0)	(257.2)	(166.0)	—	(99.0)	—	72.3	(4,367.7)
Other operating expenses . . . . .	(2,176.0)	(418.3)	(214.5)	(102.9)	(197.3)	(3.2)	(8.8)	6.9	(3,114.0)
Staff costs and employee benefits . . . . .	(1,023.5)	(276.5)	(64.0)	(27.4)	(84.5)	(1.5)	(2.2)	0.4	(1,479.3)
<b>Total</b> . . . . .	<b>3,786.5</b>	<b>869.8</b>	<b>405.5</b>	<b>293.9</b>	<b>60.2</b>	<b>(75.1)</b>	<b>(10.1)</b>	<b>(12.4)</b>	<b>5,318.3</b>
Share-based expense . . . . .	1.7	—	0.2	0.0	—	—	—	—	1.9
<b>Adjusted EBITDA</b> . . . . .	<b>3,788.2</b>	<b>869.8</b>	<b>405.7</b>	<b>293.9</b>	<b>60.2</b>	<b>(75.1)</b>	<b>(10.1)</b>	<b>(12.4)</b>	<b>5,320.2</b>
Depreciation, amortisation and impairment . . . . .	(2,704.3)	(680.2)	(319.1)	(125.5)	(16.4)	—	(0.0)	—	(3,845.5)
Share-based expense . . . . .	(1.7)	—	(0.2)	(0.0)	—	—	—	—	(1.9)
Other expenses and income . . . . .	(497.1)	532.7	(7.4)	12.9	(1.1)	300.0	155.3	1.1	496.3
<b>Operating profit/(loss)</b> . . . . .	<b>585.2</b>	<b>722.3</b>	<b>79.0</b>	<b>181.3</b>	<b>42.7</b>	<b>224.9</b>	<b>145.1</b>	<b>(11.3)</b>	<b>1,969.1</b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

4. Segment reporting (Continued)

For the year ended December 31, 2017 (*revised)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter- segment elimination	Total
					€m				
<b>Revenues</b> . . . . .	<b>11,105.0</b>	<b>2,244.7</b>	<b>1,035.5</b>	<b>694.2</b>	<b>163.9</b>	<b>417.3</b>	<b>184.9</b>	<b>(694.5)</b>	<b>15,151.0</b>
Purchasing and subcontracting costs . . . . .	(3,984.4)	(593.3)	(274.8)	(190.7)	0.3	(178.8)	(18.7)	502.5	(4,737.9)
Other operating expenses . . . . .	(2,299.1)	(381.4)	(217.0)	(115.4)	(90.9)	(12.5)	(120.0)	171.9	(3,064.3)
Staff costs and employee benefits . . . . .	(1,078.4)	(277.3)	(70.2)	(30.2)	(33.9)	(6.7)	(56.3)	6.1	(1,547.0)
<b>Total</b> . . . . .	<b>3,743.2</b>	<b>992.6</b>	<b>473.6</b>	<b>358.0</b>	<b>39.4</b>	<b>219.2</b>	<b>(10.1)</b>	<b>(14.0)</b>	<b>5,801.9</b>
Share-based expense . . . . .	2.0	—	—	—	—	—	28.6	—	30.6
<b>Adjusted EBITDA</b> . . . . .	<b>3,745.2</b>	<b>992.6</b>	<b>473.6</b>	<b>358.0</b>	<b>39.4</b>	<b>219.2</b>	<b>18.5</b>	<b>(14.0)</b>	<b>5,832.6</b>
Depreciation, amortisation and impairment . . . . .	(2,917.2)	(807.3)	(328.4)	(137.0)	(8.2)	(138.0)	(12.4)	—	(4,348.5)
Share-based expense . . . . .	(2.0)	—	—	—	—	—	(28.6)	—	(30.6)
Other expenses and income . . . . .	(985.6)	(240.4)	(16.1)	(26.7)	(0.4)	3.7	37.2	3.3	(1,224.9)
<b>Operating profit/(loss)</b> . . . . .	<b>(159.6)</b>	<b>(55.1)</b>	<b>129.1</b>	<b>194.2</b>	<b>30.8</b>	<b>84.9</b>	<b>14.8</b>	<b>(10.7)</b>	<b>228.4</b>

\* Please refer to note 34 for details about the revised information.

1 The standalone revenues of Teads for the year ended December 31, 2018 disclosed in the consolidated financial statements of €342.1 million are based on the full year revenues net of discounts. The standalone revenues disclosed in the fourth quarter 2018 earnings release and presentations of €364.7 million correspond to gross revenues excluding discounts. The standalone revenues of Teads for the year ended December 31, 2017 in the consolidated financial statements of €163.9 million correspond to gross revenues excluding discounts.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 4. Segment reporting (Continued)

##### 4.3.2. 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, deal fees on acquisitions of entities and provisions for litigation, etc.). Details of the expenses incurred during the years ended December 31, 2018 and 2017 are provided below:

<u>Other expenses and income</u>	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017 (*revised)</u> (€m)
Share-based expense .....	1.9	30.6
<b>Items excluded from adjusted EBITDA .....</b>	<b>1.9</b>	<b>30.6</b>
Restructuring costs .....	9.0	721.1
Onerous contracts .....	54.4	131.5
Net (gain)/loss on disposal of assets .....	(11.0)	118.9
Disputes and litigation .....	56.9	32.9
Penalties .....	—	124.5
Net gain on sale of consolidated entities .....	(791.5)	(11.0)
Deal fees .....	37.5	11.3
Management fees .....	81.8	35.3
Other expenses and income (net) .....	66.7	60.4
<b>Other expenses and income .....</b>	<b>(496.3)</b>	<b>1,224.9</b>

\* Please refer to note 34 for details about the revised information.

##### 4.3.2.1. Share-based expense

The Group has several share-based compensation plans across its various entities comprising of mainly the Long-Term Incentive Plan (“LTIP”), the Share Option Plan (“SOP”), the options granted to Next Alt. During year ended December 31, 2018, the Group incurred share-based expenses of €1.9 million, a decrease of €28.7 million compared to the year ended December 31, 2017. Please refer to note 25 for full details on each of the share-based compensation plans and the amounts recorded as expenses in 2018.

##### 4.3.2.2. Restructuring costs

Restructuring costs for the year ended December 31, 2018 mainly relate to the restructuring plans in PT Portugal for €10.2 million. Additionally, restructuring costs in Altice France amounted to negative €1.6 million, consisting of €7.0 million expense related to the departure plan in Intelcia, which was partially offset by a release of restructuring provision of €8.6 million.

Restructuring costs incurred for the year ended December 31, 2017 of €721.1 million mainly related to the voluntary departure plan in Altice France (€672.9 million), as well as restructuring expenses in PT Portugal (€35.1 million), Altice Management International (€6.0 million), FOT (€3.0 million) and HOT (€1.9 million).

##### 4.3.2.3. Onerous contracts

For the year ended December 31, 2018, the expenses recognised for onerous contracts decreased by €77.1 million compared to the year ended December 31, 2017. The expenses in 2018 mainly consisted of the costs related to the change in office premises to the new Altice Campus (€52.6 million).

#### 4. Segment reporting (Continued)

##### 4.3.2.4. Net (gain)/loss on disposals of assets

For the year ended December 31, 2018, the gain on disposal of assets was primarily related to the gain on scrapped assets in Altice France (€16.4 million). This was partially offset by losses on scrapped property, plant and equipment, assets in PT Portugal due to forest fires damages (€1.8 million) and other disposed tangible assets (€3.6 million).

The loss on disposal of assets for the year ended December 31, 2017, primarily related 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, amounting to €108.6 million).

##### 4.3.2.5. Disputes and litigation

For the year ended December 31, 2018, disputes and litigations mostly consisted of provisions recorded during the year in Altice France for litigations with Bouygues, Orange and other tax litigations for a total of €151 million, which was offset by a release of the provision for litigation with Orange (€122 million). Additionally, a €24.7 million litigation provision was recorded in PT Portugal.

For the year ended December 31, 2017, the disputes and litigations included the effect of new allowances recorded during the year, which were offset by the reversal of the provision for the tax litigation following the merger of Vivendi Telecom International ("VTI") and SFR. The provision reversal was recorded in France for an amount of €117 million (see note 23.4.1.2).

##### 4.3.2.6. Penalties

For the year ended December 31, 2017, penalties correspond to the fine imposed to the Group following the European Commission's investigation on gun jumping during the acquisition of PT Portugal by the Group. The €124.5 million fine was recorded in the Portugal segment in 2017. Please refer to note 31.2.1 for more details.

##### 4.3.2.7. Gain on sale of consolidated entities

For the year ended December 31, 2018, this relates to the capital gain generated by:

- the sale of towers in PT Portugal of €601.6 million which corresponds to the total capital gain of €611.7 million (please refer to note 3.1.12), of which €10.1 million was deferred;
- the sale of the towers in the Dominican Republic of €88.1 million (please refer to note 3.1.13);
- the sale of telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG of €88.8 million (please refer to note 3.1.1);
- the sale of the wholesale business (please refer to note 3.1.9) recorded in France (€2.0 million), the Dominican Republic (€5.0 million) and PT Portugal (€2.5 million); and
- the sale of AB2 shares to Altice Group Lux (please refer to note 3.1.15) for €3.6 million.

##### 4.3.2.8. Deal fees

Deal fees mainly consisted of €27.8 million deal fees in Altice France mostly for the fees related to the transaction in relation to tower and fibre businesses, €6.8 million expenses in deal fees in PT Portugal for the sale of the tower business.

##### 4.3.2.9. Management fees

Management fee income corresponds to the corporate costs charged by the Altice Group to the Company, which amounted to €81.8 million and €35.3 million for the year ended December 31, 2018 and December 31, 2017, respectively.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 4. Segment reporting (Continued)

##### 4.3.2.10. Other expenses and income (net)

Consisted mainly of expenses in Altice Holdings of €13.0 million related to a share settlement with the management team of Altice Blue Two (part of the French Overseas Territories), fines recorded in PT Portugal of €3.4 million (mostly related to the termination fee of a real estate rental agreement of €2.4 million), expenses for network claims in Altice France of €28 million and end-of-year employee bonus of €17 million in Altice France.

#### 4.4. Revenue by activity

To maintain comparability with historical financial results of French telecom operations, the revenues of the French Overseas Territories (FOT) were reclassified to Other revenue caption within the France segment. This reclassification is in line with the way the management looks at the business and discloses it to the market. These revenues include revenues mostly from B2B, B2C, as well as call center revenues.

For the year ended December 31, 2018	France	Portugal	Israel	Dominican Republic	Teads <sup>1</sup>	Altice TV	Others	Total
	€m							
Fixed—B2C	2,545.3	618.4	580.6	100.7	—	—	—	3,845.0
Mobile—B2C	4,146.4	561.7	243.3	354.1	—	—	—	5,305.5
B2B	1,772.1	585.7	117.0	82.5	—	—	—	2,557.4
Wholesale	1,189.1	206.7	—	52.5	—	—	—	1,448.2
Other revenue	706.0	137.0	0.3	0.4	342.1	28.6	0.8	1,215.1
<b>Total standalone revenues</b>	<b>10,358.8</b>	<b>2,109.5</b>	<b>941.2</b>	<b>590.2</b>	<b>342.1</b>	<b>28.6</b>	<b>0.8</b>	<b>14,371.3</b>
Intersegment eliminations	(23.4)	(43.8)	(0.6)	(0.8)	(2.8)	(20.1)	(0.5)	(92.0)
<b>Total consolidated revenues</b>	<b>10,335.4</b>	<b>2,065.8</b>	<b>940.7</b>	<b>589.4</b>	<b>339.3</b>	<b>8.5</b>	<b>0.3</b>	<b>14,279.3</b>

For the year ended December 31, 2017 (*revised)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
	€m							
Fixed—B2C	2,805.1	658.4	656.0	108.9	—	—	40.4	4,268.8
Mobile—B2C	4,358.6	568.2	242.3	416.5	—	—	0.6	5,586.2
B2B	1,851.9	591.4	136.2	93.7	—	—	10.3	2,683.5
Wholesale	1,288.5	275.1	—	72.8	—	—	—	1,636.5
Other revenue	801.0	151.6	1.0	2.3	163.9	417.3	133.6	1,670.7
<b>Total standalone revenues</b>	<b>11,105.0</b>	<b>2,244.7</b>	<b>1,035.5</b>	<b>694.2</b>	<b>163.9</b>	<b>417.3</b>	<b>184.9</b>	<b>15,845.5</b>
Intersegment eliminations	(140.2)	(60.9)	(1.2)	(8.9)	—	(402.0)	(81.3)	(694.5)
<b>Total consolidated revenues</b>	<b>10,964.8</b>	<b>2,183.8</b>	<b>1,034.3</b>	<b>685.3</b>	<b>163.9</b>	<b>15.3</b>	<b>103.6</b>	<b>15,151.0</b>

\* Please refer to note 34 for details about the revised information.

<sup>1</sup> The standalone revenues of Teads for the year ended December 31, 2018 disclosed in the consolidated financial statements of €342.1 million are based on the full year revenues net of discounts. The standalone revenues disclosed in the fourth quarter 2018 earnings release and presentations of €364.7 million correspond to gross revenues excluding discounts. The standalone revenues of Teads for the year ended December 31, 2017 in the consolidated financial statements of €163.9 million correspond to gross revenues excluding discounts.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 4. Segment reporting (Continued)

The table below provides the standalone and consolidated revenues for the years ended December 31, 2018 and 2017. Mobile equipment sales are recognised when the customer takes possession of the device, which is the performance obligation. The other stream of revenues is recognised over time when the service is rendered.

<u>Revenues split IFRS 15</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u> <u>(*revised)</u>
	(€m)	
Mobile services .....	5,150.8	5,468.2
Mobile equipment sales .....	974.8	994.7
Fixed revenues .....	5,582.3	6,075.6
Wholesale revenues .....	1,448.2	1,636.5
Other revenues .....	1,215.1	1,670.6
<b>Total stand-alone revenues</b> .....	<b>14,371.3</b>	<b>15,845.5</b>
Intersegment elimination .....	(92.0)	(694.5)
<b>Total consolidated</b> .....	<b>14,279.3</b>	<b>15,151.0</b>

\* Please refer to note 34 for details about the revised information.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at December 31, 2018:

<u>Maturity of revenues</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Beyond 2022</u>	<u>Total</u>
	(€m)				
<b>Total</b> .....	<b>2,720.3</b>	<b>1,011.4</b>	<b>207.4</b>	<b>334.9</b>	<b>4,274.0</b>

#### 4.5. 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.

<u>For the year ended</u> <u>December 31, 2018</u>	<u>France</u>	<u>Portugal</u>	<u>Israel</u>	<u>Dominican</u> <u>Republic</u>	<u>Teads</u>	<u>Altice TV</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
	€m								
Capital expenditure (accrued) .....	2,269.6	423.3	234.1	115.2	1.4	3.8	—	(4.6)	<b>3,042.8</b>
Capital expenditure— working capital items ...	94.5	36.3	8.7	(3.5)	—	4.5	—	—	<b>140.4</b>
<b>Payments to acquire</b> <b>tangible and intangible</b> <b>assets</b> .....	<b>2,364.2</b>	<b>459.6</b>	<b>242.8</b>	<b>111.7</b>	<b>1.4</b>	<b>8.3</b>	<b>—</b>	<b>(4.6)</b>	<b>3,183.3</b>
<u>For the year ended</u> <u>December 31, 2017 (*revised)</u>	<u>France</u>	<u>Portugal</u>	<u>Israel</u>	<u>Dominican</u> <u>Republic</u>	<u>Teads</u>	<u>Altice TV</u>	<u>Others</u>	<u>Eliminations</u>	<u>Total</u>
	€m								
Capital expenditure (accrued) .....	2,394.1	437.8	241.5	114.6	—	46.6	17.1	(6.1)	<b>3,245.6</b>
Capital expenditure— working capital items ...	224.5	(16.1)	(7.1)	(5.5)	—	99.9	0.1	—	<b>295.6</b>
<b>Payments to acquire</b> <b>tangible and intangible</b> <b>assets</b> .....	<b>2,618.6</b>	<b>421.6</b>	<b>234.2</b>	<b>109.1</b>	<b>—</b>	<b>146.5</b>	<b>17.2</b>	<b>(6.1)</b>	<b>3,541.3</b>

\* Please refer to note 34 for details about the revised information.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

4. Segment reporting (Continued)

4.5.1. Adjusted EBITDA less accrued Capex (Non-GAAP measures)

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, 2018	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
					€m				
Adjusted EBITDA . . . . .	3,788.2	869.8	405.7	293.9	60.2	(75.1)	(10.1)	(12.4)	5,320.2
Capital expenditure (accrued) . . . . .	(2,269.6)	(423.3)	(234.1)	(115.2)	(1.4)	(3.8)	—	4.6	(3,042.8)
<b>Operating free cash flow (OpFCF) . . . . .</b>	<b>1,518.6</b>	<b>446.5</b>	<b>171.5</b>	<b>178.8</b>	<b>58.9</b>	<b>(78.9)</b>	<b>(10.1)</b>	<b>(7.8)</b>	<b>2,277.3</b>
					€m				
For the year ended December 31, 2017 (*revised)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
					€m				
Adjusted EBITDA . . . . .	3,745.2	992.6	473.6	358.0	39.4	219.2	18.5	(14.0)	5,832.6
Capital expenditure (accrued) . . . . .	(2,394.1)	(437.8)	(241.5)	(114.6)	—	(46.6)	(17.1)	6.1	(3,245.6)
<b>Operating free cash flow (OpFCF) . . . . .</b>	<b>1,351.1</b>	<b>554.8</b>	<b>232.2</b>	<b>243.2</b>	<b>39.4</b>	<b>172.6</b>	<b>1.4</b>	<b>(8.0)</b>	<b>2,587.0</b>

\* Please refer to note 34 for details about the revised information.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 5. Goodwill

Goodwill recorded in the consolidated statement of financial position was allocated to the different groups of cash generating units (“GCGU” or “CGU” for cash generating units) as defined by the Group. Following the change in the segment structure as of 2018 (please refer to note 4.1), FOT, Altice Technical Services France and Altice Customer Services were reclassified from caption Others to France. Similarly, other Altice Technical Services entities in Portugal, Israel and the Dominican Republic were allocated to the total GCGU in their respective countries. These changes have been reflected as well in the comparative figures of 2017 and the balance as of December 31, 2017. Additionally, in the table below, the goodwill of Altice TV, Teads and other corporate entities in 2017 were aggregated in caption Others.

<u>Goodwill</u>	<u>December 31, 2017 (*revised)</u>	<u>Recognised on business combination</u>	<u>Changes in foreign currency translation</u>	<u>Held for sale</u>	<u>Other</u>	<u>December 31, 2018</u>
			(€m)			
France .....	12,594.3	—	0.2	—	(47.6)	12,547.0
Portugal .....	1,727.4	—	—	—	—	1,727.4
Israel .....	746.4	—	(19.6)	—	—	726.9
Dominican Republic .....	800.2	—	(105.8)	—	—	694.4
Others .....	202.4	—	—	—	—	202.4
<b>Gross value .....</b>	<b><u>16,070.9</u></b>	<b>—</b>	<b><u>(125.2)</u></b>	<b>—</b>	<b><u>(47.6)</u></b>	<b><u>15,898.0</u></b>
France .....	(8.6)	—	—	—	—	(8.6)
Portugal .....	—	—	—	—	—	—
Israel .....	(146.7)	—	4.0	—	—	(142.6)
Dominican Republic .....	—	—	—	—	—	—
Others .....	—	—	—	—	—	—
<b>Cumulative impairment .....</b>	<b><u>(155.2)</u></b>	<b>—</b>	<b><u>4.0</u></b>	<b>—</b>	<b>—</b>	<b><u>(151.2)</u></b>
France .....	12,585.8	—	0.2	—	(47.6)	12,538.4
Portugal .....	1,727.4	—	—	—	—	1,727.4
Israel .....	599.8	—	(15.6)	—	—	584.2
Dominican Republic <sup>1</sup> .....	800.2	—	(105.8)	—	—	694.4
Others .....	202.4	—	—	—	—	202.4
<b>Net book value .....</b>	<b><u>15,915.7</u></b>	<b>—</b>	<b><u>(121.2)</u></b>	<b>—</b>	<b><u>(47.6)</u></b>	<b><u>15,746.7</u></b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 5. Goodwill (Continued)

Goodwill	December 31, 2016 (*revised)	Recognised on business combination	Changes in foreign currency translation (€m)	Held for sale	Other	December 31, 2017 (*revised)
France .....	12,541.7	52.9	(0.8)	—	0.4	12,594.3
Portugal .....	1,726.9	0.5	—	—	—	1,727.4
Israel .....	767.2	0.9	(21.6)	—	—	746.4
Dominican Republic .....	904.4	0.3	(104.5)	—	—	800.2
Others .....	18.9	209.5	—	(26.1)	—	202.4
<b>Gross value .....</b>	<b>15,959.2</b>	<b>264.2</b>	<b>(126.9)</b>	<b>(26.1)</b>	<b>0.4</b>	<b>16,070.8</b>
France .....	(8.6)	—	—	—	—	(8.6)
Portugal .....	—	—	—	—	—	—
Israel .....	(151.1)	—	4.5	—	—	(146.7)
Dominican Republic .....	—	—	—	—	—	—
Others .....	—	—	—	—	—	—
<b>Cumulative impairment .....</b>	<b>(159.7)</b>	<b>—</b>	<b>4.5</b>	<b>—</b>	<b>—</b>	<b>(155.2)</b>
France .....	12,533.2	52.9	(0.8)	—	0.4	12,585.8
Portugal .....	1,726.9	0.5	—	—	—	1,727.4
Israel .....	616.1	0.9	(17.2)	—	—	599.8
Dominican Republic .....	904.4	0.3	(104.5)	—	—	800.2
Others .....	18.9	209.5	—	(26.1)	—	202.4
<b>Net book value .....</b>	<b>15,799.5</b>	<b>264.2</b>	<b>(122.4)</b>	<b>(26.1)</b>	<b>0.4</b>	<b>15,915.6</b>

\* Please refer to note 34 for details about the revised information.

1 The net book value of goodwill in the Dominican Republic was adjusted by (€150.3) million to reflect the correct currency translation impact as at December 31, 2018.

The gross value of goodwill in Altice France in column Other represents the reduction in goodwill of €23.3 million due to the sale of i24news and Middle East News. These entities were sold to Altice USA on April 23, 2018. In addition, following the disposal of B2B press activities, Altice France derecognised €10.2 million of goodwill as of December 31, 2018.

#### 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 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 post-tax discount rates, the terminal growth rate, capital expenditures 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, 2018.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 5. Goodwill (Continued)

##### 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 five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1.0 - 4.0%. 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 used across the Group for the calculation of the value in use at December 31, 2018 ranges from 7.0% to 11.5%.

##### 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	Teads	Others
<b>At December 31, 2018</b>						
Average perpetuity growth rate (%) . . . . .	1.75%	1.75%	1.0%	4.0%	1.75%	n/a
5-year average EBIT margin (%) . . . . .	20.0%	21.3%	15.2%	30.7%	18.2%	n/a
Post tax weighted average cost of capital (%) . . . . .	7.0%	7.5%	7.0%	11.5%	11.0%	n/a
<b>At December 31, 2017</b>						
Average perpetuity growth rate (%) . . . . .	0.8%	1.0%	1.6%	2.0%	n/a	1.0 - 2.0%
5-year average EBIT margin (%) . . . . .	19.5%	22.1%	26.6%	41.0%	n/a	11.0 - 19.9%
Post tax weighted average cost of capital (%) . . . . .	7.3%	8.2%	10.0 - 10.7%	9.2%	n/a	8.5 - 14.2%

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 5. Goodwill (Continued)

##### 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:

<u>Sensitivity to changes in key inputs in the value in use calculation</u>	<u>France</u>	<u>Portugal</u>	<u>Israel</u>	<u>Dominican Republic</u>	<u>Teads</u>
			(€m)		
Amount by which the CGU exceed the book value . . .	10,349.0	835.0	1,131.0	608.0	926.0
Perpetual growth rate for which recoverable amount is equal to carrying amount . . . . .	-1.1%	0.8%	-5.3%	-0.5%	n/m
Discount rate for which recoverable amount is equal to carrying amount . . . . .	9.3%	8.4%	11.8%	14.8%	33.5%
EBIT margin for which recoverable amount is equal to carrying amount . . . . .	13.5%	18.1%	6.0%	21.4%	5.3%
0.5% increase in the discount rate . . . . .	(2,939.0)	(509.0)	(195.0)	(106.0)	(70.0)
1.0% decrease in the perpetual growth rate . . . . .	(4,804.0)	(810.0)	(315.0)	(160.0)	(90.0)

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

The Group has concluded 2 acquisitions during 2017. In all acquisitions made by the Group, the Group records the provisional value of the assets and liabilities as being equivalent to the book values in the accounting records of the entity being acquired. The Group then identifies the assets and liabilities to which the purchase price needs to be allocated. The fair value is determined by an independent external appraiser based on a business plan prepared as of the date of the acquisition.

##### 5.2.1. Acquisitions where the purchase price allocations have been finalized

###### 5.2.1.1. DTV Holding (previously known as Pho Holding)

On July 26, 2017, Altice France 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 fair value adjustment was booked for €8.9 million gain and recorded in the Other expenses and income caption in the statement of income in 2017. The purchase price allocation was finalized. The total additional goodwill resulted from the take-over was €53.4 million in 2017.

On September 1, 2018, Altice France acquired the remaining 49% interest in DTV Holding, the new name of Pho Holding, and there was no change in fair value adjustment (please refer to note 3.1.11).

	<u>€m</u>
Total consideration transferred . . . . .	8.9
Allocation to minority interest . . . . .	(14.6)
Change in investments in associates . . . . .	29.1
Fair value of identified assets and liabilities . . . . .	(29.9)
Goodwill . . . . .	53.4

###### 5.2.1.2. Teads

On June 22, 2017, Altice Teads (a company in 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 5. Goodwill (Continued)

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. As the defined revenue targets for 2017 were met, an earn-out payment of €48.6 million was made to the former owners of Teads during the second quarter of 2018, with an additional earn-out payment of €13.1 million made on July 3, 2018.

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.

There was no change in the preliminary purchase price allocation compared to December 31, 2017 and the purchase price allocation has been finalized.

	<u>€m</u>
Total consideration transferred .....	302.3
Fair value of identifiable assets, liabilities and contingent liabilities .....	100.6
Goodwill .....	201.7

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

6. Intangible assets

Intangible assets December 31, 2018	January 1, 2018	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2018
	(€m)							
Software .....	2,717.8	454.4	(19.9)	—	(5.2)	—	307.6	3,454.7
Brand name .....	1,545.1	—	—	—	(0.8)	—	0.4	1,544.8
Customer relations .....	4,774.0	—	—	—	(8.0)	—	(4.9)	4,761.2
Licenses and franchises .....	2,711.3	4.8	(1.6)	—	1.1	—	(51.2)	2,664.3
R&D costs acquisitions ...	32.5	1.2	—	—	—	—	12.9	46.6
Subscriber acquisition costs .....	548.5	—	—	—	—	—	(548.4)	—
Intangible assets under construction .....	161.8	55.5	(0.7)	—	—	—	(38.4)	178.2
IRU & other concessions .....	889.4	20.7	(19.3)	—	—	(133.4)	140.8	898.2
Content rights .....	371.7	101.8	(0.4)	0.5	(6.5)	—	(13.5)	453.5
Other intangible assets ...	942.0	158.2	(36.8)	—	(4.0)	—	771.5	1,830.9
<b>Gross value .....</b>	<b>14,694.1</b>	<b>796.6</b>	<b>(78.8)</b>	<b>0.5</b>	<b>(23.3)</b>	<b>(133.4)</b>	<b>576.9</b>	<b>15,832.5</b>
Software .....	(1,471.1)	(434.6)	18.7	—	4.5	—	(271.4)	(2,153.9)
Brand name .....	(890.3)	(123.3)	—	—	0.6	—	(0.2)	(1,013.2)
Customer relations .....	(1,943.9)	(546.5)	—	—	5.1	—	3.7	(2,481.7)
Licenses and franchises .....	(703.2)	(176.5)	1.4	—	(0.4)	—	40.2	(838.5)
R&D costs acquisitions ...	(17.5)	(12.4)	—	—	—	—	0.7	(29.2)
Subscriber acquisition costs .....	(401.2)	—	—	—	—	—	401.2	—
Intangible assets under construction .....	(0.2)	(1.3)	—	—	—	—	(0.1)	(1.5)
IRU & others concessions .....	(425.4)	(96.7)	14.4	—	—	21.1	(93.1)	(579.7)
Content rights .....	(222.0)	(77.6)	4.1	(0.5)	4.3	—	(11.6)	(303.4)
Other intangible assets ...	59.5	(221.2)	28.6	—	1.4	—	(624.1)	(755.8)
<b>Cumulative amortization .....</b>	<b>(6,015.3)</b>	<b>(1,690.1)</b>	<b>67.2</b>	<b>(0.5)</b>	<b>15.4</b>	<b>21.1</b>	<b>(554.6)</b>	<b>(8,156.9)</b>
Software .....	1,246.7	19.8	(1.2)	—	(0.7)	—	36.3	1,300.8
Brand name .....	654.9	(123.3)	—	—	(0.2)	—	0.2	531.7
Customer relations .....	2,830.1	(546.5)	—	—	(2.9)	—	(1.2)	2,279.5
Licenses and franchises .....	2,008.1	(171.8)	(0.3)	—	0.6	—	(10.9)	1,825.8
R&D costs acquisitions ...	15.1	(11.3)	—	—	—	—	13.6	17.4
Subscriber acquisition costs .....	147.3	—	—	—	—	—	(147.2)	—
Intangible assets under construction .....	161.6	54.3	(0.7)	—	—	—	(38.5)	176.7
IRU & others concessions .....	464.0	(75.9)	(5.0)	—	—	(112.3)	47.8	318.7
Content rights .....	149.6	24.1	3.7	—	(2.2)	—	(25.2)	150.1
Other intangible assets ...	1,001.5	(63.0)	(8.2)	—	(2.6)	—	147.4	1,075.1
<b>Net book value .....</b>	<b>8,678.9</b>	<b>(893.5)</b>	<b>(11.7)</b>	<b>—</b>	<b>(7.9)</b>	<b>(112.3)</b>	<b>22.2</b>	<b>7,675.8</b>



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

6. Intangible assets (Continued)

Intangible assets December 31, 2017 (*revised)	January 1, 2017	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2017
(€m)								
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	—	—	(37.5)	(36.3)	(41.6)	1.5	4,774.0
Licenses and franchises	2,723.1	1.4	—	0.7	(29.4)	—	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	127.4	—	(367.9)	—	—	—	548.5
Intangible assets under construction	264.3	102.9	(1.7)	(0.9)	(1.0)	—	(201.8)	161.8
IRU & others concessions	864.5	22.3	(18.5)	—	—	—	21.2	889.4
Content rights	719.3	124.0	(4.3)	—	(6.7)	(458.7)	(1.9)	371.7
Other intangible assets	1,633.6	89.7	(58.1)	(690.6)	(15.4)	(34.0)	16.8	942.0
<b>Gross value</b>	<b>15,693.5</b>	<b>853.7</b>	<b>(132.9)</b>	<b>(1,067.1)</b>	<b>(114.1)</b>	<b>(557.9)</b>	<b>18.8</b>	<b>14,694.1</b>
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)	(592.3)	—	34.6	27.9	19.6	(0.6)	(1,943.9)
Licenses and franchises	(535.4)	(116.9)	—	—	9.5	(51.1)	(9.3)	(703.2)
R&D costs acquisitions	(9.3)	(10.1)	—	—	—	—	2.0	(17.5)
Subscriber acquisition costs	(648.4)	(113.1)	—	360.2	—	—	—	(401.2)
Intangible assets under construction	—	(0.2)	—	—	—	—	—	(0.2)
IRU & others concessions	(349.9)	(103.3)	16.3	—	—	—	11.5	(425.4)
Content rights	(238.9)	(196.8)	4.5	—	4.2	203.9	1.1	(222.0)
Other intangible assets	(449.7)	(165.2)	41.5	558.3	9.9	19.1	45.7	59.5
<b>Cumulative amortization</b>	<b>(5,068.8)</b>	<b>(2,333.6)</b>	<b>108.9</b>	<b>953.1</b>	<b>72.6</b>	<b>212.7</b>	<b>39.8</b>	<b>(6,015.3)</b>
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)	(0.2)	(0.2)	654.9
Customer relations	3,454.8	(592.3)	—	(3.0)	(8.4)	(22.0)	0.9	2,830.1
Licenses and franchises	2,187.7	(115.6)	—	0.7	(20.0)	(51.1)	6.2	2,008.1
R&D costs acquisitions	16.7	(8.5)	—	0.3	(0.2)	—	6.7	15.1
Subscriber acquisition costs	140.6	14.4	—	(7.7)	—	—	—	147.3
Intangible assets under construction	264.3	102.7	(1.7)	(0.9)	(1.0)	—	(201.8)	161.6
IRU & others concessions	514.6	(81.0)	(2.2)	—	—	—	32.7	464.0
Content rights	480.4	(72.8)	0.1	—	(2.5)	(254.8)	(0.7)	149.6
Other intangible assets	1,183.9	(75.5)	(16.6)	(132.3)	(5.5)	(14.9)	62.4	1,001.5
<b>Net book value</b>	<b>10,624.7</b>	<b>(1,479.9)</b>	<b>(23.9)</b>	<b>(114.1)</b>	<b>(41.5)</b>	<b>(345.1)</b>	<b>58.6</b>	<b>8,678.9</b>

\* Please refer to note 34 for details about the revised information.

The total amortization expense for the years ended December 31, 2018 and 2017 was €1,690.1 million and €2,333.6 million, respectively, please refer to note 26 for further discussion. The amortization of the period is lower compared to 2017 mainly due to lower amortization of brand and licences following the postponed adoption of the Group's global brand as announced in December 2017. In addition, the classification of Altice TV as held for sale as of December 31, 2017 also resulted in lower

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 6. Intangible assets (Continued)

amortization expenses in content right compared to 2017 as the amortization of non-current assets in Altice TV had been stopped from January 1, 2018.

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: €1,505.2 million, (ii) Portugal: €681.3 million, (iii) Israel: €89.6 million, (iv) the Dominican Republic: €3.5 million.
- Brand name: the carrying amounts of the Group's main brand names includes: (i) SFR in France: €424.5 million, (ii) Meo in Portugal: €79.9 million, (iii) HOT in Israel: €7.2 million, (iv) Teads: €18.6 million.
- Subscriber acquisition costs: recognises the costs of acquiring subscribers (including additional sales commissions) and amortized over the length of the average commitment of the subscribers. The balance as of December 31, 2018 was nil due to adjustment of IFRS 15 *Revenue from Contracts with Customers*, included in the column Other.
- Licenses and franchises: include mainly licenses held by Altice France amounting to €1,678.7 million (of which €52.3 million relates to licenses held by NextRadioTV).
- Content rights: corresponds mainly to content rights in Altice France and Israel. The content rights were capitalized in accordance with IAS 38 *Intangible Assets* and are amortized over their respective useful lives. When useful lives extend beyond one year the nominal cash flows are discounted to their present value on initial recognition of the asset. The amortization related to content rights recorded for the year ended December 31, 2018 was €77.6 million

#### 7. Property, plant and equipment

Property, plant and equipment December 31, 2018	January 1, 2018	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2018
	(€m)							
Land .....	291.7	0.6	(2.0)	—	0.2	(4.0)	(9.2)	277.4
Buildings .....	2,263.5	173.4	(294.6)	26.5	(1.2)	(24.1)	570.8	2,714.2
Technical and other equipment .....	10,319.6	961.6	(461.4)	95.3	(72.3)	(293.2)	1,221.6	11,771.2
Assets under construction ..	706.5	396.1	(0.9)	9.0	0.7	(59.5)	(559.7)	492.1
Other tangible assets .....	1,846.2	578.3	(117.2)	6.6	(0.4)	—	338.2	2,651.8
<b>Gross value .....</b>	<b>15,427.4</b>	<b>2,110.1</b>	<b>(876.2)</b>	<b>137.4</b>	<b>(73.0)</b>	<b>(380.8)</b>	<b>1,561.7</b>	<b>17,906.6</b>
Land .....	—	—	—	—	—	—	—	—
Buildings .....	(370.7)	(187.4)	233.8	(20.2)	0.8	12.0	(524.5)	(856.2)
Technical and other equipment .....	(3,749.0)	(1,256.2)	352.8	(80.2)	58.1	26.3	(860.6)	(5,508.7)
Assets under construction ..	—	—	—	—	—	—	—	—
Other tangible assets .....	(892.1)	(449.6)	100.8	(5.3)	1.3	0.2	(292.2)	(1,537.0)
<b>Cumulative depreciation ..</b>	<b>(5,011.9)</b>	<b>(1,893.1)</b>	<b>687.4</b>	<b>(105.7)</b>	<b>60.1</b>	<b>38.5</b>	<b>(1,677.3)</b>	<b>(7,902.0)</b>
Land .....	291.7	0.6	(2.0)	—	0.2	(4.0)	(9.2)	277.4
Buildings .....	1,892.8	(14.0)	(60.9)	6.3	(0.5)	(12.1)	46.3	1,857.9
Technical and other equipment .....	6,570.6	(294.6)	(108.5)	15.1	(14.2)	(266.9)	361.1	6,262.5
Assets under construction ..	706.5	396.1	(0.9)	9.0	0.7	(59.5)	(559.7)	492.1
Other tangible assets .....	954.0	128.8	(16.5)	1.3	0.9	0.2	46.0	1,114.8
<b>Net book value .....</b>	<b>10,415.6</b>	<b>217.0</b>	<b>(188.8)</b>	<b>31.7</b>	<b>(12.8)</b>	<b>(342.3)</b>	<b>(115.6)</b>	<b>10,004.7</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 7. Property, plant and equipment (Continued)

Property, plant and equipment December 31, 2017	January 1, 2017	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2017
	(€m)							
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
<b>Gross value .....</b>	<b>14,881.2</b>	<b>2,233.9</b>	<b>(1,001.4)</b>	<b>2.3</b>	<b>(315.5)</b>	<b>(139.8)</b>	<b>(233.3)</b>	<b>15,427.4</b>
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 ..	—	—	—	—	—	—	—	—
Other tangible assets .....	(662.9)	(367.9)	125.1	—	3.7	5.2	4.6	(892.1)
<b>Cumulative depreciation ..</b>	<b>(4,492.2)</b>	<b>(1,768.9)</b>	<b>785.3</b>	<b>—</b>	<b>210.6</b>	<b>54.7</b>	<b>198.8</b>	<b>(5,011.8)</b>
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 ..	651.0	481.3	(14.1)	—	(14.0)	(1.5)	(396.2)	706.5
Other tangible assets .....	910.7	95.7	(33.9)	2.1	(2.7)	(23.0)	5.0	954.0
<b>Net book value .....</b>	<b>10,389.0</b>	<b>465.0</b>	<b>(216.1)</b>	<b>2.3</b>	<b>(104.9)</b>	<b>(85.1)</b>	<b>(34.6)</b>	<b>10,415.6</b>

\* Please refer to note 34 for details about the revised information.

The decrease in the net book value of property, plant and equipment of the Group was largely attributed to the tangible assets classified as held for sale in SFR FTTH and Portugal (please refer to note 3.4).

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 issuance completed by the Group, the assets of certain subsidiaries have been pledged as collateral. This includes, amongst others, the shares of certain holding companies and intercompany loans, the shares of HOT Telecom and all material assets of HOT Telecom, including the cable network (but excluding licenses and end user equipment and assets of HOT Mobile), all material assets of Altice Dominicana (other than licenses and real estate assets valued at less than €5 million), the shares of PT Portugal and certain other operating subsidiaries in Portugal, the shares of certain subsidiaries of Altice France and the bank accounts, intercompany receivables and intellectual property rights of such subsidiaries and a pledge over the business of certain operating subsidiaries of Altice France (but excluding any network assets).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 8. Contract balances

The following table provides information about contract costs, contract assets and contract liabilities from contracts with customers.

<u>Contract balances</u>	<u>December 31, 2018</u>	<u>December 31, 2017 (*revised)</u>
	(€m)	
Contract costs, net (non-current) .....	252.5	241.2
Contract assets, net (current) .....	265.7	302.3
Contract liabilities .....	<u>(1,174.8)</u>	<u>(1,186.3)</u>
<b>Total</b> .....	<b><u>(656.6)</u></b>	<b><u>(642.8)</u></b>

\* Please refer to note 34 for details about the revised information.

#### 8.1. Contract costs (non-current)

<u>Contract costs, net (non-current)</u>	<u>December 31, 2018</u>			<u>December 31, 2017 (*revised)</u>		
	<u>Gross value</u>	<u>Amortization</u>	<u>Net value</u>	<u>Gross value</u>	<u>Amortization</u>	<u>Net value</u>
	(€m)					
<b>Opening balances</b> .....	1,198.1	(957.0)	241.2	962.4	(737.2)	225.1
Additions .....	263.3	—	263.3	255.7	—	255.7
Amortization .....	—	(252.3)	(252.3)	—	(237.4)	(237.4)
Impairment losses .....	—	—	—	—	—	—
Change in consolidation scope .....	—	—	—	—	—	—
Translation adjustments .....	(10.4)	9.5	(0.9)	(19.9)	17.6	(2.3)
Reclassification to held for sale .....	—	—	—	—	—	—
Other .....	4.8	(3.6)	1.2	—	—	—
<b>Closing Balances</b> .....	<b><u>1,455.9</u></b>	<b><u>(1,203.4)</u></b>	<b><u>252.5</u></b>	<b><u>1,198.1</u></b>	<b><u>(957.0)</u></b>	<b><u>241.2</u></b>

\* Please refer to note 34 for details about the revised information.

#### 8.2. Contract assets (current)

Contract assets are recognised when devices are sold in bundled packages in the mobile activities as revenue related to the device is recognised upfront and is billed to the customer over the service period.

<u>Contract assets, net (current)</u>	<u>December 31, 2018</u>	<u>December 31, 2017 (*revised)</u>
	(€m)	
<b>Opening balances contract assets</b> .....	<b>302.3</b>	<b>398.0</b>
Business related movements <sup>1</sup> .....	(30.2)	(91.6)
Change in consolidation scope .....	—	—
Translation adjustments .....	0.2	(2.5)
Reclassification to held for sale .....	—	—
Other .....	3.2	(1.0)
<b>Closing balances of contract assets</b> .....	<b><u>275.5</u></b>	<b><u>302.8</u></b>
Impairment loss .....	(9.8)	(0.5)
<b>Contract assets, net</b> .....	<b><u>265.7</u></b>	<b><u>302.3</u></b>

\* Please refer to note 34 for details about the revised information.

<sup>1</sup> This line includes increase related to new contracts and decrease following the transfer from contract assets to trade receivables.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

8. Contract balances (Continued)

8.3. Contract liabilities

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

<u>Contract liabilities<sup>1</sup></u>	December 31, 2018	December 31, 2017 (*revised)
	(€m)	
Contract liabilities—current . . . . .	610.7	719.9
Contract liabilities—non current . . . . .	564.1	466.4
<b>Total</b> . . . . .	<b>1,174.8</b>	<b>1,186.3</b>
<i>Explained as follows :</i>		
Prepaid revenue—IRU . . . . .	213.7	262.0
Prepaid revenue—Telecom contract . . . . .	324.3	351.7
Prepaid revenue—Other . . . . .	618.1	563.3
Connection fees / Service access fees . . . . .	7.9	2.9
Loyalty programs . . . . .	10.9	6.3
<b>Total</b> . . . . .	<b>1,174.8</b>	<b>1,186.3</b>

\* Please refer to note 34 for details about the revised information.

1 The balances of contract liabilities as of December 31, 2017 of Altice Technical Services, Teads and French Overseas Territories are included in the caption Prepaid revenue—Other.

<u>Contract liabilities</u>	December 31, 2018	December 31, 2017 (*revised)
	(€m)	
<b>Opening balances of contract liabilities</b> . . . . .	<b>1,186.3</b>	<b>1,114.3</b>
Business related movements <sup>1</sup> . . . . .	37.9	84.7
Change in consolidation scope . . . . .	23.0	—
Translation adjustments . . . . .	1.3	(8.2)
Reclassification to held for sale . . . . .	(63.8)	(10.1)
Other . . . . .	(9.8)	5.5
<b>Closing balances of contract liabilities</b> . . . . .	<b>1,174.8</b>	<b>1,186.3</b>

\* Please refer to note 34 for details about the revised information.

1 This line includes increase related to cash received on new agreements and decrease related to the reversal of deferred revenue in the revenue line.

9. Investment in associates

<u>Investments in associates</u>	Year ended December 31, 2018	Year ended December 31, 2017
	(€m)	
Associates of Altice France . . . . .	19.8	23.0
Associates of PT Portugal . . . . .	134.0	26.1
Other . . . . .	0.3	0.2
<b>Total</b> . . . . .	<b>154.1</b>	<b>49.4</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 9. Investment in associates (Continued)

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

		Year ended December 31, 2018				
Group	Investments in associates	Revenues	Net profit/ (loss)	Net equity	Cash (-)/ Net debt (+)	Total Assets
		(€m)				
<b>Altice France</b>	La Poste Telecom .....	251.0	(36.0)	(63.0)	46.0	61.0
	Synerail .....	86.6	6.0	6.2	390.4	461.2
<b>PT Portugal</b>	Sport TV .....	185.7	3.0	31.9	(13.9)	171.9
	Janela Digital <sup>1</sup> .....	n/a	n/a	n/a	n/a	n/a
	Sportinvest—Multimédia, S.A. ....	3.3	0.4	5.4	(2.6)	11.1
	Ericsson Inovação S.A. ....	19.4	5.1	3.7	(0.1)	8.1
	Hungaro Digitel .....	16.0	3.5	12.3	(4.2)	26.9
	Multicert .....	4.4	0.2	1.4	0.2	3.5
	Auto Venda Já .....	0.6	(0.0)	0.0	0.2	0.5
	Belmont Infra Holding, S.A. <sup>1</sup> .....	n/a	n/a	n/a	n/a	n/a
		Year ended December 31, 2017 (*revised)				
Group	Investments in associates	Revenues	Net profit/ (loss)	Net equity	Cash (-)/ Net debt (+)	Total Assets
		(€m)				
<b>Altice France</b>	La Poste Telecom .....	232.5	(28.5)	(66.4)	28.9	72.5
	Synerail .....	74.8	6.8	6.5	440.6	515.4
<b>PT Portugal</b>	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

\* Financial information of associates of Altice France in 2017 has been restated in accordance with IFRS 15 Revenue from Contracts with Customers.

<sup>1</sup> Financial information is not available.

#### 9.1. Investment in associates of SFR Group

The main associates of SFR Group and the carrying amount of invested equity as of December 31, 2018 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 totalling €13.0 million at year-end 2018;
- *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 net equity value is positive as shown in the table above.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 9. Investment in associates (Continued)

##### 9.2. Investment in associates of PT Portugal

Associates of PT Portugal had a carrying amount for €134.0 million for the year ended December 31, 2018 (2017: €26.1 million). The main associates of PT Portugal and the carrying amount of invested equity as of December 31, 2018 were:

- *Belmont Infra Holding, S.A.* (€107.5 million): on August 7, 2018 PT Portugal acquired a 25% stake in the capital of Belmont Infra Holding, S.A. for €108.8 million. Belmont Infra Holding, S.A. is an entity that holds 100% of BIH—Belmont Infrastructure Holding, S.A., which in turn holds a 100% interest in OMTEL;
- *Sport TV* (€13.8 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;
- *Hungaro Digital* (€5.5 million): this company was created in 1990 and PT Portugal holds 44,62%. Hungaro Digital provides satellite telecommunications services;
- *Sportinvest-Multimédia S.A.* (€2.7 million): this company was created in 2001 and PT Portugal holds 50%. This subsidiary provides services of sports contents for the main market players, including televisions, mobile operators and ISP;
- *Janela Digital* (€2.2 million): in 2000, PT Portugal and Netholding created Janela Digital, held at 50% both. This subsidiary is responsible for the development of IT solutions in the real estate market.

#### 10. Financial assets and other non-current assets

##### 10.1. Financial assets

<u>Financial assets</u>	<u>Note</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
		(€m)	
Derivative financial assets . . . . .	10.1.1	1,465.9	940.0
Loans and receivables . . . . .	10.1.2	815.6	307.3
Call options with non-controlling interests . . . . .	10.1.3	63.5	50.6
Equity instruments at fair value through OCI . . . . .	10.1.4	5.5	8.0
Other financial assets . . . . .	10.1.5	34.7	18.0
<b>Total</b> . . . . .		<b>2,385.2</b>	<b>1,324.0</b>
Current . . . . .		53.4	62.0
Non-current . . . . .		2,331.8	1,262.0

##### 10.1.1. 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. All derivatives are measured at their fair value at the balance sheet date; the total asset position as of December 31, 2018 was €1,465.9 million (2017: €940.0 million). Refer also to note 17.3 for details on each of these derivatives held by the Group and to note 19 for information on the fair value of the derivatives, including the fair value hierarchy.

##### 10.1.2. Loans and receivables

The Group's main loans and receivables as of December 31, 2018, were mainly consisting of:

- Secured subordinated notes in Wananchi: the notes are convertible at the discretion of the holder. The investment amounts to €57.6 million and bears interest at a rate of 11% per annum (or 13% on default) payable in kind and matures in October 2021 (2017: €43.0 million bearing 11% interest);

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 10. Financial assets and other non-current assets (Continued)

- Loans with entities in the Altice Group totalling €667.4 million, mainly in Altice Holdings (€284.2 million) and Altice Luxembourg (€270.8 million);
- SFR Group loans receivables totalling €72.6 million (2017: €85.8 million) comprising mainly loans and deposits with related parties (please refer to note 29 for further information on related party transactions). The decrease was mainly caused by lower current loans and receivables (€0.9 million as of December 31, 2018, compared to €13.7 million as of December 31, 2017).

##### 10.1.3. 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 19.1.

##### 10.1.4. Equity instrument at fair value through OCI

As of December 31, 2018, the equity instruments at fair value through OCI correspond to €5.5 million of investment in Partner Co. Ltd (please refer to note 19.1.1). This investment in equity instruments is not held for trading. Instead, it is held for medium term. Accordingly, the directors of the Company have elected to designate this investment in equity instrument as at FVTOCI.

##### 10.1.5. Other financial assets

The increase in other financial assets as of December 31, 2018 compared to December 31, 2017 was mainly due to increases in the accrued interest on financial loans in Altice International and Altice Holdings, and increase in financial assets in PT Portugal which mainly reflected the impact of the consolidation of SIRESP (please refer to note 3.1.14).

#### 10.2. Other non-current assets

Other non-current assets	December 31, 2018	December 31, 2017
	(€m)	
Pension assets .....	3.9	4.3
Income tax receivables .....	0.7	0.3
Prepaid expenses .....	259.3	184.1
Other receivables .....	159.8	188.9
<b>Total</b> .....	<b>423.7</b>	<b>377.7</b>

Other non-current assets increased by €46.0 million to €423.7 million, due to:

- higher non-current prepaid expenses in 2018 in Altice France by €75.2 million as of December 31, 2018;
- decrease in other receivable non-current, mainly in PT Portugal related to football contracts for €38.8 million, of which €27 million was reclassified from non-current to current other receivables. This was partially offset by impairment recognised as of January 1, 2018 upon the adoption of IFRS 9 *Financial Instruments* for €4.1 million.

#### 11. 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.



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

11. Inventories (Continued)

A cost of €43.6 million was recorded in the consolidated statement of income to account for the change in inventories (2017: €56.4 million).

<u>Inventories</u>	Year ended December 31, 2018	Year ended December 31, 2017
	(€m)	
Raw materials and consumables .....	406.7	443.9
Work in progress .....	66.2	75.9
<b>Gross value</b> .....	<b>472.9</b>	<b>519.8</b>
Raw materials and consumables .....	(48.2)	(55.8)
Work in progress .....	(2.5)	(2.6)
<b>Allowance for obsolescence</b> .....	<b>(50.7)</b>	<b>(58.4)</b>
Raw materials and consumables .....	358.5	388.1
Work in progress .....	63.7	73.3
<b>Total carrying amount</b> .....	<b>422.2</b>	<b>461.4</b>

11.1. Inventory obsolescence

<u>Inventory obsolescence</u>	Raw materials and consumables	Work in progress (goods)	Total
	(€m)		
<b>Opening balance: January 1, 2018</b> .....	<b>(55.8)</b>	<b>(2.6)</b>	<b>(58.4)</b>
Allowances/write-backs .....	4.9	0.1	5.0
Variation .....	2.6	—	2.6
Other .....	—	—	—
<b>Closing balance: December 31, 2018</b> .....	<b>(48.2)</b>	<b>(2.5)</b>	<b>(50.7)</b>

<u>Inventory obsolescence</u>	Raw materials and consumables	Work in progress (goods)	Total
	(€m)		
<b>Opening balance: January 1, 2017</b> .....	<b>(60.3)</b>	<b>(2.6)</b>	<b>(62.9)</b>
Allowances/write-backs .....	(1.8)	0.2	(1.6)
Variation .....	6.0	(0.2)	5.8
Other .....	0.3	—	0.3
<b>Closing balance: December 31, 2017</b> .....	<b>(55.8)</b>	<b>(2.6)</b>	<b>(58.4)</b>

12. Trade and other receivables

<u>Trade and other receivables</u>	Year ended December 31, 2018	Year ended December 31, 2017 (*revised)
	(€m)	
Trade receivables .....	3,285.8	3,397.3
Other receivables .....	1,155.0	1,043.5
<b>Total</b> .....	<b>4,440.8</b>	<b>4,440.8</b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

12. Trade and other receivables (Continued)

12.1. Trade receivables

<u>Trade receivables</u>	<u>Gross trade receivables</u>	<u>Allowance for doubtful debts</u>	<u>Total</u>
		(€m)	
<b>Closing balance: December 31, 2017</b> .....	<b>4,257.4</b>	<b>(860.2)</b>	<b>3,397.3</b>
<b>IFRS 9 adjustment</b> .....	<b>—</b>	<b>(43.6)</b>	<b>(43.6)</b>
<b>Opening balance: January 1, 2018 (*revised)</b> .....	<b>4,257.4</b>	<b>(903.8)</b>	<b>3,353.7</b>
Recognised through business combinations .....	104.9	(4.0)	100.9
Net increase .....	41.2	(25.7)	15.6
Held for sale .....	(43.9)	—	(43.9)
Other changes .....	(122.0)	(18.3)	(140.3)
<b>Closing balance: December 31, 2018</b> .....	<b>4,237.6</b>	<b>(951.8)</b>	<b>3,285.8</b>

<u>Trade receivables</u>	<u>Gross trade receivables</u>	<u>Allowance for doubtful debts</u>	<u>Total</u>
		(€m)	
<b>Opening balance: January 1, 2017</b> .....	<b>3,702.2</b>	<b>(772.9)</b>	<b>2,929.3</b>
Recognised through business combinations .....	76.0	(2.9)	73.1
Net increase .....	535.7	(89.9)	445.8
Held for sale .....	(54.2)	2.9	(51.3)
Other changes .....	(2.3)	2.7	0.3
<b>Closing balance: December 31, 2017 (*revised)</b> .....	<b>4,257.4</b>	<b>(860.2)</b>	<b>3,397.3</b>

\* Please refer to note 34 for details about the revised information.

The decrease in trade receivables is explained mainly by the classification of trade receivables as held for sale in France of €43.9 million mostly related to SFR FTTH and a reduction due to IFRS 9 *Financial Instruments* of €43.6 million.

12.1.1. Aging of trade receivables

<u>Age of trade receivables</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
		(€m)
Not yet due .....	2,984.0	2,970.4
30—90 days .....	109.6	227.6
> 90 days .....	192.2	199.3
<b>Total</b> .....	<b>3,285.8</b>	<b>3,397.3</b>

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 12. Trade and other receivables (Continued)

##### 12.2. Other receivables

<u>Other receivables</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(€m)	
Prepaid expenses .....	179.5	163.9
Business taxes receivable (e.g. VAT) .....	754.7	763.2
Other .....	220.8	116.3
<b>Total</b> .....	<b><u>1,155.0</u></b>	<b><u>1,043.5</u></b>

\* Please refer to note 34 for details about the revised information.

##### 12.2.1. 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). The increase compared to 2017 was mainly due to higher prepaid expenses by €23.2 million in Altice France for RAN sharing agreement with Bouygues Telecom.

##### 12.2.2. Business taxes receivable

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

##### 12.2.3. Other

Other is mainly composed of receivables due from advances to employees and other miscellaneous. The increase in other mainly was caused by France for €79.2 million, a shift from non-current other receivables to current other receivables in PT Portugal for €27 million which was partially offset by a decrease in advances to suppliers (€6 million) in PT Portugal.

#### 13. Cash and cash equivalents and restricted cash

<u>Cash balances</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	(€m)	
Term deposits .....	333.6	90.8
Bank balances .....	1,332.4	662.4
<b>Cash and cash equivalents</b> .....	<b><u>1,666.0</u></b>	<b><u>753.2</u></b>
Restricted cash .....	35.9	33.7
<b>Total</b> .....	<b><u>1,701.9</u></b>	<b><u>786.9</u></b>

The restricted cash balance at December 31, 2018 included:

- €31.1 million in Altice Financing as collateral for a bank guarantee;
- €4.8 million in HOT for various purposes.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 14. Shareholders' equity

The Group's equity was comprised as follows:

<u>Equity attributable to owners of the Company</u>	<u>Notes</u>	<u>As of December 31, 2018</u>	<u>As of December 31, 2017 (*revised)</u>
		(€m)	
Issued capital . . . . .	14.1	2.5	2.5
Additional paid in capital . . . . .	14.2	1,922.7	1,143.2
Other reserves . . . . .	14.3	(530.7)	(511.2)
Accumulated losses . . . . .		<u>(3,611.7)</u>	<u>(3,474.9)</u>
<b>Total</b> . . . . .		<b><u>(2,217.2)</u></b>	<b><u>(2,840.4)</u></b>

\* Please refer to note 34 for details about the revised information.

#### 14.1. Issued capital

As of December 31, 2018, 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.

#### 14.2. Additional paid in capital

<u>Changes in additional paid in capital</u>	<u>December 31, 2018</u>	<u>December 31, 2017 (*revised)</u>
	(€m)	
Opening balance . . . . .	1,143.2	840.7
Altice Luxembourg capital increase . . . . .	—	1,800.9
Transactions with Altice shareholders . . . . .	(163.3)	(51.1)
Transactions with non-controlling interests of NextRadioTV . . . . .	(249.7)	(1,242.7)
Transactions with non-controlling interests . . . . .	(150.3)	(23.3)
Recognition of put option for non-controlling interest in Teads . . . . .	27.4	(154.4)
Hivory . . . . .	1,390.6	—
AB2 settlements . . . . .	(43.4)	—
Other . . . . .	<u>(32.0)</u>	<u>(27.1)</u>
<b>Total</b> . . . . .	<b><u>1,922.7</u></b>	<b><u>1,143.2</u></b>

\* Please refer to note 34 for details about the revised information.

Additional paid in capital amounted to €1,922.7 million as of December 31, 2018, mainly due to:

- Transactions with Altice shareholders of €163.3 million, consisting of:
  - the capital loss from the sale of Altice TV of €164.2 million for the year ended December 31, 2018 (please refer to note 3.1.6);
  - the interests on loan payable to entities in the Altice Group which reduced additional paid in capital by €13.0 million;
  - the capital gain from the sale of Altice Management International, increasing additional paid in capital by €3.6 million (please refer to note 3.1.2);
  - the acquisition of Altice Blue Two by Altice France, increasing additional paid in capital by €23.8 million;
  - the acquisition of MCS by NextRadioTV, reducing additional paid in capital by €13.5 million (please refer to note 3.1.7);

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 14. Shareholders' equity (Continued)

- transactions with non-controlling interests of NextRadioTV of €249.7 million, consisting of:
  - additional participation in ACL and GNP, reducing additional paid in capital by €158.3 million (please refer to note 3.1.3);
  - additional participation in DTV Holding by NextRadioTV, reducing additional paid in capital by €46.1 million (please refer to note 3.1.11);
  - the acquisition of minority interest in ERT Luxembourg S.A., reducing additional paid in capital by €45.3 million;
- transactions with on-controlling interests, consisting mainly of:
  - exercise of the ATS call option, reducing additional paid in capital by €161.2 million (please refer to note 3.1.4);
  - acquisition of shares of Deficom shares and preferred equity certificates, reducing additional paid in capital by €7.4 million;
  - put option agreement that was entered into with previous minority shareholders of HOT on November 2, 2012, decreasing additional paid in capital by €25.5 million (please refer to note 9.6.1);
- recognition of put option for non-controlling interest in Teads of €27.4 million;
- the sale of towers through Hivory's minority stake, increasing additional paid in capital by €1,390.6 million (please refer to note 3.1.18);
- the impact of shares settlement with management of AB2 (also referred to as French Overseas Territory) of €43.4 million. As a result, this settlement cancelled outstanding instruments previously held; and
- others mainly include the capital loss from the sale of i24News Europe to Altice USA of €25.5 million (please refer to note 3.1.5).

#### 14.3. Other reserves

The tax effect of the Group's currency translation, fair value through OCI, cash flow hedge and employee benefits reserves are provided below:

	December 31, 2018			December 31, 2017 (*revised)		
	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
<b>Other reserves</b>						
			(€m)			
Actuarial gains and losses . . . . .	(34.0)	6.8	(27.2)	(75.9)	20.3	(55.6)
<b>Items not reclassified to profit or loss . . . . .</b>	<b>(34.0)</b>	<b>6.8</b>	<b>(27.2)</b>	<b>(75.9)</b>	<b>20.3</b>	<b>(55.6)</b>
Fair value through OCI . . . . .	2.6	—	2.6	3.5	—	3.5
Currency translation reserve . . . . .	(45.5)	—	(45.5)	62.3	—	62.3
Cash flow hedge reserve . . . . .	(687.2)	226.5	(460.7)	(772.1)	250.7	(521.4)
<b>Items potentially reclassified to profit or loss . . . . .</b>	<b>(730.1)</b>	<b>226.5</b>	<b>(503.6)</b>	<b>(706.3)</b>	<b>250.7</b>	<b>(455.6)</b>
<b>Total . . . . .</b>	<b>(764.1)</b>	<b>233.3</b>	<b>(530.7)</b>	<b>(782.2)</b>	<b>271.0</b>	<b>(511.2)</b>

\* Please refer to note 34 for details about the revised information.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

15. Provisions

<u>Provisions</u>	<u>Note</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
		(€m)	
Provisions .....	15	718.4	848.4
Employee benefit provisions .....	16	790.4	887.8
<b>Total</b> .....		<b>1,508.8</b>	<b>1,736.3</b>
Current .....		330.2	429.0
Non-current .....		1,178.7	1,311.5

15.1. 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:

<u>Provisions December 31, 2018</u>	<u>January 1, 2018</u>	<u>Business Combinations</u>	<u>Additions</u>	<u>Utilization</u>	<u>Held for sale</u>	<u>Other</u>	<u>December 31, 2018</u>
				(€m)			
Litigations .....	410.8	—	119.7	(69.4)	—	(150.5)	310.5
Onerous contract .....	68.5	—	19.9	(12.7)	—	(6.1)	69.6
Site renovation .....	128.9	0.2	4.1	(8.8)	—	(21.6)	102.9
Restructuring charges .....	45.9	0.3	7.9	(24.3)	—	(5.2)	24.6
Provisions for other expenses .....	190.3	(3.1)	90.4	(59.7)	—	(7.1)	210.8
<b>Total Gross Value</b> ....	<b>844.3</b>	<b>(2.6)</b>	<b>242.0</b>	<b>(174.9)</b>	<b>—</b>	<b>(190.5)</b>	<b>718.4</b>

<u>Provisions December 31, 2017</u>	<u>January 1, 2017</u>	<u>Business Combinations</u>	<u>Additions</u>	<u>Utilization</u>	<u>Held for sale</u>	<u>Other</u>	<u>December 31, 2017 (*revised)</u>
				(€m)			
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)	(115.7)	190.3
<b>Total Gross Value</b> ....	<b>1,285.4</b>	<b>0.2</b>	<b>1,002.7</b>	<b>(1,025.7)</b>	<b>(13.0)</b>	<b>(405.2)</b>	<b>844.3</b>

15.1.1. 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, 2018. 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 31 (Litigation) and note 23 (Taxation). All litigation pending against the Group is either being heard or appealed as of December 31, 2018.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 15. Provisions (Continued)

##### 15.1.2. Onerous contract

The provision for onerous contracts is mainly related to the 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, the provision has been increased in 2018 for an amount of € 18.3 million.

##### 15.1.3. Site renovation costs

In certain cases, the Company and its subsidiaries (mainly Altice France 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.

##### 15.1.4. 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 expense recognised this year are included in note 4.3.2.2. The movement in the provisions are provided in the table below. The utilization of the provision includes cash payments in total of €464.0 million and reclassifications to the balance sheet caption trade and other payables of €411.6 million. The column Other includes mainly the reversal of provisions that were not used.

<u>Restructuring provisions</u>	<u>December 31, 2016</u>	<u>Additions</u>	<u>Utilization</u> (€m)	<u>Other</u>	<u>December 31, 2017</u>
France .....	145.6	746.2	(765.7)	(80.2)	45.9
Other .....	3.9	(1.5)	(3.5)	1.1	—
<b>Total</b>	<b><u>149.5</u></b>	<b><u>744.7</u></b>	<b><u>(769.2)</u></b>	<b><u>(79.1)</u></b>	<b><u>45.9</u></b>

##### 15.1.5. 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.

#### 16. 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:

<u>Defined benefit plan</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(€m)	
Present value of defined benefit obligation .....	916.9	1,048.8
Fair value of plan assets .....	(130.3)	(161.0)
<b>Unfunded status</b> .....	<b><u>786.6</u></b>	<b><u>887.8</u></b>
Employee benefit recorded in provision .....	790.4	892.1
Employee benefit recorded as asset .....	(4.0)	(4.4)

##### 16.1. Details of the significant defined benefit plans

###### 16.1.1. 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 16. Employee benefit provisions (Continued)

eligible relatives. In addition, PT and other subsidiaries of PT Portugal are also responsible for the payment of salaries to suspended 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.

##### 16.1.2. 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.

##### 16.1.3. 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.



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

16. Employee benefit provisions (Continued)

16.2. Defined benefit obligations and fair value of plan assets

16.2.1. Movements in the present value of the defined benefit obligation

<u>Defined benefit obligations</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(€m)	
<b>Opening balance at January 1</b> .....	<b>1,048.8</b>	<b>1,202.6</b>
Business combinations .....	—	0.4
Interest expense .....	10.5	11.7
Current service cost .....	17.4	20.0
Benefits paid .....	(123.4)	(168.3)
Curtailment .....	2.0	(25.9)
Net actuarial loss/gain in other comprehensive income .....	(39.6)	22.9
Held for sale .....	(1.2)	(13.6)
Other (including currency translation adjustment) .....	2.4	(1.1)
<b>Closing balance at December 31</b> .....	<b>916.9</b>	<b>1,048.8</b>
<i>including commitments not financed</i> .....	482.2	589.8
<i>including commitments totally financed or partially financed</i> .....	434.7	459.0

16.2.2. Fair value of plan assets

<u>Fair value of plan assets</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(€m)	
<b>Opening balance at January 1</b> .....	<b>161.0</b>	<b>170.2</b>
Interest income .....	2.7	2.5
Deposits paid by the employer into the plan .....	1.7	2.0
Participant contributions .....	(27.7)	2.5
Benefits paid .....	(8.1)	(9.8)
Net actuarial gain in other comprehensive income .....	1.3	3.5
Held for sale .....	—	(9.4)
Other (including currency translation adjustment) .....	(0.5)	(0.5)
<b>Closing balance at December 31</b> .....	<b>130.3</b>	<b>161.0</b>

<u>Fair value of plan assets</u>	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	(€m)			
Shares .....	16.7	12.8%	23.7	14.7%
Bonds .....	54.3	41.7%	58.0	36.0%
Real estate .....	0.2	0.1%	1.5	0.9%
Other <sup>1</sup> .....	59.1	45.3%	77.8	48.3%
<b>Closing balance at December 31</b> .....	<b>130.3</b>	<b>100.0%</b>	<b>161.0</b>	<b>100.0%</b>

<sup>1</sup> Included in other are mainly cash and cash equivalents and investment funds held.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

16. Employee benefit provisions (Continued)

16.2.3. Amounts recognised in comprehensive income

<u>Defined benefit plan: amounts recognised in comprehensive income</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(€m)	
Current service cost .....	17.4	20.0
Net interest expense .....	7.8	9.2
Settlement .....	—	—
Curtailment .....	<u>2.0</u>	<u>(25.9)</u>
<b>Expenses recognised in profit or loss .....</b>	<b><u>27.2</u></b>	<b><u>3.3</u></b>
Net actuarial gain/(loss):		
Differences arising from experience .....	(7.2)	(2.5)
Differences arising from changes in assumptions .....	(32.3)	25.5
Return on plan assets (excluding interest income) .....	<u>(1.4)</u>	<u>(3.5)</u>
<b>Expenses recognised in other comprehensive income .....</b>	<b><u>(41.0)</u></b>	<b><u>19.5</u></b>
<b>Total expenses recorded in comprehensive income .....</b>	<b><u>(13.7)</u></b>	<b><u>22.7</u></b>

16.2.4. Defined benefit plan valuation assumptions

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

<u>Assumptions used in actuarial valuation: Europe</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(%)	
Expected rate of salary increase .....	0-2%	0-2%
Discount rate—pension .....	1.6%	1.3%
Discount rate—salaries to suspended and pre-retired .....	0.5%	0.3%
Discount rate—healthcare .....	2.0%	1.8%
Inflation rate .....	1.8%	2.0%
<u>Assumptions used in actuarial valuation: Rest of world</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(%)	
Expected rate of salary increase .....	1-4%	1-4%
Discount rate—pension .....	3.6%	3.5%
Inflation rate .....	1.5%	1.8%

16.2.5. 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:

<u>Sensitivity to a change in discount rate</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(€m)	
Discount rate decreases 0.25% .....	26.2	30.7
Discount rate increases 0.25% .....	<u>(29.4)</u>	<u>(20.3)</u>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

17. Borrowings and other financial liabilities

<u>Borrowings and other financial liabilities</u>	<u>Notes</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
		(€m)	
<b>Long term borrowings, financial liabilities and related hedging instruments</b> .....		<b>32,534.1</b>	<b>31,804.8</b>
— <i>Debentures</i> .....	17.1	22,287.4	23,358.9
— <i>Loans from financial institutions</i> .....	17.1	8,976.7	6,779.7
— <i>Derivative financial instruments</i> .....	17.3	1,270.0	1,666.2
<b>Other non-current financial liabilities</b> .....	17.6	<b>815.5</b>	<b>539.5</b>
— <i>Finance leases</i> .....		92.9	85.0
— <i>Other financial liabilities</i> .....		722.6	454.5
<b>Non-current liabilities</b> .....		<b>33,349.5</b>	<b>32,344.3</b>
<b>Short term borrowing, financial liabilities and related hedge instruments</b> .....		<b>102.3</b>	<b>413.6</b>
— <i>Debentures</i> .....	17.1	—	199.0
— <i>Loans from financial institutions</i> .....	17.1	101.1	194.7
— <i>Derivative financial instruments</i> .....	17.3	1.2	19.9
<b>Other financial liabilities</b> .....	17.6	<b>2,021.2</b>	<b>2,112.0</b>
— <i>Other financial liabilities</i> .....		1,297.8	1,325.3
— <i>Bank overdraft</i> .....		39.2	80.3
— <i>Accrued interests</i> .....		643.7	657.5
— <i>Finance leases</i> .....		40.4	48.9
<b>Current liabilities</b> .....		<b>2,123.5</b>	<b>2,525.6</b>
<b>Total</b> .....		<b>35,473.0</b>	<b>34,869.9</b>

17.1. Debentures and loans from financial institutions

<u>Debentures and loans from financial institutions</u>	<u>Notes</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
		(€m)	
Debentures .....	17.1.1	22,287.4	23,557.8
Loans from financial institutions .....	17.1.2	9,077.8	6,974.4
<b>Total</b> .....		<b>31,365.2</b>	<b>30,532.3</b>

17.1.1. Debentures

<u>Maturity of debentures</u>	<u>Less than one year</u>	<u>One year or more</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
			(€m)	
Altice France .....	—	9,447.5	9,447.5	10,956.3
Altice Luxembourg .....	—	6,582.5	6,582.5	6,385.1
Altice Financing .....	—	4,660.3	4,660.3	4,454.7
Altice Finco .....	—	1,597.0	1,597.0	1,562.7
HOT Telecom .....	—	—	—	199.0
<b>Total</b> .....	—	<b>22,287.4</b>	<b>22,287.4</b>	<b>23,557.8</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 17. Borrowings and other financial liabilities (Continued)

The credit ratings of the entities, and details of where the debt is publicly traded, as at December 31, 2018, 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
Altice France	Senior secured notes	B2/B	Euro MTF Market
Altice Luxembourg	Senior unsecured notes	Caa1/B-	Euro MTF Market
Altice Financing	Senior secured notes	B2/B+	Euro MTF Market
Altice Finco	Senior unsecured notes	Caa1/CCC+	Euro MTF Market

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

Instrument (€m, unless stated)	Issuer	Face value	Coupon	Year of maturity	December 31, 2018		December 31, 2017	
					Fair value	Carrying amount	Fair value	Carrying amount
Debentures <sup>1</sup>	HOT Telecom Ltd.	ILS 957 million	6.90%	2018	—	—	195.1	195.1
Senior notes	Altice Luxembourg S.A.	\$ 2,900 million	7.75%	2022	2,309.5	2,532.3	2,370.0	2,412.2
Senior notes	Altice Luxembourg S.A.	€ 2,075 million	7.25%	2022	1,931.8	2,075.0	2,104.1	2,075.0
Senior secured notes <sup>2</sup>	Altice France S.A.	\$ 4,000 million	6.00%	2022	—	—	3,352.2	3,327.2
Senior secured notes <sup>2</sup>	Altice France S.A.	€ 1,000 million	5.38%	2022	—	—	1,030.7	1,000.0
Senior secured notes <sup>3</sup>	Altice France S.A.	€ 1,000 million	5.88%	2027	987.0	1,000.0	—	—
Senior notes	Altice Finco S.A.	\$ 250 million	9.00%	2023	257.8	250.0	265.1	250.0
Senior secured notes	Altice Financing S.A.	\$ 2,060 million	6.63%	2023	1,730.5	1,798.8	1,782.1	1,713.5
Senior secured notes	Altice Financing S.A.	€ 500 million	5.25%	2023	504.5	500.0	520.2	500.0
Senior notes	Altice Finco S.A.	\$ 400 million	8.13%	2024	325.5	349.3	346.9	332.7
Senior secured notes	Altice France S.A.	\$ 1,375 million	6.25%	2024	1,119.0	1,200.7	1,136.6	1,143.7
Senior secured notes	Altice France S.A.	€ 1,250 million	5.63%	2024	1,261.3	1,250.0	1,301.3	1,250.0
Senior notes	Altice Luxembourg S.A.	\$ 1,480 million	7.63%	2025	969.3	1,292.4	1,178.8	1,231.1
Senior notes	Altice Luxembourg S.A.	€ 750 million	6.25%	2025	596.3	750.0	736.0	750.0
Senior notes	Altice Finco S.A.	\$ 385 million	7.63%	2025	279.0	336.2	323.4	320.2
Senior secured notes	Altice France S.A.	\$ 5,200 million	7.38%	2026	4,155.8	4,532.0	4,425.0	4,317.1
Senior secured notes <sup>3</sup>	Altice France S.A.	\$ 1,750 million	8.13%	2027	1,441.0	1,528.1	—	—
Senior secured notes	Altice Financing S.A.	\$ 2,750 million	7.50%	2026	2,192.4	2,401.3	2,433.3	2,287.5
Senior secured notes	Altice Finco S.A.	€ 675 million	4.75%	2028	540.7	675.0	644.0	675.0
Fair value adjustments					—	—	—	4.8
Transaction costs					—	(183.6)	—	(227.5)
<b>Total value of bonds</b>					<b>20,601.3</b>	<b>22,287.4</b>	<b>24,144.7</b>	<b>23,557.8</b>
Of which due within one year						—		199.0
Of which due after one year						22,287.4		23,358.9

1 During 2018, the Group repaid short-term borrowings comprised of debentures of HOT Telecom.

2 The \$4,000 senior secured note and the €1,000 million senior secured note were repaid during 2018 as part of refinancing activities in Altice France, please refer to notes 17.1.3.1 and 17.1.3.2 below.

3 The \$1,750 million senior secured note and the €1,000 million senior secured note were issued during 2018 as part of refinancing activities in Altice France, please refer to notes 17.1.3.1 and 17.1.3.2 below.

#### 17.1.2. 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, 2018, and included in the figures below, please refer to note 17.5.

Maturity of loans from financial institutions	Less than one year	One year or more	December 31, 2018	December 31, 2017
			(€m)	
Altice France (including RCF)*	77.8	7,146.5	7,224.3	5,036.4
Altice Financing (including RCF)*	18.8	1,829.7	1,848.5	1,911.8
Others	4.5	0.4	4.9	26.3
<b>Total</b>	<b>101.1</b>	<b>8,976.7</b>	<b>9,077.8</b>	<b>6,974.4</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 17. Borrowings and other financial liabilities (Continued)

\* RCF amounts are being classified as amounts which mature in less than one year, but can be extended till the end of the maturity date of the RCF agreement. Please refer to note 17.5 for further details regarding the credit facilities.

Term loans and revolving credit facilities				December 31, 2018		December 31, 2017	
Type	Borrower	Currency	Year of maturity	Face value (currency)	Carrying amount (€)	Face value (currency)	Carrying amount (€)
Term loan	Altice France S.A.	USD	2025	1,398.7	1,121.1	1,412.9	1,133.9
Term loan	Altice France S.A.	EUR	2023	—	—	840.8	815.6
Term loan	Altice France S.A.	EUR	2023	—	—	298.5	295.4
Term loan	Altice Financing S.A.	USD	2025	896.4	778.2	910.0	748.3
Term loan	Altice France S.A.	USD	2026	2,128.5	1,858.5	2,150.0	1,791.6
Term loan	Altice France S.A.	EUR	2025	—	—	1,000.0	1,000.0
Term loan	Altice France S.A.	USD	2025	2,500.0	2,143.1	—	—
Term loan	Altice France S.A.	EUR	2025	832.3	831.3	—	—
Term loan	Altice France S.A.	EUR	2021	295.5	280.3	—	—
Term loan	Altice France S.A.	EUR	2026	990.0	990.0	—	—
Term loan	Altice Financing S.A.	USD	2025	891.0	774.7	900.0	745.0
Term loan	Altice Financing S.A.	EUR	2025	297.0	295.7	300.0	298.6
Facility	Altice Financing S.A.	EUR	2021	—	—	120.0	120.0
Term loan	Other loans	EUR	various	4.9	4.9	26.2	26.2
				<b>9,077.8</b>		<b>6,974.4</b>	

#### 17.1.3. Refinancing

During the year ended December 31, 2018, the Group refinanced its debt in Altice France.

##### 17.1.3.1. Refinancing of a portion of the existing debt of the Altice France credit pool

On July 16, 2018, the Company priced and allocated for its Altice France credit pool \$2.5 billion of new 8-year Term Loans B's. The new Term Loan B will bear interest at a margin of 400bps over LIBOR. On August 14, 2018, the new financing closed and the proceeds have been used by Altice France to call a portion of its \$4.0 billion May 2022 6.0% Senior Secured Notes.

##### 17.1.3.2. Refinancing of a portion of the existing debt of the Altice France credit pool

On July 18, 2018, the Company had successfully priced and allocated for its Altice France credit pool €1.0 billion and \$1.75 billion of new 8.5-year Senior Secured Notes. The new €1.0 billion and \$1.75 billion Senior Secured Notes have a coupon of 5.875% and 8.125% respectively. The proceeds from this transaction, in conjunction with the proceeds raised through the \$2.5 billion of new Term Loans priced earlier in July 2018, have been used by Altice France to redeem in full its \$4.0 billion May 2022 6.0% Senior Secured Notes and €1.0 billion May 2022 5.375% Senior Secured Notes.

As a result of the refinancing transactions of the Altice France credit pool, a net loss on extinguishment of debt of €148.6 million has been recorded for the year ended December 31, 2018.

#### 17.2. 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 Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 17. Borrowings and other financial liabilities (Continued)

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

Other than 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 follows:

- Senior Secured debt of Altice International is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Senior Secured Debt) and Senior Debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Total Debt):
- Senior Secured Debt of Altice France is subject to an incurrence test of 3.25:1 (Adjusted EBITDA to Net Senior Secured Debt):
- Senior Debt of Altice Luxembourg is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Total Debt).

The Company or its relevant subsidiaries are allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments.

The Group has access to various Revolving Credit Facilities, which are subject to maintenance covenants in addition to the incurrence covenants described above.

Revolving Credit Facilities are subject to a maintenance test as follows:

- Revolving Credit Facilities of Altice International are subject to a maintenance test of 5.25:1 (Adjusted EBITDA to Net Total Debt) if outstanding at the end of the quarter:
- Revolving Credit Facilities of Altice France are subject to a maintenance test of 4.5:1 (Adjusted EBITDA to Net Senior Secured Debt) if outstanding at the end of the quarter:
- Revolving Credit Facilities of Altice Luxembourg are subject to a maintenance test of 5.5:1 (Adjusted EBITDA to Net Total Debt) if outstanding at the end of the quarter.

For details of the Revolving Credit Facilities please refer to note 17.5. As at December 31, 2018, no amounts were drawn under the various Revolving Credit Facilities, hence no maintenance test were required to be performed.

The Group was in compliance with all the covenants described above, as of December 31, 2018.

#### 17.3. 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*.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 17. Borrowings and other financial liabilities (Continued)

##### 17.3.1. Designation of derivative financial instruments

###### 17.3.1.1. 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.

###### 17.3.1.2. Instruments not eligible for hedge accounting

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

##### 17.3.2. Characteristics of the Group's derivatives

###### 17.3.2.1. CCIRS

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

Entity 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 <sup>1</sup>
<b>Altice France S.A.</b>					
February 2027	USD 1,750	EUR 1,300	8.13%	6.60%	CFH / FVPL
August 2026	USD 2,500	EUR 2,061	LIBOR +4.00%	5.50%	CFH / FVPL
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
January 2024	USD 1,425	EUR 1,104	3m LIBOR+4.25%	3m EURIBOR+4.45%	FVPL
May 2024	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
<b>Altice Luxembourg S.A.</b>					
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
<b>Altice Financing S.A.</b>					
May 2022	USD 1,700	EUR 1,485	0.075	5.25%	FVPL
May 2026	USD 1,700	EUR 1,485	6m LIBOR	6m EURIBOR -0,085%	FVPL
February 2023	USD 2,060	EUR 1,821	6.63%	5.30%	CFH
May 2026 <sup>2</sup>	USD 930	EUR 853	7.50%	7.40%	FVPL
July 2025	USD 485	EUR 449	3m LIBOR+2.75%	3m EURIBOR+2.55%	FVPL
July 2024	USD 500	EUR 442	7.50%	6.03%	FVPL
July 2024	USD 1,320	EUR 1,102	7.50%	6.02%	CFH
<b>Altice Finco S.A.</b>					
February 2025	USD 385	EUR 340	7.63%	6.25%	CFH

<sup>1</sup> 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 recognised in the cash flow hedge reserve. The derivatives not hedge accounted have the change in fair value recognised immediately in profit or loss (FVPL).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 17. Borrowings and other financial liabilities (Continued)

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, 2018. Before the impact of taxes, gains of €84.9 million were recorded in other comprehensive income, €60.7 million net of taxes.

##### 17.3.2.2. 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 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
<b>Altice France S.A.</b>					
April 2019 . . . . .	USD 1,406	USD 1,406	1m LIBOR+2.75%	3m LIBOR+2.55%	FVPL
April 2019 . . . . .	USD 2,139	USD 2,139	1m LIBOR	3m LIBOR-0.15%	FVPL
August 2019 . . . . .	USD 2,500	USD 2,500	1m LIBOR+4.00%	3m LIBOR+3.90%	FVPL
January 2023 . . . . .	EUR 4,000	EUR 4,000	3m EURIBOR	-0.12%	FVPL
<b>Altice Financing S.A.</b>					
April 2019 . . . . .	USD 901	USD 900	1m LIBOR	3m LIBOR-0.15%	FVPL
April 2019 . . . . .	USD 896	USD 896	1m LIBOR	3m LIBOR-0.15%	FVPL
May 2026 . . . . .	USD 720	USD 720	1.81%	6m LIBOR	FVPL
January 2023 . . . . .	EUR 750	EUR 750	3m EURIBOR	-0.13%	FVPL

#### 17.4. 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	December 31, 2018	December 31, 2017
	(€m)	
<b>Debentures and loans from financial institutions</b> . . . . .	<b>31,365.2</b>	<b>30,532.3</b>
Transaction costs . . . . .	349.2	303.3
Fair value adjustments . . . . .	—	(4.8)
<b>Total (excluding transaction costs and fair value adjustments)</b> . . . . .	<b>31,714.4</b>	<b>30,830.8</b>
Conversion of debentures and loans in foreign currency (at closing spot rate) . . . . .	(35,351.1)	(25,971.6)
Conversion of debentures and loans in foreign currency (at hedged rates) . . . . .	34,003.7	25,470.7
<b>Total swap adjusted value</b> . . . . .	<b>30,367.0</b>	<b>30,329.9</b>



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 17. Borrowings and other financial liabilities (Continued)

##### 17.5. Available credit facilities

<u>Available credit facilities</u>	<u>Total facility</u>	<u>Drawn</u>
	(€m)	
Altice France S.A. ....	1,125.0	—
Altice Financing S.A. ....	831.0	—
Altice Luxembourg S.A. ....	200.0	—
Revolving credit facilities .....	<u>2,156.0</u>	<u>—</u>

As at December 31, 2018, the facilities drawn under the available credit facilities amounted to nil.

##### 17.6. Other financial liabilities

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

<u>Other financial liabilities</u>	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
	(€m)					
Reverse factoring and securitisation .....	1,100.6	—	1,100.6	1,032.7	—	1,032.7
Accrued interest .....	643.7	—	643.7	657.5	—	657.5
Put options with non-controlling interests .....	—	161.6	161.6	127.8	201.6	329.4
Deposits received .....	37.2	162.7	200.0	52.0	148.0	200.0
Finance leases .....	40.4	92.9	133.3	48.9	85.0	133.8
Bank overdraft .....	39.2	—	39.2	80.3	—	80.3
Commercial paper .....	107.0	—	107.0	34.0	—	34.0
Buy out minority interest ERT Luxembourg S.A. ....	—	42.0	42.0	—	—	—
Other debts and liabilities with Altice group companies .....	—	262.9	262.9	13.4	59.8	73.2
Other .....	53.0	93.5	146.4	65.4	45.0	110.4
<b>Total</b> .....	<u>2,021.2</u>	<u>815.5</u>	<u>2,836.7</u>	<u>2,112.0</u>	<u>539.5</u>	<u>2,651.4</u>

The current portion of other financial liabilities amounts to €2,021.2 million as at December 31, 2018, a decrease €90.8 million compared to December 31, 2017. The non-current portion of other financial liabilities amounts to €815.5 million as at December 31, 2018, an increase of €276.0 compared to December 31, 2017. Details of the main items within the caption, and the movements from the prior period, are detailed below.

##### 17.6.1. 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 Altice France securing certain B2B receivables, also reducing need of working capital flows.

##### 17.6.2. Accrued interest

The accrued interest mainly relates to the interest payments related to the debentures and loans from financial institutions which are due as at December 31, 2018 and December 31, 2017 respectively.

##### 17.6.3. 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

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

#### **17. Borrowings and other financial liabilities (Continued)**

instruments are measured at their fair value at the balance sheet date (please refer to note 19.1.2 for further information). The reduction in the fair value of these instruments from the prior year is largely owing to the exercise a call option on the Altice Content Luxembourg securities held by News Participations.

In December 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 (“GNP”), the holding company of NextradioTV (the “NextradioTV Transaction”). 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. In addition, Altice has granted to News Participations a put option on the Altice Content Luxembourg securities held by News Participations. On April 5, 2018, the call option has been exercised for an amount of €100.0 million, resulting in the derecognition of the put option.

##### **17.6.4. Deposits received**

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

##### **17.6.5. Finance leases**

Please refer to note 1.3.3 for further information regarding the implementation of IFRS 16 *Leases*, which becomes effective on January 1, 2019.

##### **17.6.6. Commercial paper**

During the year Altice France issued additional commercial paper for an amount of €73.0 million under its commercial paper programme.

##### **17.6.7. Buy out minority interest in ERT Luxembourg S.A.**

On August 29, 2018, ATS France signed sale and purchase agreements with each of the five minority shareholders of ERT Luxembourg S.A. in order to acquire 253 shares of ERT Luxembourg S.A. for a total price of €42.0 million. Four of the five sale and purchase agreements contemplated a transfer of the ERT Luxembourg S.A. shares to ATS France upon signing. As a result, on the date thereof and as at December 31, 2018, ATS France owned 84.3 % of the share capital of ERT Luxembourg S.A.. Upon completion of the sale under the fifth sale and purchase agreement, which occurred on January 31, 2019, ATS France owns 100% of the share capital of ERT Luxembourg S.A.. The payment of this acquisition will be made in several instalments from January 2019 until January 2023.

##### **17.6.8. Other debts and liabilities with Altice group companies**

The increase in other debts and liabilities with Altice group companies is mainly related to the €170.0 million facility agreement between Altice Luxembourg and Altice Europe NV, which was reported on a net basis as at December 31, 2017 against other receivables. As at December 31, 2018, receivables and liabilities have been reported separately.

##### **17.6.9. Other**

Other consists mainly of various other debts and liabilities recorded by Altice group companies.

#### **17.7. Reconciliation of change in borrowings and other financial liabilities**

Total borrowings and other financial liabilities increased by €603.2 million compared to the prior year largely as a result of the refinance activities (as explained in note 17.1.3). The table below provides a

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

**17. Borrowings and other financial liabilities (Continued)**

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.

<u>Reconciliation of debt movements</u>	<u>December 31, 2017</u>	<u>Net cash flows</u>	<u>Non-cash transactions</u>	<u>Change in fair value</u>	<u>Change in foreign exchange</u>	<u>December 31, 2018</u>
			(€m)			
Senior notes . . . . .	23,557.8	(2,379.6)	1,112.5	—	(3.3)	22,287.4
Term loans . . . . .	6,974.4	2,183.1	(79.8)	—	—	9,077.8
Derivative financial instruments . . . . .	1,686.1	253.9	(589.2)	(79.7)	—	1,271.1
Other financial liabilities . . . . .	2,651.4	(18.9)	225.4	—	(21.2)	2,836.8
<b>Total . . . . .</b>	<b><u>34,869.9</u></b>	<b><u>38.6</u></b>	<b><u>668.9</u></b>	<b><u>(79.7)</u></b>	<b><u>(24.5)</u></b>	<b><u>35,473.1</u></b>

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

<u>Reconciliation to financing cash flow</u>	<u>(€m)</u>
Net cash flow (as above) . . . . .	38.6
<i>Consisting of:</i>	
Proceeds from issuance of debts . . . . .	6,333.0
Payments to redeem debt instruments . . . . .	(6,529.4)
Net cash flows on derivatives . . . . .	253.9
Net cash flows on commercial paper . . . . .	72.5
Net cash flows from factoring/securitization . . . . .	12.1
Interest paid . . . . .	(1,676.1)
Other financing cash flow . . . . .	1,572.6

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.

**17.8. Maturity of financial liabilities**

Due to the application of IFRS 7 *Financial Instruments: Disclosure* paragraph 39 and consequently the disclosure of the interest payments until maturity date in the maturity of financial liabilities, the total nominal value of borrowings disclosed in the maturity of financial liabilities tables provided below does not reconcile to the total nominal value of financial liabilities disclosed in the balance sheet as at December 31, 2018 and December 31, 2017 respectively.

<u>Maturity of financial liabilities</u>	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>More than 5 years</u>	<u>December 31, 2018</u>
			(€m)	
Loans, debentures and related hedging instruments . . . . .	102.3	7,378.4	25,155.6	32,636.3
Finance leases . . . . .	40.4	64.8	28.1	133.3
Accrued interest . . . . .	643.7	—	—	643.7
Bank overdraft . . . . .	39.2	—	—	39.2
Other financial liabilities . . . . .	1,297.8	520.2	202.4	2,020.5
Interest payments until maturity date <sup>1</sup> . . . . .	1,092.2	6,455.1	3,138.3	10,685.6
<b>Nominal value of borrowings . . . . .</b>	<b><u>3,215.6</u></b>	<b><u>14,418.5</u></b>	<b><u>28,524.4</u></b>	<b><u>46,158.6</u></b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

17. Borrowings and other financial liabilities (Continued)

<u>Maturity of financial liabilities</u>	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>More than 5 years</u>	<u>December 31, 2017</u>
			(€m)	
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 . . . . .	657.5	—	—	657.5
Bank overdraft . . . . .	80.3	—	—	80.3
Other financial liabilities . . . . .	1,325.3	311.2	143.3	1,779.8
Interest payments until maturity date <sup>1</sup> . . . . .	1,134.5	6,835.1	4,399.6	12,369.2
<b>Nominal value of borrowings . . . . .</b>	<b>3,660.1</b>	<b>14,234.4</b>	<b>29,344.5</b>	<b>47,239.0</b>

<sup>1</sup> In accordance with IFRS 7 Financial Instruments: Disclosure paragraph 39, the maturity of financial liabilities includes the future contractual undiscounted interest payments related to the loans and debentures as at December 31, 2017 and December 31, 2018 respectively. These future contractual undiscounted interest payments have been prepared on the following basis:

- For loans and debentures at variable interest rates, the interest rates have been used which were applicable at balance sheet date December 31, 2017 and December 31, 2018 respectively;
- For loans and debentures in foreign currency, the exchange rates have been used which were applicable at balance sheet date December 31, 2017 and December 31, 2018 respectively;
- In case the interest payments have been hedged, the cash flows after hedge impact have been reported

17.9. Currency of borrowings

<u>Currency of borrowings</u>	<u>Euro</u>	<u>US Dollar</u>	<u>Israeli Shekel</u>	<u>Others</u>	<u>December 31, 2018</u>
			(€m)		
Loans, debentures and related hedging instruments . . . . .	10,116.5	22,519.4	0.0	0.4	32,636.3
Finance leases . . . . .	117.1	10.5	5.6	—	133.3
Accrued interest . . . . .	312.1	331.6	—	—	643.7
Bank overdraft . . . . .	39.2	—	—	—	39.2
Other financial liabilities . . . . .	1,827.7	58.8	133.9	—	2,020.4
<b>Nominal value of borrowings . . . . .</b>	<b>12,412.7</b>	<b>22,920.3</b>	<b>139.6</b>	<b>0.4</b>	<b>35,473.0</b>

<u>Currency of borrowings</u>	<u>Euro</u>	<u>US Dollar</u>	<u>Israeli Shekel</u>	<u>Others</u>	<u>December 31, 2017</u>
			(€m)		
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
<b>Nominal value of borrowings . . . . .</b>	<b>14,634.5</b>	<b>19,899.6</b>	<b>306.8</b>	<b>29.0</b>	<b>34,869.9</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 17. Borrowings and other financial liabilities (Continued)

##### 17.10. Nature of interest rate

<u>Nature of interest rate</u>	December 31, 2018			December 31, 2017		
	Fixed	Floating	Total	Fixed	Floating	Total
	(€m)					
Loans, debentures and related hedging instruments . . . . .	23,558.5	9,077.8	32,636.3	25,244.0	6,974.4	32,218.4
Finance leases . . . . .	133.3	—	133.3	126.9	6.9	133.8
Accrued interest . . . . .	643.7	—	643.7	657.6	—	657.6
Bank overdraft . . . . .	39.2	—	39.2	80.3	—	80.3
Other financial liabilities . . . . .	2,020.5	—	2,020.5	1,694.1	85.7	1,779.8
<b>Nominal value of borrowings . . . . .</b>	<b><u>26,395.2</u></b>	<b><u>9,077.8</u></b>	<b><u>35,473.0</u></b>	<b><u>27,802.8</u></b>	<b><u>7,067.1</u></b>	<b><u>34,869.9</u></b>

#### 18. 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.

##### 18.1. 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 France, Portugal, Israel and the Dominican Republic. 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.

##### 18.2. 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 18. Financial risk factors (Continued)

Additionally, the Group has access to undrawn revolving credit facilities for an aggregate amount of €2,156.0 to cover liquidity needs not met by operating cash flow generation.

#### 18.3. 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.

##### 18.3.1. 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.

<u>Interest structure of non-current financial debt</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	(€m)	
Financial debt at fixed rates .....	26,395.2	27,802.8
Financial debt at variable rates .....	<u>9,077.8</u>	<u>7,067.1</u>
<b>Total</b> .....	<b><u>35,473.0</u></b>	<b><u>34,869.9</u></b>

The Group's proportion of variable rate debt increased from 20.3% for the year ended December 31, 2017 to 25.6% for the year ended December 31, 2018. When it can, the Group endeavors 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 17.3 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.

##### 18.3.2. 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.

<u>Sensitivity to variations in exchange rates</u>	<u>Israeli Shekel</u>	<u>Swiss Franc</u>	<u>Dominican Peso</u>	<u>Moroccan Dirham</u>	<u>Total</u>
	(€m)				
<b>Profit for the year</b>					
Increase of 10% in exchange rate .....	(12.2)	n/a	(0.2)	n/a	<b>(12.4)</b>
Decrease of 10% in exchange rate .....	12.2	n/a	0.2	n/a	<b>12.4</b>
<b>Equity</b>					
Increase of 10% in exchange rate .....	(53.5)	n/a	(24.4)	n/a	<b>(77.9)</b>
Decrease of 10% in exchange rate .....	53.5	n/a	24.4	n/a	<b>77.9</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 18. Financial risk factors (Continued)

<u>Sensitivity to variations in exchange rates</u>	<u>Israeli Shekel</u>	<u>Swiss Franc</u>	<u>Dominican Peso</u>	<u>Moroccan Dirham</u>	<u>Total</u>
	(€m)				
<b>Profit for the year</b>					
Increase of 10% in exchange rate .....	(7.7)	0.7	—	1.1	<b>(5.9)</b>
Decrease of 10% in exchange rate .....	7.7	(0.7)	—	(1.1)	<b>5.9</b>
<b>Equity</b>					
Increase of 10% in exchange rate .....	(171.1)	(2.4)	(57.7)	7.4	<b>(223.8)</b>
Decrease of 10% in exchange rate .....	171.1	2.4	57.7	(7.4)	<b>223.8</b>

Exchange differences recorded in the income statement amounted to a loss of €185.1 million (2017: €12.4 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 Altice France 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 17.

#### **18.3.3. Price risk**

The Group has investments in 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, 2018, the carrying amount of these investments was €5.5 million (€8.0 million as of December 31, 2017). For further details please also refer to note 19.1.1.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

19. Fair value of financial assets and liabilities

19.1. Fair value of assets and liabilities

Fair values of assets and liabilities	December 31, 2018		December 31, 2017 (revised*)	
	Carrying value	Fair value	Carrying value	Fair value
	(€m)			
Cash and cash equivalents	1,666.0	1,666.0	753.2	753.2
Restricted cash	35.9	35.9	33.7	33.7
Derivatives	38.1	38.1	45.1	45.1
Other financial assets	15.4	15.4	16.8	16.8
<b>Current assets</b>	<b>1,755.3</b>	<b>1,755.3</b>	<b>848.8</b>	<b>848.8</b>
Derivatives	1,427.8	1,427.8	894.9	894.9
Available for sale assets	5.5	5.5	8.0	8.0
Call options on non-controlling interests	63.5	63.5	50.6	50.6
Other financial assets	835.0	835.0	308.5	308.5
<b>Non-current assets</b>	<b>2,331.8</b>	<b>2,331.8</b>	<b>1,262.0</b>	<b>1,262.0</b>
Short term borrowings and financial liabilities	101.1	101.1	393.7	393.7
Put options with non-controlling interests	—	—	127.8	127.8
Derivatives	1.2	1.2	19.9	19.9
Reverse factoring and securitisation	1,100.6	1,100.6	1,032.7	1,032.7
Accrued interest	643.7	643.7	657.5	657.5
Deposits received	37.2	37.2	52.0	52.0
Commercial paper	107.0	107.0	34.0	34.0
Other financial liabilities	132.6	132.6	208.0	208.0
<b>Current liabilities</b>	<b>2,123.5</b>	<b>2,123.5</b>	<b>2,525.6</b>	<b>2,525.6</b>
Long term borrowings and financial liabilities	31,264.1	29,153.1	30,138.6	30,471.2
Put options with non-controlling interests	161.6	161.6	201.6	201.6
Derivatives	1,270.0	1,270.0	1,666.2	1,666.2
Other financial liabilities	653.9	653.9	337.8	337.8
<b>Non-current liabilities</b>	<b>33,349.5</b>	<b>31,238.5</b>	<b>32,344.2</b>	<b>32,676.8</b>

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.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 19. Fair value of financial assets and liabilities (Continued)

##### 19.1.1. 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	Fair value hierarchy	Valuation technique	December 31, 2018	December 31, 2017
			(€m)	
<b>Financial Liabilities</b>				
Derivative financial instruments	Level 2	Discounted cash flows	1,271.1	1,686.1
Minority Put Option—Other	Level 3	Discounted cash flows	—	27.8
Minority Put Option—Teads	Level 3	Discounted cash flows	133.6	160.4
Minority Put Option—Intelcia	Level 3	Discounted cash flows	28.0	41.2
Minority Put Option—GNP	Level 3	Discounted cash flows	—	100.0
<b>Financial Assets</b>				
Derivative financial instruments	Level 2	Discounted cash flows	1,465.9	940.0
Minority Call option—Teads	Level 3	Black and Scholes model	53.8	10.6
Minority Call option—Parilis	Level 3	Black and Scholes model	—	18.8
Minority Call option—Intelcia	Level 3	Black and Scholes model	9.7	21.2
Equity instruments at				
FVOCI—Wananchi	Level 3	Discounted cash flows	—	1.3
Equity instruments at FVOCI—Partner Co.				
Ltd.	Level 1	Quoted share price	5.5	6.7

##### 19.1.2. Information on valuation techniques:

###### 19.1.2.1. 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 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.

###### 19.1.2.2. 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.

###### 19.1.2.3. 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 (5.1%). 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.

###### 19.1.2.4. 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 19. Fair value of financial assets and liabilities (Continued)

passage of time until the option expires. Various inputs are used, including the price of the underlying asset and its volatility (45%), the strike price and maturity in the contract, and the risk-free rate (ranging between -0.705% and -0.488%) 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.

#### 19.2. Level 3 instruments

##### 19.2.1. 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.

<u>Valuation method</u>	<u>Inputs with significant judgement</u>	<u>How management determines inputs</u>	<u>Relationship to fair value</u>
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 Discount rate	Projected net debt is determined using internally produced budgets using management's best estimates of future operations of the entities concerned  Based upon the cost of debt of the funding pool	An increase in the projected net debt used in isolation would result in decrease in the fair value An increase in the discount rate used in isolation would result in decrease in the fair value

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

19. Fair value of financial assets and liabilities (Continued)

19.2.2. Reconciliation of movement in fair value of Level 3 financial instruments

Change in fair value of level 3 instruments	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2018
		(€m)		
<b>Opening balance</b> .....	<b>8.0</b>	<b>(329.5)</b>	<b>50.6</b>	<b>(270.8)</b>
Additions .....	—	—	—	—
Exercises .....	—	127.8	(18.8)	109.0
Change in value of minority put options recorded in equity .....	—	40.0	31.7	71.7
Gains or losses recognised in profit or loss ...	(2.5)	—	—	(2.5)
<b>Closing balance</b> .....	<b><u>5.5</u></b>	<b><u>(161.6)</u></b>	<b><u>63.5</u></b>	<b><u>(92.6)</u></b>

Change in fair value of level 3 instruments	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2017
		(€m)		
<b>Opening balance</b> .....	<b>7.1</b>	<b>(100.8)</b>	<b>26.8</b>	(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	—	—	.9
<b>Closing balance (revised*)</b> .....	<b><u>8.0</u></b>	<b><u>(329.5)</u></b>	<b><u>50.6</u></b>	<b><u>(270.8)</u></b>

20. 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, 2018		December 31, 2017 (*revised)	
	Operating leases	Finance leases	Operating leases	Finance leases
				(€m)
Less than one year .....	463.4	41.9	439.3	54.1
Between one and two years .....	361.7	34.6	333.1	47.8
Between two and three years .....	359.2	17.4	285.8	14.8
Between three and four years .....	322.7	16.0	246.8	4.5
Five years and beyond .....	2,085.8	26.0	1,077.3	17.1
<b>Total minimum payments</b> .....	<b><u>3,592.8</u></b>	<b><u>135.8</u></b>	<b><u>2,382.3</u></b>	<b><u>138.3</u></b>
Less: future finance expenses .....		(2.5)		(4.4)
<b>Nominal value of contracts</b> .....		<b><u>133.3</u></b>		<b><u>133.9</u></b>
Included in the consolidated financial statements as:				
— <i>Current borrowings (note 17)</i> .....		40.4		48.9
— <i>Non-current borrowings (note 17)</i> .....		92.9		85.0

The increase in minimum lease payments related to operating leases is mainly related to the master service agreements signed by PT Portugal and Altice Dominicana for respectively €1,091.5 million and

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 20. Obligations under leases (Continued)

€310.3 million with towers companies as a result of the disposal of the towers (please refer to notes 3.1.9 and 3.1.10).

The total rental expense recognised in the consolidated statement of income was €487.0 million (2017: €473.2 million).

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 do not include such revenues that amount to €491.5 million (2017: €301.0 million).

#### 21. Trade and other payables

<u>Trade and other payables</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
	(€m)	
Trade payables .....	4,747.1	4,557.7
Fixed asset payables .....	642.6	899.1
Corporate and social security contributions .....	617.2	901.6
Indirect tax payables .....	747.8	744.5
Other payables .....	1.6	.3
<b>Total</b> .....	<b><u>6,756.4</u></b>	<b><u>7,103.2</u></b>

Trade and other payables decreased to €6,756.4 million as of December 31, 2018. The decrease was mainly due to lower corporate and social security payable in Altice France as a result of restructuring payouts of €315.2 million during 2018. Additionally, the fixed asset payables decreased by €256.5 million, mainly in Altice France and PT Portugal. The decrease was partially offset by higher trade payable in Altice Luxembourg related to management fee (€81.8 million) and trade payable in Altice France due to Altice TV (€76.5 million).

#### 22. Other liabilities

<u>Other liabilities</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017 (*revised)</u>
	(€m)	
Other .....	188.4	342.6
<b>Current liabilities</b> .....	<b><u>188.4</u></b>	<b><u>342.6</u></b>
Fixed asset payables .....	38.9	53.5
Other .....	45.8	73.9
<b>Non-current liabilities</b> .....	<b><u>84.7</u></b>	<b><u>127.2</u></b>
<b>Total</b> .....	<b><u>273.0</u></b>	<b><u>469.9</u></b>

\* Please refer to note 34 for details about the revised information.

##### 22.1. Other liabilities

Other current liabilities decreased by €154.2 million, mostly caused by lower liabilities related to the acquisition of Teads (nil as at December 31, 2018 compared to €109.1 million as at December 31, 2017) and lower other current liabilities in Altice Technical Services in Israel that was nil as at December 31, 2018 (2017: €35.3 million as at December 31, 2017).

Other non-current liabilities decreased by €28.1 million compared to 2017 due to liabilities classified as held for sale related to SFR FTTH (€63.2 million), partially offset by increase in other non-current liabilities in PT Portugal which was the deferred capital gains related to the disposal of towers in PT Portugal.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 22. Other liabilities (Continued)

##### 22.2. Non-current fixed asset payables

The decrease in fixed asset payables as at December 31, 2018 compared to 2017 was explained by the lower fixed asset payables in Altice France by €13.9 million.

#### 23. Taxation

<u>Taxation</u>	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017 (*revised)</u>
		(€m)	
<i>Tax benefit recognised in the Statement of Income</i>			
Current tax .....		(339.8)	(129.1)
Deferred tax .....		272.3	552.3
<b>Income tax (expense)/benefit</b> .....	23.1	<b>(67.5)</b>	<b>424.8</b>
<i>Deferred tax balances recognised in the Statement of Financial Position</i>			
Deferred tax assets .....		153.7	145.1
Deferred tax liabilities .....		(255.8)	(494.8)
<b>Deferred tax</b> .....	23.2	<b>(102.1)</b>	<b>(349.7)</b>

\* Please refer to note 34 for details about the revised information.

##### 23.1. Reconciliation to effective tax rate

<u>Reconciliation between effective tax rate and theoretical tax rate</u>	<u>December 31, 2018</u>	<u>December 31, 2017 (*revised)</u>
	(€m)	
<b>Loss for the year</b> .....	<b>(174.6)</b>	<b>(1,683.2)</b>
Share of loss in associates .....	(7.5)	(16.7)
Tax charge (expense)/ income .....	(67.5)	424.8
<b>Loss before income tax and associates</b> .....	<b>(99.6)</b>	<b>(2,091.3)</b>
Statutory tax rate .....	26.0%	27.1%
Income tax calculated on theoretical tax .....	25.9	566.3
<b>Impact of:</b>		
Difference between Parent company and foreign income tax rates .....	23.8	93.3
Effect of permanent differences <sup>1</sup> .....	(134.3)	(123.1)
Recognition of tax losses and variation in related allowances <sup>2</sup> .....	75.1	(64.3)
French business tax .....	(49.9)	(48.7)
Effect of change in tax rate on deferred taxes <sup>3</sup> .....	39.5	(81.4)
Other current tax adjustment <sup>4</sup> .....	(51.8)	79.0
Other deferred tax adjustment .....	4.1	3.7
<b>Income tax (expense)/income</b> .....	<b>(67.5)</b>	<b>424.8</b>
Effective tax rate .....	<b>-67.7%</b>	<b>20.3%</b>

\* Please refer to note 34 for details about the revised information.

1 Permanent differences are mainly due to financial interests that are non-deductible, penalties (mainly related to gun jumping in Portugal, please refer to note 32.2.1) and other non-deductible expenses.

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

3 During 2018, change in tax rate is mainly due to 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%) and is explained

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 23. Taxation (Continued)

by the application of the different tax rates on the long term temporary differences and in the change in the timing of long term temporary differences.

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%).

- 4 During 2017, 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 23.4.1.2.

#### 23.2. Deferred tax

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

<u>Components of deferred tax balances</u>	<u>December 31, 2018</u>	<u>December 31, 2017 (*revised)</u>
	(€m)	
Employee benefits . . . . .	281.8	322.2
Other temporary non-deductible provisions . . . . .	114.4	120.7
Fair value adjustment (derivative) . . . . .	119.3	229.8
Difference between tax and accounting depreciation . . . . .	(1,249.7)	(1,435.6)
Other temporary tax deductions . . . . .	249.1	128.3
Net operating losses and tax carry forwards . . . . .	1,913.4	1,936.5
Valuation allowance on tax losses and tax carry forwards . . . . .	(1,311.6)	(1,429.4)
Valuation allowance on deferred tax asset . . . . .	(218.8)	(222.2)
<b>Total</b> . . . . .	<b>(102.1)</b>	<b>(349.7)</b>
<b>Comprising:</b>		
Deferred tax assets . . . . .	153.7	145.1
Deferred tax liabilities . . . . .	(255.8)	(494.8)

\* Please refer to note 34 for details about the revised information.

<u>Variation in deferred tax balances</u>	<u>December 31, 2018</u>	<u>December 31, 2017 (*revised)</u>
	(€m)	
<b>Opening balance</b> . . . . .	<b>(349.7)</b>	<b>(838.1)</b>
Deferred tax on income . . . . .	272.3	552.3
Deferred tax on shareholder's equity . . . . .	(24.9)	(49.5)
Change in consolidation scope . . . . .	(2.1)	(18.7)
Currency translation adjustment . . . . .	2.4	4.2
<b>Closing balance</b> . . . . .	<b>(102.1)</b>	<b>(349.7)</b>

\* Please refer to note 34 for details about the revised information.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 23. Taxation (Continued)

##### 23.3. 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:

<u>Variation in deferred tax balances</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	(€m)	
Within one year . . . . .	0.3	0.2
Between two and five years . . . . .	0.8	38.2
More than five years . . . . .	198.6	220.9
Unlimited . . . . .	<u>1,713.8</u>	<u>1,677.2</u>
<b>Net operating losses and tax carry forward, gross . . . . .</b>	<b><u>1,913.4</u></b>	<b><u>1,936.5</u></b>
Valuation allowance . . . . .	<u>(1,311.6)</u>	<u>(1,429.4)</u>
<b>Net operating losses and tax carry forward, net . . . . .</b>	<b><u><u>601.8</u></u></b>	<b><u><u>507.0</u></u></b>

\* Please refer to note 34 for details about the revised information.

Net operating losses and tax carry forward as of December 31, 2018 were related mainly to holding companies as well as Altice France and PT Portugal. The Group does not believe that the unrecognised 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, 2018 and 2017, the Group recognised deferred tax asset on the basis of projections of future use of the loss carry forward deemed probable.

##### 23.4. 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, 2018 and that have had or that may have a significant effect on the financial position of the Group.

###### 23.4.1. Altice France

###### 23.4.1.1. SFR Fibre (ex NC Numericable)

The French tax authorities have conducted various audits since 2005 with respect mainly to the VAT rates applicable to the multi-play offerings, and to a lesser extent to the tax on telecommunication services. Pursuant to the French tax code, television services are subject to a reduced VAT rate at 10%, whereas internet and telecommunication services are subject to the normal VAT rate at 20%. French tax authorities have reassessed the application of VAT rates on certain multi-play offerings for fiscal years 2011 to 2015. The company is disputing all proposed assessments and has filed appeals and litigation at various levels depending on fiscal years adjusted.

The company has recognised a provision in its accounts for an amount of €101 million (of which €68 million recorded in "Provisions" and the remaining amount in "Trade and other payables") as of December 31, 2018. Finally, the company is subject to a tax audit regarding VAT for fiscal year 2016.

## **23. Taxation (Continued)**

### **23.4.1.2. SFR**

The French tax authorities have conducted audits on fiscal years 2012 to 2015. The main reassessments relate to corporate income tax (deduction of foreign tax credits on foreign dividends, deduction of exceptional amortization of 4G licenses), and VAT rate on certain TV services. The company is disputing the main reassessments and recognised a provision of €59.2 million at December 31, 2018 related to those tax disputes. Finally, the company is subject to a tax audit regarding VAT for 2016.

In addition, the CNC (“Centre National du Cinéma”) has conducted an audit on SFR on the tax on television services (“TST”) for 2014 to 2017, which led to a reassessment relating to the scope of such tax, which should include, according to the tax authorities, all services included in an offer and not only on those allowing the access to a television service. The Group is disputing this reassessment and recognised a provision of €31.4 million at December 31, 2018 related to this dispute.

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 2017, the proposed tax adjustment had been dropped by the tax authorities and therefore the provision had been reversed (please refer to note 4.3.2.5).

### **23.4.1.3. Altice France**

The French tax authorities have conducted an audit on the taxable income of the tax group of Altice France for fiscal years 2014 and 2015. Main proposed tax reassessments relate to (i) the computation of non-deductible financial expenses pursuant to the French thin capitalization regime and (ii) the amount of the fiscal losses inherited from previous tax groups pursuant to the mechanism of imputation on a broad base (“mécanisme d’imputation sur une base élargie”). Altice France is disputing this reassessment and recognised a provision of €14 million at December 31, 2018 related to this dispute.

### **23.4.2. PT Portugal**

MEO estimated that the probable tax contingencies arising from tax audits carried out by the Portuguese tax authorities on various Group companies amounted to €59.1 million. The provision covers risks related mainly to the deductibility of capital losses on the disposal of financial investments and VAT on indemnities charged as result of the breach of loyalty contracts entered with post-paid customers. The VAT contingency relates to both the fixed and mobile businesses and covers years since 2012. The claim for the VAT of the mobile company in 2012 was being discussed in an arbitral court, which decided to send the matter to the European Court of Justice (ECJ), that issued a decision on November 22, 2018 which was not favorable to MEO, concluding that, under certain circumstances, indemnities should be charged with VAT, and at the same time referring that ultimately VAT should only be assessed based on indemnities received from customers. The tax assessments of the fixed-line company in 2012 and both the mobile and fixed-line companies in 2013 and 2014, were submitted to the arbitral court as well, and all were suspended and waited for the decision of the ECJ. Following the ECJ decision, MEO was notified of the arbitral court decisions on the 2013 fixed and 2012 mobile actions, both unfavorable but both referring that VAT should only be assessed based on indemnities received from customers, which is less than 20% of the overall indemnities invoiced. MEO will be appealing from both these decisions to the Administrative Central Court. For the year 2015, the contingency was annulled following the voluntary tax payment of approximately €1million in 2018 made by MEO under that year tax inspection. There are still no tax assessments for the years 2016 to 2018.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 23. Taxation (Continued)

##### 23.4.3. Other tax jurisdictions

Tax assessments are conducted in other tax jurisdictions within the Group (Israel, the Dominican Republic and Luxembourg). The provisions recorded in the consolidated financial statements are based on the assessment of the risk by the management's and its professional advisors.

#### 24. Other operating expenses

<u>Operating expenses</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017 (*revised)</u>
	(€m)	
Technical and maintenance costs .....	(954.3)	(1,012.0)
Customer services .....	(525.0)	(529.0)
Business Taxes .....	(285.2)	(271.7)
Sales and marketing expenses .....	(894.2)	(828.7)
General and administrative expenses .....	(455.3)	(423.0)
<b>Total</b> .....	<b><u>(3,114.0)</u></b>	<b><u>(3,064.3)</u></b>

\* Please refer to note 34 for details about the revised information.

#### 25. Equity based compensation

For the year ended December 31, 2018, the Group recorded €1.9 million as expenses related to share-based expenses in the line item "staff costs and employee benefits" (2017: €30.6 million):

- €1.7 million at Altice France (2017: €2.0 million),
- €0.2 million at Israel (2017: nil),
- nil at Altice Management International (2017: €28.6 million recharged by Altice Europe N.V.).

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

##### 25.1. Overview of the stock option plans

###### 25.1.1. Altice Europe N.V.

Altice Europe N.V. 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 Altice Group or prospective candidates for promotion within the Altice 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 Altice Europe N.V. 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 2017, the following plans were adopted:

- On June 28, 2017, the Altice Group adopted a new performance stock option plan (the "PSOP"). The PSOP is used to grant stock options to selected employees of the Altice Group, including

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 25. Equity based compensation (Continued)

Executive Board Members of Altice Europe N.V., 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 Altice Group in the mid-term.

- On November 2, 2017, the Altice 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.

The 2017 SOP and the 2017 LTIP were amended on May 18, 2018 by the annual General Meeting in order to extend their application to Executive Board Members of Altice Europe N.V..

Further, in May 2017, the Board of Altice Europe 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 Altice Europe N.V. to Next Alt, in 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 compared to the exercise price 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 compared to the exercise price on or before January 31, 2022.

##### 25.1.1.1. Grants of options under the stock option plans

The Board of Altice Europe N.V., upon recommendation of the Remuneration Committee, may grant stock options to eligible participants under the conditions set out by the specific plan.

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

In addition, the General Meeting may resolve to grant stock options to Executive Board Members of Altice Europe N.V. under the SOP, the 2017 SOP, the LTIP, the 2017 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.

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

##### 25.1.1.2. 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 25. Equity based compensation (Continued)

The Board of Altice Europe N.V., upon recommendation of the Remuneration Committee, may adjust the start date of the vesting period of any participant, provided that the Board of Altice Europe N.V. 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 Europe N.V. may, upon recommendation of the Remuneration Committee, adjust the start date of the vesting period of any participant, provided that the Board of Altice Europe N.V. 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 Europe N.V., based on a recommendation of the Remuneration Committee (or the General Meeting, 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 Altice Group does not achieve the Target. The participant needs to be employed, or to provide services to the Altice Europe N.V. or to any Altice Group Company, at the moment that it is determined that the Altice Group has achieved the Target. Participants who leave the Altice Group before the vesting date forfeit their stock options.

#### 25.1.1.3. 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 are traded on Euronext Amsterdam during a period of 30 days preceding certain dates, which differ by stock option plan as follows:

<u>SOP and 2017 SOP</u>	<u>LTIP, 2017 LTIP and PSOP</u>
i the date of the offer made to and accepted by the employee to join the Altice 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 Altice Group, or	an alternative date determined by the Board of Altice Europe N.V..
iii for an existing employee within the Altice Group, the date on which the decision was made to grant him stock options.	

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

#### 25.1.1.4. Adjustment of the terms and conditions of the stock options in connection with the separation of Altice USA from the Altice Group

On June 8, 2018, Altice Europe N.V. and Altice USA announced that the planned separation of Altice USA from the Altice Group (the "Separation") had been implemented.

In relation to the Separation, on April 30, 2018, the Board of Altice Europe N.V. resolved, on the recommendation of the Remuneration Committee, to amend the terms and conditions of the stock

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 25. Equity based compensation (Continued)

options issued under the stock option plans (other than the PSOP), which was approved by the General Meeting on June 11, 2018. The General Meeting approved the modification for the Board Members of Altice Europe N.V. but the same principles were applicable for all participants under the stock option plans (other than the PSOP): the exercise price of the stock options granted under the stock option plans (other than the PSOP)<sup>1</sup> was adjusted to reflect the Separation and a gross cash compensation corresponding to the value of a stock option on 0.4163<sup>2</sup> Altice USA share, multiplied by the number of stock options held by the participant under the relevant stock option plan, was granted to the participants who had unexercised stock options granted under the stock option plans (other than the PSOP), subject to vesting of the relevant stock options.

In addition, on May 29, 2018, the Board of Altice Europe N.V. resolved, on the recommendation of the Remuneration Committee; to amend the terms and conditions of the stock options granted to Mr. Okhuijsen under the PSOP, which was approved by the General Meeting on July 10, 2018. The General Meeting approved the amendment for Mr. Okhuijsen, in its capacity of Board Member Altice Europe N.V., but the same principles were applicable for all participants under the PSOP: the exercise price of the stock options granted under the PSOP, as well as the financial performance target to be achieved for the stock options to vest, were adjusted to reflect the Separation.

#### 25.1.2. Altice France (formerly known as 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.

#### 25.2. Grants of awards

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

<u>Altice Europe N.V.</u>	<u>Number granted (m)</u>	<u>Weighted average exercise price<sup>1</sup> (€)</u>
<b>Options outstanding as at January 1, 2017</b> .....	<b>43.2</b>	<b>2.2</b>
Granted .....	34.5	4.7
Exercised .....	—	—
Cancelled, lapsed .....	(1.6)	3.6
<b>Options outstanding as at December 31, 2017</b> .....	<b>76.1</b>	<b>3.3</b>
Granted .....	9.8	2.0
Exercised .....	—	—
Cancelled, lapsed .....	(2.9)	4.1
<b>Options outstanding as at December 31, 2018</b> .....	<b>82.9</b>	<b>3.1</b>

<sup>1</sup> Including the stock options issued pursuant to the brand license and services agreement.

<sup>2</sup> Corresponding to the number of Altice USA shares distributed to the Altice Europe N.V.'s shareholders in respect of each share in Altice Europe N.V. in connection with the Separation.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 25. Equity based compensation (Continued)

<u>Altice France</u>	<u>Number granted (m)</u>	<u>Weighted average exercise price (€)</u>
<b>Options outstanding as at January 1, 2017</b> .....	<b>3.1</b>	<b>18.4</b>
Granted .....	—	—
Exercised .....	(1.2)	12.7
Cancelled, lapsed .....	<u>(2.0)</u>	<u>24.8</u>
<b>Options outstanding as at December 31, 2017</b>	<u>—</u>	<u>—</u>

1 The weighted average exercise price for stock option plans of Altice Europe N.V. as at December 31, 2018 correspond to the repriced and adjusted weighted average exercise price following the Separation.

#### 25.3. 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; changes in these assumptions could materially affect the fair value of the options outstanding. The details of each material grant (or summary of grants) per the date of grant are set out below.

<u>Altice Europe N.V.</u>	<u>January 31, 2018</u>	<u>January 31, 2018</u>	<u>January 31, 2018</u>	<u>January 31, 2018</u>	<u>Summary of 3 grants</u>
Units granted (million) ...	5.00	1.75	1.75	1.75	1.26
Expiry date .....	January 31, 2028	January 31, 2028	January 31, 2028	January 31, 2028	Nov 2017 - Jan 2028
Unit fair value at the grant date (€) <sup>1</sup> .....	0.66	0.66	0.66	0.66	0,32 - 0,66
Share price at the grant date (€) <sup>2</sup> .....	8.66	8.66	8.66	8.66	10,25 - 8,66
Exercise price of the option (€) <sup>2</sup> .....	8.22	8.22	8.22	8.22	18.90 - 8,22
Anticipated volatility (weighted average) <sup>3</sup> ...	24.7%	24.7%	24.7%	24.7%	26,69% - 24,67%
Anticipated dividends <sup>4</sup> ...	2.50%	2.50%	2.50%	2.50%	2.50%
Risk free interest rate (governments bonds) .....	0.77%	0.77%	0.77%	0.77%	0,41% - 0,77%

<u>Altice Europe N.V.</u>	<u>January 31, 2017</u>	<u>January 31, 2017</u>	<u>January 31, 2017</u>	<u>January 31, 2017</u>	<u>Summary 19 grants</u>
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 (€) <sup>1</sup> .....	2.77	2.47	0.71	0.54	0.22 - 3.41
Share price at the grant date (€) <sup>2</sup> .....	20.28	20.28	20.28	20.28	8.18 - 22.50
Exercise price of the option (€) <sup>2</sup> .....	19.36	19.36	19.36	19.36	13.45 - 20.67
Anticipated volatility (weighted average) <sup>3</sup> ...	24.7%	24.7%	24.7%	24.7%	24.3%
Anticipated dividends <sup>4</sup> ...	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%

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 share price at the grant date and the exercise price of the option have not been adjusted for the Separation. Please refer to note 26.1.1.5.

3 The anticipated volatility is based on the average historical volatility of a select peer group over the last 10 years, given that Altice Europe N.V.'s shares have been traded just over 5 years.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 25. Equity based compensation (Continued)

4 *Anticipated dividends are based on a consistent 2.5% policy over a 10-year horizon, in line with Altice Europe N.V.'s policy. With the exception of the special distribution in kind of its 67.2% interest in Altice USA to its shareholders out of its share premium reserve on June 8, 2018, Altice Europe N.V. has not paid any dividends since its incorporation. However, Altice Europe N.V. will 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.*

#### 26. Depreciation, amortization and impairment losses

<u>Depreciation, amortization and impairment losses</u>	December 31, 2018	December 31, 2017 (*revised)
	(€m)	
Amortization of intangible assets .....	(1,690.1)	(2,333.6)
Amortization of contract costs .....	(252.3)	(237.4)
Depreciation of tangible assets .....	(1,891.6)	(1,768.9)
Impairments .....	(11.5)	(8.7)
<b>Depreciation, amortization and impairment</b> .....	<b><u>(3,845.5)</u></b>	<b><u>(4,348.5)</u></b>

\* *Please refer to note 34 for details about the revised information.*

Depreciation, amortization and impairment expenses for the year ended December 31, 2018 were lower compared to 2017 mainly due to lower amortization of brand and licenses following the postponed adoption of the Group's global brand as announced in December 2017. Additionally, the lower amortization of intangible assets in 2018 compared to 2017 was attributed to the classification of Altice TV as held for sale as of December 31, 2017, that resulted in the amortization of non-current assets in Altice TV was stopped from January 1, 2018.

In 2017, the Group recorded an accelerated amortization of brand name and customer relations of €473.3 million as a consequence of an announcement made on May 23, 2017 whereby 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. The Company has estimated the remaining useful lives to be between one and three years from the date of adoption, which reflects one year as an in-use asset and in certain cases an additional two years as a defensive asset. Amortization expense is calculated on an accelerated basis based on the Company's estimate of the intangible asset during the in-use period. The remaining estimated value of the defensive asset once it is no longer in use will be amortized over the defensive 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 27. Net finance costs

<u>Net finance costs</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017 (*revised)</u>
	(€m)	
Interests charges on borrowings .....	(1,870.3)	(1,904.5)
Mark-to-market effect on borrowings .....	192.9	(305.5)
<b>Interest relative to gross financial debt</b> .....	<b>(1,677.4)</b>	<b>(2,210.0)</b>
Other financial expenses .....	(181.0)	(226.9)
Net foreign exchange losses .....	(185.1)	(12.4)
Impairment of available for sale financial assets .....	(4.1)	(5.5)
<b>Other financial expenses</b> .....	<b>(370.3)</b>	<b>(244.8)</b>
Interest income .....	49.0	16.7
Other financial income .....	78.6	253.1
<b>Finance income</b> .....	<b>127.6</b>	<b>269.8</b>
<b>Net result on extinguishment of financial liabilities</b> .....	<b>(148.6)</b>	<b>(134.7)</b>
<b>Finance costs, net</b> .....	<b>(2,068.7)</b>	<b>(2,319.7)</b>

\* Please refer to note 34 for details about the revised information.

#### 27.1. Interest relative to gross financial debt

The decrease in interest expense for the year ended December 31, 2018 was primarily due to increasing mark-to-market gain in Altice France of €222.1 million and Altice Financing of €261.0 million compared to 2017.

#### 27.2. Other financial expenses

The significant contributors to other financial expenses for the year ended December 31, 2018 were:

- net foreign exchange losses of €185.1 million, mostly linked to the change in the effectiveness of Altice Financing's derivative;
- other financial expense consisted mainly of accrued interest for €42 million in Altice France, €26 million of other non-cash expenses in Altice France (of which €15 million related to the acquisition of the minority interests by ERT Luxembourg S.A., please refer to note 3.1.10), unwinding of discounts in Altice France of €27.0 million, unwinding of discount in PT Portugal of €6.0 million and interest expenses in HOT (€8.2 million).

#### 27.3. Finance income

The significant contributors to other financial income in 2018 were:

- other financial income in Altice France of €6.7 million for the year ended December 31, 2018, whilst it recorded total net gains of €203.1 million related to the repricing of certain CCIRS instruments during 2017;
- the changes in the fair value of the minority call option of Teads that amounted to €43.2 million;
- other financial income in Altice Holdings of €17.0 million related to reversal of a debt with Codilink S.à r.l.;
- interest incomes in Altice Luxembourg for loans provided to Altice Europe N.V. (€21.1 million) and in Altice Africa related to the secured subordinated notes in Wananchi (€14.6 million).

#### 27.4. Net result on extinguishment of financial liabilities

The refinancing transactions of the Altice France credit pool resulted in a net loss on extinguishment of debt of €148.6 million for the year ended December 31, 2018 (please refer to note 18.1.3.5).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 28. 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.

<u>Average workforce</u>	<u>Year ended December 31, 2018</u>	<u>Year ended December 31, 2017</u>
Managers .....	10,561	10,971
Technicians .....	5,559	6,315
Employees .....	19,163	17,862
<b>Total</b> .....	<b><u>35,283</u></b>	<b><u>35,148</u></b>

#### 29. Related party transactions and balances

Transactions with related parties during 2018 are mainly related to transactions with Altice USA, transactions with associates of the various operating entities of the Group and payments for services rendered by the controlling shareholder of the Group. Such transactions are limited to:

- exchange of services between Altice France and PT Portugal and their associate companies (please refer to note 9 for more details on Altice France's and PT Portugal's associates);
- grant of stock options (in 2017) to the controlling shareholder of the Company;
- exchange of services between Altice USA, Teads, PT Portugal and Altice Dominicana;
- exchange of services between Altice TV and Altice France, PT Portugal and HOT;
- exchange of services like healthcare insurance, infrastructure services, 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;
- rental agreements entered into with Quadrans, a company controlled by the ultimate beneficial owner of the Group, for office space in France for the Altice France group.

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, 2018 and December 31, 2017.

<u>Related party transactions—income and expense</u>	<u>December 31, 2018</u>				
	<u>Revenue</u>	<u>Operating expenses</u>	<u>Financial expenses</u>	<u>Financial income</u>	<u>Capex</u>
Equity holder .....	63.0	148.6	15.8	24.0	—
Executive managers .....	—	—	—	—	—
Associate companies and non-controlling interests ..	162.0	167.8	0.7	7.8	14.3
<b>Total</b> .....	<b><u>225.0</u></b>	<b><u>316.4</u></b>	<b><u>16.5</u></b>	<b><u>31.8</u></b>	<b><u>14.3</u></b>

<u>Related party transactions—income and expense</u>	<u>December 31, 2017 (*revised)</u>				
	<u>Revenue</u>	<u>Operating expenses</u>	<u>Financial expenses</u>	<u>Financial income</u>	<u>Capex</u>
Equity holder .....	—	196.5	—	—	—
Executive managers .....	—	—	—	—	—
Associate companies and non-controlling interests ..	172.0	141.0	5.0	—	—
<b>Total</b> .....	<b><u>172.0</u></b>	<b><u>337.5</u></b>	<b><u>5.0</u></b>	<b><u>—</u></b>	<b><u>—</u></b>



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

29. Related party transactions and balances (Continued)

Related party balances—assets	December 31, 2018			December 31, 2017 (*revised)		
	Investment, loans and receivables	Trade receivables and other	Current accounts	Investment, loans and receivables	Trade receivables and other	Current accounts
	(€m)					
Equity holder . . . . .	698.2	60.9	4.6	11.3	97.7	—
Executive managers . . . . .	—	—	—	—	—	—
Associate companies and non-controlling interests . . .	87.8	60.0	25.0	72.6	63.5	11.4
<b>Total . . . . .</b>	<b>785.9</b>	<b>120.9</b>	<b>29.6</b>	<b>83.9</b>	<b>161.2</b>	<b>11.4</b>

Related party balances—liabilities	December 31, 2018			December 31, 2017 (*revised)		
	Other financial liabilities	Trade payables and other	Current accounts	Other financial liabilities	Trade payables and other	Current accounts
	(€m)					
Equity holder . . . . .	262.6	381.9	10.7	—	43.0	0.3
Executive managers . . . . .	—	—	—	—	—	—
Associate companies and non-controlling interests . . .	0.9	95.2	1.1	—	198.7	0.4
<b>Total . . . . .</b>	<b>263.5</b>	<b>477.1</b>	<b>11.8</b>	<b>—</b>	<b>241.7</b>	<b>0.7</b>

The revenue reported with associated companies and non-controlling interest mainly related to:

- Fibroglobal—Comunicações Eletrónicas for €2.6 million (€2.9 million for the year ended December 31, 2017). 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 €138.0 million (€117.1 million for the year ended December 31, 2017);
- SIRESP for management of the emergency service network of €14.4 million for the year ended December 31, 2017 but zero for the year ended December 31, 2018 (SIRESP is no longer a related party in 2018, as it is consolidated due to increase of the Group's ownership); and
- Altice USA and its subsidiaries of €22.0 million for the year ended December 31, 2018, mainly related to the sale of software licenses and equipment from PT Portugal, online advertising services from Teads and long-distance traffic with Altice Dominicana. For the year ended December 31, 2017 the revenue of €30.8 million primarily related to management fee and long-distance traffic.

The revenue reported with equity holder corresponds to the revenue reported in Altice France for the services provided to Altice TV, amounting to €63.0 million for the year ended December 31, 2018.

The operating expense reported with associated companies and non-controlling interest mainly related to:

- Fibroglobal—Comunicações Eletrónicas for fibre network infrastructure management. The operating expenses of €9.2 million are related to a fee for any new customer installation and a monthly fee for PT Portugal's customer base through the network of Fibroglobal (€8.3 million for the year ended December 31, 2017);
- La Poste Telecom for the use of mobile services on their network of €14.2 million (€10.8 million for the year ended December 31, 2017);
- Sport TV for broadcasting of sports events of €65.3 million (€57.8 million for the year ended December 31, 2017);

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 29. Related party transactions and balances (Continued)

- OMTEL for operating expenses related to infrastructure service fees for €18.5 million (zero of the year ended December 31, 2017);
- VOD Factory for providing VOD services of €14.7 million (€16.8 million for the year ended December 31, 2017); and
- Phi for operating expenses for a mobile network in Israel of €38.9 million (€38.9 million for the year ended December 31, 2017).

For the year ended December 31, 2018, the Group recorded an operating expense with its equity holder of €147.2 million (€196.5 million for the year ended December 31, 2017). This operating expense mainly relates to €49.8 million of rental expenses from Quadrans (which is majority owned by the Company's controlling shareholder), management fee expenses charged by the Altice Group of €81.8 million and €12.9 million of operating expenses in Altice France for the services provided to Altice TV. For the year ended December 31, 2017, the recorded operating expense of €196.5 million with its equity holder mainly related to the EU fine of €124.5 million with Altice Europe N.V., management fees invoiced of €4.0 million, share-based expense of €13.4 million, rental expenses from Quadrans of €32.5 million and rental expenses from Green Datacenter Properties of €2.8 million (both entities were majority owned by the Company's controlling shareholder).

The financial income reported with equity holders for the year ended December 31, 2018 of €24.0 million was mainly related to the interest incomes in Altice Luxembourg for the loan granted to Altice Europe N.V.. The financial expenses with equity holders for the year ended December 31, 2018 of €15.8 million related to the interest expenses due to Altice Europe N.V. of €15.5 million and Altice Group Lux of €0.3 million.

The investment, loans and receivables with associated companies and non-controlling interests and with equity holders as of December 31, 2018 mainly related to:

- a loan of €14.3 million granted to Fibroglobal—Comunicações Eletrónicas that provides fibre network and infrastructure management services to PT Portugal (€14.2 million as of December 31, 2017);
- a loan receivable of €12.7 million with Synerail in relation to the GSMR project (€14.8 million as of December 31, 2017);
- subordinated loan with Wananchi of €57.6 million (€43.0 million as of December 31, 2017);
- loans granted to entities outside of the Altice Luxembourg Group, totalling €685.8 million (€680.0 million current and €5.8 million non-current); and
- rental agreements for office space in France for the Altice France Group entered into by the Group with Quadrans, a company controlled by the ultimate beneficial owner of the Group. The Group has a deposit of €12.4 million with Quadrans (€11.3 million as of December 31, 2017).

The trade receivables and other and the current accounts of associated companies and non-controlling interests and with equity holders as of December 31, 2018 mainly related to:

- La Poste Telecom trade receivable of €19.2 million (€23.5 million as of December 31, 2017) and a current account of €24.2 million (€11.3 million as of December 31, 2017);
- Portugal Telecom—Associação de Cuidados de Saúde trade receivable of €13.5 million (€12.9 million as of December 31, 2017) related to the employee healthcare insurance in PT Portugal;
- the trade receivables and other with Altice USA and its subsidiaries primarily relate to receivables from PT Portugal, HOT, Altice Dominicana and Teads for both 2018 and 2017, totaling €2.3 million in 2018 and €21.2 million in 2017;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 29. Related party transactions and balances (Continued)

- Sport TV trade receivable of €17.5 million (€0.9 million as of December 31, 2017); and
- Trade receivable in Altice France due to Altice TV of €49.5 million.

The other financial liabilities with equity holders as of December 31, 2018 mainly related to loans payable to Altice Europe N.V. entities recorded in Altice Luxembourg (€192.9 million), Altice International (€56.4 million) and Altice Holdings (€13.2 million).

The trade payables and other with equity holders as of December 31, 2018 mainly related to:

- trade payable with Quadrans for rental of office space for the Altice France Group of €39.5 million (€4.0 million as of December 31, 2017);
- trade payable to Altice N.V. of €124.5 million related to the fine imposed by the European Commission on the gun jumping investigation during the acquisition of PT Portugal (€124.5 million as of December 31, 2017);
- trade payable to Altice Group Lux and Altice Management International related to the management fees, totalling €81.8 million (€35.3 million as of December 31, 2017);
- trade payable in Altice France, PT Portugal and HOT with Altice TV of €85.7 million (€128.1 million as of December 31, 2017); and
- other trade payable with Altice Europe N.V. entities of €50.4 million.

The trade payables and other of associated companies and non-controlling interests as of December 31, 2018 mainly related to:

- Phi trade payable of €47.4 million (€47.7 million as of December 31, 2017). Phi is the joint venture with Partner that operates a mobile network in Israel;
- OMTEL trade payable related to infrastructure services of towers of €17.1 million (zero as of December 31, 2017);
- Sport TV, which provides broadcasting services of sport events to PT Portugal. PT Portugal has a trade payable of €12.3 million (€6.9 million as of December 31, 2017);
- VOD Factory, which provides VOD services of €4.8 million (€2.4 million as of December 31, 2017); and
- Portugal Telecom—Associação de Cuidados de Saúde provides healthcare insurance for the PT Portugal's active and retired employees. Trade payable of €6.3 million as of December 31, 2018 (€6.6 million as of December 31, 2017).

The current account with equity holder as of December 31, 2018 was mainly consisted of other current liabilities and prepaid income in Altice France with Altice TV.

#### 29.1. Compensation of key management personnel and Board of Directors

For the year ended December 31, 2018, no compensation was paid to key management personnel and Board of Directors in their capacity as a board member of Altice Luxembourg S.A..

#### 30. 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 20).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 30. Contractual obligations and commercial commitments (Continued)

Unrecognised contractual commitments December 31, 2018	< 1 year	Between 1 and 2 years	Between 2 and 4 years	Five years or more	Total
Goods and service purchase commitments . . .	472.4	347.4	380.2	346.4	1,546.4
Investment commitments . . . . .	788.0	59.4	131.4	408.3	1,387.1
Guarantees given to suppliers/customers . . . . .	64.4	24.5	.5	31.8	121.2
Guarantees given to financial institutions . . . . .	5.9	—	4.0	40.9	50.8
Guarantees given to government agencies . . . . .	4.0	8.8	16.0	97.2	126.1
Other commitments . . . . .	—	—	—	34.2	34.2
<b>Total . . . . .</b>	<b>1,334.7</b>	<b>440.2</b>	<b>532.1</b>	<b>958.9</b>	<b>3,265.9</b>

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	0.5	4.3	67.0	84.3
Other commitments . . . . .	54.5	2.1	3.3	71.9	131.9
<b>Total . . . . .</b>	<b>1,453.6</b>	<b>835.2</b>	<b>1,284.2</b>	<b>908.4</b>	<b>4,481.3</b>

#### 30.1. 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 €824.8 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 France had total commitments amounting to €363.4 million related to broadcasting rights.

During 2017, Altice Entertainment News and Sport had commitments that included a total of €370 million related to content agreements, including mainly Discovery Communications and NBC Universal agreements. The Group decided the transfer of shares of Altice TV to Altice Group Lux S.à r.l. (the parent company of Altice Luxembourg). The transaction was closed on May 15, 2018 (please refer to note 3.1.6). Therefore, those rights are not included in the commitment to purchase goods and services as of December 31, 2018.

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

#### **30. Contractual obligations and commercial commitments (Continued)**

##### **30.2. 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).

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 Altice France, a total of €649.8 million was committed to suppliers of tangible and intangible assets over a period of over five years. Additionally, a total of €638.8 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.

During 2017, the Group 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 Group decided the transfer of shares of Altice TV to Altice Group Lux S.à r.l. (the parent company of Altice Luxembourg). The transaction was closed on May 15, 2018 (please refer to note 3.1.6). Therefore, those rights are not included in the Investments commitments as of December 31, 2018.

##### **30.3. 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.

##### **30.4. 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 €38.3 million made by Altice France 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.).

##### **30.5. 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.

##### **30.6. Other commitments and guarantees**

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

##### **30.7. Other commitments**

###### **30.7.1. 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 11,591 sites have been deployed as of December 31, 2018. SFR consider that the agreement’s commitments given amount to approximately €1,194 million and commitments received amount to approximately €1,665 million, which results in a net commitment received of approximately €471 million over the long term agreement period.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 30. Contractual obligations and commercial commitments (Continued)

##### 30.7.2. Commitments linked to telecommunications activities

###### 30.7.2.1. France

SFR is the holder of operating authorizations for its networks and the provision of its telecommunications services on the French territory, as presented below:

Band	Technology	Decisions	Start	End
700 MHz . . . .	4G (2 × 5 MHz)	ARCEP Dec. n° 15-1569	December 8, 2015	December 8, 2035
800 MHz . . . .	4G (2 × 10 MHz)	ARCEP Dec. n° 12-0039	January 17, 2012	January 17, 2032
900 MHz . . . .	2G/3G/4G (2 × 10 MHz)	ARCEP Dec. n° 06-0140	March 25, 2006	March 25, 2021
		ARCEP Dec. n° 18-0683		
	2G/3G/4G (2 × 8.7 MHz)	ARCEP Dec. n° 18-1393	March 25, 2021	March 25, 2031
1800 MHz . . .	2G/4G (2 × 20 MHz)	ARCEP Dec. n° 15-0976	May 25, 2016	March 25, 2021
	2G/3G/4G (2 × 20 MHz)	ARCEP Dec. n° 18-1393	March 25, 2021	March 25, 2035
2.1 GHz . . . . .	3G (2 × 14.8 MHz)	Dec. Issued on July 8, 2001	August 21, 2001	August 21, 2021
	3G (2 × 5 MHz)	ARCEP Dec. n° 10-0633	June 8, 2010	June 8, 2030
	2G/3G/4G (2 × 9.8 MHz)	ARCEP Dec. n° 18-1393	August 21, 2021	August 20, 2031
2.6 GHz . . . . .	4G (2 × 15 MHz)	ARCEP Dec. n° 11-1171	October 11, 2011	October 11, 2031

The applicable financial terms are as follows:

- For the license in 900 MHz and 1800 MHz bands granted from March 25, 2016: annual payments for 15 years which are broken down each year into two parts, consisting of a fixed component amounting to €25 million per year (this discounted amount was capitalised as €278 million in 2006) and a variable component corresponding to 1% of the annual revenue generated by the use of those frequencies;
- For the license in the 2.1 GHz band granted from August 21, 2001: the fixed component paid in 2001, i.e., €619 million, was recognised in intangible assets and the variable component of the royalty amounted to 1% of the annual revenue generated by the use of this frequency. Additionally, under this license, SFR acquired new frequencies for €300 million in June 2010, for a 20-year period;
- For the licenses in the 2.6 GHz, 800 MHz and 700 MHz bands: the fixed components paid in October 2011 (€150 million) and January 2012 (€1,065 million) were recognised in intangible assets on the license allocation dates respectively in 2.6 GHz, 800 MHz and 700MHz bands. SFR acquired new frequencies in December 2015, for €466 million, payable in four instalments. The variable portion of the royalty is 1% of the annual revenue generated by the use of those frequencies. The variable components of these license fees, which cannot be reliably measured in advance, are not recorded on the balance sheet but are recognised under expenses for the period in which they are incurred.
- For the license in 900 MHz and 1800 MHz bands granted from March 25, 2021: the fixed part of the annual license fee amounts to €1068 per kHz duplex allocated in the 900 MHz and €571 per kHz duplex allocated in the 1800 MHz band. The variable component corresponding to 1% of the annual revenue by the use of those frequencies.
- For the license in 2.1 GHz band granted from August 21, 2021: the fixed part of the annual license fee amounts to €571 per kHz duplex allocated. The variable component corresponding to 1% of the annual revenue by the use of those frequencies.

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).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 30. Contractual obligations and commercial commitments (Continued)

##### 30.7.2.2. Portugal

MEO is the holder of operating authorizations for its networks and the provision of its telecommunications services on the Portugal territory, as presented below:

Band	Technology	Decisions	Start	End
800 MHz	4G (2 × 10 MHz)		March 9, 2012	March 9, 2027
900 MHz	2G/3G/4G (2 × 8 MHz)	Usage Rights for	February 28, 2007	March 16, 2022
1800 MHz	2G/4G (2 × 6 MHz)	Terrestrial ECS	February 28, 2007	March 16, 2022
	2G/4G (2 × 14 MHz)	ICP-ANACOM N°	March 9, 2012	March 9, 2027
2.1 GHz	3G/4G (2 × 20 MHz)	02/2012	April 21, 2018	April 21, 2033
2.6 GHz	4G (2 × 20 MHz)		March 9, 2012	March 9, 2027

Historically, there were no costs upon renewals except for further coverage obligations. Furthermore, MEO pays spectrum fees based on the MHz acquired in the several auctions.

#### 31. 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 will result in an expense being recognised by the Group, and the magnitude of the expenses can be reliably estimated. 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 disputes, arbitration, governmental or legal action or exceptional fact (including any legal action of which the Group 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 describes the new proceedings and developments in existing litigations that have occurred since the publication of the consolidated financial statements and that have had or that may have a significant effect on the financial position of the Group.

##### 31.1. France

###### 31.1.1. 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.

### 31. Litigation (Continued)

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 and obtained stay on a ruling pending the decision of the Paris Court of Appeal. On May 24, 2016, OMEA withdrew its case. EI Telecom reintroduced its case and updated its loss to up to €28 million. The procedure is pending.

#### 31.1.2. *eBizzcuss.com against Virgin*

eBizzcuss.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.

#### 31.1.3. *Complaint by SFR Fibre (ex NC Numericable) to the French Competition Authority*

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

#### 31.1.4. *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 2018 for the mobile services, and the second one in October 2018 for the fixed services. The substantive debate will only start after the analysis from Orange of the documents placed in Data Room.

#### 31.1.5. *Potential failure to meet commitments made by Altice France as part of the takeover of exclusive control of SFR relating to the agreement signed by SFR and Bouygues Telecom on November 9, 2010 (Faber)*

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 recognised 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).



## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

#### **31. Litigation (Continued)**

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.

The Competition Authority is currently controlling the compliance by SFR of its commitments under the "Faber agreement". As of December 31, 2018, the Group considers that the risk is difficult to estimate reliably and is hence considered to be a contingent liability under IAS 37 Provision, Contingent Liabilities and Contingent Assets.

##### **31.1.6. 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. SFR filed its conclusion on September 6, 2017.

On June 8, 2018, the Paris Court of Appeal rejected Orange's appeal. On December 24, 2018, Orange refiled an appeal with the Supreme Court.

##### **31.1.7. 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.

##### **31.1.8. SCT against SFR**

On October 11, 2017, SCT summoned SFR before the 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).

### 31. Litigation (Continued)

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. SFR concluded its defense pleadings on February 26, 2019. SCT had until May 7, 2019 to respond.

#### 31.1.9. 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.

On March 30, 2018, the court of Appeals of Paris ruled that seven (of the fifty or so clauses which the CLCV claimed were unfair/abusive) were unfair and demanded that SFR publish the entire ruling on its website preceded by the phrase 'legal communiqué' and ordered SFR to remove said clauses from the general terms of subscription with a penalty of up to 300 euros per day of delay. The procedure is in progress.

#### 31.1.10. 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 SFR.

Free referred the matter to the Second Paris Court of Appeal and the case was pleaded on February 13, 2019. The Court will render a decision on April 17, 2019.

### 31. Litigation (Continued)

#### **31.1.11. 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. This decision was executed and the Group paid the €5 million net amount to Free Mobile in June 2018. SFR appealed this decision. The case is still pending.

#### **31.1.12. 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.

#### **31.1.13. 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.

#### **31.1.14. 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 condemns 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;

### 31. Litigation (Continued)

- 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 for default of previous information about the exact characteristics of the offer;
- €0.1 million as article 700 of the Civil Proceedings Code.

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 is preparing the summons in summary proceedings for the First President of the Court of Appeal in order to cease provisional enforcement in this case.

Free notified the judgments on June 4, 2018. Provisional enforcement has been confirmed by the First President of the Court of Appeal on October 30, 2018. SFR communicated to each concerned clients on December 24 and 26, 2018 by mail and email, both mentioning information (i), (ii) and (iii) required. Only the email was mentioning the possibility of immediate termination of the contract.

Free went to Court to contest the proper enforcement of all convictions but lost its case before the Enforcement judge who confirmed that SFR properly enforced all convictions on March 19, 2019.

In the meantime, SFR appealed the Commercial Court's decision and filed its submissions on March 25, 2019. SFR is waiting for a hearing date.

#### **31.1.15. 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. Familles Rurales requested a provision of €0.1 million.

On October 3, 2018, the Paris District Court has rejected the claim of Familles Rurales and the Court sentenced Familles Rurales for the payment of €15,000 under the article 700 of the Civil Proceedings Code (Code de Procedure Civile). On November 5, 2018, Familles Rurales appealed the decision. The closing ordinance occurred on April 11, 2019 and the case was pleaded concomitantly in collegiate before the Court of Appeal of Paris. A new procedural calendar is awaited.

#### **31.1.16. Tracotel and Intermobility against SFR: Velib**

In May 2017, Tracotel and Intermobility sued SFR before the Paris Commercial Court 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.

In November 2018, at the time of the submission of summary conclusions, Tracotel and Intermobility requested that, in the event of rejection of their principal claim, SFR will be ordered to pay a minimum amount of €2.5 million. The conclusions of SFR in response were filed on January 25, 2019 and the date of hearings has not been scheduled yet.

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

On July 17, 2013, the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to SFR Fibre (ex NC Numericable) was consistent with European Union government aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated

### 31. Litigation (Continued)

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 SFR Fibre (ex 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.

#### **31.1.18. 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, SFR Fibre (ex 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, SFR Fibre (ex 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 SFR Fibre (ex NC Numericable) by Orange under the terms of its general technical and commercial offer, published on September 15, 2008. SFR Fibre (ex 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 SFR Fibre (ex NC Numericable) pay damages of €50 million. In a ruling dated June 20, 2014, the Paris Court of Appeals dismissed SFR Fibre's (ex NC Numericable) 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 recognised NC Numericable's interest in acting and referred the case back to the Paris Court of Appeals.

### 31. Litigation (Continued)

#### **31.1.19. 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.

#### **31.1.20. 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 recognised, 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

### 31. Litigation (Continued)

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. The department appealed this decision. The judgement rendered on July 5, 2018 granted Sequalum's request for cancellation of the compensation. On the other hand, the request for repayment was rejected. This rejection was appealed.

#### **31.1.21. Group Canal+ (GCP) against SFR and SFR Fibre (ex NC Numericable)**

On October 4, 2017, GCP summoned SFR and SFR Fibre (ex NC Numericable) before the Paris Commercial Court. GCP claimed that both SFR and SFR Fibre (ex 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.

On September 18, 2018, the two parties signed a contract allowing GCP to distribute sports channels produced by the Group via satellite. As part of this agreement, both parties decided to mutually desist from all open legal proceedings, thus ending the aforementioned litigation.

#### **31.1.22. Claim by Bouygues Telecom against SFR Fibre (ex NC Numericable) and Completel**

In late October 2013, SFR Fibre (ex 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 totalling €53 million

### 31. Litigation (Continued)

because of this contract. Bouygues Telecom alleges a loss that, according to Bouygues Telecom, justifies damages including (i) €17.3 million for alleged pre-contractual fraud (providing erroneous information prior to signing the contract), (ii) €33.3 million for alleged non-performance by the Group companies of their contractual obligations and (iii) €2.4 million for alleged damage to Bouygues Telecom's image. The Group considers these claims unfounded both in fact and in contractual terms and rejects both the allegations of Bouygues Telecom and the amount of damages claimed.

On July 24, 2015, Bouygues Telecom filed suit against SFR Fibre (ex NC Numericable) and Completel concerning the performance of the contract to supply very-high-speed links (2P/3P). Bouygues Telecom is accusing SFR Fibre (ex 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, SFR Fibre (ex 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. SFR Fibre (ex 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.

On December 5, 2018, Altice France and Bouygues concluded a settlement in order to close this litigation.

#### 31.1.23. *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.

The ICC Arbitration Court has been constituted and the first mediations were held in mid May 2018.

In a document dated June 15, 2018, Bouygues Telecom alleged that it has suffered prejudices of €164.9 million.

SFR submitted its response on October 15, 2018 and started preparing the analysis of its prejudice and analysing the prejudice mentioned by Bouygues Telecom.

On December 5, 2018, SFR and Bouygues reached a settlement agreement through which both parties agreed to mutually settle the dispute. As part of the agreement, both parties agreed to draw up new guidelines for the deployment of the fiber network under the terms of the Faber contract. Bouygues Telecom received a one-off indemnity as part of the settlement, amounting to an aggregate amount of € 58 million.

#### 31.1.24. *Complaint by Orange Réunion and Orange Mayotte against SRR and SFR*

##### *Differential on-net/off-net pricing in the mobile telephony market in Mayotte and La Réunion*

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.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 31. Litigation (Continued)

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.

On June 18, 2018, the Group agreed on a settlement with Orange, whereby both parties mutually agreed to desist from certain on-going legal actions.

#### *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).

As part of the agreement described above, on June 18, 2018, Orange has agreed to close this litigation.

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).

As part of the agreement described above, on June 18, 2018, Orange has agreed to drop this litigation.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 31. Litigation (Continued)

##### 31.2. Portugal

###### 31.2.1. European Commission 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.

On April 24, 2018, the European Commission has notified the Group of its decision to impose upon it two fines totalling €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/Altice France/Virgin gun jumping case, in which the Group had agreed not to challenge the allegations brought against it. In the Group's opinion, the Commission's decision relies on a wrongful definition of the notion of "implementation" of a concentration. Further, 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 aimed at preserving the value and integrity of the target prior to closing and was in accordance with well-established M&A market practice.

In any event, 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.

On July 5, 2018, the Group filed an Application for annulment 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 (Case T-425/18). 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.

On November 6, 2018 the Council of the European Union filed an Application to intervene in the case before the EU General Court. Both Altice Europe N.V. and the European Commission confirmed they had no observations to the Council's Application to intervene. The Council requested an extension of the time-limit to file its Statement of intervention. The Court granted that extension until February 25, 2019.

On November 30, 2018 the European Commission filed its Defence requesting the Court (1) to dismiss Altice Europe NV's Application and (2) to order the Applicant to pay the costs. The said Defence was notified to Altice Europe N.V. on December 14, 2018. On December 20, 2018, Altice Europe N.V. requested an extension of one month to lodge its Reply. The extension was granted on January 4, 2019, until February 25, 2019.

On February 25, 2019 Altice Europe N.V. filed its Reply to the Commission's Defence adhering to the conclusions and orders sought in its Application for annulment.

As of December 31, 2018, a liability of €124.5 million is recorded at Altice Portugal, as it is the acquiring entity of PT Portugal. On July 25, 2018, the Altice Group issued a bank guarantee to the European Commission.

###### 31.2.2. Vodafone—Network Sharing Agreement

Vodafone and PT Comunicações (currently MEO) signed, on July 21, 2014, an agreement for the acquisition of exclusive rights of use of the PON Network, which consisted in the possibility of access

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 31. Litigation (Continued)

to the installed infrastructure owned by each of the parties to offer new generation services and integrated offerings (voice, internet and television) autonomously in the retail market. On November 4, 2015, MEO informed Vodafone that it has decided to individually develop a new, ambitious plan for the expansion of its fiber optic network, both in geographical areas already covered by a new generation network and in other geographical areas, while continuing to comply with the agreed. Notwithstanding Vodafone states that this was a breach of the agreement and is claiming an amount of approximately €132 million from MEO for damages and losses allegedly caused by that non-compliance with the agreed.

MEO submitted its defense to these claims in June 2018, stating that (i) Vodafone did not have a contractual right to prevent MEO from developing its network autonomously and independently from the agreement, (ii) all of Vodafone rights, resulting from the agreement, were respected by MEO, and Vodafone was in no way limited by MEO in the investment in the construction of its own network, which it developed freely and voluntarily, choosing to invest where it found greater profitability for its business, and (iii) Vodafone's claims for damages and losses were not factually sustainable.

The arbitral court should schedule the date for the preliminary hearing, the next steps of the action and any expert reports to be made.

#### 31.2.3. TV Tel—Restricted access to the telecommunication ducts

In March 2004, TV TEL Grande Porto—Comunicações, S.A. ("TVTEL", subsequently acquired by NOS), a telecommunication 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 as a result of the delay in the installation of its telecommunications network in Oporto. PT Comunicações submitted its defense 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.

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 (for an amount significantly lower than the gross claim and for which there is a provision), as a result of which it has filed an appeal. In June 2018, MEO was notified of the unfavourable decision of the appeal to the Lisbon Court of Appeal, which confirmed the previous decision from the first instance court. MEO filed an appeal to the Supreme Court in July 2018.

In December 2018, MEO received the Supreme Court decision with the final conviction of MEO in the amount of € 0.7 million (€ 1.6 million with interest added). Payment by MEO to NOS occurred in January 2019.

#### 31.2.4. 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

### **31. Litigation (Continued)**

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 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 was notified that the Constitutional Court Conference did not accept and consequently will not analyse the appeal. In July 2018, MEO paid €41 million to settle the action which had been accrued for in 2015.

NOS claimed an additional amount of interests during the judicial procedure and is now claiming an additional payment of € 5 million. The contestation of the legal action by MEO was submitted and preliminary hearing should be scheduled.

#### **31.2.5. 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 (public phones) and regulated offers (ORAC). 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.

#### **31.2.6. 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. The experts presented the new final report to the court in January 2019 and the parties are waiting for the appointment date of the preliminary hearing.

#### **31.2.7. 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 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 Supreme Administrative 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 31. Litigation (Continued)

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.

##### **31.2.8. Investfundo II—Disposal of plots of land**

Investfundo 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 Investfundo 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.

##### **31.2.9. Opway—Construction of Covilhã Data Center**

In connection with construction of the Data Center in Covilhã, PT Data Center had contracted Opway-Somague consortium as its main contractor responsible for the project, while Opway-Somague contracted Isolux as a subcontractor. Isolux filed an action against the Opway-Somague consortium for alleged delays in the construction works and changes to the initial project that resulted in higher costs for Isolux. The amount of this action is approximately €17.4 million. PT Data Center is only an accessory intervener in this action and thus no amount can be directly claim from it as a result of this action. Following the action filed by Isolux, the Opway-Somague consortium filed an action against PT Data Center in late 2016 for an amount of €16.7 million, claiming that PT Data Center orientations caused changes to the work plan and other vicissitudes in the realization of the construction plan that were never paid and caused damages to the Opway-Somague consortium.

By an extra judicial agreement between Opway and the PT Data Center, closed in December 2018, with a broader scope than the facts that were being discussed in the judicial process, it was possible to close all the issues that involved the construction of the Covilhã Data Center, and the final reception of the contract took place. PT Data Center made a single payment, in face of the commitment of both parties that there was nothing more to claim from each other, and that they would desist from all legal proceedings.

The process has been finalized since the beginning of February 2019, as the request by Opway to the court for the process to be terminated occurred.

#### 32. Going concern

As of December 31, 2018, the Group had net current liability position of €3,252.8 million (mainly due to trade payables amounting to €6,756.4 million) and a negative working capital of €1,893.4 million. During the year ended December 31, 2018, the Group registered a net loss of €174.6 million from continued operations and generated cash flows of €3,963.6 million from continued operations.

As at December 31, 2018, the Group had a negative equity position of €1,604.3 million compared to €2,683.0 million as at December 31, 2017. The equity position increased from the prior period due to the sale of the minority interest in Hivory, which increased the equity position by €1,751.7 million. This increase was partly offset by decreases in the equity position due to transactions with Altice Luxembourg's shareholders, transactions with non-controlling interests and the net loss recorded for the year ended December 31, 2018.

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 and €6,756.4 million for the year ended December 31, 2018, as compared to €4,440.8 million and €7,103.2 million for the year ended December 31, 2017. Payables due the following month are covered by revenues and cash flows from operations (if needed).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 32. Going concern (Continued)

As of December 31, 2018, the Group's short-term borrowings comprised mainly loans from financial institutions for Altice France and Altice Financing for €77.8 million and €18.8 million respectively. As of December 31, 2017, the Group's short-term borrowings amounted to €413.6 million, mainly related to debentures of HOT Telecom for an amount of €199.0 million and loans from financial institutions of €194.7 million, mainly in Altice France and Altice Financing. The short-term obligations are expected to be covered by the operating cash flows of the operating subsidiaries. As at December 31, 2018, the amount drawn on the revolving credit facilities at Altice France and Altice Financing amounted to nil. A listing of available credit facilities by silo is provided in note 17.5 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's performance on Adjusted EBITDA and operating cash flows:
  - Adjusted EBITDA for the year ended December 31, 2018 amounted to €5,320.2 million, a decrease of 8.8% compared to Adjusted EBITDA for the year ended December 31, 2017. This decrease in adjusted EBITDA is mainly linked to lower performance in the Portugal, Israel, the Dominican Republic and the change in scope of consolidation.
  - Operating cash flows for the year ended December 31, 2018 were €3,963.6 million.
- The Group had unrestricted cash reserves of €1,666.0 million as of December 31, 2018, compared to €753.2 million as of December 31, 2017, 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 various debentures and loan agreements. Cash reserves in operating segments carrying debt obligations were as follows:
  - France: €1,068.5 million
  - Altice International: €597.3 million
- Additionally, as of December 31, 2018, the Group had access to revolving credit facilities of up to €2,156.0 million (of which nil was drawn as at December 31, 2018).

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 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.

In addition, on November 30, 2018, Altice France entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers—Real Assets, acting on behalf of its clients, and OMERS Infrastructure regarding the sale of a minority equity stake of 49.99% in SFR FTTH. This transaction, which closed on March 27, 2019 brought an additional €1.7 billion of cash to Altice France and is expected to give access to cheap lines of credit.

Based on the above, the Board is of the view that the Group will continue to act as a going concern for twelve months after December 31, 2018 and has hence deemed it appropriate to prepare the Consolidated Financial Statements using the going concern assumption.

#### 33. Events after the reporting period

##### 33.1. Voluntary employee reduction program in Portugal

In connection with their transformation process and their innovation and business process simplification, some of the Group companies in Portugal have launched a voluntary employee reduction program in January 2019. This program was aimed at employees of 50 years old or more; accordingly, their employment agreements shall be terminated, and those employees will be entitled

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 33. Events after the reporting period (Continued)

to receive a monthly fixed compensation up to retirement age corresponding to a percentage of their previous remuneration that varies based on the age of the employees. In connection with this program, the Group companies in Portugal have reached agreements with approximately 800 employees up to the end of March 2019, as a result of which these Group companies will recognise in the first quarter of 2019 a liability corresponding to the present value of salaries payable to those employees up to retirement age.

#### 33.2. Closing of the sale of 49.99% stake in SFR Fibre to the Home (SFR FTTH)

On March 27, 2019, the Group announced the closing of the transaction with a consortium led by OMERS Infrastructure and including AXA IM—Real Assets, and Allianz Capital Partners, regarding the sale of a minority equity stake of 49.99% in SFR FTTH. The consideration received was €1.7 billion based on a €3.4 billion equity value. Please refer to note 3.1.17.

#### 34. Revised information

The statement of income had been revised as of and for the year ended December 31, 2017 to take into account the impacts of the adoption of IFRS 15 *Revenue from Contracts with Customers* by the Group and a reclassification of net foreign exchange loss for the year ended December 31, 2017 of €12.4 million from financial income to other financial expenses.

<u>Consolidated Statement of Income</u>	<u>Year ended December 31, 2017 reported</u>	<u>Adjustment</u>	<u>Revision IFRS 15</u>	<u>Year ended December 31, 2017 revised</u>
			(€m)	
<b>Revenues</b> .....	<b>15,269.1</b>	—	<b>(118.0)</b>	<b>15,151.0</b>
Purchasing and subcontracting costs .....	(4,707.0)	—	(31.0)	(4,737.9)
Other operating expenses .....	(3,122.3)	—	58.0	(3,064.3)
Staff costs and employee benefits .....	(1,547.0)	—	—	(1,547.0)
Depreciation, amortization and impairment ...	(4,339.9)	—	(8.7)	(4,348.5)
Other expenses and income .....	(1,224.9)	—	—	(1,224.9)
<b>Operating profit/(loss)</b> .....	<b>328.0</b>	<b>—</b>	<b>(99.7)</b>	<b>228.4</b>
Interest relative to gross financial debt .....	(2,210.0)	—	—	(2,210.0)
Other financial expenses .....	(232.4)	(12.4)	—	(244.8)
Finance income .....	257.4	12.4	—	269.8
Net result on extinguishment of a financial liability .....	(134.7)	—	—	(134.7)
<b>Finance costs, net</b> .....	<b>(2,319.7)</b>	<b>—</b>	<b>—</b>	<b>(2,319.7)</b>
Net result on disposal of business .....	—	—	—	—
Share of earnings of associates .....	(16.7)	—	—	(16.7)
<b>Loss before income tax from continuing operations</b> .....	<b>(2,008.4)</b>	<b>—</b>	<b>(99.7)</b>	<b>(2,108.0)</b>
Income tax benefit/(expense) .....	388.8	—	35.9	424.8
<b>Loss for the period</b> .....	<b>(1,619.6)</b>	<b>—</b>	<b>(63.7)</b>	<b>(1,683.3)</b>
<i>Attributable to equity holders of the parent</i> ....	(1,517.8)	—	(57.3)	(1,575.0)
<i>Attributable to non-controlling interests</i> .....	(101.8)	—	(6.4)	(108.3)

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

34. Revised information (Continued)

Table below presents the revised statement of financial position as of December 31, 2017 to take into account the adjustments to reflect the impact of new accounting standards IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial instruments*. With regards to IFRS 9, the Group adopted the IFRS 9 standard based on the simplified retrospective approach; the transition impact was recorded in equity as of January 1, 2018 with no impact in 2017.

Consolidated Statement of Financial Position	As of December 31, 2017 Reported	Revision IFRS15	As of December 31, 2017 Revised	Adjustment IFRS 9	As of January 1, 2018 Adjusted IFRS9
	(€m)				
<b>Non-current assets</b>					
Goodwill	15,915.6	—	15,915.6	—	15,915.6
Intangible assets	8,901.7	(222.8)	8,678.9	—	8,678.9
Property, plant & equipment	10,415.6	—	10,415.6	—	10,415.6
Contract costs	—	241.2	241.2	—	241.2
Investment in associates	49.4	—	49.4	—	49.4
Financial assets	1,262.0	—	1,262.0	—	1,262.0
Deferred tax assets	150.1	(5.0)	145.1	19.6	164.8
Other non-current assets	377.7	—	377.7	(4.1)	373.6
<b>Total non-current assets</b>	<b>37,072.1</b>	<b>13.4</b>	<b>37,085.5</b>	<b>15.5</b>	<b>37,101.0</b>
<b>Current assets</b>					
Inventories	461.4	—	461.4	—	461.4
Contract assets	—	302.3	302.3	(13.3)	289.0
Trade and other receivables	4,440.8	—	4,440.8	(43.6)	4,397.2
Current tax assets	165.3	—	165.3	—	165.3
Financial assets	62.0	—	62.0	—	62.0
Cash and cash equivalents	753.2	—	753.2	—	753.2
Restricted cash	33.7	—	33.7	—	33.7
<b>Total current assets</b>	<b>5,916.4</b>	<b>302.3</b>	<b>6,218.7</b>	<b>(56.9)</b>	<b>6,161.8</b>
<i>Assets classified as held for sale</i>	<i>602.0</i>	<i>—</i>	<i>602.0</i>	<i>—</i>	<i>602.0</i>
<b>Total assets</b>	<b>43,590.5</b>	<b>315.7</b>	<b>43,906.2</b>	<b>(41.4)</b>	<b>43,864.8</b>
Issued capital	2.5	—	2.5	—	2.5
Additional paid in capital	1,116.4	26.7	1,143.2	—	1,143.2
Other reserves	(512.6)	1.4	(511.2)	—	(511.2)
Accumulated losses	(3,651.4)	176.6	(3,474.9)	(1.9)	(3,476.8)
<b>Equity attributable to owners of the Company</b>	<b>(3,045.1)</b>	<b>204.7</b>	<b>(2,840.4)</b>	<b>(1.9)</b>	<b>(2,842.3)</b>
Non-controlling interests	140.4	17.0	157.4	2.0	159.4
<b>Total equity</b>	<b>(2,904.7)</b>	<b>221.7</b>	<b>(2,683.0)</b>	<b>0.1</b>	<b>(2,682.9)</b>
<b>Non-current liabilities</b>					
Long term borrowings, financial liabilities and related hedging instruments	31,804.8	—	31,804.8	(56.0)	31,748.8
Other financial liabilities	539.5	—	539.5	—	539.5
Provisions	1,311.5	(4.1)	1,307.4	—	1,307.4
Deferred tax liabilities	397.4	97.4	494.8	14.9	509.7
Contract liabilities	—	466.4	466.4	—	466.4
Other non-current liabilities	593.8	(466.5)	127.3	—	127.3
<b>Total non-current liabilities</b>	<b>34,646.9</b>	<b>93.2</b>	<b>34,740.2</b>	<b>(41.2)</b>	<b>34,699.0</b>
<b>Current liabilities</b>					
Short-term borrowings, financial liabilities	413.6	—	413.6	—	413.6
Other financial liabilities	2,112.0	—	2,112.0	—	2,112.0
Trade and other payables	7,103.2	—	7,103.2	—	7,103.2
Contract liabilities	—	719.9	719.9	—	719.9
Current tax liabilities	196.8	—	196.8	—	196.8
Provisions	429.0	—	429.0	—	429.0
Other current liabilities	1,061.8	(719.2)	342.6	—	342.6
<b>Total current liabilities</b>	<b>11,316.4</b>	<b>0.7</b>	<b>11,317.1</b>	<b>—</b>	<b>11,317.1</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	<i>531.9</i>	<i>—</i>	<i>531.9</i>	<i>—</i>	<i>531.9</i>
<b>Total liabilities</b>	<b>46,495.2</b>	<b>93.9</b>	<b>46,589.2</b>	<b>(41.2)</b>	<b>46,548.0</b>
<b>Total equity and liabilities</b>	<b>43,590.5</b>	<b>315.7</b>	<b>43,906.2</b>	<b>(41.4)</b>	<b>43,864.8</b>



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

34. Revised information (Continued)

The following table provides the impact of IFRS 15 in the statement of financial position as of December 31, 2016 and the reconciliation to the published figures.

<u>Consolidated Statement of Financial Position</u>	<u>As of December 31, 2016 Published</u>	<u>Revision IFRS 15 (€m)</u>	<u>As of January 1, 2017 Revised</u>
<b>Non-current assets</b>			
Goodwill	15,799.5	—	15,799.5
Intangible assets	10,624.8	(206.4)	10,418.3
Property, plant & equipment	10,389.0	—	10,389.0
Contract costs	—	232.9	232.9
Investment in associates	60.4	—	60.4
Financial assets	2,884.8	—	2,884.8
Deferred tax assets	109.3	—	109.3
Other non-current assets	156.2	—	156.2
<b>Total non-current assets</b>	<b>40,024.0</b>	<b>26.5</b>	<b>40,050.4</b>
<b>Current assets</b>			
Inventories	393.6	—	393.6
Contracts assets	—	398.0	398.0
Trade and other receivables	4,237.3	—	4,237.3
Current tax assets	175.6	—	175.6
Financial assets	68.6	—	68.6
Cash and cash equivalents	719.9	—	719.9
Restricted cash	19.6	—	19.6
<b>Total current assets</b>	<b>5,614.6</b>	<b>398.0</b>	<b>6,012.6</b>
<i>Assets classified as held for sale</i>	476.0	—	476.0
<b>Total assets</b>	<b>46,114.6</b>	<b>424.5</b>	<b>46,539.0</b>
Issued capital	2.5	—	2.5
Additional paid in capital	840.7	—	840.7
Other reserves	(675.1)	—	(675.1)
Accumulated losses	(2,104.6)	233.7	(1,870.8)
<b>Equity attributable to owners of the Company</b>	<b>(1,936.5)</b>	<b>233.7</b>	<b>(1,702.7)</b>
Non-controlling interests	775.4	55.9	831.3
<b>Total equity</b>	<b>(1,161.1)</b>	<b>289.6</b>	<b>(871.4)</b>
<b>Non-current liabilities</b>			
Long term borrowings, financial liabilities and related hedging instruments	32,370.1	—	32,370.1
Other financial liabilities	519.7	—	519.7
Provisions	1,784.8	(4.1)	1,780.7
Deferred tax liabilities	807.6	139.8	947.4
Contract liabilities	—	392.0	392.0
Other non-current liabilities	782.2	(392.0)	390.2
<b>Total non-current liabilities</b>	<b>36,264.4</b>	<b>135.7</b>	<b>36,400.1</b>
<b>Current liabilities</b>			
Short-term borrowings, financial liabilities	419.9	—	419.9
Other financial liabilities	2,173.4	—	2,173.4
Trade and other payables	6,637.0	—	6,637.0
Contract liabilities	—	722.3	722.3
Current tax liabilities	294.1	—	294.1
Provisions	535.2	—	535.2
Other current liabilities	862.5	(723.2)	139.3
<b>Total current liabilities</b>	<b>10,922.1</b>	<b>(0.9)</b>	<b>10,921.2</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	89.2	—	89.2
<b>Total liabilities</b>	<b>47,275.7</b>	<b>134.8</b>	<b>47,410.5</b>
<b>Total equity and liabilities</b>	<b>46,114.6</b>	<b>424.5</b>	<b>46,539.0</b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

34. Revised information (Continued)

The statement of cash flow had been revised for the year ended December 31, 2017 including IFRS 15 adjustments.

<u>Consolidated Statement of Cash Flows</u>	<u>Year ended December 31, 2017 Reported</u>	<u>IFRS 15 adjustment For the year ended December 31, 2017</u>	<u>Year ended December 31, 2017 revised</u>
		(€m)	
<b>Net loss including non-controlling interests</b> . . . . .	<b>(1,619.6)</b>	<b>(63.7)</b>	<b>(1,683.3)</b>
Adjustments for: . . . . .	—	—	—
Depreciation, amortization and impairment . . . . .	4,339.9	8.7	4,348.6
Share in income of associates . . . . .	16.7	—	16.7
Gains and losses on disposals . . . . .	—	—	—
Expenses related to share based payment . . . . .	30.6	—	30.6
Other non-cash operating (losses)/gains, net . . . . .	(37.8)	—	(37.8)
Pension liability payments . . . . .	(129.1)	—	(129.1)
Finance costs recognised in the statement of income . . . . .	2,319.7	—	2,319.7
Income tax credit recognised in the statement of income . . . . .	(388.8)	(35.9)	(424.7)
Income tax paid . . . . .	(304.9)	—	(304.9)
Changes in working capital . . . . .	317.1	93.6	410.7
<b>Net cash provided by operating activities</b> . . . . .	<b>4,543.8</b>	<b>2.7</b>	<b>4,546.5</b>
Payments to acquire tangible and intangible assets and contract costs . . . . .	(3,538.6)	(2.7)	(3,541.3)
Prepayments for content rights . . . . .	(70.5)	—	(70.5)
Payments to acquire financial assets . . . . .	(45.5)	—	(45.5)
Proceeds from disposal of businesses . . . . .	345.1	—	345.1
Proceeds from disposal of tangible, intangible and financial assets . . . . .	24.9	—	24.9
Payments to acquire interests in associates . . . . .	(34.9)	—	(34.9)
Payment to acquire subsidiaries, net . . . . .	(289.8)	—	(289.8)
<b>Net cash used in investing activities</b> . . . . .	<b>(3,609.3)</b>	<b>(2.7)</b>	<b>(3,612.0)</b>
Proceeds from issue of equity instruments by a subsidiary . . . . .	18.0	—	18.0
Proceeds from issuance of debts . . . . .	8,519.9	—	8,519.9
Transactions with non-controlling interests . . . . .	(661.1)	—	(661.1)
Payments to redeem debt instruments . . . . .	(7,468.8)	—	(7,468.8)
Advances group companies . . . . .	701.5	—	701.5
Transfers to restricted cash . . . . .	(18.8)	—	(18.8)
Dividends paid to non-controlling interests . . . . .	(12.9)	—	(12.9)
Interest paid . . . . .	(1,952.6)	—	(1,952.6)
Other cash provided by financing activities . . . . .	1.1	—	1.1
<b>Net cash used in financing activities</b> . . . . .	<b>(873.7)</b>	<b>—</b>	<b>(873.7)</b>
Classification of cash as held for sale . . . . .	(17.6)	—	(17.6)
Effects of exchange rate changes on the balance of cash held in foreign currencies . . . . .	(9.8)	—	(9.8)
<b>Net change in cash and cash equivalents</b> . . . . .	<b>33.3</b>	<b>—</b>	<b>33.3</b>
Cash and cash equivalents at beginning of the year . . . . .	719.9	—	719.9
<b>Cash and cash equivalents at end of the period</b> . . . . .	<b>753.2</b>	<b>—</b>	<b>753.2</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2018 (Continued)

#### 35. 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
01 net Mag S.A.S. (Ex. Newsco Mag S.A.S.) ....	France	FC	90.7%
A Nous Paris S.A.S. ....	France	FC	90.7%
Agglo La Rochelle THD S.A.S. ....	France	FC	90.6%
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	86.1%
Altice Caribbean S.à r.l. ....	Luxembourg	FC	100.0%
Altice Content Luxembourg S.A. ....	Luxembourg	FC	90.7%
Altice Customer Services S.à r.l. ....	Luxembourg	FC	58.9%
Altice Dominicana, S.A. ....	Dominican Republic	FC	100.0%
Altice Financing S.A. ....	Luxembourg	FC	100.0%
Altice Finco S.A. ....	Luxembourg	FC	100.0%
Altice France S.A. ....	France	FC	90.7%
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 Luxembourg FR Bis S.à r.l. ....	Luxembourg	FC	100.0%
Altice Luxembourg FR S.A. ....	Luxembourg	FC	100.0%
Altice Media Events S.A.S. ....	France	FC	90.7%
Altice Media Publicite S.A.S. ....	France	FC	90.7%
Altice Portugal, S.A. ....	Portugal	FC	100.0%
Altice Teads S.A. ....	Luxembourg	FC	96.2%
Altice Technical Services France S.à r.l. ....	Luxembourg	FC	90.7%
Altice Technical Services S.A. ....	Luxembourg	FC	100.0%
Altice West Europe S.à r.l. ....	Luxembourg	FC	100.0%
Ariège Telecom S.A.S. ....	France	FC	90.7%
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%
Belmont Infra Holding S.A. ....	Portugal	EM	25.0%
BFM Business TV SASU ....	France	FC	90.4%
BFM Paris SASU ....	France	FC	90.4%
BFM Sport SASU ....	France	FC	90.4%
BFMTV SASU ....	France	FC	90.4%
BRTL Holding S.A. (previously Portugal Telecom Brasil, S.A.) ....	Portugal	FC	100.0%
BRTL Media, Ltda. (previously Pt Multimédia.Com Brasil, Ltda.) ....	Portugal	FC	100.0%
Business FM SASU ....	France	FC	90.4%
Cap Connexion S.A.S. ....	France	FC	90.7%

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

**35. List of entities included in the scope of consolidation (Continued)**

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Method of consolidation</u>	<u>Economic Interest</u>
CID S.A. ....	France	FC	90.7%
City Call Ltd. ....	Mauritius	FC	86.1%
Coditel Holding II S.à r.l. ....	Luxembourg	FC	100.0%
Coditel Holding S.A. ....	Luxembourg	FC	100.0%
Completel S.A.S. ....	France	FC	90.7%
Comstell S.A.S. ....	France	FC	45.3%
Connect 76 S.A.S. ....	France	FC	90.6%
Contact Cabo Verde—Telemarketing E Serviços De Informação, S.A. ....	Portugal	FC	100.0%
Cool Holdings Limited S.A. ....	Israel	FC	100.0%
Corsica Fibra S.A.S. ....	France	FC	90.6%
Debitex Telecom S.A.S. ....	France	FC	90.6%
Diversite TV France S.A.S. ....	France	FC	90.4%
DTV Holding S.A.S. (Ex. Pho Holding SASU) ....	France	FC	90.4%
Emashore S.A. ....	Morocco	FC	58.9%
Ericsson Inovação S.A. ....	Portugal	EM	49.0%
ERT Holding France S.A.S. ....	France	FC	90.7%
ERT Luxembourg S.A. ....	Luxembourg	FC	76.5%
ERT Technologies S.A.S. ....	France	FC	90.7%
Eure Et Loir Thd S.A.S. ....	France	FC	90.6%
Fischer Telecom S.A.S. ....	France	EM	30.8%
FOD SND ....	France	FC	90.6%
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%
Gard Fibre S.A.S. ....	France	FC	90.6%
Global Interlink, Ltd. ....	Bahamas	FC	100.0%
Gravelines Network S.A.S. ....	France	FC	90.6%
Groupe L'express S.A. (Ex-Groupe Altice Media) ....	France	FC	90.7%
Groupe News Participations S.A.S. ....	France	FC	90.4%
Groupe Outremer Telecom S.A. ....	France	FC	86.1%
Groupe Tests Holding SASU ....	France	FC	90.4%
H. Hadaros 2012 Ltd. ....	Israel	FC	100.0%
Haut-Rhin Telecom S.A.S. ....	France	FC	90.6%
Hivory S.A.S. ....	France	FC	45.4%
Hot Eidan Holdings ....	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 Digital Kft (Hdt) ....	Portugal	EM	44.6%
Icart S.A.S. ....	France	FC	90.7%
Informatique Telematique Ocean Indien S.à r.l. ....	France	FC	43.9%
Infracos S.A.S. ....	France	JO	45.3%
Inolia S.A. ....	France	FC	54.4%
Inovendys S.A. ....	Morocco	FC	58.9%

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

35. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Intelcia Cameroun S.A. ....	Cameroon	FC	41.3%
Intelcia Cote d'Ivoire S.A.S. ....	Cote d'Ivoire	FC	58.9%
Intelcia France S.A.S. ....	France	FC	58.9%
Intelcia Group S.A. ....	Morocco	FC	58.9%
Intelcia Maroc Inshore S.A. (Ex. Atento Maroc S.A.) ....	Morocco	FC	58.9%
Intelcia Maroc S.A. (Ex. TWW S.A.) ....	Morocco	FC	58.9%
Intelcia Senegal S.A.S. ....	Senegal	FC	58.9%
Intelcia Service Client S.A. (Ex. SFR Service Client S.A.) ....	France	FC	58.9%
Iris 64 S.A.S. ....	France	FC	63.4%
Irisé S.A.S. ....	France	FC	22.7%
Isère fibre SASU ....	France	FC	90.7%
Isracable Ltd. ....	Israel	FC	100.0%
IT Rabat S.à r.l. ....	Marocco	FC	58.9%
Janela Digital-Informática E Telecomunicações, Lda. ....	Portugal	EM	50.0%
La Banque Audiovisuelle S.A.S. ....	France	FC	90.4%
La Poste Telecom S.A.S. ....	France	EM	44.4%
LD Communications Italie Srl ....	Italy	FC	90.7%
LD Communications Suisse S.A. ....	Switzerland	FC	90.7%
L'express Ventures S.A.S. ....	France	FC	62.1%
Liberation Medias S.à r.l. ....	France	FC	90.7%
Liberation S.à r.l. ....	France	FC	90.7%
Loiret Thd S.A.S. ....	France	FC	90.6%
Ltbr S.A. ....	France	FC	90.7%
Macs Thd S.A.S. ....	France	FC	90.6%
Manche Telecom S.A.S. ....	France	FC	63.4%
Martinique THD S.A.S. ....	France	FC	90.7%
Martinique TV Cable S.A. ....	France	FC	86.1%
MCS S.A.S. ....	France	FC	90.4%
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%
Mobius S.A.S. ....	France	FC	85.3%
Moselle Telecom Part. S.A.S. ....	France	FC	50.8%
Moselle Telecom S.A.S. ....	France	FC	35.3%
Multicert—Serviços De Certificação Electrónica, S.A. ....	Portugal	EM	20.0%
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	90.4%
Newco C SASU ....	France	FC	90.4%
Newco E SASU ....	France	FC	90.4%
Newco G SASU ....	France	FC	90.4%
Next Pictures SASU ....	France	FC	90.4%
Next Radio TV S.A. ....	France	FC	90.4%
Nextdev SASU ....	France	FC	90.4%
Nextinteractive SASU ....	France	FC	90.4%

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2018 (Continued)

35. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Nextprod S.A.S. ....	France	FC	90.4%
Nextrégie SASU ....	France	FC	90.4%
Numergy S.A.S. ....	France	FC	90.7%
Numericable US LLC ....	USA	FC	90.7%
Numericable US S.A.S. ....	France	FC	90.7%
Ocealis S.A.S. ....	France	EM	22.7%
Oise Numérique S.A.S. ....	France	FC	90.6%
Omer Telecom Ltd. ....	UK	FC	90.7%
OMT Invest S.A.S. ....	France	FC	86.1%
OMT Océan 1 ....	France	FC	86.1%
OMT Océan 2 ....	France	FC	86.1%
OMT Océan 3 S.A.S. ....	France	FC	90.7%
OMT Ocean 4 S.A.S. ....	France	FC	100.0%
Opalys Telecom S.A.S. ....	France	FC	90.6%
Open Labs Pesquisa E Desenvolvimento Ltda. ...	Portugal	FC	100.0%
Openidea Tecnologias De Telecomunicações E Sistemas De Informação, S.A. ....	Portugal	FC	100.0%
Openidea, Tecnologias De Telecomunicações E Sistemas De Informação Lda. (Angola) ....	Portugal	FC	100.0%
OpenLabs S.A. (Brazil) (previously Portugal Telecom Inovação Brasil, S.A.) ....	Portugal	FC	100.0%
OPS S.A.S. ....	France	FC	86.1%
OTR2 S.à r.l. ....	Luxembourg	FC	100.0%
Outremer Télécom S.A.S. ....	France	FC	86.1%
Outremer-Telecom Ltee ....	Mauritius	FC	86.1%
Outremer-Telecom Madagascar ....	Madagascar	FC	86.1%
Pays Voironnois Network S.A.S. ....	France	FC	90.6%
Phi ....	Israel	EM	50.0%
Portugal Telecom Data Center, S.A. ....	Portugal	FC	100.0%
Prélude et Fugue 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%
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	90.6%
Rhon'telecom S.A.S. ....	France	FC	54.4%
Rimbaud Gestion B Sci ....	France	FC	90.7%
Le Studio Next SASU (Ex. RMC—BFM Production SASU) ....	France	FC	90.4%
RMC BFM Edition SASU ....	France	FC	90.4%

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

**35. List of entities included in the scope of consolidation (Continued)**

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Method of consolidation</u>	<u>Economic Interest</u>
RMC Découverte S.A.S. ....	France	FC	90.4%
RMC S.A. Monegasque ....	France	FC	90.4%
RMC Sport SASU ....	France	FC	90.4%
S.G.P.I.C.E., S.A. (previously Yunit Serviços, S.A.) ....	Portugal	EM	33.3%
Sadotel S.A.S. ....	Dominican Republic	FC	60.0%
Sequalum Participation S.A.S. ....	France	FC	90.7%
Sequalum S.A.S. ....	France	FC	90.7%
SFCM S.A. ....	France	FC	90.7%
SFR Business Distribution S.A. (Ex. Cinq Sur Cinq S.A.) ....	France	FC	90.7%
SFR Business Solutions Morocco S.A. (Ex. Telindus Morocco S.A.) ....	Morocco	FC	90.7%
SFR Collectivités S.A. ....	France	FC	90.6%
SFR Développement S.A.S. ....	France	FC	90.7%
SFR Distribution S.A. (Ex. SFD S.A.) ....	France	FC	90.7%
SFR Fibre S.A.S. (Ex. NC Numericable S.A.S.) ...	France	FC	90.7%
SFR Participation S.A.S. ....	France	FC	90.7%
SFR Presse Distribution S.A.S. ....	France	FC	90.7%
SFR Presse S.A.S. ....	France	FC	90.7%
SFR S.A. ....	France	FC	90.7%
SHD S.A. ....	France	FC	90.7%
Siresp, Gestão Redes Digitais Segurança E Emergência, S.A. ....	Portugal	FC	52.1%
Smartshore S.à r.l. ....	Morocco	FC	58.9%
Société Nouvelle de Télécommunication et Communication S.à r.l. ....	France	FC	90.6%
Sofialys S.A.S. ....	France	EM	21.6%
South Sharon Communications (1990) Ltd. ....	Israel	FC	100.0%
Sport TV Portugal, S.A. ....	Portugal	EM	25.0%
Sportinvest Multimedia S.A. ....	Portugal	EM	50.0%
Sportinvest Multimédia, Sgps, S.A. ....	Portugal	EM	50.0%
Sportscotv SASU ....	France	FC	90.4%
SRR SCS ....	France	FC	90.7%
Sud Partner S.à r.l. ....	France	EM	21.8%
Sudtel France SASU ....	France	FC	70.0%
Sudtel S.A. ....	Portugal	FC	70.0%
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	51.0%
Teads Argentina S.A. ....	Argentina	FC	96.2%
Teads Brasil Solucoes Em Propaganda e Video Ltd. ....	Brazil	FC	96.2%
Teads Canada Inc. ....	Canada	FC	96.2%
Teads Colombia S.A.S. ....	Colombia	FC	96.2%
Teads Deutschland GmbH ....	Germany	FC	96.2%
Teads Espana SLU ....	Spain	FC	96.2%
Teads France S.A.S. ....	France	FC	96.2%
Teads Inc. ....	USA	FC	96.2%

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2018 (Continued)**

**35. List of entities included in the scope of consolidation (Continued)**

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Method of consolidation</u>	<u>Economic Interest</u>
Teads Italia SRL .....	Italy	FC	96.2%
Teads Japan .....	Japan	FC	96.2%
Teads Korea .....	Korea	FC	96.2%
Teads Latam LLC .....	USA	FC	96.2%
Teads Ltd. ....	UK	FC	96.2%
Teads Mexico SA de CV .....	Mexico	FC	96.2%
Teads Rus LLC .....	Russia	FC	96.2%
Teads S.A. ....	Luxembourg	FC	96.2%
Teads Schweiz GmbH .....	Switzerland	FC	96.2%
Teads Sing. Pte .....	Singapore	FC	96.2%
Teads Studio Ltd. ....	United Kingdom	FC	96.2%
Teads Studio SRL .....	Romania	FC	96.2%
Teloise S.A.S. ....	France	FC	63.4%
The Marketing Group S.A.S. ....	France	FC	58.9%
TME France S.A. ....	France	FC	90.7%
TMG Succ .....	Marocco	FC	58.9%
Tnord S.A. ....	Portugal	FC	60.0%
TRC Belgium Sprl .....	Belgium	FC	90.7%
Valofibre S.A.S. ....	France	FC	90.6%
Vod Factory S.A.S. ....	France	EM	36.3%
WMC S.A.S. ....	France	FC	90.4%
World Satellite Guadeloupe S.A. ....	France	FC	86.1%
Ypso Finance S.à r.l. ....	Luxembourg	FC	90.7%
Ypso France S.A.S. ....	France	FC	90.7%
Zira Ltd. ....	Israel	EM	20.0%



To the Sole Shareholder of  
Altice Luxembourg S.A.  
5 rue Eugène Ruppert  
L-2453 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREÉ**

### **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, 2018, 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, 2018, 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 26, 2019

**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**

## Table of Contents

<b>Consolidated Statement of Income</b> .....	F-139
<b>Consolidated Statement of Other Comprehensive Income</b> .....	F-139
<b>Consolidated Statement of Financial Position</b> .....	F-140
<b>Consolidated Statement of Changes in Equity</b> .....	F-141
<b>Consolidated Statement of Cash Flows</b> .....	F-142
<b>Notes to the Consolidated Financial Statements</b> .....	F-143
1 About Altice Luxembourg and Altice Group .....	F-143
2 Significant accounting policies .....	F-147
3 Scope of consolidation .....	F-166
4 Segment reporting .....	F-172
5 Goodwill .....	F-178
6 Intangible assets .....	F-183
7 Property, plant and equipment .....	F-185
8 Investment in associates .....	F-187
9 Financial assets and other non-current assets .....	F-188
10 Inventories .....	F-189
11 Trade and other receivables .....	F-190
12 Cash and cash equivalents and restricted cash .....	F-192
13 Shareholders' equity .....	F-192
14 Provisions .....	F-194
15 Employee benefit provisions .....	F-195
16 Borrowings and other financial liabilities .....	F-199
17 Financial risk factors .....	F-209
18 Fair value of financial assets and liabilities .....	F-212
19 Obligations under leases .....	F-215
20 Trade and other payables .....	F-216
21 Other liabilities .....	F-216
22 Taxation .....	F-217
23 Other operating expenses .....	F-220
24 Equity based compensation .....	F-220
25 Depreciation, amortization and impairment losses .....	F-225
26 Net finance cost .....	F-225
27 Average workforce .....	F-226
28 Related party transactions and balances .....	F-227
29 Contractual obligations and commercial commitments .....	F-229
30 Litigation .....	F-231
31 Going concern .....	F-245
32 Events after the reporting period .....	F-246
33 List of entities included in the scope of consolidation .....	F-248
Report of the réviseur d'entreprises agréé .....	F-254

**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**Consolidated Statement of Income**

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
(€m)			
<b>Revenues</b> .....	4	<b>15,269.1</b>	<b>15,380.2</b>
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)
<b>Operating profit</b> .....	4	<b>328.0</b>	<b>1,281.9</b>
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)
<b>Finance costs, net</b> .....		<b>(2,319.7)</b>	<b>(2,216.7)</b>
Net result on disposal of business .....	3.2	—	104.6
Share of earnings of associates .....		(16.7)	(1.4)
<b>Loss before income tax</b> .....		<b>(2,008.4)</b>	<b>(831.6)</b>
Income tax benefit .....	22	388.8	(107.2)
<b>Loss for the year</b> .....		<b>(1,619.6)</b>	<b>(938.8)</b>
<i>Attributable to equity holders of the parent</i> .....		(1,517.8)	(850.2)
<i>Attributable to non-controlling interests</i> .....		(101.8)	(88.6)

**Consolidated Statement of Other Comprehensive Income**

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
(€m)			
<b>Loss for the period</b> .....		<b>(1,619.6)</b>	<b>(938.8)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that are reclassified to profit or loss</b>			
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)
<b>Item that is not reclassified to profit or loss</b>			
Actuarial loss, net of taxes .....		(8.5)	(45.1)
<b>Total other comprehensive income</b>		<b>163.7</b>	<b>(520.4)</b>
<b>Total comprehensive loss for the period</b>		<b>(1,456.0)</b>	<b>(1,459.2)</b>
<i>Attributable to equity holders of the parent</i> .....		(1,355.2)	(1,309.4)
<i>Attributable to non-controlling interests</i> .....		(100.7)	(149.8)

*The accompanying notes from page F-8 to F-118 form an integral part of these consolidated financial statements.*

**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**Consolidated Statement of Financial Position**

	Notes	As of December 31, 2017	As of December 31, 2016
(€m)			
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>37,072.2</b>	<b>40,024.0</b>
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>5,916.3</b>	<b>5,614.6</b>
<i>Assets classified as held for sale</i>	3.4	602.0	476.0
<b>Total assets</b>		<b>43,590.5</b>	<b>46,114.6</b>
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)
<b>Equity attributable to owners of the Company</b>		<b>(3,045.1)</b>	<b>(1,936.5)</b>
Non-controlling interests	3	140.4	775.4
<b>Total equity</b>		<b>(2,904.7)</b>	<b>(1,161.1)</b>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<b>34,646.9</b>	<b>36,264.4</b>
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>11,316.4</b>	<b>10,922.1</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	3.4	531.9	89.2
<b>Total liabilities</b>		<b>46,495.2</b>	<b>47,275.7</b>
<b>Total equity and liabilities</b>		<b>43,590.5</b>	<b>46,114.6</b>

The accompanying notes from page F-8 to F-118 form an integral part of these consolidated financial statements.

**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**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	Avail for
<b>Equity at January 1, 2016</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>1,016.1</b>	<b>(1,276.3)</b>	<b>3.4</b>	<b>(217.6)</b>	<b>2</b>
Loss for the period .....	—	—	—	(850.2)	—	—	—
Other comprehensive profit/(loss) .....	—	—	—	—	20.4	(437.1)	0
<b>Comprehensive profit/(loss)</b> .....	—	—	—	<b>(850.2)</b>	<b>20.4</b>	<b>(437.1)</b>	<b>0</b>
Conversion common shares B to common shares A .....	—	—	—	—	—	—	—
Dividends .....	—	—	—	—	—	—	—
Share based payments .....	—	—	—	21.9	—	—	—
Transactions with non-controlling interests .....	—	—	(92.7)	—	—	—	—
Other .....	—	—	(82.7)	—	—	—	—
<b>Equity at December 31, 2016</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>840.8</b>	<b>(2,104.6)</b>	<b>23.9</b>	<b>(654.7)</b>	<b>2</b>

**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	Avail for
<b>Equity at January 1, 2017</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>840.8</b>	<b>(2,104.6)</b>	<b>23.9</b>	<b>(654.7)</b>	<b>2</b>
Loss for the period .....	—	—	—	(1,517.8)	—	—	—
Other comprehensive profit/(loss) .....	—	—	—	—	37.0	133.3	0
<b>Comprehensive profit/(loss)</b> .....	—	—	—	<b>(1,517.8)</b>	<b>37.0</b>	<b>133.3</b>	<b>0</b>
Conversion common shares B to common shares A .....	—	—	—	—	—	—	—
Share based payments .....	—	—	—	(29.1)	—	—	—
Transactions with non-controlling interests .....	—	—	(1,447.1)	—	—	—	—
Transactions with Altice shareholders <sup>1</sup> .....	—	—	(51.1)	—	—	—	—
Dividends .....	—	—	—	—	—	—	—
Contribution from sole shareholder .....	—	—	1,800.9	—	—	—	—
Other .....	—	—	(27.1)	—	—	—	—
<b>Equity at December 31, 2017</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>1,116.4</b>	<b>(3,651.4)</b>	<b>60.9</b>	<b>(521.4)</b>	<b>3</b>

<sup>1</sup> Transactions with Altice shareholders corresponds to the impairment loss of €51.1 million recorded by the Group in Altice Content. For more details see note 12.

The accompanying notes from page F-8 to F-118 form an integral part of these consolidated financial statements.

**Altice Luxembourg S.A.**  
**Consolidated Financial Statements**  
**Consolidated Statement of Cash Flows**

	Notes	Year ended December 31, 2017	Year ended December 31, 2016
		(€m)	
<b>Net (loss) including non-controlling interests</b>		<b>(1,619.6)</b>	<b>(938.8)</b>
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 <sup>1</sup>		(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)
<b>Net cash provided by operating activities</b>		<b>4,543.8</b>	<b>4,976.3</b>
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 acquire interests in associates	3	(34.9)	(359.8)
Payment to acquire subsidiaries, net	3	(289.8)	(169.8)
<b>Net cash used in investing activities</b>		<b>(3,609.3)</b>	<b>(4,035.5)</b>
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 <sup>3</sup>		1.1	580.5
<b>Net cash (used)/generated in financing activities<sup>2</sup></b>		<b>(873.7)</b>	<b>(847.6)</b>
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
<b>Net change in cash and cash equivalents</b>		<b>33.3</b>	<b>94.3</b>
Cash and cash equivalents at beginning of the year	12	719.9	625.7
<b>Cash and cash equivalents at end of the year</b>	12	<b>753.2</b>	<b>719.9</b>

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 F-8 to F-118 form an integral part of these consolidated financial statements.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017

#### 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;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 1. About Altice Luxembourg and Altice Group (Continued)

- 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-employment 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;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 1. About Altice Luxembourg and Altice Group (Continued)

- 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 1. About Altice Luxembourg and Altice Group (Continued)

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, derecognition 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 1. About Altice Luxembourg and Altice Group (Continued)

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 current 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

##### 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.



## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

#### **2. Significant accounting policies (Continued)**

##### **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;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

- 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 noncurrent 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. Significant accounting policies (Continued)

### 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

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.

<u>The useful lives of the intangible assets are as follows:</u>	<u>Duration</u>
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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

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:

<u>The estimated useful lives of property, plant and equipment were:</u>	<u>Duration</u>
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.

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

#### **2. Significant accounting policies (Continued)**

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

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.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

## 2. Significant accounting policies (Continued)

### 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.

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

#### **2. Significant accounting policies (Continued)**

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 nonderivatives 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. Significant accounting policies (Continued)

### 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 noncontrolling interests.

In the absence of specific IFRS guidance, the accounting at the end of each reporting period is as follows, while the noncontrolling 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;

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 2. Significant accounting policies (Continued)

- (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 expend 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. Significant accounting policies (Continued)

### 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

## 2. Significant accounting policies (Continued)

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

## 2. Significant accounting policies (Continued)

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

## 2. Significant accounting policies (Continued)

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

<sup>1</sup> 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.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 3. Scope of consolidation (Continued)

##### 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

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

#### **3. Scope of consolidation (Continued)**

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 crossmedia 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 Apex

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

#### **3. Scope of consolidation (Continued)**

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 Cabovisão 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.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

3. Scope of consolidation (Continued)

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.

<u>Acquisitions of businesses</u>	<u>Teads</u>	<u>Total</u>
	(€m)	
Consideration transferred .....	<b>302.3</b>	<b>302.3</b>
Allocation to minority interests .....	—	—
<b>ASSETS</b> .....		—
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
<b>Total assets</b> .....	<b>191.1</b>	<b>191.1</b>
<b>EQUITY AND LIABILITIES</b> .....		—
Non-current liabilities .....	17.3	17.3
Current liabilities .....	73.1	73.1
<b>Total liabilities</b> .....	<b>90.5</b>	<b>90.6</b>
<b>Net assets</b> .....	<b>100.6</b>	<b>100.6</b>
Residual goodwill .....	<b>201.7</b>	<b>201.7</b>

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:

<u>Profit or loss before acquisition by the Group</u>	<u>Teads</u>	<u>Total</u>
	(€m)	
<b>Revenues</b> .....	<b>117.0</b>	<b>117.0</b>
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)
<b>Operating profit</b> .....	<b>3.1</b>	<b>3.1</b>
<b>Profit for the period</b> .....	<b>(1.7)</b>	<b>(1.7)</b>

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 3. Scope of consolidation (Continued)

##### 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 HungaroDigital. 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.

	December 31, 2017						December 31, 2016
	Green	Wholesale Market	Altice Content <sup>1</sup>	AMI	Other	Total	Coditel
				(€m)			
Disposal groups held for sale							
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
<b>Total assets held for sale . . . . .</b>	<b>145.3</b>	<b>36.0</b>	<b>409.1</b>	<b>6.9</b>	<b>4.4</b>	<b>602.0</b>	<b>416.6</b>
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)
<b>Total liabilities related to asset held for sale . . . . .</b>	<b>(79.2)</b>	<b>(25.4)</b>	<b>(319.4)</b>	<b>(107.9)</b>	<b>—</b>	<b>(531.9)</b>	<b>(42.9)</b>

<sup>1</sup> 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 3. Scope of consolidation (Continued)

*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. Segment reporting (Continued)

##### 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)

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

4. Segment reporting (Continued)

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	France	Portugal	Israel	Dominican Republic	Others	Inter- segment elimination	Total
				€m			
<b>Revenues</b> .....	<b>10,915.8</b>	<b>2,233.8</b>	<b>1,036.1</b>	<b>692.7</b>	<b>1,708.9</b>	<b>(1,318.3)</b>	<b>15,269.1</b>
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)
<b>Total</b> .....	<b>3,712.4</b>	<b>992.9</b>	<b>471.2</b>	<b>349.5</b>	<b>447.3</b>	<b>(80.5)</b>	<b>5,892.7</b>
Stock option expense ....	2.0	—	—	—	28.6	—	30.6
<b>Adjusted EBITDA</b> .....	<b>3,714.4</b>	<b>992.9</b>	<b>471.2</b>	<b>349.5</b>	<b>475.9</b>	<b>(80.5)</b>	<b>5,923.4</b>
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)
<b>Operating profit/(loss)</b> ...	<b>(81.6)</b>	<b>(73.9)</b>	<b>122.1</b>	<b>189.4</b>	<b>252.5</b>	<b>(80.5)</b>	<b>328.0</b>

For the year ended December 31, 2016	France	Portugal	Israel	Dominican Republic	Others	Inter- segment elimination	Total
				€m			
<b>Revenues</b> .....	<b>10,990.5</b>	<b>2,311.5</b>	<b>955.5</b>	<b>717.5</b>	<b>733.0</b>	<b>(327.9)</b>	<b>15,380.2</b>
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)
<b>Total</b> .....	<b>3,761.5</b>	<b>1,088.5</b>	<b>430.9</b>	<b>376.1</b>	<b>271.2</b>	<b>(10.9)</b>	<b>5,917.2</b>
Stock option expense .....	4.0	—	—	—	18.7	—	22.8
<b>Adjusted EBITDA</b> .....	<b>3,765.5</b>	<b>1,088.5</b>	<b>430.9</b>	<b>376.1</b>	<b>289.9</b>	<b>(10.9)</b>	<b>5,940.0</b>
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)
<b>Operating profit/(loss)</b> .....	<b>656.6</b>	<b>165.6</b>	<b>62.7</b>	<b>173.8</b>	<b>234.0</b>	<b>(10.9)</b>	<b>1,282.0</b>



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 4. Segment reporting (Continued)

##### 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:

<u>Other expenses and income</u>	<u>Notes</u>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
		(€m)	
Stock option expense .....	4.4.1	30.6	22.8
<b>Items excluded from adjusted EBITDA .....</b>		<b>30.6</b>	<b>22.8</b>
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
<b>Other expenses and income .....</b>		<b>1,224.9</b>	<b>598.7</b>

##### 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

## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

#### **4. Segment reporting (Continued)**

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.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

4. Segment reporting (Continued)

4.5. Revenue by activity

For the year ended December 31, 2017	France	Portugal	Israel	Dominican Republic	Others	Total
				€m		
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
<b>Total standalone revenues .....</b>	<b>10,915.8</b>	<b>2,233.8</b>	<b>1,036.1</b>	<b>692.7</b>	<b>1,708.9</b>	<b>16,587.3</b>
Intersegment eliminations .....	(97.5)	(45.4)	(1.2)	(9.0)	(1,165.2)	(1,318.3)
<b>Total consolidated revenues .....</b>	<b>10,818.4</b>	<b>2,188.4</b>	<b>1,035.0</b>	<b>683.7</b>	<b>543.7</b>	<b>15,269.1</b>

For the year ended December 31, 2016	France	Portugal	Israel	Dominican Republic	Others	Total
				€m		
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
<b>Total standalone revenues .....</b>	<b>10,990.5</b>	<b>2,311.5</b>	<b>955.5</b>	<b>717.5</b>	<b>733.0</b>	<b>15,708.1</b>
Intersegment eliminations .....	(43.7)	(34.6)	(0.3)	(3.7)	(245.6)	(327.9)
<b>Total consolidated revenues .....</b>	<b>10,946.9</b>	<b>2,276.9</b>	<b>955.2</b>	<b>713.8</b>	<b>487.4</b>	<b>15,380.2</b>

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	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
				€m			
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
<b>Payments to acquire tangible and intangible assets .....</b>	<b>2,595.2</b>	<b>453.3</b>	<b>255.3</b>	<b>111.1</b>	<b>209.6</b>	<b>(86.0)</b>	<b>3,538.6</b>

For the year ended December 31, 2016	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
				€m			
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)
<b>Payments to acquire tangible and intangible assets .....</b>	<b>2,526.7</b>	<b>387.3</b>	<b>315.9</b>	<b>135.5</b>	<b>292.8</b>	<b>(10.3)</b>	<b>3,647.9</b>

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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 4. Segment reporting (Continued)

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	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
				€m			
Adjusted EBITDA .....	3,714.4	992.9	471.2	349.5	475.9	(80.5)	<b>5,923.4</b>
Capital expenditure (accrued) .....	<u>(2,368.0)</u>	<u>(469.4)</u>	<u>(262.5)</u>	<u>(116.6)</u>	<u>(112.4)</u>	<u>86.0</u>	<b><u>(3,242.9)</u></b>
<b>Operating free cash flow (OpFCF) .....</b>	<b><u>1,346.4</u></b>	<b><u>523.5</u></b>	<b><u>208.7</u></b>	<b><u>232.9</u></b>	<b><u>363.5</u></b>	<b><u>5.5</u></b>	<b><u>2,680.5</u></b>
				€m			
For the year ended December 31, 2016	France	Portugal	Israel	Dominican Republic	Others	Eliminations	Total
Adjusted EBITDA .....	3,765.5	1,088.5	430.9	376.1	289.9	(10.9)	<b>5,940.0</b>
Capital expenditure (accrued) .....	<u>(2,312.0)</u>	<u>(443.3)</u>	<u>(314.0)</u>	<u>(123.1)</u>	<u>(582.7)</u>	<u>10.3</u>	<b><u>(3,765.0)</u></b>
<b>Operating free cash flow (OpFCF) .....</b>	<b><u>1,453.5</u></b>	<b><u>645.2</u></b>	<b><u>116.8</u></b>	<b><u>253.0</u></b>	<b><u>(292.8)</u></b>	<b><u>(0.7)</u></b>	<b><u>2,175.0</u></b>

#### 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	January 1, 2017	Recognized on business combination	Changes in foreign currency translation	Held for sale	December 31, 2017
			(€m)		
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
<b>Gross value .....</b>	<b><u>15,955.2</u></b>	<b><u>264.2</u></b>	<b><u>(122.5)</u></b>	<b><u>(26.0)</u></b>	<b><u>16,070.8</u></b>
France .....	—	—	—	—	—
Portugal .....	—	—	—	—	—
Israel .....	(151.3)	—	4.7	—	(146.7)
Dominican Republic .....	—	—	—	—	—
Others .....	(4.6)	—	(4.0)	—	(8.6)
<b>Cumulative impairment .....</b>	<b><u>(155.9)</u></b>	<b><u>—</u></b>	<b><u>0.7</u></b>	<b><u>—</u></b>	<b><u>(155.2)</u></b>
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
<b>Net book value .....</b>	<b><u>15,799.5</u></b>	<b><u>264.2</u></b>	<b><u>(121.8)</u></b>	<b><u>(26.0)</u></b>	<b><u>15,915.6</u></b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 5. Goodwill (Continued)

<u>Goodwill</u>	<u>January 1, 2016</u>	<u>Recognized on business combination</u>	<u>Changes in foreign currency translation</u>	<u>Held for sale</u>	<u>December 31, 2016</u>
			(€m)		
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
<b>Gross value</b> .....	<b>15,423.3</b>	<b>760.9</b>	<b>66.6</b>	<b>(295.5)</b>	<b>15,955.2</b>
France .....	—	—	—	—	—
Portugal .....	—	—	—	—	—
Israel .....	(144.1)	—	(7.2)	—	(151.3)
Dominican Republic .....	—	—	—	—	—
Others .....	(4.6)	—	—	—	(4.6)
<b>Cumulative impairment</b> .....	<b>(148.6)</b>	<b>—</b>	<b>(7.2)</b>	<b>—</b>	<b>(155.9)</b>
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
<b>Net book value</b> .....	<b>15,274.7</b>	<b>760.9</b>	<b>59.4</b>	<b>(295.5)</b>	<b>15,799.5</b>

#### 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. Cashflows

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 5. Goodwill (Continued)

##### 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
<b>At December 31, 2017</b>					
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%
<b>At December 31, 2016</b>					
Quoted share price <sup>1</sup> (€) . . . . .	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%

<sup>1</sup> 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	France	Portugal	Israel	Dominican Republic	Others
			(€m)		
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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 5. Goodwill (Continued)

##### 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 5. Goodwill (Continued)

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.

	<u>€m</u>
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.



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

6. Intangible assets

Intangible assets December 31, 2017	January 1, 2017	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other <sup>1</sup>	December 31, 2017
	(€m)							
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
<b>Gross value</b>	<b>15,693.5</b>	<b>1,106.6</b>	<b>(132.9)</b>	<b>84.0</b>	<b>(133.4)</b>	<b>(557.9)</b>	<b>31.7</b>	<b>16,091.7</b>
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 <sup>2</sup>	(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)
<b>Cumulative amortization</b>	<b>(5,068.7)</b>	<b>(2,519.9)</b>	<b>108.9</b>	<b>—</b>	<b>90.7</b>	<b>212.7</b>	<b>(13.7)</b>	<b>(7,190.1)</b>
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
<b>Net book value</b>	<b>10,624.8</b>	<b>(1,413.3)</b>	<b>(23.9)</b>	<b>84.0</b>	<b>(42.7)</b>	<b>(345.2)</b>	<b>18.0</b>	<b>8,901.7</b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

6. Intangible assets (Continued)

Intangible assets December 31, 2016	January 1, 2016	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2016
	(€m)							
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
<b>Gross value</b>	<b>14,258.8</b>	<b>1,554.3</b>	<b>(162.1)</b>	<b>454.4</b>	<b>69.9</b>	<b>(120.0)</b>	<b>(361.8)</b>	<b>15,693.5</b>
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)
<b>Cumulative amortization</b>	<b>(3,319.0)</b>	<b>(2,117.5)</b>	<b>156.3</b>	<b>—</b>	<b>(50.6)</b>	<b>69.5</b>	<b>192.6</b>	<b>(5,068.7)</b>
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
<b>Net book value</b>	<b>10,939.8</b>	<b>(563.2)</b>	<b>(5.8)</b>	<b>454.4</b>	<b>19.3</b>	<b>(50.5)</b>	<b>(169.2)</b>	<b>10,624.8</b>

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 6. Intangible assets (Continued)

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	January 1, 2017	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other <sup>1</sup>	December 31, 2017
				(€m)				
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
<b>Gross value .....</b>	<b>14,881.2</b>	<b>2,233.9</b>	<b>(1,001.4)</b>	<b>2.3</b>	<b>(315.5)</b>	<b>(139.8)</b>	<b>(233.3)</b>	<b>15,427.4</b>
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)
<b>Cumulative depreciation .....</b>	<b>(4,492.2)</b>	<b>(1,768.9)</b>	<b>785.3</b>	<b>—</b>	<b>210.6</b>	<b>54.7</b>	<b>198.8</b>	<b>(5,011.8)</b>
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
<b>Net book value .....</b>	<b>10,389.0</b>	<b>465.0</b>	<b>(216.1)</b>	<b>2.3</b>	<b>(104.9)</b>	<b>(85.1)</b>	<b>(34.6)</b>	<b>10,415.6</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 7. Property, plant and equipment (Continued)

Property, plant and equipment December 31, 2016	January 1, 2016	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2016
	(€m)							
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
<b>Gross value .....</b>	<b>13,513.2</b>	<b>2,171.5</b>	<b>(683.0)</b>	<b>51.4</b>	<b>170.7</b>	<b>(121.5)</b>	<b>(221.1)</b>	<b>14,881.2</b>
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)
<b>Cumulative depreciation ..</b>	<b>(3,216.3)</b>	<b>(1,917.5)</b>	<b>583.3</b>	<b>—</b>	<b>(127.6)</b>	<b>43.2</b>	<b>142.7</b>	<b>(4,492.2)</b>
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
<b>Net book value .....</b>	<b>10,296.9</b>	<b>254.0</b>	<b>(99.7)</b>	<b>51.4</b>	<b>43.1</b>	<b>(78.3)</b>	<b>(78.4)</b>	<b>10,389.0</b>

<sup>1</sup> 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 8. Investment in associates

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

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

		Year ended December 31, 2017				
Group	Investments in associates	Revenues	Net profit/ (loss)	Net equity	Cash (-)/ Net debt (+)	Total Assets
		(€m)				
<b>SFR</b>	La Poste Telecom .....	232.5	(28.5)	(74.8)	28.9	59.7
	Synerail .....	74.8	6.8	6.5	440.6	515.4
<b>PT Portugal</b>	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

		Year ended December 31, 2016				
Group	Investments in associates	Revenues	Net profit/ (loss)	Net equity	Cash (-)/ Net debt (+)	Total Assets
		(€m)				
<b>SFR</b>	La Poste Telecom .....	214.0	(19.0)	(90.0)	56.0	45.0
	Synerail .....	81.7	11.0	(2.7)	526.0	610.1
<b>PT Portugal</b>	Sport TV .....	149.1	(113)	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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 8. Investment in associates (Continued)

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

<u>Financial assets</u>	<u>Note</u>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
		(€m)	
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
<b>Total</b> . . . . .		<b>1,324.0</b>	<b>2,953.5</b>
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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 9. Financial assets and other non-current assets (Continued)

- 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	December 31, 2017	December 31, 2016
	(€m)	
Pension assets .....	4.3	2.3
Income tax receivables .....	0.3	33.9
Prepaid expenses .....	184.1	—
Other receivables .....	188.9	120.0
<b>Total</b> .....	<b><u>377.7</u></b>	<b><u>156.2</u></b>

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.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

10. Inventories (Continued)

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).

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

10.1. Inventory obsolescence

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

<u>Inventory obsolescence</u>	Raw materials and consumables	Work in progress (goods)	Total
	(€m)		
<b>Opening balance: January 1, 2016</b> .....	<b>(61.3)</b>	<b>(3.6)</b>	<b>(65.0)</b>
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)
<b>Closing balance: December 31, 2016</b> .....	<b>(60.3)</b>	<b>(2.6)</b>	<b>(62.9)</b>

11. Trade and other receivables

<u>Trade and other receivables</u>	Year ended December 31, 2017	Year ended December 31, 2016
	(€m)	
Trade receivables .....	3,397.3	2,982.1
Other receivables .....	1,043.5	1,255.2
<b>Total</b> .....	<b>4,440.8</b>	<b>4,237.3</b>



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

11. Trade and other receivables (Continued)

11.1. Trade receivables

<u>Trade receivables</u>	<u>Gross trade receivables</u>	<u>Allowance for doubtful debts</u>	<u>Total</u>
		(€m)	
<b>Opening balance: January 1, 2017</b> .....	<b>3,755.0</b>	<b>(773.0)</b>	<b>2,982.1</b>
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
<b>Closing balance: December 31, 2017</b> .....	<b><u>4,257.4</u></b>	<b><u>(860.2)</u></b>	<b><u>3,397.3</u></b>

<u>Trade receivables</u>	<u>Gross trade receivables</u>	<u>Allowance for doubtful debts</u>	<u>Total</u>
		(€m)	
<b>Opening balance: January 1, 2016</b> .....	<b>3,496.8</b>	<b>(731.8)</b>	<b>2,765.0</b>
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
<b>Closing balance: December 31, 2016</b> .....	<b><u>3,755.0</u></b>	<b><u>(773.0)</u></b>	<b><u>2,982.1</u></b>

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

<u>Age of trade receivables</u>	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
		(€m)
Not yet due .....	2,970.4	2,598.4
30—90 days .....	227.6	194.0
91—120 days .....	199.3	189.6
<b>Total</b> .....	<b><u>3,397.3</u></b>	<b><u>2,982.1</u></b>

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.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

11. Trade and other receivables (Continued)

11.2. Other receivables

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

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

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

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:

<u>Equity attributable to owners of the Company</u>	<u>Notes</u>	As of December 31, 2017	As of December 31, 2016
		(€m)	
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)
<b>Total</b> .....		<b><u>(3,045.1)</u></b>	<b><u>(1,936.4)</u></b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 13. Shareholders' equity (Continued)

##### 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

<u>Changes in additional paid in capital</u>	December 31, 2017	December 31, 2016
	(€m)	
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)
<b>Total</b> .....	<b><u>1,116.5</u></b>	<b><u>840.7</u></b>

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:

<u>Other reserves</u>	December 31, 2017			December 31, 2016		
	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
	(€m)					
Actuarial gains and losses .....	(75.9)	20.3	(55.6)	(64.2)	17.1	(47.1)
<b>Items not reclassified to profit or loss</b> .....	<b>(75.9)</b>	<b>20.3</b>	<b>(55.6)</b>	<b>(64.2)</b>	<b>17.1</b>	<b>(47.1)</b>
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)
<b>Items potentially reclassified to profit or loss</b> ...	<b>(707.7)</b>	<b>250.7</b>	<b>(457.0)</b>	<b>(932.6)</b>	<b>304.6</b>	<b>(628.0)</b>
<b>Total</b> .....	<b><u>(783.6)</u></b>	<b><u>271.0</u></b>	<b><u>(512.6)</u></b>	<b><u>(996.8)</u></b>	<b><u>321.7</u></b>	<b><u>(675.1)</u></b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

14. Provisions

<u>Provisions</u>	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		(€m)	
Provisions . . . . .	14	848.4	1,287.7
Employee benefit provisions . . . . .	15	887.8	1,032.3
<b>Total . . . . .</b>		<b>1,736.3</b>	<b>2,320.1</b>
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:

<u>Provisions December 31, 2017</u>	<u>January 1, 2017</u>	<u>Business Combinations</u>	<u>Additions</u>	<u>Utilization</u>	<u>Held for sale</u>	<u>Other<sup>1</sup></u>	<u>December 31, 2017</u>
				(€m)			
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
<b>Total . . . . .</b>	<b>1,285.4</b>	<b>0.2</b>	<b>1,002.7</b>	<b>(1,025.7)</b>	<b>(13.0)</b>	<b>(401.1)</b>	<b>848.4</b>

<u>Provisions December 31, 2016</u>	<u>January 1, 2016</u>	<u>Business Combinations</u>	<u>Additions</u>	<u>Utilization</u>	<u>Held for sale</u>	<u>Other</u>	<u>December 31, 2016</u>
				(€m)			
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
<b>Total Gross Value</b>	<b>1,057.1</b>	<b>49.3</b>	<b>427.4</b>	<b>(157.9)</b>	<b>(1.9)</b>	<b>(88.4)</b>	<b>1,285.4</b>

<sup>1</sup> 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 14. Provisions (Continued)

##### 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 column Other includes mainly the reversal of provisions that were not used.

<u>Restructuring provisions</u>	<u>December 31, 2016</u>	<u>Additions</u>	<u>Utilization</u> (€m)	<u>Other</u>	<u>December 31, 2017</u>
France .....	145.6	746.2	(765.7)	(80.2)	<b>45.9</b>
Other .....	3.9	(1.5)	(3.5)	1.1	—
	<u>149.5</u>	<u>744.7</u>	<u>(769.2)</u>	<u>(79.1)</u>	<u>45.9</u>

##### 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:

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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 15. Employee benefit provisions (Continued)

##### 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 suspended 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.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

15. Employee benefit provisions (Continued)

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

<u>Defined benefit obligations</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
<b>Opening balance at January 1</b> .....	<b>1,202.6</b>	<b>1,237.8</b>
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
<b>Closing balance at December 31</b> .....	<b>1,048.8</b>	<b>1,202.9</b>
<i>including commitments not financed</i> .....	589.8	711.6
<i>including commitments totally financed or partially financed</i> .....	459.0	491.3

15.2.2. Fair value of plan assets

<u>Fair value of plan assets</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
<b>Opening balance at January 1</b> .....	<b>170.2</b>	<b>186.1</b>
Business combinations <sup>1</sup> .....	—	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
<b>Closing balance at December 31</b> .....	<b>161.0</b>	<b>170.6</b>

<u>Fair value of plan assets</u>	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	(€m)			
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 <sup>1</sup> .....	77.8	48.3%	84.9	49.7%
<b>Closing balance at December 31</b> .....	<b>161.0</b>	<b>100.0%</b>	<b>170.6</b>	<b>100.0%</b>

<sup>1</sup> Included in other are mainly cash and cash equivalents and investment funds held.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

15. Employee benefit provisions (Continued)

15.2.3. Amounts recognized in comprehensive income

<u>Defined benefit plan: amounts recognised in comprehensive income</u>	December 31, 2017	December 31, 2016
	(€m)	
Current service cost .....	20.0	17.7
Net interest expense .....	9.2	11.3
Settlement .....	—	—
Curtailment .....	(25.9)	7.6
<b>Expenses recognised in profit or loss .....</b>	<b>3.3</b>	<b>36.7</b>
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)
<b>Expenses recognised in other comprehensive income .....</b>	<b>19.5</b>	<b>64.0</b>
<b>Total expenses recorded in comprehensive income .....</b>	<b>22.7</b>	<b>100.8</b>

15.2.4. Defined benefit plan valuation assumptions

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

<u>Assumptions used in actuarial valuation: Europe</u>	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%
<u>Assumptions used in actuarial valuation: Israel and Dominican Republic</u>	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:

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



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

16. Borrowings and other financial liabilities

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

16.1. Debentures and loans from financial institutions

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

16.1.1. Debentures

<u>Maturity of debentures</u>	<u>Less than one year</u>	<u>One year or more</u>	December 31, 2017	December 31, 2016
(€m)				
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
<b>Total</b>	<b>199.0</b>	<b>23,358.8</b>	<b>23,557.8</b>	<b>26,807.0</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 16. Borrowings and other financial liabilities (Continued)

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 <sup>1</sup>	Altice Finco S.A.	€ 675 million	4.75%	2028	644.0	675.0	—	—
Senior notes <sup>2</sup>	Altice Finco S.A.	\$ 425 million	9.88%	2020	—	—	425.4	403.2
Senior secured notes <sup>3</sup>	Altice Financing S.A.	€ 300 million	6.50%	2022	—	—	315.0	300.0
Senior secured notes <sup>3</sup>	Altice Financing S.A.	\$ 900 million	6.50%	2022	—	—	890.1	853.8
Fair value adjustments					—	4.8	—	—
Transaction costs					—	(227.5)	—	(297.5)
<b>Total value of bonds</b>					<b>24,144.7</b>	<b>23,557.8</b>	<b>28,193.1</b>	<b>26,807.0</b>
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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 16. Borrowings and other financial liabilities (Continued)

##### 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.

<u>Maturity of loans from financial institutions</u>	<u>Less than one year</u>	<u>One year or more</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
			(€m)	
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
<b>Total</b> .....	<b><u>194.7</u></b>	<b><u>6,779.7</u></b>	<b><u>6,974.5</u></b>	<b><u>5,616.7</u></b>

<u>Term loans and revolving credit facilities</u>					<u>December 31, 2017</u>		<u>December 31, 2016</u>	
<u>Type</u>	<u>Borrower</u>	<u>Currency</u>	<u>Note ref</u>	<u>Year of maturity</u>	<u>Face value (currency)</u>	<u>Carrying amount (€)</u>	<u>Face value (currency)</u>	<u>Carrying amount (€)</u>
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
						<b><u>6,974.4</u></b>		<b><u>5,616.7</u></b>

\* 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 16. Borrowings and other financial liabilities (Continued)

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 16. Borrowings and other financial liabilities (Continued)

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:

<u>Facility</u>	<u>Amount</u> (€m)	<u>Financial covenant</u>
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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 16. Borrowings and other financial liabilities (Continued)

##### 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 <sup>1</sup>
<b>SFR Group S.A.</b>					
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 <sup>2</sup>	USD 1,425	EUR 1,104	3m LIBOR+4.25%	3m EURIBOR+4.45%	FVPL
May 2024 <sup>2</sup>	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
<b>Altice Luxembourg S.A.</b>					
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
<b>Altice Financing S.A.</b>					
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 <sup>4</sup>	EUR 853	7.50%	7.40%	CFH
July 2025	USD 485 <sup>3</sup>	EUR 449	3m LIBOR+2.75%	3m EURIBOR+2.55%	FVPL
July 2024	USD 1,820	EUR 1,544	7.50%	6.02%	CFH
<b>Altice Finco S.A.</b>					
February 2025	USD 385	EUR 340	7.63%	6.25%	CFH

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> 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.

<sup>4</sup> 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).

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

**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:

<u>Entity and maturity</u>	<u>Notional amount due from counterparty (millions)</u>	<u>Notional amount due to counterparty (millions)</u>	<u>Interest rate due from counterparty</u>	<u>Interest rate due to counterparty</u>	<u>Accounting treatment</u>
<b>SFR Group S.A.</b>					
January 2023 .....	EUR 4,000	EUR 4,000	3m EURIBOR	-0.12%	FVPL
<b>Altice Financing S.A.</b>					
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:

<u>Reconciliation to swap adjusted debt</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
<b>Debentures and loans from financial institutions</b> .....	<b>30,532.3</b>	<b>32,423.8</b>
Transaction costs .....	303.3	395.3
Fair value adjustments .....	(4.8)	—
<b>Total (excluding transaction costs and fair value adjustments)</b> .....	<b>30,830.8</b>	<b>32,819.0</b>
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
<b>Total swap adjusted value</b> .....	<b>30,329.9</b>	<b>29,405.3</b>

**16.5. Available credit facilities**

<u>Available credit facilities</u>	<u>Total facility</u>	<u>Drawn</u>
	(€m)	
SFR Group S.A. ....	1,125.0	—
Altice Financing S.A. ....	911.0	120.0
Altice Luxembourg S.A. ....	200.0	—
Revolving credit facilities .....	<b>2,236.0</b>	<b>120.0</b>

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

**16.6. Other financial liabilities**

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

<u>Other financial liabilities</u>	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
	(€m)					
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
<b>Total</b> . . . . .	<b><u>2,112.0</u></b>	<b><u>539.5</u></b>	<b><u>2,651.4</u></b>	<b><u>2,204.4</u></b>	<b><u>519.7</u></b>	<b><u>2,724.2</u></b>

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.



**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

**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.

<u>Reconciliation of debt movements</u>	<u>December 31, 2016</u>	<u>Net cash flows</u>	<u>Non-cash transactions</u>	<u>Change in fair value</u>	<u>Change in foreign exchange</u>	<u>Other non-cash movements</u>	<u>December 31, 2017</u>
				(€m)			
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
<b>Total . . . . .</b>	<b><u>35,514.1</u></b>	<b><u>1,810.4</u></b>	<b><u>—</u></b>	<b><u>228.7</u></b>	<b><u>(3,150.3)</u></b>	<b><u>467.0</u></b>	<b><u>34,869.8</u></b>

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

<u>Reconciliation to financing cash flow</u>	<u>(€m)</u>
Net cash flow (as above) . . . . .	1,810.4
<i>Consisting of:</i>	
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.

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

16. Borrowings and other financial liabilities (Continued)

16.8. Maturity of financial liabilities

Maturity of financial liabilities	Less than 1 year	Between 1 and 5 years	More than 5 years	December 31, 2017
			(€m)	
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
<b>Nominal value of borrowings . . . . .</b>	<b>2,455.2</b>	<b>7,399.4</b>	<b>25,015.3</b>	<b>34,869.9</b>

Maturity of financial liabilities	Less than 1 year	Between 1 and 5 years	More than 5 years	December 31, 2016
			(€m)	
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
<b>Nominal value of borrowings . . . . .</b>	<b>2,624.4</b>	<b>8,947.0</b>	<b>23,942.7</b>	<b>35,514.1</b>

16.9. Currency of borrowings

Currency of borrowings	Euro	US Dollar	Israeli Shekel (€m)	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
<b>Nominal value of borrowings . . . . .</b>	<b>14,634.5</b>	<b>19,899.6</b>	<b>306.8</b>	<b>29.0</b>	<b>34,869.9</b>

Currency of borrowings	Euro	US Dollar	Israeli Shekel (€m)	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
<b>Nominal value of borrowings . . . . .</b>	<b>11,112.6</b>	<b>23,966.4</b>	<b>332.5</b>	<b>102.6</b>	<b>35,514.1</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 16. Borrowings and other financial liabilities (Continued)

##### 16.10. Nature of interest rate

<u>Nature of interest rate</u>	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	<u>Fixed</u>	<u>Floating</u>	<u>Total</u>	<u>Fixed</u>	<u>Floating</u>	<u>Total</u>
	(€m)					
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
<b>Nominal value of borrowings . . . . .</b>	<b><u>27,802.8</u></b>	<b><u>7,067.1</u></b>	<b><u>34,869.9</u></b>	<b><u>29,699.2</u></b>	<b><u>5,814.7</u></b>	<b><u>35,514.1</u></b>

#### 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 17. Financial risk factors (Continued)

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	December 31, 2017	December 31, 2016
	(€m)	
Financial debt at fixed rates .....	27,802.8	29,699.2
Financial debt at variable rates .....	7,067.1	5,814.7
<b>Total</b> .....	<b><u>34,869.9</u></b>	<b><u>35,513.9</u></b>

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 17. Financial risk factors (Continued)

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.

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

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

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).

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

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	
		Carrying value	Fair value	Carrying value	Fair value
			(€m)		
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
<b>Current assets</b>		<b>848.8</b>	<b>848.8</b>	<b>808.1</b>	<b>808.1</b>
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
<b>Non-current assets</b>		<b>1,262.0</b>	<b>1,262.0</b>	<b>2,884.8</b>	<b>2,884.8</b>
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
<b>Current liabilities</b>		<b>2,525.6</b>	<b>2,525.6</b>	<b>2,593.3</b>	<b>2,593.3</b>
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
<b>Non-current liabilities</b>		<b>32,344.3</b>	<b>32,676.9</b>	<b>32,889.8</b>	<b>33,770.8</b>

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 18. Fair value of financial assets and liabilities (Continued)

##### 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	Fair value hierarchy	Valuation technique	December 31, 2017	December 31, 2016
			(€m)	
<b>Financial Liabilities</b>				
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
<b>Financial Assets</b>				
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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 18. Fair value of financial assets and liabilities (Continued)

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.

<u>Valuation method</u>	<u>Inputs with significant judgement</u>	<u>How management determines inputs</u>	<u>Relationship to fair value</u>
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



Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

18. Fair value of financial assets and liabilities (Continued)

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

Change in fair value of level 3 instruments	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2017
		(€m)		
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 ...	<u>0.9</u>	<u>—</u>	<u>—</u>	<u>0.9</u>
<b>Closing balance</b> .....	<b><u>8.0</u></b>	<b><u>(329.5)</u></b>	<b><u>50.6</u></b>	<b><u>(270.9)</u></b>

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

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	
	Operating leases	Finance leases	Operating leases	Finance leases
				(€m)
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 .....	<u>947.9</u>	<u>17.1</u>	<u>879.0</u>	<u>45.8</u>
<b>Total minimum payments</b> .....	<b><u>2,081.3</u></b>	<b><u>138.3</u></b>	<b><u>2,176.5</u></b>	<b><u>189.0</u></b>
Less: future finance expenses .....		<u>(4.4)</u>	<u>—</u>	<u>(5.9)</u>
<b>Nominal value of contracts</b> .....		<b><u>133.9</u></b>		<b><u>183.1</u></b>
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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 19. Obligations under leases (Continued)

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

<u>Trade and other payables</u>	December 31, 2017	December 31, 2016
	(€m)	
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
<b>Total</b> .....	<b><u>7,103.2</u></b>	<b><u>6,637.0</u></b>

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

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

##### 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).

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 22. Taxation

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

#### 22.1. Reconciliation to effective tax rate

<u>Reconciliation between effective tax rate and theoretical tax rate</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
<b>Loss for the year</b>	<b>(1,619.6)</b>	<b>(938.8)</b>
Tax charge income	388.8	(107.2)
Share of profit in associates	(16.7)	(1.4)
<b>Loss before income tax and associates</b>	<b>(1,991.7)</b>	<b>(830.2)</b>
Statutory tax rate <sup>1</sup>	27.1%	29.2%
Income tax calculated on theoretical tax	539.4	242.6
<b>Impact of:</b>		
Differences between Parent company and foreign income tax rates	84.3	13.1
Effect of permanent differences <sup>2</sup>	(123.1)	(154.2)
Recognition of tax losses and variation in related allowances <sup>3</sup>	(64.3)	(242.3)
French business tax	—	(49.0)
Effect of change in tax rate on deferred taxes <sup>4</sup>	(81.4)	118.7
Other current tax adjustment <sup>5</sup>	30.3	(47.9)
Other deferred tax adjustment	3.7	11.8
<b>Income tax income/(expense)</b>	<b>388.8</b>	<b>(107.1)</b>
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

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

22. Taxation (Continued)

22.2. Deferred tax

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

<u>Components of deferred tax balances</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
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)
<b>Total</b> .....	<b>(247.3)</b>	<b>(698.3)</b>
<b>Comprising:</b>		
Deferred tax assets .....	150.1	109.3
Deferred tax liabilities .....	(397.4)	(807.6)

<u>Variation in deferred tax balances</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
<b>Opening balance</b> .....	<b>(698.3)</b>	<b>(1,102.2)</b>
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)
<b>Closing balance</b> .....	<b>(247.3)</b>	<b>(698.3)</b>

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:

<u>Variation in deferred tax balances</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
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
<b>Net operating losses and tax carry forward, gross</b> .....	<b>1,936.5</b>	<b>1,897.7</b>
Valuation allowance .....	(1,429.4)	(1,456.1)
<b>Net operating losses and tax carry forward, net</b> .....	<b>507.0</b>	<b>441.6</b>

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.

## 22. Taxation (Continued)

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 standalone 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 22. Taxation (Continued)

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 (Tricorn 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

<u>Operating expenses</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
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)
<b>Total</b> .....	<b><u>(3,122.3)</u></b>	<b><u>(3,138.6)</u></b>

#### 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 24. Equity based compensation (Continued)

##### 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 24. Equity based compensation (Continued)

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.



## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 24. Equity based compensation (Continued)

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 (€)
<b>Options outstanding as at January 1, 2016</b> .....	40.1	8.6
Granted .....	4.4	15.1
Exercised .....	—	7.1
Cancelled, lapsed .....	(1.3)	12.0
<b>Options outstanding as at December 31, 2016</b> .....	<b>43.2</b>	<b>9.2</b>
Granted .....	34.5	19.3
Exercised .....	—	—
Cancelled, lapsed .....	(1.6)	14.8
<b>Options outstanding as at December 31, 2017</b> .....	<b>76.1</b>	<b>13.7</b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

24. Equity based compensation (Continued)

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

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.

<u>Altice N.V.</u>	<u>January 31, 2017</u>	<u>January 31, 2017</u>	<u>January 31, 2017</u>	<u>January 31, 2017</u>	<u>Summary 19 grants</u>
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 (€) <sup>1</sup> .....	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) <sup>2</sup> .....	24.73%	24.73%	24.73%	24.73%	24.31%
Anticipated dividends <sup>3</sup> .....	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%

<u>Altice N.V.</u>	<u>January 11, 2016</u>	<u>May 13, 2016</u>	<u>July 8, 2016</u>	<u>November 11, 2016</u>
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 (€) <sup>1</sup> .....	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) <sup>2</sup> .....	24%	24%	30%	23%
Anticipated dividends <sup>3</sup> .....	2.50%	2.50%	2.50%	2.50%
Risk free interest rate (governments bonds) .....	0.54%	0.12%	0.00%	0.31%

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 24. Equity based compensation (Continued)

- 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

<u>Depreciation, amortization and impairment losses</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	(€m)	
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)
<b>Depreciation, amortization and impairment</b> .....	<b><u>(4,339.9)</u></b>	<b><u>(4,036.6)</u></b>

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

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

##### 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)

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 26. Net finance costs (Continued)

- 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.

<u>Average workforce</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Managers .....	10,971	10,711
Technicians .....	6,315	6,748
Employees .....	17,862	16,254
<b>Total</b> .....	<b><u>35,148</u></b>	<b><u>33,713</u></b>

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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 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.

	December 31, 2017			
	Revenue	Operating expenses	Financial expenses	Financial income
<b>Related party transactions—income and expense</b>				
		(€m)		
Equity holders . . . . .	—	196.5	—	—
Executive managers . . . . .	—	—	—	—
Associate companies and non-controlling interests . . . . .	141.2	141.0	5.0	—
<b>Total</b> . . . . .	<b>141.2</b>	<b>337.5</b>	<b>5.0</b>	<b>—</b>
	December 31, 2016			
	Revenue	Operating expenses	Financial expenses	Financial income
<b>Related party transactions—income and expense</b>				
		(€m)		
Equity holders . . . . .	—	59.9	—	—
Executive managers . . . . .	—	—	—	—
Associate companies and non-controlling interests . . . . .	129.6	95.7	—	3.4
<b>Total</b> . . . . .	<b>129.6</b>	<b>155.6</b>	<b>—</b>	<b>3.4</b>

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

28. Related party transactions and balances (Continued)

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

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

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 Eletrónicas, 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 Eletrónicas 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 Eletrónicas 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.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 28. Related party transactions and balances (Continued)

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
<b>Total . . . . .</b>	<b>1,453.6</b>	<b>835.2</b>	<b>1,284.2</b>	<b>908.4</b>	<b>4,481.3</b>

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 29. Contractual obligations and commercial commitments (Continued)

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
<b>Total . . . . .</b>	<b><u>1,166.4</u></b>	<b><u>361.5</u></b>	<b><u>631.4</u></b>	<b><u>928.2</u></b>	<b><u>3,087.6</u></b>

#### 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



## **29. Contractual obligations and commercial commitments (Continued)**

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.

### 30. Litigation (Continued)

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 El 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 El 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. El 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. Litigation (Continued)

#### 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 Réunion

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 Réunion 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. Litigation (Continued)

#### **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. Litigation (Continued)

#### **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

### 30. Litigation (Continued)

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,

### 30. Litigation (Continued)

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. Litigation (Continued)

#### 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 FTTH 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 April 15, 2016, the judge of the *Mise en Etat* declined the request of SFR by ordinance. On April 29, 2016, SFR appealed this ordinance to the 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. Familles 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. Tracotel and Intermobility against SFR : Velib

In May 2017, Tracotel and Intermobility sued SFR before the “Tribunal de Commerce de Paris” in order to obtain compensation for the damage allegedly suffered by the two contracting parties in the context of the response to the tender procedure of the 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. Litigation (Continued)

#### **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 EuroDosis 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. Litigation (Continued)

#### **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

### 30. Litigation (Continued)

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.

### **30. Litigation (Continued)**

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 prejudice 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

### 30. Litigation (Continued)

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 an 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. Litigation (Continued)

#### 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 Supreme Administrative 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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 30. Litigation (Continued)

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

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 31. Going concern (Continued)

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



## **Altice Luxembourg S.A.**

### **Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

#### **32. Events after the reporting period (Continued)**

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%.

## Altice Luxembourg S.A.

### Notes to the consolidated financial statements as of December 31, 2017 (Continued)

#### 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.

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Method of consolidation</u>	<u>Economic Interest</u>
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%
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%
BRTL 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%

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

**33. List of entities included in the scope of consolidation (Continued)**

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Method of consolidation</u>	<u>Economic Interest</u>
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%
Hot Eidan Israel Cable System 1987 Ltd	Israel	FC	100.0%
Hot Mobile Ltd	Israel	FC	100.0%

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

33. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
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%

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

33. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
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%
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%

**Altice Luxembourg S.A.**

**Notes to the consolidated financial statements as of December 31, 2017 (Continued)**

**33. List of entities included in the scope of consolidation (Continued)**

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Method of consolidation</u>	<u>Economic Interest</u>
PT Móveis, Sgps, Sa	Portugal	FC	100.0%
BRTL 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%
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%

Altice Luxembourg S.A.

Notes to the consolidated financial statements as of December 31, 2017 (Continued)

33. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
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



**ALTICE LUXEMBOURG S.A.**

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2016

AND REPORT OF THE  
REVISEUR D'ENTREPRISES AGREE

## Table of Contents

<b>Consolidated Statement of Income</b> .....	<b>F-258</b>
<b>Consolidated Statement of Other Comprehensive Income</b> .....	<b>F-258</b>
<b>Consolidated Statement of Financial Position</b> .....	<b>F-259</b>
<b>Consolidated Statement of Changes in Equity</b> .....	<b>F-260</b>
<b>Consolidated Statement of Cash Flows</b> .....	<b>F-261</b>
<b>Notes to the Consolidated Financial Statements</b> .....	<b>F-262</b>
1 About Altice Luxembourg and the Altice Group .....	F-262
2 Significant accounting policies .....	F-268
3 Scope of consolidation .....	F-285
4 Segment reporting .....	F-290
5 Goodwill .....	F-298
6 Intangible assets .....	F-303
7 Property, plant and equipment .....	F-305
8 Investment in associates .....	F-307
9 Financial assets .....	F-308
10 Inventories .....	F-308
11 Trade and other receivables .....	F-310
12 Cash and cash equivalents and restricted cash .....	F-311
13 Shareholders' Equity .....	F-311
14 Provisions .....	F-312
15 Borrowings and other financial liabilities .....	F-317
16 Financial risk factors .....	F-325
17 Fair value of financial assets and liabilities .....	F-328
18 Obligations under leases .....	F-330
19 Trade and other payables .....	F-330
20 Other liabilities .....	F-330
21 Taxation .....	F-331
22 Operating expenses .....	F-334
23 Equity based compensation .....	F-334
24 Depreciation, amortization and impairment losses .....	F-336
25 Average workforce .....	F-336
26 Net result on extinguishment of financial liability .....	F-336
27 Net finance costs .....	F-337
28 Related party transactions and balances .....	F-337
29 Contractual obligations and commercial commitments .....	F-339
30 Litigation .....	F-341
31 Going concern .....	F-349
32 Events after the reporting period .....	F-350
33 List of entities included in the scope of consolidation .....	F-352
<b>Report of the réviseur d'entreprises agréé</b> .....	<b>F-358</b>

**ALTICE LUXEMBOURG**  
**Financial statements**

**Consolidated Statement of Income**  
**For the year ended December 31, 2016**

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
(€m)			
Revenues .....	4	15,380.2	14,483.9
Purchasing and subcontracting costs .....	4	(4,867.3)	(4,633.9)
Other operating expenses .....	22	(3,138.6)	(3,220.0)
Staff costs and employee benefit expenses .....	4	(1,457.1)	(1,236.5)
Depreciation, amortization and impairment .....	24	(4,036.6)	(3,864.9)
Other expenses and income .....	4	(598.7)	(416.0)
<b>Operating profit</b> .....	4	<b>1,281.9</b>	<b>1,112.6</b>
Interest relative to gross financial debt .....	27	(1,942.9)	(1,728.0)
Other financial expenses .....	27	(152.1)	(239.1)
Finance income .....	27	101.7	171.4
Net result on extinguishment of a financial liability .....	26	(223.4)	643.5
<b>Finance costs, net</b> .....	27	<b>(2,216.7)</b>	<b>(1,152.2)</b>
Net result on disposal of businesses .....	2	104.6	27.5
Share of (loss)/profit of associates .....		(1.4)	8.1
<b>Loss before income tax</b> .....		<b>(831.6)</b>	<b>(4.0)</b>
Income tax expense .....	21	(107.2)	(239.5)
<b>Loss for the year</b> .....		<b>(938.8)</b>	<b>(243.5)</b>
<i>Attributable to equity holders of the parent</i> .....		(850.2)	(389.8)
<i>Attributable to non-controlling interests</i> .....		(88.6)	146.3

**Consolidated Statement of Other Comprehensive Income**  
**For the year ended December 31, 2016**

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
(€m)			
<b>Loss for the year</b> .....		<b>(938.8)</b>	<b>(243.5)</b>
<b>Other comprehensive income/(loss)</b>			
Exchange differences on translating foreign operations .....		22.2	11.3
Revaluation of available for sale financial assets, net of taxes .....		0.5	0.5
Loss on cash flow hedge, net of taxes .....	15	(498.0)	(127.4)
Actuarial losses, net of taxes .....		(45.1)	(0.1)
<b>Total other comprehensive loss</b> .....		<b>(520.4)</b>	<b>(115.7)</b>
<b>Total comprehensive loss for the year</b> .....		<b>(1,459.2)</b>	<b>(359.2)</b>
<i>Attributable to equity holders of the parent</i> .....		(1,309.4)	(366.0)
<i>Attributable to non-controlling interests</i> .....		(149.8)	6.8

The accompanying notes from page F-127 to F-222 form an integral part of these consolidated financial statements.

**ALTICE LUXEMBOURG**  
**Financial statements**

**Consolidated Statement of Financial Position**

**As at December 31, 2016**

	Notes	December 31, 2016	December 31, 2015
		(€m)	
<b>Non-current assets</b>			
Goodwill	5	15,799.5	15,274.7
Intangible assets	6	10,624.8	10,939.8
Property, plant & equipment	7	10,389.0	10,296.9
Investment in associates	8	60.4	417.7
Financial assets	9	2,884.8	2,804.8
Deferred tax assets	21	109.3	38.3
Other non-current assets		156.2	93.6
<b>Total non-current assets</b>		<b>40,024.0</b>	<b>39,865.8</b>
<b>Current assets</b>			
Inventories	10	393.6	368.5
Trade and other receivables	11	4,237.3	3,664.7
Current tax assets		175.6	304.5
Financial assets	9	68.6	11.4
Cash and cash equivalents	12	719.9	625.7
Restricted cash	12	19.6	.6
<b>Total current assets</b>		<b>5,614.6</b>	<b>4,975.4</b>
<i>Assets classified as held for sale</i>	3.3	476.0	122.1
<b>Total assets</b>		<b>46,114.6</b>	<b>44,963.3</b>
Issued capital	13.1	2.5	2.5
Additional paid in capital	13.2	840.7	1,016.1
Other reserves	13.3	(675.1)	(215.8)
Accumulated losses		(2,104.6)	(1,276.3)
<b>Equity attributable to owners of the Company</b>		<b>(1,936.5)</b>	<b>(473.5)</b>
Non-controlling interests	3.1	775.4	939.0
<b>Total equity</b>		<b>(1,161.1)</b>	<b>465.5</b>
<b>Non-current liabilities</b>			
Long term borrowings, financial liabilities and related hedging instruments	15	32,370.1	31,032.0
Other non-current financial liabilities and related hedging instruments	15	519.7	412.2
Provisions	14	1,784.8	1,733.4
Deferred tax liabilities	21	807.6	1,140.6
Other non-current liabilities	20	782.2	803.4
<b>Total non-current liabilities</b>		<b>36,264.4</b>	<b>35,121.6</b>
<b>Current liabilities</b>			
Short-term borrowings, financial liabilities	15	419.9	248.6
Other financial liabilities	15	2,173.4	1,236.7
Trade and other payables	19	6,637.0	6,252.9
Current tax liabilities		294.1	284.6
Provisions	14	535.2	378.1
Other current liabilities	20	862.5	890.7
<b>Total current liabilities</b>		<b>10,922.1</b>	<b>9,291.6</b>
Liabilities directly associated with assets classified as held for sale	3.3	89.2	84.6
<b>Total liabilities</b>		<b>47,275.7</b>	<b>44,497.8</b>
<b>Total equity and liabilities</b>		<b>46,114.6</b>	<b>44,963.3</b>

The accompanying notes from page F-127 to F-222 form an integral part of these consolidated financial statements.

**ALTICE LUXEMBOURG**  
**Financial statements**  
**Consolidated Statement of Changes in Equity**  
**For the year ended December 31, 2015**

	Number of shares	Share capital	Invested equity	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash Flow hedge reserve
<b>Equity at January 1, 2015</b> .....	—	—	1,945.9	—	—	—	—
Loss for the year .....	—	—	—	—	(389.8)	—	—
Other comprehensive profit/(loss) .....	—	—	—	—	—	10.4	(132.2)
<b>Comprehensive profit/(loss)</b> .....	—	—	—	—	<b>(389.8)</b>	<b>10.4</b>	<b>(132.2)</b>
Incorporation of Altice Luxembourg S.A. ....	3,100,000	—	—	—	—	—	—
Contribution by Altice S.A. ....	247,950,186	2.5	(1,945.9)	2,971.0	(934.4)	(7.0)	(85.4)
Share based payment .....	—	—	—	—	25.9	—	—
Transaction with non-controlling shareholders .....	—	—	—	64.1	—	—	—
Transaction with non-controlling interests .....	—	—	—	(2,018.1)	—	—	—
Dividends .....	—	—	—	—	—	—	—
Other .....	—	—	—	(0.9)	22.0	—	—
<b>Equity at December 31, 2015</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>—</b>	<b>1,016.1</b>	<b>(1,276.3)</b>	<b>3.4</b>	<b>(217.6)</b>

**Consolidated Statement of Changes in Equity**  
**For the Year ended December 31, 2016**

	Number of shares	Share capital	Invested equity	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash Flow hedge reserve
<b>Equity at January 1, 2016</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>—</b>	<b>1,016.1</b>	<b>(1,276.3)</b>	<b>3.4</b>	<b>(217.6)</b>
Loss for the year .....	—	—	—	—	(850.2)	—	—
Other comprehensive profit/(loss) .....	—	—	—	—	—	20.4	(437.1)
<b>Comprehensive profit/(loss)</b> .....	—	—	—	—	<b>(850.2)</b>	<b>20.4</b>	<b>(437.1)</b>
Dividends .....	—	—	—	—	—	—	—
Share based payment .....	—	—	—	—	21.9	—	—
Transaction with non-controlling interests .....	—	—	—	(92.7)	—	—	—
Other .....	—	—	—	(82.7)	—	—	—
<b>Equity at December 31 2016</b> .....	<b>251,050,186</b>	<b>2.5</b>	<b>—</b>	<b>840.7</b>	<b>(2,104.6)</b>	<b>23.9</b>	<b>(654.7)</b>

The "Other" caption includes the impact of the common control acquisition of Altice Media Group by SFR (- €147.8 million for the Group and - €11.1 million for Altice Luxembourg).

Following the corporate restructuring, as described in Note 1 to the Consolidated Financial Statements, Altice S.A. is the Former Parent Entity of Altice Luxembourg. The information presented in the table above corresponds to the movements of Altice S.A.. Altice S.A. itself was a successor entity of Altice France S.A. and Altice Luxembourg S.A.

The accompanying notes from page F-127 to F-222 form an integral part of these consolidated financial statements.

**ALTICE LUXEMBOURG**  
**Financial statements**

**Consolidated Statement of Cash Flows for the year ended December 31, 2016**

	Notes	Year ended December 31, 2016	Year ended December 31, 2015
(€m)			
<b>Net (loss)/profit, including non-controlling interests</b> .....		<b>(938.8)</b>	<b>(243.5)</b>
Adjustments for:			
Depreciation, amortization and impairments .....	24	4,036.6	3,864.9
Share of income of associates .....		1.4	(8.1)
Net gain on disposal of businesses .....		(104.6)	153.4
Net result recognized on extinguishment of financial liabilities .....	26	223.4	(643.5)
Expenses related to share based payment .....	23	22.8	28.0
Other non-cash operating gains, net <sup>1</sup> .....		196.7	7.4
Pension liability payments .....	14	(131.2)	(81.7)
Finance costs recognized in the statement of income .....		1,993.3	1,795.7
Income tax expense recognized in the statement of income .....	21	107.2	239.5
Income tax paid .....		(144.2)	(317.8)
Changes in working capital .....		(286.4)	(174.1)
<b>Net cash provided by operating activities</b> .....		<b>4,976.3</b>	<b>4,620.3</b>
Payments to acquire tangible and intangible assets .....	4	(3,647.9)	(2,614.6)
Payments to acquire financial assets .....		(43.6)	(19.4)
Consideration received on disposal of businesses .....		137.7	94.0
Proceeds from disposal of tangible, intangible and financial assets .....		47.9	76.2
Payments to acquire investments in associates .....	8	(359.8)	(309.3)
Payment to acquire subsidiaries, net .....		(169.8)	(114.5)
<b>Net cash used in investing activities</b> .....		<b>(4,035.5)</b>	<b>(2,887.6)</b>
Proceeds from issuance of debts .....	15	13,110.1	10,335.6
Transaction with non-controlling interests .....		9.8	(1,865.7)
Payments to redeem debt instruments .....	15	(12,851.1)	(4,027.7)
Payments to redeem outstanding debt on acquisition <sup>2</sup> .....		—	(5,593.9)
Interest paid .....		(1,696.8)	(1,394.5)
Dividends paid .....		—	(555.5)
Other cash provided by financing activities <sup>3</sup> .....		580.5	438.0
<b>Net cash used in financing activities</b> .....		<b>(847.6)</b>	<b>(2,663.7)</b>
Classification of cash as held for sale .....		(2.2)	(0.2)
Effects of exchange rate changes on the balance of cash held in foreign currencies .....		3.4	(6.8)
<b>Net decrease in cash and cash equivalents</b> .....		<b>94.3</b>	<b>(938.0)</b>
Cash and cash equivalents at beginning of period .....	12	625.7	1,563.6
<b>Cash and cash equivalents at end of the period</b> .....	12	<b>719.9</b>	<b>625.7</b>

<sup>1</sup> 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.

<sup>2</sup> Relates to the repayment of certain debts at PT Portugal in 2015

<sup>3</sup> Cash provided by other financing activities includes cash received on vendor financing and securitisation for an aggregate amount of €580.5 million.

The accompanying notes from page F-127 to F-222 form an integral part of these consolidated financial statements.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016

#### 1. About Altice Luxembourg and the Altice Group

Altice Luxembourg S.A. (the “Company”, the “Group”, or “Altice”) 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 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 (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., which holds 59.07% of the share capital, and is controlled by Mr. Patrick Drahi.

Altice N.V. is a multinational cable, fiber, telecommunications, content and media group with presence in several regions—Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), the United States, Israel, the French Overseas Territories and the Dominican Republic. Altice provides very high speed fixed based services (high quality pay television, fast broadband Internet and fixed line telephony) and in certain countries, mobile telephony services to residential and corporate customers. Altice is also active in the media industry with a portfolio of channels as well as acting as a provider of premium contents on nonlinear platforms. It also produces its own original content (Series, Movies etc.).

#### *Corporate restructuring*

On May 27, 2015, Altice S.A. incorporated a new subsidiary Altice Luxembourg S.A. On June 26, 2015, Altice S.A. announced the proposed cross-border merger between a newly formed Dutch entity, Altice N.V. (“Parent Company”) as the acquiring company and Altice S.A. (“Former Parent Company”) as the company ceasing to exist (the “Merger”).

Prior to the Merger becoming effective, Altice S.A. has transferred substantially all of its assets and liabilities to the Company (the “Transfer”). Both the Transfer and the Merger required approval by a majority of at least two third of the votes cast at an extraordinary general meeting (“EGM”) in which at least half of the share capital of Altice S.A. would be present or represented. The EGM’s were held on August 6, 2015 with an appropriate quorum. The Merger was approved by 91.54% of the votes casted, while the Transfer was approved by 90.07% of the votes casted. The Transfer was effective as of August 6, 2015, while the Merger was effective on Sunday, August 9, 2015. The Former Parent Entity was ultimately controlled by Patrick Drahi (via Next Alt S.à r.l. “Next Alt”) prior to the Merger, while the Company remained under control of Next Alt post-Merger. The Company, at that time, was fully held by Altice N.V..

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 Business Combinations (Revised 2008) (“IFRS 3”), has not been applied to reflect the Corporate Restructuring.

In the absence of specific guidance under IFRS for transactions between entities under common control, Altice 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.

The Company also refers to the existing accounting policy on Acquisition under common control (See Note 2.7 Goodwill and Business Combination in the consolidated financial statements of Altice S.A. as at December 31, 2014 and for the year then ended).



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 1. About Altice Luxembourg and the Altice Group (Continued)

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 so as 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 in 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.

On December 21, 2015, Altice N.V. transferred all its investment in Altice Luxembourg S.A. to Altice Group Luxembourg S.à r.l..

As a consequence of the Corporate Restructuring described above, the comparative figures included in the consolidated financial statements as at and for the year-end December 31, 2015 reflect the historical assets, liabilities, revenues, expenses and cash flows of Altice S.A. as Altice Luxembourg S.A. was only incorporated on May 27, 2015.

#### 1.1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of Altice Luxembourg S.A. as of December 31, 2016 and for the year then ended were approved by the Board of Directors and authorized for issue on April 24, 2017.

The consolidated financial statements as of December 31, 2016 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").

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 takes into account 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, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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;

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 1. About Altice Luxembourg and the Altice Group (Continued)

- 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 (see note 17)

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.

##### 1.1.1. Comparative information

The impairment line is now included in the line “Depreciation, amortisation and impairment”; prior year amounts were reclassified to match the current year’s presentation.

#### 1.2. Significant accounting judgments and estimates

In the application of the Group’s accounting policies, the Board of Directors of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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-employment 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, 2016.

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

##### 1.3.1. New and revised IFRSs that are mandatorily effective for the year ended December 31, 2016

In the current year, the Group has applied a number of amendments to IFRSs and 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, 2016.

- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.
- Amendments to IFRS 11 Accounting for Acquisitions in Joint Operations. The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations,
- Amendments to IAS 1 Disclosure initiative. The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice. The amendments clarify that materiality applies to the whole financial statements and that information which is not material need not be presented in the primary financial statements or disclosed in the notes.
- Annual improvements cycle 2012-2014 including amendments of IFRS 5 Non-current Asset Held for Sale and Discontinued Operation, IFRS 7 Financial Instruments Disclosures, IAS 19 Employee Benefits.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 1. About Altice Luxembourg and the Altice Group (Continued)

The application of these amendments had no impact on the amounts recognised in the Group's consolidated financial statements and had no impact on the disclosures in the Group's consolidated financial statements.

#### 1.3.2. Standards issued but not yet effective for the year ended December 31, 2016

In its consolidated financial statements, the Group has not early adopted the following standards and interpretations, for which application is not mandatory for periods started from January 1, 2016.

##### 1.3.2.1. IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive 5-step model to account for revenue arising from contracts with customers. IFRS 15 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 recognises 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 effects are analyzed as part of a Group-wide project for implementing this new standard across all significant revenue streams in all significant geographies. The assessment phase is being performed and the implementation plan including the development of new IT tools is in progress. Based on the assessment phase so far, the Group anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements.

*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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 1. About Altice Luxembourg and the Altice Group (Continued)

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 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),
- impact of early termination and early renewals as well as contract modifications.

In the B2B activities, the same will apply along with the effect of variable considerations such as bonus and sometimes, the identification of options for additional handsets at a discounted price.

*Fixed activities:* In most cases, the service and the equipment will not be considered as distinct performance obligations. Additional services will be examined separately. Other identified topics relate to connection fees, related costs and capitalization of commissions. Related estimates include the determination of capitalized assets depreciation period based on contract period and additional periods related to anticipated contract that the Group can specifically identify.

*Wholesale activities:* No major impact has been identified so far except for the effect of constraint on variable consideration.

*Other activities:* The identification of IFRS topics related to other revenue streams (content, media etc) is still in progress.

The Group has decided to adopt the standard based on the full retrospective approach. It is not yet practicable to provide a reasonable estimate of the quantitative effects until the project has been completed.

#### 1.3.3. 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:

- 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.

IFRS 16 will have a significant impact on Altice's Consolidated Statement of Financial Position due to the recognition of the right of use of the leased assets and corresponding lease liabilities. Also, an impact is expected on Altice's Consolidated Statement of Profit or Loss as operating lease fees will no longer be part of operating expenses but will become part of depreciation and interest expenses. An impact is also expected on the consolidated statement of cash flows given payment for the lease liabilities will be presented within financial activities.

The effects are analysed as part of a Group-wide project for implementing this new standard. It is not yet practicable to provide a reasonable estimate of the quantitative effects until the projects have been completed. IFRS 16 has not yet been endorsed by the European Union.

#### 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 1. About Altice Luxembourg and the Altice Group (Continued)

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is applicable for annual periods beginning on or after January 1, 2018.

The Board of Directors of the Company anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

#### **1.3.5. Amendments to IFRS 2: Classification and Measurement of Share-based payments**

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The standard is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Board of Directors of the Company anticipate that the application of IFRS 2 in the future may have a material impact on amounts reported in respect of the Group's consolidated financial statements.

#### **1.3.6. Amendments to IAS 7 Disclosure Initiative**

In January 2016, the IASB issued amendments to IAS 7 related to the cash flow statements. The amendments will 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. These requirements become effective for reporting periods beginning on or after January 1, 2017. Earlier application is permitted. The application of the standard will result in additional disclosures related to the financing activities.

#### **1.3.7. Interpretation 22—Foreign Currency Transactions and Advance Consideration**

In December 2016, the IFRIC issued Interpretation 22—Foreign Currency Transactions and Advance Consideration. IFRIC 22 provides requirements about which exchange rate to use in reporting foreign

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 1. About Altice Luxembourg and the Altice Group (Continued)

currency transactions (such as revenue transactions) when payment is made or received in advance. The interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The application of these amendments may have a material impact on the amounts recognised in the Group's consolidated financial statements.

##### **1.3.8. Recognition of Deferred Tax Assets for unrealized Losses (Amendments to IAS 12)**

The amendment clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments are applicable for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The application of these amendments may have a material impact on the amounts recognised in the Group's consolidated financial statements.

#### 2. Significant accounting policies

The Group's principal accounting policies are described below.

##### **2.1. Basis of consolidation**

###### **2.1.1. Subsidiaries**

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

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

The Group reassesses whether or not 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. When the Group has less than 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 or not 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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 venture partner 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 subsidiaries and associates accounted for using the equity method, 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 on the basis of the exchange rates 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

Group share) or under “Non-controlling interests” (for the share of non-controlling interests) as deemed appropriate.

The exchange rate of the main currencies were as follows:

<u>Foreign exchange rates used</u>	<u>Annual average rate</u>		<u>Rate at the reporting date</u>	
	2016	2015	Dec 31, 2016	Dec 31, 2015
			(In €)	
Dominican Pesos (DOP) .....	0.0197	0.0200	0.0204	0.0202
Israeli Shekel (ILS) .....	0.2354	0.2319	0.2471	0.2354
Moroccan Dirham (MAD) .....	n/a	n/a	0.0942	n/a
Swiss franc (CHF) .....	0.9173	0.9364	0.9312	0.9229
United States dollar (USD) .....	0.9034	0.9013	0.9487	0.9185

#### 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. The revenues from the sales are recognized where all of 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



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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, and in particular 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. Since the average duration of the construction work is less than one year, the revenues are taken into account when ownership is transferred. Revenues relative to sales of infrastructures are taken into account 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.

#### 2.3.7. Income from credit arrangements

Revenues deriving from long-term credit arrangements (such as the sale of devices in installments) are recorded on the basis of 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.

#### 2.4. Finance costs, net

Finance costs, net primarily comprise:

- Interest charges and other expenses paid for financing operations recognized at amortized costs;

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

- 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 is able to 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

##### 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. In light of this obligation, site restoration costs are capitalized on the basis of:

- 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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 so as 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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 which 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:**

	<u>Duration</u>
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 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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 on the basis of 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 in order 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.

#### The estimated useful lives of property, plant and equipment were:

	<u>Duration</u>
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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

accordance with the straight line method at annual rates that are considered to be sufficient in order 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 and 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 so as 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 (see 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.

In the event that lease incentives are received to enter into 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 of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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 the purpose of 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 quote 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, as a result 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



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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 the purpose of selling 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 a 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 into and are subsequently reassessed at their fair value.

The Company has entered into various forward and interest rate swaps (cross currency and fixed/floating) in order 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 into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

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 of 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

##### 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 the purpose of 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 by the use of 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, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest.

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:

- on the one hand, the reclassification as debt of the carrying amount of the corresponding non-controlling interests;
- on the other, a reduction in the equity – Group share: the difference between the present value of the strike price of the options granted and the carrying amount of non-controlling interests is presented as a reduction of other reserves attributable to equity holders of the parent. This item is adjusted at the end of each reporting period to reflect changes in the strike price of the options and the carrying amount of non-controlling interests.

The Group, in the absence of specific IFRS guidance, has elected to recognize future increases (or decreases) of the fair value of put options in equity, as an increase to (or a deduction from) other

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

reserves attributable to equity holders of the parent. 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 in order 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 benefit 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);

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

- 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**

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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

awards and the replacement awards are measured in accordance with IFRS 2 (“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 as a consequence 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. All of the market-based measure of the replacement awards is recognised 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 readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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, the Group companies rely on the opinion of internal and/or external counsel. These estimates are based on the

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 2. Significant accounting policies (Continued)

counsel's best professional judgment, taking into account 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 on the basis of the relative fair values of each element; ii) the period of deferred revenues related to costs to access the service on the basis of 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**

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 by the use of 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 in particular on the effective obsolescence of fixed assets and the use made of these assets.

##### **2.26.7. Impairment of goodwill**

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 in order 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 3. Scope of consolidation (Continued)

##### 3.1. Details of wholly-owned subsidiaries that have material non-controlling interests

Non-controlling interests	Place of incorporation	Ownership interests held by non-controlling interests		Result allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31 2016	December 31 2015	December 31 2016	December 31 2015	December 31 2016	December 31 2015
<b>Name of subsidiary</b>							
SFR Group							
S.A. ....	France	22.3%	21.9%	(75.0)	150.4	749.9	944.6
Deficom							
Telecom <sup>1</sup> ....	Luxembourg	26.0%	26.0%	(8.0)	(3.1)	(26.2)	(18.4)
Altice Technical							
Services ....	Luxembourg	49.0%	0.0%	4.0	—	49.8	—
Others .....	Various			(9.5)	(0.9)	1.9	12.8
<b>Total .....</b>				<b>(88.5)</b>	<b>146.4</b>	<b>775.4</b>	<b>939.0</b>

<sup>1</sup> Deficom Telecom is the holding company through which the Group's investments in the Belgium and Luxembourg operations are held.

##### 3.2. Variations in non-controlling interests

Variations in non-controlling interests	December 31, 2016	December 31, 2015
	(€m)	
<b>Balance at beginning of the year</b> .....	<b>939.0</b>	<b>3,278.2</b>
Share of (loss)/profit for the year .....	(88.6)	146.3
Other comprehensive income .....	(61.2)	6.8
Transactions with non-controlling interests in SFR Group S.A. ....	(56.6)	(2,492.2)
Non-controlling interests on acquisition of Altice Technical Services .....	45.1	—
Other variations .....	(2.4)	(0.1)
<b>Balance at end of the year</b> .....	<b>775.4</b>	<b>939.0</b>

The variations in non-controlling interests was mainly due the Group completing the acquisition of a controlling stake (51%) in Altice Technical Services S.A. (see note below for more information). In 2015, the variation in non-controlling interests was mainly due to the acquisition of an additional stake in SFR Group via the buyout of Vivendi's 20% stake.

Summarised financial information for each of the Group's subsidiaries with material non-controlling interests is provided below. The summary information is before intra-group eliminations.

##### 3.2.1. SFR Group

For the year ended December 31, 2016	€m
Non-current assets .....	26,986.0
Current assets .....	4,121.0
Net equity .....	3,572.0
Non-current liabilities .....	19,568.0
Current liabilities .....	7,968.0
Revenue .....	10,991.0
Net income .....	(218.0)
Comprehensive income .....	(502.0)
Net cash flows from operating activities .....	3,378.0
Net cash flows from investing activities .....	(3,247.0)
Net cash flows from financing activities .....	40.0



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 3. Scope of consolidation (Continued)

##### 3.3. Modification in the scope of consolidation

###### 3.3.1. Consolidation of NextRadioTV

On July 27, 2015, Alain Weill, the Chairman, CEO, Founder and main shareholder of NextRadioTV and Patrick Drahi, the then Chairman and Founder of Altice S.A. (the former Parent Company) announced the signing of a strategic partnership of their groups to invest in and to accelerate the development of multimedia projects in both France and other international markets.

The Company, through its indirect subsidiary, Altice Content Luxembourg, is a co-investor in Groupe News Participation S.A.S. ('GNP'), of which it owned 49% of the economic and voting rights as of December 31, 2015. Mr. Alain Weill owned the remaining 51% through his holding, News Participations ('NP'). On December 17, 2015, GNP notified the *Autorité des marchés financiers* (the "AMF") of its intention to file a public tender for the outstanding shares of NextRadioTV. The public tender offer was successfully closed on February 1, 2016, with 95.47% of the holders of common shares opting to accept the offer price (GNP needed to acquire at least 95% to complete the tender offer and squeeze out the remaining shareholders). The stock was delisted from Euronext Paris on February 8, 2016.

As of December 31, 2015, the Company had determined that it exercised a significant influence over GNP by virtue of the economic rights and governance rights that it has obtained as a result of its investment and thus had accounted for the investment as an associate. Following the successful closing of the public tender offer on February 1, 2016, and the appointment of Mr. Weill to the executive committee of Altice, the Group determined that its investment in GNP met the criteria for consolidation as per IFRS 10.

GNP contributed €238.2 million to revenues, €9.2 million to operating loss and €29.8 million to the net loss of the Group for the year ended December 31, 2016.

###### 3.3.2. 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, in particular, 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 supports 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.

###### 3.3.3. Disposal of Cabovisao 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 Apex 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 3. Scope of consolidation (Continued)

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.

##### 3.3.4. 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; the remaining 11.13% was 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 believes that the acquisition of a controlling stake in the company will enable the operating subsidiaries of the Group to provide their customers with fully integrated services, will enhance their expertise and will ensure further quality of service improvements.

##### 3.3.5. 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. (including its subsidiary ERT Group), an all-round technical services company offering among others network deployment, upgrade and maintenance. The Group believes that the acquisition of a controlling stake in the company will enable the operating subsidiaries of the Group to provide their customers with fully integrated services, will enhance their expertise and will ensure further quality of service improvements.

##### 3.3.6. 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 transaction, which is subject to the clearance of the Belgian competition authorities, valued the Group's Belgian and Luxembourg telecommunication businesses at an enterprise value of €400 million.

As a result, Coditel is classified as a disposal group held for sale, in accordance with IFRS 5 – *Non-current assets held for sale*. The Belux business, part of the "Others" 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". The Board of Directors has not identified any material indicator of impairment as of December 31, 2016.

A summary of the Coditel disposal group classified as held for sale is as follows:

<u>Disposal groups held for sale</u>	<u>December 31, 2016</u>
	(€m)
Goodwill .....	295.5
Tangible and intangible assets .....	99.9
Other assets .....	21.2
<b>Total assets held for sale .....</b>	<b>416.7</b>
Other non-current liabilities .....	(5.5)
Current trade payables .....	(13.9)
Other current liabilities .....	(23.5)
<b>Total liabilities related to asset held for sale .....</b>	<b>(42.9)</b>

##### 3.3.7 Other assets held for sale

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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 3. Scope of consolidation (Continued)

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.

#### 3.4. Acquisitions of businesses

The major classes of assets and liabilities acquired at acquisition date in the Group's acquisitions were:

<u>Acquisitions of businesses</u>	<u>Groupe News Participation</u>	<u>Altice Technical Services</u>	<u>Altice Customer Services</u>	<u>Total</u>
		(€m)		
Consideration transferred	0.3	158.1	27.7	186.1
Allocation to minority interests	(60.1)	45.0	—	(15.1)
<b>ASSETS</b>				
Intangible assets	201.8	0.1	4.4	206.3
Property, plant and equipment	10.9	5.4	11.8	28.2
Non-current financial assets	1.8	—	—	1.8
Deferred tax assets	25.0	—	—	25.0
Investments in associates	—	—	0.1	0.1
Other non-current assets	—	0.5	—	0.5
Inventories	—	31.0	—	31.0
Trade receivables and others	111.4	119.1	66.2	296.7
Tax receivables	—	5.6	—	5.6
Cash and cash equivalents	18.6	79.8	10.0	108.3
Other current assets	—	3.5	—	3.5
<b>Total assets</b>	<b>369.4</b>	<b>245.2</b>	<b>92.5</b>	<b>707.1</b>
<b>EQUITY AND LIABILITIES</b>				
Non-current liabilities	760.7	18.6	35.0	814.4
Current liabilities	125.0	163.7	59.0	347.7
<b>Total liabilities</b>	<b>885.8</b>	<b>182.3</b>	<b>94.0</b>	<b>1,162.1</b>
<b>Net assets</b>	<b>(516.4)</b>	<b>62.9</b>	<b>(1.5)</b>	<b>(455.0)</b>
Residual goodwill	<b>456.6</b>	<b>140.2</b>	<b>29.1</b>	<b>625.9</b>

The profit or loss of entities acquired during the year ended December 31, 2016, from the period up to acquisition date (the date from which the entities results were included in these consolidated financial statements) was:

<u>Profit or loss before acquisition by the Group</u>	<u>Altice Technical Services</u>	<u>Altice Customer Services</u>	<u>Total</u>
		(€m)	
<b>Revenues</b>	<b>498.3</b>	<b>113.8</b>	<b>612.1</b>
Purchases and subcontracting services	(285.7)	(26.9)	(312.6)
Other operating expenses	(35.9)	(3.0)	(38.9)
Staff costs and employee benefits	(77.2)	(62.7)	(139.9)
Depreciation and amortization	(1.4)	(4.8)	(6.2)
Other expenses and income	3.1	—	3.1
<b>Operating profit</b>	<b>101.3</b>	<b>16.3</b>	<b>117.6</b>
<b>Profit for the period</b>	<b>88.1</b>	<b>12.4</b>	<b>100.5</b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 3. Scope of consolidation (Continued)

Had the acquisitions above all been completed on January 1, 2016, on a pro-forma basis, the Group would have earned total revenues of €15,508.49 million (unaudited) for the year ended December 31, 2016, including intercompany eliminations of €488.3 million.

#### 4. Segment reporting

##### 4.1. Definition of segments

Given the geographical spread of the Group entities, analysis by geographical areas is inalienable to the Group strategy of managing its different businesses. It has thus been decided by the executive board members to analyse the business across geographies and then by activity. Other activities such as content, data-centers and holding company operations are classified as others. Such presentation is consistent with the reporting used internally by the executive board members of the Group to track operational and financial performance.

The following geographies have been identified:

- France,
- Portugal,
- Israel,
- Dominican Republic, and
- Others

Additional information on the revenue split is presented as follows:

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

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 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.

Further details on the Group's segments is provided 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 predominantly using the SFR brand.
- **Portugal:** Altice owns PT Portugal, it is the largest telecom operator in Portugal and 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:** Fixed and mobile services are provided to B2C, B2B and wholesale clients using the Tricom (cable network) and Orange (under licence) brands.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 4. Segment reporting (Continued)

- **Other:** This segment includes the operations in the French Overseas Territories, Belgium and Luxembourg and 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".

Intersegment revenues represented 2.1% of total revenues for the years ended December 31, 2016, an increase compared to 0.5% of total revenues for the year ended December 31, 2015 (€316.8 million compared to €69.2 million). Intersegment revenues mainly relate to services rendered by certain centralised group functions (relating to content production, customer service) to the operational segments of the Group, and are eliminated in the consolidated financial statements.

#### 4.2. Segment information

##### 4.2.1. Operating profit per geographical segment

Segment results Year ended December 31, 2016	Year ended December 31, 2016					
	France <sup>1</sup>	Portugal	Israel	Dominican Republic	Others <sup>2</sup>	Total
	(€m)					
<b>Revenues before intersegment eliminations</b> .....	<b>10,990.5</b>	<b>2,311.5</b>	<b>955.5</b>	<b>717.5</b>	<b>721.9</b>	<b>15,697.0</b>
Intersegment eliminations .....	(43.7)	(34.6)	(0.3)	(3.7)	(234.5)	(316.8)
<b>Revenues</b> .....	<b>10,946.9</b>	<b>2,276.9</b>	<b>955.2</b>	<b>713.8</b>	<b>487.4</b>	<b>15,380.2</b>
Purchasing and subcontracting costs ...	(3,843.8)	(507.4)	(235.9)	(144.7)	(135.4)	(4,867.3)
Other operating expenses .....	(2,245.0)	(407.7)	(220.7)	(164.7)	(100.6)	(3,138.6)
Staff costs and employee benefit expenses .....	(945.0)	(281.9)	(67.2)	(30.0)	(133.0)	(1,457.1)
<b>Total</b> .....	<b>3,913.0</b>	<b>1,079.9</b>	<b>431.3</b>	<b>374.5</b>	<b>118.5</b>	<b>5,917.2</b>
Stock options and other adjustments in EBITDA .....	4.0	—	—	—	18.7	22.8
<b>Adjusted EBITDA</b> .....	<b>3,917.1</b>	<b>1,079.9</b>	<b>431.3</b>	<b>374.5</b>	<b>137.2</b>	<b>5,940.0</b>
Depreciation, amortisation and impairment .....	(2,565.1)	(770.5)	(331.2)	(165.1)	(204.8)	(4,036.6)
Stock options and other adjustments in EBITDA .....	(4.0)	—	—	—	(18.7)	(22.8)
Other expenses and income .....	(541.8)	(96.1)	(23.0)	(24.2)	86.3	(598.7)
<b>Operating profit</b> .....	<b>806.2</b>	<b>213.3</b>	<b>77.2</b>	<b>185.2</b>	<b>—</b>	<b>1,281.9</b>

ALTICE LUXEMBOURG

Notes to the consolidated financial statements as of December 31, 2016 (Continued)

4. Segment reporting (Continued)

Year ended December 31, 2015	France <sup>1</sup>	Portugal	Israel	Dominican Republic	Others <sup>2</sup>	Total
				(€m)		
<b>Revenues before intersegment eliminations</b> .....	<b>11,039.1</b>	<b>1,496.2</b>	<b>923.2</b>	<b>694.8</b>	<b>400.6</b>	<b>14,553.9</b>
Intersegment eliminations .....	(21.2)	(3.9)	—	—	(44.9)	(70.0)
<b>Revenues</b> .....	<b>11,017.9</b>	<b>1,492.3</b>	<b>923.2</b>	<b>694.8</b>	<b>355.7</b>	<b>14,483.9</b>
Purchasing and subcontracting costs ...	(3,862.0)	(324.8)	(221.8)	(141.3)	(84.0)	(4,633.9)
Other operating expenses .....	(2,447.0)	(327.6)	(197.2)	(166.0)	(82.2)	(3,220.0)
Staff costs and employee benefit expenses .....	(877.0)	(201.2)	(73.7)	(27.1)	(57.6)	(1,236.5)
<b>Total</b> .....	<b>3,831.9</b>	<b>638.7</b>	<b>430.4</b>	<b>360.5</b>	<b>132.0</b>	<b>5,393.5</b>
Stock options and other adjustments in EBITDA .....	54.8	—	—	—	18.5	73.3
<b>Adjusted EBITDA</b> .....	<b>3,886.7</b>	<b>638.7</b>	<b>430.4</b>	<b>360.5</b>	<b>150.5</b>	<b>5,466.8</b>
Depreciation, amortisation and impairment .....	(2,643.4)	(574.7)	(326.1)	(176.3)	(144.3)	(3,864.9)
Stock options and other adjustments in EBITDA .....	(54.8)	—	—	—	(18.5)	(73.3)
Other expenses and income .....	(340.6)	(52.0)	(19.6)	(8.1)	4.3	(416.0)
<b>Operating profit</b> .....	<b>847.9</b>	<b>12.0</b>	<b>84.7</b>	<b>176.1</b>	<b>(8.0)</b>	<b>1,112.6</b>

1. The France segment includes the results of SRR, a direct subsidiary of SFR S.A., which operates in the French Overseas Territories of La Reunion and Mayotte. Management has decided to leave SRR in the France segment given it reports separately from the rest of the FOT business (reported in Others) as it is fully integrated in the France business, operationally and in terms of reporting.

2. Includes the results of GNP from February 8, 2016 to the date of sale to SFR Group. Following the sale, in May 2016, the results are presented under the France segment. GNP contributed €71.6 million to revenues and €13.3 million to adjusted EBITDA for the year ended December 31, 2016.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 4. Segment reporting (Continued)

##### 4.2.2. Other expenses and income

Other expenses and income pertain mainly to provisions for ongoing and announced restructuring, transaction costs and other non-cash expenses (gains and losses on disposal of assets, provisions for litigation, etc.). Details for costs incurred during the years ended December 31, 2016 and 2015 are given below:

<u>Details of other expenses and income</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
	(€m)	
Stock option expenses .....	22.8	28.0
Other adjustments <sup>1</sup> .....	—	45.3
<b>Stock option and other expenses outside EBITDA .....</b>	<b>22.8</b>	<b>73.3</b>
Restructuring costs <sup>2</sup> .....	223.5	116.7
Deal fees <sup>3</sup> .....	5.0	57.0
Penalties <sup>4</sup> .....	95.0	—
Provisions for litigation <sup>5</sup> .....	128.2	—
Management fees <sup>6</sup> .....	28.0	—
Loss on disposals of assets <sup>7</sup> .....	56.0	183.8
Other expenses <sup>8</sup> .....	63.1	58.5
<b>Other expenses and income .....</b>	<b>598.7</b>	<b>416.0</b>
<b>Total adjustments .....</b>	<b>621.5</b>	<b>489.3</b>

- 1) Contract renegotiation costs that were classified as other adjustments in 2015 and are now included in EBITDA.
- 2) Restructuring costs mainly include costs related to provisions for employee redundancies and contract termination fees:
  - a. €180.4 million in France, including €135.0 million related to new restructuring plans in France, see the note below.
  - b. €31.9 million at PT Portugal related to the curtailment of outsourced services and an insourcing plan.
- 3) Deal fees includes the discretionary fees paid to legal counsel, M&A counsel and any other consultants whose services the Group has employed in order to facilitate various acquisitions performed during the year; they do not include any financing costs, as these are capitalized and amortized as per the requirements of IAS 39—Financial Instruments: Recognition and Measurement.
- 4) Penalties mainly comprised €80 million relating to a fine levied by the French competition authority on suspicions of operational collaboration between the Numericable and SFR groups (“Gun Jumping”) prior to the formal approval of the acquisition and a €15 million penalty imposed by the French anti-trust authority on price increases in the FOT region.
- 5) Provisions for litigation are detailed in note 30.
- 6) Management fees: mainly relates to management fees paid by Altice Management International to Altice N.V. the ultimate shareholder of the Group (€46.2 million). The Group also recorded income from management fees paid by the US subsidiaries of Altice N.V., as compensation for services rendered by the Group (€18.6 million).
- 7) Mainly related to a loss recognized on the disposal of the network of Sequalum in France, €116 million.
- 8) The other expenses mainly related to allowances and reversals for other provisions (non-cash) and other cash expenses, including €10 million of payments related to the resolution of tax disputes in the Dominican Republic.

##### 4.2.2.1. Restructuring plans in France

On August 4, 2016, Management and some representative unions of the SFR Group telecom division signed an agreement to allow the Group to adapt more quickly to the demands of the telecom market by building a more competitive and efficient organization. This agreement reaffirms the commitments, made at the time of the acquisition of the SFR Group, to maintain jobs until July 1, 2017 and defines

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 4. Segment reporting (Continued)

the internal assistance guarantees as well as the conditions for voluntary departures implemented as of the second half of 2016. This agreement stipulates three steps:

- The reorganization of retail stores, presented to the staff representatives on September 2016, resulted in a voluntary departure plan as of the 4<sup>th</sup> quarter of 2016 and is accompanied by a change in channel distribution and the closing of stores;
- The preparation of a new voluntary departure plan to be launched in July 2017, preceded by the possibility for employees who would like to benefit from this plan to request suspension of their employment contract in the 4<sup>th</sup> quarter of 2016 in order to pursue their professional plans outside the company; and
- A period between July 2017 and September 2019 during which employees could also benefit from a voluntary departure plan under conditions to be defined.

In any case, the Group has made a commitment that the SFR Group telecom division will have no less than 10,000 employees during the period from 2017 to 2018.

During 2016, €135 million was recognized for restructuring of retail stores as provisions. No provision was recognized for measures provided in steps 2 and 3 described above, as IAS 19 and IAS 37 criteria were not met as of December 31, 2016. The GPEC Group Agreement was signed on February 1, 2017 by the majority of the representative unions of the SFR Group telecom division. It specifies the external mobility scheme offered to the employees for the period before June 30, 2017.

##### 4.2.2.2. Restructuring in PT Portugal

Restructuring costs in Portugal were mainly related to an employee redundancy plan implemented by Management during the year 2016 for a total of 250 employees and costs incurred related to an insourcing plan, whereby certain suppliers were replaced by internal talent identified by local management.

##### 4.2.2.3. Penalties

###### *Sanctions by the French Competition Authority against SFR Group and Altice Luxembourg*

On April 19, 2016, the French Competition Authority (i) found non-performance of commitments related to the sale of the mobile telecommunication activities of Outremer Telecom in Réunion and Mayotte under Decision 14-DCC-160 of October 30, 2014 concerning the exclusive takeover of SFR Group by the Altice group, and (ii) levied a financial sanction of €15 million jointly against Altice Luxembourg and SFR Group. SFR Group contested this decision before the Council of State. The penalty was paid by the Group in July 2016.

###### *Sanction by the French Competition Authority for violation of the suspensive nature of the control of concentrations*

On November 8, 2016, SFR Group and Altice were notified of the decision of the French Competition Authority sentencing them to a €80 million gun-jumping fine in connection with the 2014 acquisition of SFR and Virgin Mobile. The denounced practices, which aimed to make the new entity operational as soon as possible after obtaining clearance of the transaction, were performed in good faith, in the midst of legal uncertainty. SFR Group chose not to refute these practices and to accept the French Competition Authority's settlement offer, thus choosing to settle the matter in order to limit its financial exposure, given the level of penalties imposed for this type of procedural violation under the French Commercial Code. The payment of this fine, fully borne by SFR Group, was made in February 2017.



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 4. Segment reporting (Continued)

##### 4.2.3. Revenue split by activities

Year ended December 31, 2016	France	Portugal	Israel	Dominican Republic	Others	Total
				(€m)		
Fixed—B2C .....	2,839.9	684.4	642.5	109.6	136.2	4,412.6
Fixed—B2B .....	1,367.3	419.5	75.6	39.3	41.5	1,943.2
Wholesale .....	1,323.1	303.8	—	70.8	12.4	1,710.0
Mobile—B2C .....	4,513.8	584.9	185.5	425.3	83.0	5,792.6
Mobile—B2B .....	645.6	202.5	51.9	50.6	4.7	955.3
Other .....	300.7	116.4	—	21.9	444.2	883.3
<b>Revenues before intercompany elimination .....</b>	<b>10,990.5</b>	<b>2,311.5</b>	<b>955.5</b>	<b>717.5</b>	<b>721.9</b>	<b>15,697.0</b>
Intersegment eliminations .....	(43.7)	(34.6)	(0.3)	(3.7)	(234.5)	(316.8)
<b>Revenues .....</b>	<b>10,946.9</b>	<b>2,276.9</b>	<b>955.2</b>	<b>713.8</b>	<b>487.4</b>	<b>15,380.2</b>

Year ended December 31, 2015	France	Portugal	Israel	Dominican Republic	Others	Total
				(€m)		
Fixed—B2C .....	2,873.1	484.6	645.3	106.9	141.3	4,251.2
Fixed—B2B .....	1,402.8	299.7	72.9	37.8	28.8	1,842.0
Wholesale .....	1,328.1	170.5	—	62.7	10.6	1,571.9
Mobile—B2C .....	4,722.2	346.3	151.0	414.0	99.6	5,733.1
Mobile—B2B .....	712.9	122.5	54.0	50.7	4.8	944.9
Other .....	—	72.6	—	22.7	115.5	210.8
<b>Revenues before intercompany elimination .....</b>	<b>11,039.1</b>	<b>1,496.2</b>	<b>923.2</b>	<b>694.8</b>	<b>400.6</b>	<b>14,553.9</b>
Intersegment eliminations .....	(21.2)	(3.9)	—	—	(44.9)	(70.0)
<b>Revenues .....</b>	<b>11,017.9</b>	<b>1,492.3</b>	<b>923.2</b>	<b>694.8</b>	<b>355.7</b>	<b>14,483.9</b>

##### 4.2.4. 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.

Capital expenditure December 31, 2016	France	Portugal <sup>3</sup>	Israel <sup>4</sup>	Dominican Republic	Others <sup>1,2</sup>	Total
				(€m)		
Capital expenditure (accrued) .....	2,307.4	438.8	312.8	122.3	583.7	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 .....	2,522.1	382.7	314.7	134.6	293.8	3,647.9

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 4. Segment reporting (Continued)

Capital expenditure December 31, 2015	France	Portugal	Israel	Dominican Republic	Others	Total
				(€m)		
Capital expenditure (accrued) . . . . .	2,369.7	208.6	284.9	124.1	93.3	<b>3,080.7</b>
Capital expenditure—working capital items . . . . .	<u>(451.1)</u>	<u>(24.7)</u>	—	<u>(10.2)</u>	<u>19.9</u>	<u><b>(466.1)</b></u>
Payments to acquire tangible and intangible assets . . . . .	<u>1,918.7</u>	<u>183.9</u>	<u>284.9</u>	<u>113.9</u>	<u>113.2</u>	<u>2,614.6</u>

- 1) Includes the capitalization of content rights for a total amount of €413.8 million during the year ended December 31, 2016; refer to the note below for further details.
- 2) Includes a one-off capital expenditure related to an IRU on the use of a datacenter at Green datacenter in the Swiss business, for a total amount of €29.6 million.
- 3) Includes €44.0m of capitalised exclusive content costs in Portugal for multi-year contracts.
- 4) Israel's accrued capex includes amounts related to jump in for network sharing agreement with Partner Telecom for a total amount of €61.7 million (NIS 250 million equivalent), of which €12.2 million (NIS 85 million equivalent) remained unpaid as of December 31, 2016.

#### 4.2.4.1. Content rights

During the year, the Group, via entities included in the Altice International sub-group, secured exclusive content rights to broadcast certain sports (English Premier League Football, French Basketball League and English Rugby Premiership) in France and other territories; the rights are for periods of between three and six years. The content rights were capitalised in accordance IAS 38-*Intangible Assets* and are amortised on a straight-line basis over their respective useful lives. Where appropriate, the nominal cash flows were discounted to their present value on initial recognition of the asset. The amortization recorded for the year ended December 31, 2016 was:

Content rights	Amortisation	Useful life	Amortisation period 2016
English Premier League Football . . . . .	52.7	3 years	5 months
French Basketball League . . . . .	17.4	4 years	3 months
English Rugby Premiership . . . . .	<u>0.8</u>	6 years	4 months
<b>Total</b> . . . . .	<u><b>70.9</b></u>		

#### 4.3. 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:

- Revenues: by segment and in terms of activity
- Adjusted EBITDA: by segment
- Capital expenditure (capex): by segment.

Adjusted EBITDA and capex are non-GAAP measures. These measures are useful to readers of Altice Group's financials as it provides them with a measure of the operating results which excludes certain items that Altice's executive board members consider outside of its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding operating results and cash flow generation that allows investors to better identify trends in its financial

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 4. Segment reporting (Continued)

performance. 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 businesses as the Group and thus enables a better comparison between the Group and its peers. Moreover, the debt covenants of the Group are based on the Adjusted EBITDA and other associated metrics.

Adjusted EBITDA is defined as operating income before depreciation and amortization, and non-recurring items (capital gain, non-recurring litigation, restructuring costs) and other adjustments (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 income 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*.

Capital expenditure is an important indicator to follow, as the profile varies greatly between the Group's 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 are mainly driven by investment in new mobile sites, upgrade to new mobile technology and licenses to operate. Once capex are engaged and operational, there are limited capex requirement.
- Other capex: Mainly relates to the acquisition of content rights

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 5. Goodwill

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

<u>Goodwill</u>	<u>January 1, 2016</u>	<u>Recognized on business combination</u>	<u>Changes in foreign currency translation</u>	<u>Held for sale</u>	<u>Disposals</u>	<u>December 31, 2016</u>
			(€ m)			
France <sup>1</sup> .....	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
<b>Gross value</b> .....	<b>15,423.3</b>	<b>760.9</b>	<b>66.6</b>	<b>(295.5)</b>	<b>—</b>	<b>15,955.2</b>
France .....	—	—	—	—	—	—
Portugal .....	—	—	—	—	—	—
Israel .....	(144.0)	—	(7.2)	—	—	(151.2)
Dominican Republic .....	—	—	—	—	—	—
Others .....	(4.6)	—	—	—	—	(4.6)
<b>Cumulative impairment</b> .....	<b>(148.6)</b>	<b>—</b>	<b>(7.2)</b>	<b>—</b>	<b>—</b>	<b>(155.9)</b>
France .....	11,565.5	591.6	—	—	—	12,157.2
Portugal .....	1,706.2	—	—	—	—	1,706.2
Israel .....	553.8	—	27.3	—	—	581.1
Dominican Republic .....	858.9	—	32.0	—	—	890.9
Others .....	590.3	169.2	—	(295.5)	—	464.1
<b>Net book value</b> .....	<b>15,274.7</b>	<b>760.9</b>	<b>59.4</b>	<b>(295.5)</b>	<b>—</b>	<b>15,799.5</b>

<sup>1</sup> Goodwill in France includes existing goodwill acquired as a result of the integration of AMG. For more details, refer note 3.3.2

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 5. Goodwill (Continued)

<u>Goodwill</u>	<u>January 1, 2015</u>	<u>Recognized on business combination</u>	<u>Changes in foreign currency translation</u>	<u>Held for sale</u>	<u>Disposals</u>	<u>December 31, 2015</u>
			(€ m)			
France .....	11,565.5	—	—	—	—	11,565.5
Portugal .....	1.3	1,706.2	—	(1.3)	—	1,706.2
Israel .....	627.2	—	70.6	—	—	697.8
Dominican Republic .....	767.3	—	91.6	—	—	858.9
Others .....	594.9	—	.1	—	—	594.9
<b>Gross value</b> .....	<b><u>13,556.1</u></b>	<b><u>1,706.2</u></b>	<b><u>162.3</u></b>	<b><u>(1.3)</u></b>	<b><u>—</u></b>	<b><u>15,423.3</u></b>
France .....	—	—	—	—	—	—
Portugal .....	—	—	—	—	—	—
Israel .....	(129.4)	—	(14.7)	—	—	(144.0)
Dominican Republic .....	—	—	—	—	—	—
Others .....	(4.6)	—	—	—	—	(4.6)
<b>Cumulative impairment</b> .....	<b><u>(134.0)</u></b>	<b><u>—</u></b>	<b><u>(14.7)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(148.6)</u></b>
France .....	11,565.5	—	—	—	—	11,565.5
Portugal .....	1.3	1,706.2	—	(1.3)	—	1,706.2
Israel .....	497.8	—	55.8	—	—	553.8
Dominican Republic .....	767.3	—	91.6	—	—	858.9
Others .....	590.3	—	.1	—	—	590.3
<b>Net book value</b> .....	<b><u>13,422.1</u></b>	<b><u>1,706.2</u></b>	<b><u>147.5</u></b>	<b><u>(1.3)</u></b>	<b><u>—</u></b>	<b><u>15,274.7</u></b>

#### 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 the note 4 “Segment Reporting”. 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 as of December 31, 2016. 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 except for the France GCGU, for which the fair value less cost of disposal is used. 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 EBIT margin during the period. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements.

The value in use of each GCGU (except for France) 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 five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 4.9% to 11%. Assumptions for churn rates and operating income, or EBIT (and the EBIT margin) were based on historical experience and expectations of future changes in the market. Recurring capex is expected to be proportional to sales and thus is indexed to the growth in revenues.

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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 5. Goodwill (Continued)

GCGUs and also 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

The impairment testing for France is based on the fair value less cost of disposal of the SFR Group (based on the observable share price), and therefore, the assumptions discussed below do not apply to the impairment testing for the France GCGU.

<u>Key assumptions used in estimating value in use</u>	<u>France</u>	<u>Portugal</u>	<u>Israel</u>	<u>Dominican Republic</u>	<u>Others</u>
<b>At December 31, 2016</b>					
Quoted share price (€) . . . . .	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					
2015 (%) . . . . .	n/a	8.1%	10.0—11.0%	9.6%	4.9—6.7%
<b>At December 31, 2015</b>					
Quoted share price (€) . . . . .	33.5	n/a	n/a	n/a	n/a
Average perpetuity growth rate (%) . . . . .	n/a	—	1.50%	2.0%	2.0%
5 year average EBIT margin (%) . . . . .	n/a	31.4%	17.2%	36.3%	25.0%
Post tax weighted average cost of capital					
(%) . . . . .	n/a	7.9%	10.0—11.0%	9.5%	5.6—7.8%

The Group has made use of various external indicators and internal reporting tools to estimate the revenue growth rates considered for the purpose of impairment testing for the year ended December 31, 2016.

- The growth rates are provided by individual subsidiaries and the GCGU allocation is indicated.
- The Board of Directors estimated discount rates using post-tax rates that reflected current market rates for investments of similar risk. The discount rate for the GCGUs was estimated from the weighted average cost of capital (“WACC”) of companies which operate a portfolio of assets similar to those of the Company’s assets.
- Capex was indexed to the revenues, as the Board of Directors tracks the capex spend expressed in a % of sales as a key KPI. The Board of Directors believes that recurring capex should be related to the acquisition of new clients and hence is indexed to the growth in revenues.

#### 5.1.1. 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 so as to test the resilience of value in use. The sensitivity analysis of the GCGUs is presented below, given a changes to the material inputs to the respective valuations:

<u>Excess of fair value above carrying amount given the following changes in assumptions</u>	<u>France</u>	<u>Portugal</u>	<u>Israel</u>	<u>Dominican Republic</u>	<u>Others</u>
			(€m)		
0.5% increase in the discount rate . . . . .	n/a	1,145.2	579.9	1,184.1	243.3
1.0% decrease in the perpetual growth rate . . . . .	n/a	826.1	510.4	1,093.4	199.6
10% decrease in the SFR Group share price . . . . .	3,349.0	n/a	n/a	n/a	n/a

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 5. Goodwill (Continued)

The analysis did not result in other scenarios whereby a reasonable possible change in the aforementioned 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. 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 (excluding purchase price adjustments) on a cash free debt free basis.

	€m
Total consideration transferred .....	27.7
Fair value of identifiable assets, liabilities and contingent liabilities .....	(1.5)
Goodwill .....	29.1

The provisional value of assets transferred in consideration for the values mentioned above are detailed in note 3.4. 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 ACS. Due to the proximity of the date of acquisition to the balance sheet date, the Group is yet to assess the fair value of the identifiable assets and liabilities. The exercise will be completed within the measurement period as defined by IFRS 3.

##### 5.2.2. 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 (excluding purchase price adjustments) on a cash free debt free basis.

	€m
Total consideration transferred .....	158.1
Allocation to minority interests .....	45.0
Fair value of identifiable assets, liabilities and contingent liabilities .....	62.9
Goodwill .....	140.2

The provisional value of assets transferred in consideration for the values mentioned above are detailed in note 3.4. 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 ATS. Due to the proximity of the date of acquisition to the balance sheet date, the Group is yet to assess the fair value of the identifiable assets and liabilities. The exercise will be completed within the measurement period as defined by IFRS 3.

##### 5.2.3. Groupe News Participations (NextRadioTV)

As discussed in note 3.2.1, following the public tender offer, GNP was consolidated fully in the Group financial statements. This transaction qualified as a step acquisition as per IFRS 3, *Business Combinations*, and goodwill was allocated to the France GCGU, following the internal transfer to SFR Group. The fair value was determined by an independent external appraiser based on a business plan prepared as of the date of acquisition as follows:

- Brands: Two families of brands were identified and valued using the relief from royalty method, being BFM and RMC, the fair value amounted to €43.3 million.
- Exclusive distribution agreements/broadcast licenses (for radio and TV), the fair value amounted to €107.6 million, which were valued using the excess earnings method.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 5. Goodwill (Continued)

- Exclusive content agreements and libraries, the fair value amounted to €22.6 million, valued using the net asset value method.

	<u>€m</u>
Total consideration transferred .....	0.3
Allocation to minority interests .....	(60.1)
Fair value of identifiable assets, liabilities and contingent liabilities .....	(516.4)
Goodwill .....	456.6

#### 5.2.4. Other main variations in goodwill (France)

On May 25, 2016, AMG was transferred to the Group by Altice Media Group S.à r.l.. This is considered as a related party transaction, as Altice Media Group S.à r.l. shares the same controlling shareholder as the Group. The transaction allows the Group to pursue its strategy of convergence between communication and media. In the absence of specific guidance in IFRS concerning the accounting for common control transactions, and in line with similar transactions carried out by the Group in the past, no purchase price allocation was performed. However, as part of the acquisition of AMG, the Group acquired existing goodwill recorded at AMG resulting from historic acquisitions made by AMG. The goodwill arose on acquisition of Libération, NewsCo and i24news and totals €129.0 million. AMG had identified and evaluated the brands at a fair value of €54.0 million (€35.0 million net of taxes).



ALTICE LUXEMBOURG

Notes to the consolidated financial statements as of December 31, 2016 (Continued)

6. Intangible assets

Intangible assets December 31, 2016	January 1, 2016	Additions	Disposals	Business Combi- nations	Changes in foreign currency	Held for sale	Other	December 31, 2016
	(€m)							
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 . . . . .	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
Other intangible assets . . .	2,549.8	436.8	(111.2)	212.0	17.6	(25.6)	(277.7)	2,801.7
<b>Total Gross Value . . . . .</b>	<b>14,258.8</b>	<b>1,554.3</b>	<b>(162.1)</b>	<b>454.4</b>	<b>69.9</b>	<b>(120.0)</b>	<b>(361.8)</b>	<b>15,693.5</b>
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 . . . . .	(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
Other intangible assets . . .	(778.4)	(454.7)	102.9	—	(9.3)	16.6	155.8	(967.1)
<b>Total Cumulative amortization . . . . .</b>	<b>(3,319.0)</b>	<b>(2,117.5)</b>	<b>156.3</b>	<b>—</b>	<b>(50.6)</b>	<b>69.5</b>	<b>192.6</b>	<b>(5,068.7)</b>
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 . . . . .	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
Other intangible assets . . .	1,771.4	(17.8)	(8.2)	212.0	8.2	(9.1)	(121.9)	1,834.6
<b>Total Net book value . . . .</b>	<b>10,939.8</b>	<b>(563.2)</b>	<b>(5.8)</b>	<b>454.4</b>	<b>19.3</b>	<b>(50.5)</b>	<b>(169.2)</b>	<b>10,624.8</b>

ALTICE LUXEMBOURG

Notes to the consolidated financial statements as of December 31, 2016 (Continued)

6. Intangible assets (Continued)

Intangible assets December 31, 2015	January 1, 2015	Additions	Disposals	Business Combi- nations	Changes in foreign currency	Held for sale	Other	December 31, 2015
	(€m)							
Software . . . . .	1,398.9	324.8	(52.1)	16.4	21.7	(20.0)	161.7	1,851.4
Brand name . . . . .	1,292.3	.2	—	227.0	6.9	(53.8)	0.1	1,472.7
Customer relations . . . . .	3,610.4	15.0	—	1,211.0	48.6	(10.2)	11.7	4,886.5
Licenses . . . . .	2,144.4	476.5	—	56.1	15.0	(12.0)	(27.0)	2,653.0
R&D costs acquisitions . . .	6.4	3.1	—	6.6	—	(0.1)	(0.5)	15.5
Subscriber acquisition costs . . . . .	412.4	131.5	(0.1)	—	29.5	(0.7)	45.4	617.9
Intangible assets under construction . . . . .	165.7	161.6	(16.8)	44.1	0.5	(0.4)	(142.6)	212.0
Other intangible assets . . .	1,900.5	270.5	(220.5)	577.2	23.5	(14.8)	13.5	2,549.8
<b>Total Gross Value . . . . .</b>	<b>10,931.0</b>	<b>1,383.3</b>	<b>(289.5)</b>	<b>2,138.4</b>	<b>145.5</b>	<b>(112.0)</b>	<b>62.3</b>	<b>14,258.8</b>
Software . . . . .	(149.1)	(488.6)	44.0	—	(16.8)	16.8	(61.2)	(654.9)
Brand name . . . . .	(50.2)	(165.2)	—	—	(1.1)	31.9	—	(184.6)
Customer relations . . . . .	(220.7)	(563.7)	—	—	(18.8)	8.6	(8.1)	(802.7)
Licenses . . . . .	(221.1)	(169.5)	—	—	(2.7)	7.6	—	(385.7)
R&D costs acquisitions . . .	(0.7)	(6.2)	—	—	—	0.2	5.6	(1.1)
Subscriber acquisition costs . . . . .	(315.2)	(145.4)	—	—	(28.8)	0.1	(22.4)	(511.7)
Intangible assets under construction . . . . .	0.1	—	—	—	—	—	—	0.1
Other intangible assets . . .	(466.3)	(431.1)	97.0	—	(16.3)	2.8	35.5	(778.4)
<b>Total Cumulative amortization . . . . .</b>	<b>(1,423.2)</b>	<b>(1,969.5)</b>	<b>141.0</b>	<b>—</b>	<b>(84.5)</b>	<b>68.0</b>	<b>(50.6)</b>	<b>(3,319.0)</b>
Software . . . . .	1,249.8	(163.8)	(8.1)	16.4	4.9	(3.2)	100.5	1,196.5
Brand name . . . . .	1,242.1	(165.0)	—	227.0	5.8	(21.9)	0.1	1,288.1
Customer relations . . . . .	3,389.7	(548.7)	—	1,211.0	29.8	(1.6)	3.6	4,083.8
Licenses . . . . .	1,923.3	307.0	—	56.1	12.3	(4.4)	(27.0)	2,267.3
R&D costs acquisitions . . .	5.7	(3.1)	—	6.6	—	0.1	5.1	14.4
Subscriber acquisition costs . . . . .	97.2	(13.9)	(0.1)	—	0.7	(0.6)	23.0	106.2
Intangible assets under construction . . . . .	165.8	161.6	(16.8)	44.1	0.5	(0.4)	(142.6)	212.1
Other intangible assets . . .	1,434.2	(160.6)	(123.5)	577.2	7.2	(12.0)	49.0	1,771.4
<b>Total Net book value . . . . .</b>	<b>9,507.8</b>	<b>(586.4)</b>	<b>(148.5)</b>	<b>2,138.4</b>	<b>61.0</b>	<b>(44.0)</b>	<b>11.7</b>	<b>10,939.8</b>

Further details on several captions in the tables above include:

- Customer relations have been valued using the excess earnings method upon acquisition. These are amortized on the basis of the local churn rate. The carrying amount of customer relations by segment was: (i) France: €2,228.7 million, (ii) Portugal: €1,013.3 million, (iii) Israel: €146.5 million (iv) Others: €66.6 million.
- Subscriber acquisition costs were recognized in respect of the costs of acquisition of subscribers (including additional sales commissions). The amortization expenses are linked to the length of the average commitment of the subscribers.
  - The Licenses caption up to December 31, 2015 mainly included the rights to use the cable and other installations constructed by France Telecom (the historical public telecoms operator in France), mobile licenses of SFR Group of €1,984.5 million. The increase was

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 6. Intangible assets (Continued)

related mainly to the capitalization of sports content rights by a subsidiary of the Group for a total amount of 413.8m euros as described in note 4.2.4.1.

- Brand names includes the carrying amount of different brands owned by the Group and recognized as part of different purchase price allocations. The carrying amounts of the different brands of the Group allocated to the segments is: (i) in France, SFR €973.8 million, (ii) Meo in Portugal: €203.0 million, (iii) HOT in Israel: €18.8 million and (iv) Others: €10.2 million. The Group also allocated €141.8 million to the brands acquired on the acquisition of GNP and AMG.

#### 7. Property, plant and equipment

Property, plant and equipment December 31, 2016	January 1, 2016	Additions	Disposals	Business Combi- nations	Changes in foreign currency	Held for sale	Other	December 31, 2016
	(€m)							
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 constructions .....	492.5	547.2	(11.7)	7.8	1.1	—	(385.9)	651.0
Other .....	1,237.5	352.6	(146.6)	17.2	1.6	(2.2)	113.4	1,573.5
<b>Total Gross Value .....</b>	<b>13,513.2</b>	<b>2,171.5</b>	<b>(683.0)</b>	<b>51.4</b>	<b>170.7</b>	<b>(121.5)</b>	<b>(221.1)</b>	<b>14,881.2</b>
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 constructions .....	1.3	5.8	—	—	(0.0)	—	—	7.0
Other .....	(412.9)	(351.2)	127.6	—	(2.1)	1.5	(32.7)	(669.9)
<b>Total Cumulative amortization .....</b>	<b>(3,216.3)</b>	<b>(1,917.5)</b>	<b>583.3</b>	<b>—</b>	<b>(127.6)</b>	<b>43.2</b>	<b>142.7</b>	<b>(4,492.2)</b>
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 constructions .....	493.8	553.0	(11.7)	7.8	1.0	—	(385.9)	658.1
Other .....	824.6	1.4	(19.0)	17.2	(0.5)	(0.7)	80.7	903.7
<b>Total Net book value .....</b>	<b>10,296.9</b>	<b>254.0</b>	<b>(99.7)</b>	<b>51.4</b>	<b>43.1</b>	<b>(78.3)</b>	<b>(78.4)</b>	<b>10,389.0</b>

ALTICE LUXEMBOURG

Notes to the consolidated financial statements as of December 31, 2016 (Continued)

7. Property, plant and equipment (Continued)

Property, plant and equipment December 31, 2015	January 1, 2015	Additions	Disposals	Business Combi- nations	Changes in foreign currency	Held for sale	Other	December 31, 2015
(€m)								
Land .....	113.3	3.3	(5.0)	177.8	2.1	(0.3)	2.0	293.2
Buildings .....	1,550.0	104.8	(17.5)	517.1	13.2	0.4	16.8	2,184.8
Technical and other equipment .....	6,114.6	999.4	(373.5)	2,316.1	355.4	(193.1)	86.3	9,305.2
Assets under constructions .....	397.8	309.3	(27.6)	97.5	6.4	(3.3)	(287.6)	492.5
Other tangible assets .....	928.0	300.9	(97.6)	45.9	3.5	(8.3)	65.1	1,237.5
<b>Total Gross Value .....</b>	<b>9,103.7</b>	<b>1,717.7</b>	<b>(521.2)</b>	<b>3,154.4</b>	<b>380.6</b>	<b>(204.6)</b>	<b>(117.4)</b>	<b>13,513.2</b>
Land .....	—	—	—	—	—	—	—	—
Buildings .....	(46.1)	(175.9)	13.7	—	(6.2)	0.2	7.9	(206.4)
Technical and other equipment .....	(1,704.2)	(1,316.0)	331.1	—	(241.3)	165.0	167.1	(2,598.3)
Assets under constructions .....	2.1	(0.7)	—	—	(0.1)	—	—	1.3
Other tangible assets .....	(6.4)	(381.8)	87.2	—	(5.3)	3.5	(110.1)	(412.9)
<b>Total Cumulative amortization .....</b>	<b>(1,754.6)</b>	<b>(1,874.4)</b>	<b>432.0</b>	<b>—</b>	<b>(252.9)</b>	<b>168.7</b>	<b>64.9</b>	<b>(3,216.3)</b>
Land .....	113.3	3.3	(5.0)	177.8	2.1	(0.3)	2.0	293.2
Buildings .....	1,503.9	(71.1)	(3.8)	517.1	7.0	0.6	24.7	1,978.4
Technical and other equipment .....	4,410.4	(316.6)	(42.4)	2,316.1	114.1	(28.1)	253.4	6,706.9
Assets under constructions .....	399.9	308.6	(27.6)	97.5	6.3	(3.3)	(287.6)	493.8
Other tangible assets .....	921.6	(80.9)	(10.4)	45.9	(1.8)	(4.8)	(45.0)	824.6
<b>Total Net book value .....</b>	<b>7,349.1</b>	<b>(156.7)</b>	<b>(89.2)</b>	<b>3,154.4</b>	<b>127.7</b>	<b>(35.9)</b>	<b>(52.5)</b>	<b>10,296.9</b>

The increase in the property, plant and equipment was mainly a result of continued capital expenditure by other Group companies, as part of their efforts to drive customer acquisition and growth. 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.
- “Other” includes:
  - Call centers that represent centralized offices used for the purpose of 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 7. Property, plant and equipment (Continued)

network, all material assets of Altice Hispaniola (other than licenses and real estate assets valued at less than €5 million), the assets of SFR Group and PT Portugal.

#### 8. Investment in associates

Investments in associates	Year ended December 31, 2016	Year ended December 31, 2015
	(€m)	
Associates of SFR Group .....	46.3	77.7
GNP .....	—	297.3
Other .....	14.1	42.7
<b>Total</b> .....	<b>60.4</b>	<b>417.7</b>

The main change in the carrying amount of investment in associates is primarily related to the consolidation of GNP into the financial statements of the Group from February 1, 2016. The investment in GNP was previously classified as an investment in associate.

In January 2016, SFR Group entered into an agreement with Bull and Caisse des Dépôts to acquire their stake in Numergy, following which Numergy's results were fully consolidated into the consolidated financial statements of the Group (previously reported as an investment in associates as of December 31, 2015).

The other entities are associates of SFR Group (total associates of €46.3 million):

- *La Poste Telecom*: In 2011, SFR Group and La Poste created La Poste Telecom, held at 49% and 51%, respectively. This subsidiary is a mobile virtual network operator on the retail mobile telephony market under the La Poste Mobile brand. As the carrying amount of the equity investment was less than zero, SFR Group recorded a provision of €24.9 million to account for its investment in La Poste Telecom as of December 31, 2016.
- *Synerail*: On February 18, 2010, a group created by SFR, Vinci and AXA (with 30% each) and TDF (10%) signed a GSM-R public-private partnership agreement with Réseau Ferré de France. This agreement, with a 15-year duration and an overall amount of €1,000 million, involves providing the financing, construction, operation and maintenance for a digital telecommunications network that will allow for providing communications (voice and data) between trains and ground regulation staff in conference mode. It will be deployed progressively over 14,000 km of traditional and high-speed railways in France. As the carrying amount of the equity investment was less than zero, SFR Group recorded a provision of €0.5 million to account for its investment in Synerail as of December 31, 2016.
- *PHO Holding*: On April 1, 2016, NextRadio TV completed the acquisition of a 39% stake in PHO holding, a company that itself holds a 100% stake in Diversite TV, which produces and broadcasts the free to air channel Numero 23.

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

Associates	La Poste Telecom		Synerail		Numergy	GNP
	2016	2015	2016	2015	2015	2015
	(€m)					
Revenues .....	214.0	202.0	81.7	167.0	4.0	17.8
Net profit/(loss) .....	(19.0)	(9.0)	11.0	2.0	(16.0)	(1.5)
Net equity .....	(90.0)	(83.0)	(2.7)	(15.0)	168.0	218.6
Cash (-)/Net debt (+) .....	56.0	51.0	526.0	487.0	2.0	252.0
Total Assets .....	45.0	38.0	610.1	598.0	175.0	593.8

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 9. Financial assets

<u>Other financial assets</u>	Year ended December 31, 2016	Year ended December 31, 2015
	(€m)	
Investments held as available for sale .....	7.2	6.5
Loans and receivables .....	310.3	249.6
Derivative financial assets .....	2,617.2	2,530.2
Other financial assets .....	18.7	29.9
<b>Total</b> .....	<b>2,953.5</b>	<b>2,816.2</b>
Current .....	68.6	11.4
Non-current .....	2,884.8	2,804.8

#### 9.1. Investment in available for sale financial assets

Partner Communications LTD: The Group holds 1,459,926 regular shares in Partner Communications LTD, (hereinafter-Partner), constituting approximately 0.9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Wananchi Group Holdings Ltd (hereinafter Wananchi): The Group, through an indirect subsidiary, holds a 17.4% equity interest and three board seats in Wananchi Group Holdings Ltd, a cable, DTH and B2B operator based out of Kenya and providing services in Kenya and other neighbouring East African countries. The Board of Directors has classified this investment as an available for sale asset. The Company holds less than 20% of Wananchi and has no significant influence over the operational or financial decision making in Wananchi. The investment in Wananchi is carried at its fair value, which was calculated by the Board of Directors based on a discounted cash flow model, which was modelled on a business plan prepared by Wananchi's management. The carrying amount of the Group's investment in Wananchi amounted to €1.2 million for the year ended December 31, 2016.

#### 9.2. Loans and receivables

As of December 31, 2016, this caption includes an investment in Wananchi, in return for which it was issued convertible notes, convertible at the discretion of the holder. The investment amounts to €45.2 million (\$44 million equivalent, excluding accrued interests) and bears interest at a rate of 11% per annum payable in kind and matures in October 2021 (15% as of December 31, 2015). It also includes €124.0 million corresponding to a guarantee provided by Vivendi to SFR Group, as well as financial assets related to pension assets at PT Portugal for an aggregate amount of €13.8 million.

#### 9.3. Derivative financial assets

As part of the issuance of new debts to finance the acquisition of SFR Group and PT Portugal, the Group issued debt in US Dollars. In order to cover the exchange rate risk related to this issuance, refer to note 17, the Group entered into cross currency swaps with different banks, which were classified as cash flow hedges.

This caption also includes the fair value of various call options held by the Group on non-controlling interests in Altice Customer Services and Altice Technical Services, refer to note 17 for details about the fair value of these instruments.

#### 10. Inventories

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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 10. Inventories (Continued)

Financial Position. The increase in inventory for the year ended December 31, 2016 mainly relates to the acquisition of Altice Technical Services.

A cost of €7.9 million was recorded in the consolidated statement of income to account for the change in inventories (€31.3 million expensed in 2015).

<u>Inventories</u>	Year ended December 31, 2016	Year ended December 31, 2015
	(€m)	
Raw materials and consumables .....	398.7	403.2
Work in progress .....	57.8	30.3
<b>Gross value</b> .....	<b>456.5</b>	<b>433.5</b>
Raw materials and consumables .....	(60.3)	(61.3)
Work in progress .....	(2.6)	(3.6)
<b>Allowance for obsolescence</b> .....	<b>(62.9)</b>	<b>(65.0)</b>
Raw materials and consumables .....	338.4	341.8
Work in progress .....	55.2	26.7
<b>Total carrying amount</b> .....	<b>393.6</b>	<b>368.5</b>

#### 10.1. Inventory obsolescence

<u>Inventory obsolescence</u>	Raw materials and consumables	Work in progress (goods)	Finished/ semi-finished goods	Total
	(€m)			
<b>Opening balance: January 1, 2016</b> .....	<b>(61.3)</b>	—	<b>(3.6)</b>	(65.0)
Business combinations .....	(0.9)	—	—	(0.9)
Allowances/Write-backs .....	3.2	—	1.0	4.2
Variation .....	(1.2)	—	(0.0)	(1.2)
Held for sale .....	0.1	—	—	0.1
Other .....	(0.1)	—	—	(0.1)
<b>Closing balance: December 31, 2016</b> .....	<b>(60.3)</b>	—	<b>(2.6)</b>	<b>(62.9)</b>

<u>Inventory obsolescence</u>	Raw materials and consumables	Work in progress (goods)	Finished/ semi-finished goods	Total
	(€m)			
<b>Opening balance: January 1, 2015</b> .....	<b>(47.4)</b>	—	—	<b>(47.4)</b>
Business combinations .....	(16.7)	—	(3.4)	(20.1)
Allowances/Write-backs .....	2.7	—	(0.2)	2.4
Variation .....	0.3	—	0.0	0.3
Held for sale .....	0.0	—	—	0.0
Other .....	(0.3)	—	—	(0.3)
<b>Closing balance: December 31, 2015</b> .....	<b>(61.3)</b>	—	<b>(3.6)</b>	<b>(65.0)</b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 11. Trade and other receivables

<u>Trade and other receivables</u>	Year ended December 31, 2016	Year ended December 31, 2015
	(€m)	
Trade receivables .....	2,982.1	2,765.0
Other receivables .....	1,255.2	899.7
<b>Total</b> .....	<b><u>4,237.3</u></b>	<b><u>3,664.7</u></b>

#### 11.1. Trade receivables

<u>Trade and other receivables</u>	Gross trade receivables	Allowance for doubtful debts	Total
	(€m)		
<b>Opening balance: January 1, 2016</b>	<b>3,496.8</b>	<b>(731.8)</b>	<b>2,765.0</b>
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)	29.1
<b>Closing balance: December 31, 2016</b> .....	<b><u>3,755.0</u></b>	<b><u>(772.9)</u></b>	<b><u>2,982.1</u></b>

<u>Trade and other receivables</u>	Gross trade receivables	Allowance for doubtful debts	Total
	(€m)		
<b>Opening balance: January 1, 2015</b> .....	<b>2,573.2</b>	<b>(535.8)</b>	<b>2,037.4</b>
Recognised through business combinations .....	831.7	(224.6)	607.0
Net increase .....	117.7	13.0	130.7
Held for sale .....	(41.1)	26.1	(15.0)
Other changes .....	15.3	(10.5)	4.9
<b>Closing balance: December 31, 2015</b> .....	<b><u>3,496.8</u></b>	<b><u>(731.8)</u></b>	<b><u>2,765.0</u></b>

#### 11.1.1. Aging of trade receivables

<u>Age of trade receivables</u>	Year ended December 31, 2016	Year ended December 31, 2015
	(€m)	
Not yet due .....	2,598.4	2,423.6
30—90 days .....	194.0	136.1
91—120 days .....	189.7	205.3
<b>Total</b> .....	<b><u>2,982.1</u></b>	<b><u>2,765.0</u></b>

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 is of the opinion that 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, Optimus etc.). The risk of recoverability for these clients is quite low, given the balance in interconnection transactions between these companies and different companies of the Group. Orange, the largest client in the operator segment, is also the largest supplier of the Group.



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 11. Trade and other receivables (Continued)

##### 11.2. Other receivables

<u>Other receivables</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
	(€m)	
Prepaid expenses .....	258.0	158.9
Business taxes receivable .....	750.0	559.2
Other .....	247.3	181.6
<b>Total</b> .....	<b><u>1,255.2</u></b>	<b><u>899.7</u></b>

##### 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. The increase from 2015 is largely a result of an increase in business taxes receivable at SFR Group of €153.7 million.

##### 11.2.3. Other

Other is mainly composed of receivables due from social security and other state run organisms that manage employee benefits. The increase compared to 2015 was mainly a result of an increase across most Group companies in social security receivable.

#### 12. Cash and cash equivalents and restricted cash

<u>Cash and cash equivalents and restricted cash</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
Term deposits .....	185.3	220.3
Bank balances .....	534.6	405.4
<b>Cash and cash equivalents</b> .....	<b><u>719.9</u></b>	<b><u>625.7</u></b>
Restricted cash .....	19.6	0.6
<b>Total</b> .....	<b><u>739.5</u></b>	<b><u>626.3</u></b>

#### 13. Shareholders' Equity

##### 13.1. Issued capital

As of December 31, 2016, 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

As of December 31, 2016, total additional paid in capital of the Group amounted to €840.7 million, compared to €1,016.1 million as of December 31, 2015. Changes in additional paid in capital were mainly related to:

- Transactions under common control: mainly related to the acquisition of AMG France by the SFR Group in May 2016 (see note 3.3.2).
- Others: related mainly to put options held by non-controlling interests in ACS and also the acquisition of an additional stake in our Swiss business.

ALTICE LUXEMBOURG

Notes to the consolidated financial statements as of December 31, 2016 (Continued)

13. Shareholders' Equity (Continued)

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, 2016			December 31, 2015		
	Pre -tax amount	Tax effect	Net amount	Pre -tax amount	Tax effect	Net amount
			(€m)			
Actuarial gains and losses	(64.2)	17.1	(47.1)	(3.5)	(0.5)	(4.0)
<b>Items not reclassified to profit or loss</b>	<b>(64.2)</b>	<b>17.1</b>	<b>(47.1)</b>	<b>(3.5)</b>	<b>(0.5)</b>	<b>(4.0)</b>
Available for sale reserve	2.8	—	2.8	2.4	—	2.4
Currency reserve	23.9	—	23.9	3.4	—	3.4
Cash flow hedge reserve	(959.3)	304.6	(654.7)	(317.9)	100.3	(217.6)
<b>Items potentially reclassified to profit or loss</b>	<b>(932.6)</b>	<b>304.6</b>	<b>(628.0)</b>	<b>(312.1)</b>	<b>100.3</b>	<b>(211.8)</b>
<b>Total</b>	<b>(996.8)</b>	<b>321.7</b>	<b>(675.1)</b>	<b>(315.6)</b>	<b>99.8</b>	<b>(215.8)</b>

14. Provisions

Provisions	Note	December 31,	December 31,
		2016	2015
		(€m)	
Provisions	14.1	1,287.7	1,059.8
Employee benefit provisions	14.2	1,032.3	1,051.7
<b>Total</b>		<b>2,320.1</b>	<b>2,111.5</b>
Current		535.2	378.1
Non-current		1,784.8	1,733.4

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 following table.

Provisions December 31, 2016	January 1, 2016	Business Combinations	Additions	Utilization	Held for sale	Other	December 31, 2016
					(€ m)		
Litigation and other disputes	673.9	4.8	255.9	(191.0)	(0.4)	64.7	807.9
Site renovation costs	161.5	—	5.4	(16.0)	—	0.3	151.2
Restructuring	54.6	25.5	107.4	(39.5)	(0.1)	1.7	149.5
Other	169.8	18.9	58.7	(48.0)	(1.4)	(18.9)	179.2
<b>Total</b>	<b>1,059.8</b>	<b>49.3</b>	<b>427.4</b>	<b>(294.6)</b>	<b>(1.9)</b>	<b>47.8</b>	<b>1,287.7</b>

Provisions December 31, 2015	January 1, 2015	Business Combinations	Additions	Utilization	Held for sale	Other	December 31, 2015
					(€ m)		
Litigation and other disputes	544.8	57.4	114.3	(66.2)	(0.2)	23.9	673.9
Site renovation costs	135.4	—	5.7	(22.2)	—	42.5	161.5
Restructuring	11.4	—	56.4	(27.5)	—	14.3	54.6
Other	182.4	21.1	64.9	(66.5)	(10.2)	(21.9)	169.8
<b>Total Gross Value</b>	<b>874.0</b>	<b>78.5</b>	<b>241.2</b>	<b>(182.4)</b>	<b>(10.4)</b>	<b>58.8</b>	<b>1,059.8</b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 14. Provisions (Continued)

##### 14.1.1. Provisions for litigation & other disputes

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. The Board of Directors 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, 2016. Such litigation 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 in the note 21, Taxation, for all tax related litigation. All litigation pending against the Group is either being heard or appealed at the date of this report.

##### 14.1.2. Site renovation costs

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

##### 14.1.3. Restructuring

During the year the Group announced restructuring plans at SFR Group and PT Portugal as described in note 4.2.2.

##### 14.1.4. 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.

#### 14.2. 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:

<u>Defined benefit obligation</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
Defined benefit obligation .....	1,202.9	1,237.8
Fair value of plan assets .....	(170.6)	(186.1)
<b>Unfunded status</b> .....	<b><u>1,032.3</u></b>	<b><u>1,051.7</u></b>

##### 14.2.1. Details of the significant defined benefit plans

###### 14.2.1.1. 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 14. Provisions (Continued)

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.

- 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.

##### 14.2.1.2. 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 considered to be a defined benefit plan in accordance with IAS 19. 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 considered to be a defined contribution plan in accordance with IAS 19. In France, severance payments are made in accordance with the collective agreement of the company to which they are attached.

##### 14.2.1.3. 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.

ALTICE LUXEMBOURG

Notes to the consolidated financial statements as of December 31, 2016 (Continued)

14. Provisions (Continued)

14.2.2. Defined benefit obligations and fair value of plan assets

14.2.2.1. Movements in the present value of the defined benefit obligation

<u>Defined benefit obligation</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
<b>Opening balance at January 1</b> .....	<b>1,237.8</b>	<b>154.1</b>
Business combinations <sup>1</sup> .....	19.9	1,154.7
Interest expense .....	15.0	10.7
Current service cost .....	17.7	15.8
Participant contribution .....	0.4	0.6
Benefits paid .....	(159.7)	(100.9)
Curtailment .....	7.6	6.7
Net actuarial gain/(loss) in OCI .....	68.9	(7.1)
Held for sale .....	(6.0)	—
Other .....	1.2	3.2
<b>Closing balance at December 31</b> .....	<b>1,202.9</b>	<b>1,237.8</b>
<i>Including commitments not financed</i> .....	711.6	769.0
<i>Including commitments totally financed or partially financed</i> .....	491.3	468.8

14.2.2.2. Fair value of plan assets

<u>Fair value of plan assets</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€ m)	
<b>Opening balance at January 1</b> .....	<b>186.1</b>	<b>23.0</b>
Business combinations <sup>1</sup> .....	10.8	177.1
Interest income .....	3.7	3.4
Participant contribution .....	(17.1)	0.4
Benefits paid .....	(10.3)	(19.2)
Deposits paid by employer into the plan .....	2.2	2.5
Net actuarial gain/(loss) in OCI .....	5.0	(3.7)
Held for sale .....	(10.9)	—
Other .....	1.0	2.6
<b>Closing balance at December 31</b> .....	<b>170.6</b>	<b>186.1</b>

<sup>1</sup> The business combination line includes the effect of the acquisition PT Portugal in 2015.

<u>Fair value of plan assets</u>	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	(€m)			
Shares .....	23.7	13.9%	23.9	12.8%
Bonds .....	59.9	35.1%	60.9	32.7%
Real estate .....	2.2	1.3%	4.2	2.3%
Other <sup>1</sup> .....	84.9	49.7%	97.0	52.2%
<b>Closing balance at December 31</b> .....	<b>170.6</b>	<b>100.0%</b>	<b>186.0</b>	<b>100.0%</b>

<sup>1</sup> Included in other are mainly cash and cash equivalents and investment funds held.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 14. Provisions (Continued)

##### 14.2.2.3. Amounts recognized in comprehensive income

<u>Defined benefit plan</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	(€m)	
Current service cost .....	17.7	15.8
Net interest expense .....	11.3	7.2
Settlement .....	—	—
Curtailment .....	7.6	6.7
Net actuarial gain/(loss) .....	—	(0.1)
<b>Expenses recognised in profit or loss .....</b>	<b>36.7</b>	<b>29.6</b>
Differences arising from experience .....	25.1	15.4
Differences arising from changes in assumptions .....	43.9	(22.5)
Return on plan assets (excluding interest income) .....	(5.0)	3.6
<b>Expenses recognised in other comprehensive income .....</b>	<b>64.0</b>	<b>(3.5)</b>
<b>Total expenses recorded in comprehensive income .....</b>	<b>100.8</b>	<b>26.1</b>

##### 14.2.2.4. Defined benefit plan valuation assumptions

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

<u>Assumptions used in actuarial valuation:</u> <u>Europe</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	(%)	
Expected rate of salary increase .....	0-2%	0-2%
Discount rate—pension .....	1.6%	1.9%
Discount rate—salaries to suspended and pre-retired .....	0.25%	0.5%
Discount rate—healthcare .....	1.75%	2.25%
Inflation rate .....	2.0%	2.0%
 <u>Assumptions used in actuarial valuation:</u> <u>Israel and Dominican Republic</u>	 <u>December 31,</u> <u>2016</u>	 <u>December 31,</u> <u>2015</u>
	(%)	
Expected rate of salary increase .....	1-4%	1-4%
Discount rate—pension .....	2.5%	2.1%
Inflation rate .....	1.2%	1.2%

##### 14.2.2.5. 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:

<u>Sensitivity to a change in discount rate</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	(€m)	
Discount rate decreases 0.25% .....	31.0	24.7
Discount rate increases 0.25% .....	(26.0)	(23.7)

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities

<u>Borrowings and other financial liabilities</u>	December 31, 2016	December 31, 2015
	(€m)	
<b>Long term borrowings, financial liabilities and related hedging instruments</b> .....	<b>32,370.1</b>	<b>31,032.0</b>
- <i>Debentures</i> .....	26,775.9	21,680.3
- <i>Loans from financial institutions</i> .....	5,228.0	9,252.0
- <i>Derivative financial instruments</i> .....	366.2	99.7
<b>Other non-current financial liabilities:</b> .....	<b>519.7</b>	<b>412.2</b>
- <i>Finance leases</i> .....	118.2	97.9
- <i>Other financial liabilities</i> .....	401.5	314.3
<b>Non-current liabilities</b> .....	<b>32,889.8</b>	<b>31,444.2</b>
<b>Short term borrowing, financial liabilities:</b> .....	<b>419.9</b>	<b>248.6</b>
- <i>Debentures</i> .....	31.1	29.7
- <i>Loans from financial institutions</i> .....	388.7	219.0
<b>Other financial liabilities:</b> .....	<b>2,173.4</b>	<b>1,236.7</b>
- <i>Other financial liabilities</i> .....	1,214.9	521.3
- <i>Bank overdraft</i> .....	59.6	126.6
- <i>Accrued interests</i> .....	834.0	530.6
- <i>Finance leases</i> .....	64.9	58.2
<b>Current liabilities</b> .....	<b>2,593.3</b>	<b>1,485.3</b>
<b>Total</b> .....	<b>35,483.0</b>	<b>32,929.5</b>

#### Debentures and loans from financial institutions

<u>Debentures and loans from financial institutions</u>	Note	December 31, 2016	December 31, 2015
		(€m)	
Debentures .....	15.1.1	26,807.0	21,710.0
Loans from financial institutions .....	15.1.2	5,616.7	9,471.0
<b>Total</b> .....		<b>32,423.8</b>	<b>31,181.0</b>

#### 15.1.1. Debentures

<u>Maturity of debentures</u>	< 1 year	One year or more	December 31, 2016	December 31, 2015
			(€m)	
SFR Group .....	—	12,197.3	12,197.3	9,305.0
Altice Luxembourg .....	—	6,881.8	6,881.8	6,735.5
Altice Financing .....	—	6,109.2	6,109.2	4,069.1
Altice Finco .....	—	1,382.9	1,382.9	1,345.7
HOT Telecom .....	31.1	204.8	235.9	254.7
<b>Total</b> .....	<b>31.1</b>	<b>26,775.9</b>	<b>26,807.0</b>	<b>21,710.0</b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

The credit ratings of the entities, and details of where the debt is publicly traded, as at December 31, 2016, 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.

Instrument	Issuer	Face value	Coupon	Year of maturity	December 31, 2016		December 31, 2015	
					Fair value	Carrying amount	Fair value	Carrying amount
Debentures	HOT Telecom Ltd.	ILS 957 million	6.90%	2018	253.3	236.6	278.5	225.0
Senior secured notes	Altice Financing S.A.	\$460 million	7.88%	2019	—	—	439.4	422.5
Senior secured notes	Altice Financing S.A.	€210 million	8.00%	2019	—	—	218.7	210.0
Senior secured notes	SFR Group S.A.	\$2,400 million	4.88%	2019	—	—	2,182.40	2,204.5
Senior notes	Altice Finco S.A.	\$425 million	9.88%	2020	425.4	403.2	408.4	391.4
Senior notes	Altice Luxembourg S.A.	\$2,900 million	7.75%	2022	2,947.2	2,751.2	2,397.40	2,663.7
Senior notes	Altice Luxembourg S.A.	\$2,075 million	7.25%	2022	2,220.3	2,075.0	1,931.00	2,075.0
Senior secured notes	Altice Financing S.A.	€300 million	6.50%	2022	315.0	300.0	314.5	300.0
Senior secured notes	Altice Financing S.A.	\$900 million	6.50%	2022	890.1	853.8	816.3	826.7
Senior secured notes	SFR Group S.A.	\$4,000 million	6.00%	2022	3,880.1	3,794.7	3,545.50	3,674.1
Senior secured notes	SFR Group S.A.	€1,000 million	5.38%	2022	1,050.0	1,000.0	1,022.50	1,000.0
Senior notes	Altice Finco S.A.	\$250 million	9.00%	2023	284.4	250.0	278.3	250.0
Senior secured notes	Altice Financing S.A.	\$2,060 million	6.63%	2023	2,012.9	1,954.3	1,863.80	1,892.2
Senior secured notes	Altice Financing S.A.	€500 million	5.25%	2023	530.0	500.0	498.3	500.0
Senior notes	Altice Finco S.A.	\$400 million	8.13%	2024	393.7	379.5	351.8	367.4
Senior secured notes	SFR Group S.A.	\$1,375 million	6.25%	2024	1,314.2	1,304.4	1,218.80	1,263.0
Senior secured notes	SFR Group S.A.	€1,250 million	5.63%	2024	1,320.3	1,250.0	1,263.90	1,250.0
Senior notes	Altice Luxembourg S.A.	\$1,480 million	7.63%	2025	1,474.2	1,404.0	1,162.30	1,359.4
Senior secured notes	Altice Luxembourg S.A.	€750 million	6.25%	2025	784.7	750.0	630.3	750.0
Senior notes	Altice Finco S.A.	\$385 million	7.63%	2025	368.9	365.2	326.2	385.0
Senior secured notes	SFR Group S.A.	\$5,200 million	7.38%	2026	5,028.3	4,923.6	—	—
Senior secured notes	Altice Financing S.A.	\$2,750 million	7.50%	2027	2,700.2	2,608.9	—	—
Transaction costs						(297.4)		(300.0)
<b>Total value of bonds</b>					<b>28,193.1</b>	<b>26,807.1</b>	<b>21,148.3</b>	<b>21,709.9</b>
<i>Of which due within one year</i>						31.1		29.7
<i>Of which due after one year</i>						26,775.9		21,680.2

Details of the debt by issuer, and changes in the debt over the year ended December 31, 2016 are provided below:

#### 15.1.1.1. SFR Group

SFR Group undertook refinancing activities during the year. On April 7, 2016, SFR Group announced the successful placement of a new 10-year Senior Secured Note for an aggregate amount of \$5,200 million. The proceeds from this issuance were used to refinance the following debts:

- \$2,400 million notes due 2019;
- €450 million drawn on the €1,125 million revolving credit facility (RCF); and
- €1,900 million term loan due 2019 (three tranches of €627.0 million, €399.0 million and \$1,142.0 million respectively).

The debt was priced at 7.375%. The equivalent swapped coupon for the euro repayments is approximately 6.2%. At the date of the refinancing, the average maturity of SFR Group's debt increased from 5.8 years to 7.9 years.



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

As a result of the refinancing described above, the Group recognised a loss on extinguishment of a financial liability for an amount of €135.4 million during the year ended December 31, 2016.

##### 15.1.1.2. Altice Financing S.A.

On April 19, 2016, Altice Financing S.A. announced that it had successfully priced a new 10-year Senior Secured Note for an aggregate amount of \$2,750 million paying a coupon of 7.5% (approximately 5.8% swapped into euros). The proceeds from this issuance were used to refinance the following debts:

- \$460 million senior secured notes due 2019;
- €210 million senior secured notes due 2019;
- \$1,013 million of loans under the 2019 Term Loan facility; and
- €855 million of loans under the 2022 Term Loan facility (\$500 million and €400 million respectively).

At the date of the refinancing, the average maturity of debt of Altice Financing S.A was increased from 6.0 years to 7.7 years. As a result of this transaction, the Group recognised a loss on extinguishment of financial liabilities of €70.0 million during the year ended December 31, 2016.

##### 15.1.1.3. HOT Telecom

There were no changes in the debentures issued by HOT Telecom during the year. These debentures have the following characteristics:

- HOT's Series A' debentures: €151 million, linked to the Consumer Prices Index for Tel Aviv. Series A' debentures which are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018. They bear yearly interest at a fixed rate of 3.9%.
- HOT's Series B' debentures: €127.5 million which bear yearly interest at a fixed rate of 6.9%. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

As the debentures are repaid semi-annually, a portion is classified as current liabilities as noted in the maturity table above.

#### 15.1.2. Loans from financial institutions

<u>Maturity of loans from financial institutions</u>	<u>&lt; 1 year</u>	<u>One year or more</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
			(€m)	
SFR Group . . . . .	68.2	4,736.5	4,804.7	7,082.3
Altice Financing . . . . .	314.9	433.8	748.7	2,354.6
Altice Customer Services . . . . .	—	28.0	28.0	
Others . . . . .	5.6	29.8	35.4	34.0
<b>Total</b> . . . . .	<b><u>388.7</u></b>	<b><u>5,228.0</u></b>	<b><u>5,616.7</u></b>	<b><u>9,470.9</u></b>

The decrease in the loans from financial institutions was mainly due to the prepayment of different term loan facilities by the Group during the year. The term loans were repaid prior to their maturity through the issuance of new debentures, as explained earlier in note 15.1.1. The following term loans were repaid as part of the refinancing:

- €1,900 million of SFR Group term loans due 2019 (three tranches of €627 million, €399 million and \$1,142 million respectively);
- \$1,013 million of Altice Financing Term Loans under the 2019 Term Loan facility;

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

- €855 million of Altice Financing Term Loans under the 2022 Term Loan facility (\$500 million and €400 million respectively).

In addition to these repayments, the Group also extended the maturities of the term loans totalling €2,300 million, the tranches extended comprised:

- \$1,425 million due in 2024 (with principal repayments of 1% per annum), paying interest of Libor 3m+4.25% (with a 0.75% floor), and
- €850 million due in 2023 (with principal repayments of 1% per annum), paying interest of Libor 3m+3.75% (with a 0.75% floor).

##### 15.1.2.1. SFR Group

On October 17, 2016, SFR Group debt comprising a \$1,790 million Term Loan and a €700 million Term Loan were repriced. The Term Loans have a January 2025 maturity. The \$1,790 million Term Loan is priced at 3.25% over LIBOR with a 0.75% LIBOR floor. The €700 million Term Loan is priced at 3.00% over EURIBOR with a 0.75% EURIBOR floor and is priced at par. The proceeds were used to repay the entire amount of the: (i) \$550 million term loan due June 2022 (priced at L+381bps); (ii) the \$1,340 million and €500 million term loans due January 2023 (priced at LIBOR + 4.00% and EURIBOR + 4.00% respectively), and; (iii) €100 million of the aggregate principal amount outstanding under the RCF. The refinancing represents a significant reduction to the margins on the term loans being repaid. At the time of the refinance, the transaction improved SFR Group's debt maturity profile from 7.3 to 7.6 years and reduced the weighted average cost of debt from 5.3% to 5.2%.

#### 15.2. 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 subsidiaries of the Company 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 a number of important exceptions and qualifications. In order 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 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), with the exception of secured debt of the SFR Group, which 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

The Group has access to various revolving credit facilities (refer note 15.5), 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 RCFs that had been drawn on for the year ended December 31, 2016 are given below:

<u>Facility</u>	<u>Amount</u> (€m)	<u>Financial covenant</u>
Altice International . . . . .	986.9	Consolidated net leverage ratio greater than or equal to 5.25:1

The Group was in compliance with the covenant described above, as of December 31, 2016.

#### 15.3. Derivatives financial instruments

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 ("CCIRS") that cover against foreign currency and interest rate risk, forward swaps that cover against foreign exchange risk only, or interest rate swaps covering interest rate risk only.

##### 15.3.1. Derivatives designated as hedged instruments

The Group applies hedge accounting for those hedging operations that meet the eligibility criteria as defined by IAS 39. Refer to note 15.3.2 for derivatives that do not meet the hedge accounting criteria.

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 in order 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. The principal characteristics are given below:

<u>Issuer</u>	<u>Hedged item</u>	<u>Hedged amount</u>	<u>Pay leg</u> (US)	<u>Receive leg</u> (EUR)	<u>Year of maturity</u>
<b>Fixed to fixed CCIRS</b>					
Altice Luxembourg S.A. . . . .	\$2,900 million senior notes	\$2,900 million	7.75%	7.34%	2022
SFR Group S.A. . . . .	\$4,000 million senior secured notes	\$4,000 million	6.00%	5.15%	2022
Altice Financing S.A. . . . .	\$2,060 million senior secured notes	\$2,060 million	6.63%	5.30%	2023
SFR Group S.A. . . . .	\$1,375 million senior secured notes	\$1,375 million	6.25%	5.38%	2024
Altice Luxembourg S.A. . . . .	\$1,480 million senior notes	\$1,480 million	7.63%	6.50%	2025
Altice Finco S.A. . . . .	\$385 million senior notes	\$ 385 million	7.63%	6.25%	2025
SFR Group S.A. . . . .	\$5,200 million senior secured notes				
	- Instrument 1	\$2,400 million	7.38%	6.78%	2026
	- Instrument 2	\$2,790 million	7.38%	5.75%	2026
Altice Financing S.A. . . . .	\$2,750 million senior secured notes				
	- Instrument 1	\$ 780 million	7.50%	5.80%	2026
	- Instrument 2	\$ 541 million	7.50%	6.42%	2026
	- Instrument 3	\$ 500 million	7.50%	6.04%	2026
<b>Floating to floating CCIRS<sup>1</sup></b>					
SFR Group S.A. . . . .	\$1,790 million term loan	\$ 550 million	L+3.25%	E+2.73%	2022
SFR Group S.A. . . . .	\$1,790 million term loan	\$1,240 million	L+4.00%	E+4.15%	2023
SFR Group S.A. . . . .	\$1,425 million term loan	\$1,425 million	L+4.25%	E+4.57%	2024

<sup>1</sup> The floating rate swaps have a floor of 0.75% on both the EURIBOR (E) and LIBOR (L) legs.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

As part of the refinancing transactions the Group entered into new swaps and modified the conditions of existing swaps on the refinanced debt to maintain its hedging strategy. The following table provides a summary of the modified and new swap contracts that were designated as cash flow hedges during the year:

<b>Fixed:fixed CCIRS</b>	<b>Nominal USD (m)</b>	<b>Nominal EUR (m)</b>	<b>USD/EUR exchange rate</b>	<b>Effective date</b>	<b>Maturity date<sup>1</sup></b>	<b>USD coupon</b>	<b>EUR coupon</b>	<b>Modified/ new</b>
SFR Group <sup>1</sup> .....	2,400	1,736	1.3827	8/05/2014	15/07/2024	7.38%	6.78%	Modified
SFR Group .....	2,790	2,458	1.135	11/04/2016	15/04/2024	7.38%	5.75%	New
Altice Financing S.A. ....	779.2	686.4	1.1352	3/05/2016	15/07/2024	7.50%	5.573% to 5.816%	New
Altice Financing S.A. <sup>2</sup> .....	540.5	415.5	1.301	3/05/2016	15/07/2024	7.50%	5.91% to 6.4%	Modified
Altice Financing S.A. <sup>2</sup> .....	500	442.1	1.132	3/05/2016	15/07/2024	7.50%	5.95% to 6.06%	Modified
<b>Floating:floating CCIRS</b>								
SFR Group <sup>3</sup> .....	1,425	1,030	1.3834	8/05/2014	15/01/2024	L+4.25%	E+4.570%	Modified

- 1) *The modified fixed/fixed cross currency swap at SFR Group was previously designated as a hedged instrument and accounted for as a cash flow hedge since its inception.*
- 2) *The modified fixed/fixed cross currency swaps at Altice Financing were previously designated as held for trading and designated as fair value through profit and loss (FVTPL) instruments. Following the modifications, these instruments were designated as cash flow hedge instruments.*
- 3) *The floating/floating swap at SFR Group covers the principal and interest due at the maturity of the loan.*

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the year ended December 31, 2016. Before the impact of taxes, losses of €734.4 million were recorded in other comprehensive income (€498.0 million net of taxes).

#### 15.3.2. Derivatives not eligible for hedge accounting

The remainder of the Group's derivatives are not hedge accounted. The change in fair value of these derivatives is recognised immediately in profit or loss. A summary of CCIRS instruments that the Group has entered into that were not eligible for hedge accounting is provided below:

<b>Debt related to</b>	<b>Derivative amount</b>	<b>Pay/ Receive</b>	<b>Maturity</b>	<b>Floating rate/fixed rate, spread</b>
<b>Coupon only CCIRS</b>				
\$2,750 million notes <sup>1</sup> .....	\$ 225 million	ILS/USD	15/12/2017	ILS TELBOR 3M / 5.9% - 7.6%
\$2,750 million notes <sup>1</sup> .....	€ 100 million	ILS/EUR	15/12/2017	ILS TELBOR 3M / 5.775%
\$425 million notes .....				ILS
	\$ 200 million	ILS/USD	15/12/2017	TELBOR 3M / 8.0% - 9.7%
\$2,750 million notes <sup>1</sup> .....	\$292.8 million	ILS/USD	15/11/2018	ILS TELBOR 3M / 5.0% - 5.6%
<b>Forward transactions on Coupon only CCIRS</b>				
\$2,750 million notes <sup>1</sup> .....	\$ 225 million	ILS/USD	15/12/2017	4.29-4.33 ILS/USD
\$2,750 million notes <sup>1</sup> .....	€ 100 million	ILS/EUR	15/12/2017	5.439 ILS/USD
\$425 million senior notes .....	\$ 200 million	ILS/USD	15/12/2017	4.29-4.33 ILS/USD
<b>Forward transactions on principal payments due at maturity</b>				
\$885 million notes <sup>2</sup> .....	\$ 550 million	ILS/USD	15/12/2017	4.281-4.33 ILS/USD
\$885 million notes <sup>2</sup> .....	\$239.5 million	ILS/USD	15/12/2017	3.678 ILS/USD
\$2,750 million notes <sup>1</sup> .....	\$292.8 million	ILS/USD	15/11/2018	3.678 ILS/USD

1 *The \$2,750 million notes were issued during the year and refinanced debt as described earlier in note 17.*

2 *These notes include the \$425 million note, plus the \$460 million notes that were refinanced with the \$2,750 million notes during the year.*

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

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

<u>Issuer</u>	<u>Derivative nominal value</u>	<u>Pay leg</u>	<u>Receive leg</u>	<u>Year of maturity</u>
SFR Group .....	€4,000 million	Euribor 3m	- 0.12%	2023
Altice Financing S.A. ....	\$750 million	Euribor 3m	- 0.13%	2023
Altice Financing S.A. ....	\$720 million	1.81%	Libor 6m	2026

#### 15.4. Reconciliation to swap adjusted debt

As mentioned in the note above, the Group has entered into various hedge transactions in order to mitigate interest rate and FX 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 taking into account the effect of the hedge operations (the "Swap adjusted debt") are given below:

<u>Reconciliation of debentures and loans from financial institutions to swap adjusted debt</u>	<u>December 31, 2016</u>
	(€m)
<b>Debentures and loans from financial institutions (as reported in the Statement of Financial Position) .....</b>	<b>32,423.8</b>
Transaction costs .....	395.3
<b>Total (excluding transaction costs and fair value adjustments) .....</b>	<b>32,819.0</b>
Conversion of debentures and loans in foreign currency (at closing spot rate) .....	(22,300.4)
Conversion of debentures and loans in foreign currency (at hedged rates) .....	18,886.6
<b>Total swap adjusted value .....</b>	<b>29,405.3</b>

#### 15.5. Available credit facilities

<u>Available credit facilities</u>	<u>Total facility</u>	<u>Drawn</u>
	(€m)	
SFR Group .....	1,125.0	—
Altice Financing S.A. ....	986.9	310.0
Altice Luxembourg S.A. ....	200.0	—
<b>Revolving credit facilities .....</b>	<b>2,311.9</b>	<b>310.0</b>
Altice Financing S.A. ....	15.0	—
<b>Guarantees .....</b>	<b>15.0</b>	<b>—</b>
<b>Total .....</b>	<b>2,326.9</b>	<b>310.0</b>

#### 15.6. Other financial liabilities

The non-current portion of €519.7 million comprises mainly:

- SFR Group liabilities of €151.0 million, mostly related to deposits and guarantees provided by customers for equipment they have been provided.
- Finance leases of €118.2 million, refer to note 18.
- As part of the acquisition of GNP and the subsequent minority investment in Altice Content Luxembourg, the Group has entered into a put agreement with the non-controlling interests. As

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

per the requirements of IAS 39, the put was measured and recorded at its fair value of €61.8 million.

- As part of the acquisition of Altice Customer Services during the year, the Group entered into a put agreement with the non-controlling interests. As per the requirements of IAS 39, the instrument was measured and recorded at its fair value: €39.0 million.

The current portion of €2,173.4 million comprises mainly:

- Debts related to securitisation and reverse factoring:
  - at SFR Group of €263.0 million for securitisation and €374.0 million, which was a total increase of €225.0 million from 2015, and
  - across the remainder of the Group, combined liabilities of €164.6 million, an increase of €53.5 million from 2015.
- The issuance of unsecured commercial paper by SFR Group for an aggregate amount of €249.0 million.
- A vendor note amounting to €100.0 million related to SFR Group's acquisition of AMG; this note has a coupon of 3.8% and is due to mature on May 24, 2017. Refer also to the related parties description in note 28.
- Accrued interest of €834.0 million, which increased from €530.6 million in 2015 due to the increased debt portfolio following the acquisitions during the year.
- The increase compared to 2015 was partially offset by a decrease in bank overdrafts from €126.6 million to €59.6 million.

#### 15.7. Maturity of financial liabilities

<u>Maturity of financial liabilities</u>	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>More than 5 years</u>	<u>December 31, 2016</u>
	(€m)			
Loans, debentures and related hedging instruments . . . . .	419.9	8,653.4	23,715.8	32,789.0
Financial instruments . . . . .	—	—	—	—
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 . . . . .	1,214.9	202.4	200.0	1,617.3
<b>Nominal value of borrowings . . . . .</b>	<b><u>2,593.3</u></b>	<b><u>8,947.0</u></b>	<b><u>23,942.8</u></b>	<b><u>35,483.0</u></b>

<u>Maturity of financial liabilities</u>	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>More than 5 years</u>	<u>December 31, 2015</u>
	(€m)			
Loans, debentures and related hedging instruments . . . . .	248.6	8,981.9	21,950.4	31,180.9
Financial instruments . . . . .	—	—	99.7	99.7
Finance leases . . . . .	58.3	97.9	—	156.2
Accrued interest . . . . .	530.6	—	—	530.6
Bank overdraft . . . . .	126.6	—	—	126.6
Other financial liabilities . . . . .	521.3	257.4	56.8	835.5
<b>Nominal value of borrowings . . . . .</b>	<b><u>1,485.4</u></b>	<b><u>9,337.2</u></b>	<b><u>22,106.9</u></b>	<b><u>32,929.5</u></b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 15. Borrowings and other financial liabilities (Continued)

##### 15.8. Currency of borrowings

<u>Currency of borrowings</u>	<u>Euro</u>	<u>US Dollar</u>	<u>Israeli Shekel</u>	<u>Swiss Franc</u>	<u>Others</u>	<u>December 31, 2016</u>
	(€m)					
Loans, debentures and related hedging instruments . . . . .	9,123.8	23,368.0	235.9	34.3	28.0	32,789.9
Finance leases . . . . .	140.5	2.2	7.0	28.3	4.9	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	.3	—	1,647.5
<b>Nominal value of borrowings . . . . .</b>	<b>11,112.6</b>	<b>23,966.4</b>	<b>332.5</b>	<b>62.9</b>	<b>39.7</b>	<b>35,514.1</b>

<u>Currency of borrowings</u>	<u>Euro</u>	<u>US Dollar</u>	<u>Israeli Shekel</u>	<u>Swiss Franc</u>	<u>Others</u>	<u>December 31, 2015</u>
	(€m)					
Loans, debentures and related hedging instruments . . . . .	10,478.5	20,513.5	254.7	34.0	—	31,280.7
Finance leases . . . . .	73.2	72.7	9.1	1.0	—	156.0
Accrued interest . . . . .	138.3	389.1	3.3	—	—	530.7
Bank overdraft . . . . .	0.9	125.6	—	—	—	126.5
Other financial liabilities . . . . .	137.3	638.8	40.8	10.4	8.3	835.6
<b>Nominal value of borrowings . . . . .</b>	<b>10,828.2</b>	<b>21,739.7</b>	<b>307.9</b>	<b>45.4</b>	<b>8.3</b>	<b>32,929.5</b>

##### 15.9. Nature of interest rate

<u>Nature of interest rate</u>	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Fixed</u>	<u>Floating</u>	<u>Total</u>	<u>Fixed</u>	<u>Floating</u>	<u>Total</u>
	(€m)					
Loans, debentures and related hedging instruments . . . . .	27,041.3	5,748.6	32,789.9	21,710.0	9,570.7	31,280.7
Finance leases . . . . .	177.6	5.4	183.0	156.0	—	156.0
Accrued interest . . . . .	832.8	1.2	834.0	453.5	77.2	530.7
Bank overdraft . . . . .	59.6	—	59.6	126.5	—	126.5
Other financial liabilities . . . . .	1,587.9	59.5	1,647.5	835.6	—	835.6
<b>Nominal value of borrowings . . . . .</b>	<b>29,699.2</b>	<b>5,814.8</b>	<b>35,514.1</b>	<b>23,281.6</b>	<b>9,647.9</b>	<b>32,929.5</b>

#### 16. 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.

##### 16.1. 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 16. Financial risk factors (Continued)

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, Portugal, Belgium, Luxembourg and Switzerland), Israel, the Dominican Republic and in certain 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.

#### 16.2. 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 €2,326.9 million (after having drawn €310.0 million as of December 31, 2016, further reducing the amount able to be drawn) to cover any liquidity needs not met by operating cash flow generation.

#### 16.3. 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.

##### 16.3.1. 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.

<u>Interest structure of non-current financial debt</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
Financial debt at fixed rates .....	29,699.2	23,281.6
Financial debt at variable rates .....	5,814.8	9,647.9
<b>Total</b> .....	<b><u>35,514.1</u></b>	<b><u>32,929.5</u></b>

The Group's proportion of variable rate debt decreased from 29% for the year ended December 31, 2015 to 16% for the year ended December 31, 2016. 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 15.3 for more information. No sensitivity analysis was



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 16. Financial risk factors (Continued)

performed on the impact of an increase of interest rates applicable to floating rate debt, given the Euribor/Libor floor in place. The Group does not expect that in a near future a reasonable change in interest rate would lead to Euribor/Libor rate greater than the floor rate.

##### 16.3.2. 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 €129.7 million (525 million Israeli Shekel) as of December 31, 2016 (€181.5 million or 771 million Israeli Shekel as of December 31, 2015).

##### 16.3.3. 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 through the use of 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.

<u>Sensitivity to variations in exchange rates</u>	<u>Israeli Sheckel</u>	<u>Swiss Francs</u>	<u>Dominican Pesos</u>	<u>Total</u>
	(€m)			
<b>Profit for the year</b>				
Increase of 10% in exchange rate .....	(9.0)	0.5	(4.7)	<b>(13.2)</b>
Decrease of 10% in exchange rate .....	9.0	(0.5)	4.7	<b>13.2</b>
<b>Equity</b>				
Increase of 10% in exchange rate .....	(35.8)	(1.0)	(19.9)	<b>(56.8)</b>
Decrease of 10% in exchange rate .....	35.8	1.0	19.9	<b>56.8</b>
 <u>Sensitivity to variations in exchange rates</u>	<u>Israeli Sheckel</u>	<u>Swiss Francs</u>	<u>Dominican Pesos</u>	<u>Total</u>
	(€m)			
<b>Profit for the year</b>				
Increase of 10% in exchange rate .....	1.4	(1.1)	(4.3)	<b>(4.0)</b>
Decrease of 10% in exchange rate .....	(1.4)	1.1	4.3	<b>4.0</b>
<b>Equity</b>				
Increase of 10% in exchange rate .....	99.5	0.5	0.8	<b>100.8</b>
Decrease of 10% in exchange rate .....	(99.5)	(0.5)	(0.8)	<b>(100.8)</b>

On the basis of the analysis provided above, the Board of Directors believes that the Group's exposure to FX rate risks is limited. Exchange differences recorded in the income statement represented a net gain of €55.8 million in 2016 (2015: net loss of €52.8 million).

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 16. Financial risk factors (Continued)

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 FX price risk related to such debt issuance is limited as:

- 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 15.

#### 16.3.4. 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, 2016, the carrying amount of these investments was €7.2 million (€6.5 million as of December 31, 2015).

#### 17. Fair value of financial assets and liabilities

##### 17.1.1. Fair value of assets and liabilities

<u>Fair values of assets and liabilities</u>	December 31, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
		(€m)		
Financial assets . . . . .	68.6	68.6	11.4	11.4
Cash and cash equivalents . . . . .	719.9	719.9	625.7	625.7
Restricted cash . . . . .	19.6	19.6	0.6	0.6
<b>Current assets</b> . . . . .	<b>808.1</b>	<b>808.1</b>	<b>637.7</b>	<b>637.7</b>
Available for sale financial assets . . . . .	7.2	7.2	6.5	6.5
Derivative instruments . . . . .	2,556.3	2,556.3	2,530.2	2,530.2
Other financial assets . . . . .	321.4	321.4	268.1	268.1
<b>Non-current assets</b> . . . . .	<b>2,884.8</b>	<b>2,884.8</b>	<b>2,804.8</b>	<b>2,804.8</b>
Short term borrowings and financial liabilities . . . . .	419.9	419.9	248.6	248.6
Other financial liabilities . . . . .	2,173.4	2,173.4	1,236.7	1,236.7
<b>Current liabilities</b> . . . . .	<b>2,593.3</b>	<b>2,593.3</b>	<b>1,485.3</b>	<b>1,485.3</b>
Long term borrowings and financial liabilities . . . . .	32,370.1	33,251.1	31,032.0	30,499.9
Other financial liabilities . . . . .	519.7	519.7	412.2	412.2
<b>Non-current liabilities</b> . . . . .	<b>32,889.8</b>	<b>33,770.8</b>	<b>31,444.2</b>	<b>30,912.1</b>

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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 17. Fair value of financial assets and liabilities (Continued)

##### 17.1.2. Fair value hierarchy

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value measurement	Note	Fair value	Valuation technique(s)	December 31, 2016	December 31, 2015
				(€m)	
<b>Financial Liabilities</b>					
FX forward contracts and					
interest rate swaps .....	15	Level 2	Discounted cash flows	366.2	99.7
Minority put options .....	15	Level 3	Discounted cash flows	100.8	56.8
- with NCI in GNP .....				61.8	56.8
- with NCI in ACS .....				39.0	—
<b>Financial Assets</b>					
Interest rate swaps .....	9	Level 2	Discounted cash flows	2,617.2	2,530.2
Minority call options .....	15	Level 3	Black and Scholes model	26.7	—
- with NCI in ATS .....				20.2	—
- with NCI in ACS .....				6.5	—
Conversion option GNP .....	15	Level 3	Black and Scholes model	—	12.5
AFS					
- Wananchi .....	9	Level 3	Discounted cash flows	1.2	1.2
- Partner and Co. ....	9	Level 1	Quoted price in an active market	5.9	5.3

##### 17.1.3. Reconciliation of movement in fair value of Level 3 financial instruments

Reconciliation of change in fair value of level 3 instruments	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2016
				(€m)
<b>Opening balance</b>	<b>1.3</b>	<b>(56.8)</b>	<b>12.5</b>	<b>(43.0)</b>
Additions .....	—	(44.0)	26.7	(17.3)
Disposals .....	—	—	(12.5)	(12.5)
Gain/(loss) recognised in profit or loss .....	—	—	0.1	0.1
<b>Closing balance</b>	<b>1.3</b>	<b>(100.8)</b>	<b>26.7</b>	<b>(72.7)</b>

Reconciliation of change in fair value of level 3 instruments	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2015
				(€m)
<b>Opening balance</b>	<b>36.5</b>	—	—	<b>36.5</b>
Additions .....	—	(56.8)	12.5	(44.3)
Gain/(loss) recognised in profit or loss .....	(35.2)	—	—	(35.2)
<b>Closing balance</b>	<b>1.3</b>	<b>(56.8)</b>	<b>12.5</b>	<b>(43.0)</b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 18. 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 on operating and finance leases to which the Group is committed are shown as follows:

<u>Lease obligations</u>	December 31, 2016		December 31, 2015	
	Operating leases	Finance leases	Operating leases	Finance leases
	(€m)			
Less than one year . . . . .	478.0	71.5	353.3	61.3
Between one and two years . . . . .	307.9	36.8	293.1	30.6
Between two and three years . . . . .	275.3	18.5	257.7	15.9
Between three and four years . . . . .	236.2	16.4	235.3	14.9
Five years and beyond . . . . .	879.0	45.8	851.8	41.8
<b>Total minimum payments</b> . . . . .	<b>2,176.5</b>	<b>189.0</b>	<b>1,991.2</b>	<b>164.5</b>
Less: future finance expenses . . . . .		(5.9)		(8.4)
<b>Nominal value of contracts</b> . . . . .		<b>183.1</b>		<b>156.1</b>
Included in the consolidated financial statements as:				
- <i>Current borrowings (note 15)</i> . . . . .		64.9		58.2
- <i>Non-current borrowings (note 15)</i> . . . . .		118.2		97.9

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 €334.0 million (2015: €316.0 million).

#### 19. Trade and other payables

<u>Trade and other payables</u>	December 31, 2016	December 31, 2015
	(€m)	
Trade payables . . . . .	5,412.5	5,296.1
Corporate and social security contributions . . . . .	482.4	427.6
Indirect tax payables . . . . .	739.5	525.1
Other payables . . . . .	2.6	4.1
<b>Total</b> . . . . .	<b>6,637.0</b>	<b>6,252.9</b>

#### 20. Other liabilities

<u>Other liabilities</u>	December 31, 2016	December 31, 2015
	(€m)	
Deferred revenue . . . . .	723.2	783.6
Other . . . . .	139.3	107.2
<b>Current liabilities</b> . . . . .	<b>862.5</b>	<b>890.7</b>
Fixed asset payables . . . . .	332.6	444.6
Deferred revenue . . . . .	391.8	310.2
Other . . . . .	57.8	48.5
<b>Non-current liabilities</b> . . . . .	<b>782.2</b>	<b>803.4</b>
<b>Total</b> . . . . .	<b>1,644.7</b>	<b>1,694.1</b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 20. Other liabilities (Continued)

##### 20.1. Deferred revenues

Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off as well as those generated by sales of prepaid mobile contracts at SFR Group, PT Portugal and Altice Hispaniola. Non-current deferred revenues result from multi-year contracts with business customers.

##### 20.2. Fixed asset payables

Fixed asset payables mainly related to payments due to suppliers of premium sports content acquired by the Group during the course of 2016 (see note 4.2.4).

##### 20.3. Other

The increase in other current liabilities was mainly due to factoring payables at the newly acquired subsidiaries ATS, for a total amount of €44.0 million.

#### 21. Taxation

<u>Tax expense</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
Current tax .....	(323.9)	(323.3)
Deferred tax .....	216.8	83.9
<b>Total</b> .....	<b><u>(107.2)</u></b>	<b><u>(239.5)</u></b>

##### 21.1. Reconciliation to effective tax rate

<u>Reconciliation between effective tax rate and theoretical tax rate</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
<b>Loss for the year</b> .....	<b>(938.8)</b>	<b>(243.5)</b>
Share of profit in associates .....	(1.4)	8.1
Tax charge (expenses)/ income .....	(107.2)	(239.5)
<b>Profit/(loss) before income tax and associates</b> .....	<b>(830.2)</b>	<b>(12.1)</b>
Statutory tax rate .....	29.2%	29.2%
Income tax calculated on theoretical tax .....	242.6	3.5
<b>Impact of:</b>		
Differences between Parent company and foreign income tax rates .....	13.1	(82.8)
Effect of SFR earnout (refer note 26) .....	—	285.0
Effect of permanent differences <sup>1</sup> .....	(154.2)	(115.2)
Effect of change in tax rate <sup>3</sup> .....	118.7	(26.7)
French business tax .....	(49.0)	(41.0)
Recognition of tax losses and variation in related allowances <sup>2</sup> .....	(242.3)	(174.7)
Other movements .....	(36.1)	(87.6)
<b>Income tax (expense)/income</b> .....	<b><u>(107.1)</u></b>	<b><u>(239.5)</u></b>
Effective tax rate .....	<u>- 12.90%</u>	<u>- 1979.87%</u>

- 1 Permanent differences are mainly due to financial interests that are non-deductible, penalties and other non-deductible expenses.
- 2 The recognition of tax losses and variation in tax allowance line is related mainly to the non-recognition of the tax losses of Holding companies.
- 3 The change in tax rate in France, Article 11 of the Budget Act 2017 prescribes a progressive decrease of the income tax rate at 28.0% (28.9% included 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. For the financial statements as of December 31, 2015, the rate used to calculate deferred taxes decreased from 38% to 34.43%.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 21. Taxation (Continued)

##### 21.2. Deferred tax

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

<u>Components of deferred tax balances</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
Employee benefits .....	330.9	348.4
Other temporary non-deductible provisions .....	201.0	142.6
Fair value adjustment (derivative) .....	122.0	(86.2)
Difference between tax and accounting depreciation .....	(1,529.9)	(1,841.0)
Other temporary tax deductions .....	2.5	72.0
Net operating losses and tax carry forward, net of allowance .....	1,897.8	1,943.6
Valuation allowance on tax losses and tax carry forwards .....	(1,456.1)	(1,428.4)
Valuation allowances for deferred tax asset .....	(266.5)	(253.2)
<b>Total</b> .....	<b>(698.3)</b>	<b>(1,102.2)</b>
<b>Comprising:</b>		
<i>Deferred tax assets</i> .....	109.3	38.3
<i>Deferred tax liabilities</i> .....	(807.6)	(1,140.6)

<u>Variation in deferred tax balances</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
<b>Opening balance</b> .....	(1,102.2)	(1,181.0)
Deferred tax on income .....	216.8	82.6
Deferred tax on shareholder's equity .....	195.3	18.1
Change in consolidation scope .....	(1.7)	(19.5)
Currency translation adjustment .....	(6.4)	(2.5)
<b>Closing balance</b> .....	<b>(698.3)</b>	<b>(1,102.2)</b>

##### 21.3. Net operating losses and carried forward tax credits

<u>Expiry of deferred tax on net operating losses</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(€m)	
Within one year .....	2.5	72.3
Between two and five years .....	1.2	23.6
More than five years .....	308.1	210.3
Unlimited .....	1,586.0	1,637.4
<b>Net operating losses and tax carry forward, gross</b> .....	<b>1,897.7</b>	<b>1,943.6</b>
Valuation allowance .....	(1,456.1)	(1,428.4)
<b>Net operating losses and tax carry forward, net</b> .....	<b>441.6</b>	<b>515.2</b>

Net operating losses and tax carry forward are 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.

##### 21.4. 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 21. Taxation (Continued)

December 31, 2015 and that have had or that may have a significant effect on the financial position of the Group.

##### 21.4.1. SFR Group

###### 21.4.1.1. NC Numericable

The French tax authorities have conducted audits of various Group companies since 2005 with respect to the VAT rates applicable to 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 2012 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.

On February 1, 2016, the Company received notice of a tax audit from the French tax authorities for fiscal years 2013 and 2014 and on August 8, 2016 for the first half of 2016. The Group is disputing all of 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, 2016 in the amount of €68 million.

###### 21.4.1.2. SFR

In a proposed adjustment received on December 23, 2014, the tax authorities have contested the merger of Vivendi Telecom International (VTI) and SFR dated December 12, 2011 and therefore intend to challenge SFR's inclusion in the Vivendi tax consolidation group for fiscal year 2011. The 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. It should be noted that, under the agreement signed on February 27, 2015 by Vivendi, Altice France and Numericable-SFR, Vivendi agreed to repay to SFR, if applicable, any taxes and levies charged to SFR for fiscal year 2011, which SFR had already paid to Vivendi at the time, subject to a maximum €711 million, if the 2011 merger of SFR and VTI is ruled invalid for tax purposes. SFR believes it has strong legal grounds to defend the merger.

At the same time, an accounting audit of the years 2012 and 2013 led the tax authorities to make various adjustments in the principal amount of the corporate tax. The company, which is disputing the assessments proposed, recognized a provision of €47 million at December 31, 2016. Finally, the tax authorities notified the Company of a tax audit during the first semester of 2016.

##### 21.4.2. Dominican Republic

On October 26, 2016, the Group has reached an agreement with the Dominican Republic Tax Authorities related to the level of deductibility of the financial interests related to financial liabilities. The

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 21. Taxation (Continued)

agreement covers fiscal years 2014 to 2016 and agrees the deductibility ratio for each local company (Tricom S.A and Altice Hispaniola S.A). As of December 31, 2016, €41.6 million was recorded in the consolidated financial statements to reflect the impact of the transaction.

##### 21.4.3. PT Portugal

The Company estimates that the probable tax contingencies arising from tax audits conducted by Portuguese tax authorities on various Group companies amount to €28.7 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 by post-paid customers.

#### 22. Operating expenses

Operating expenses	December 31, 2016	December 31, 2015
	(€m)	
Technical and maintenance costs .....	(1,066.5)	(1,035.8)
Customer services .....	(685.4)	(674.3)
Business Taxes .....	(279.4)	(254.3)
Sales and marketing expenses .....	(783.9)	(846.0)
General and administrative expenses .....	(323.4)	(409.6)
<b>Total</b> .....	<b><u>(3,138.6)</u></b>	<b><u>(3,220.0)</u></b>

#### 23. Equity based compensation

##### 23.1. Overview of the stock option plans

###### 23.1.1. Altice N.V.

Altice N.V. recharges the stock option expense to Altice Management International. The stock option plan (“SOP”) issued by the Company has been considered as a replacement of equity instruments issued by Altice S.A. and was based on the fair value of the new SOP at the modification date. The Company continues to expense the initial fair value not yet recognised over the original vesting period. The expenses associated with the issuance of these stock options were calculated and recorded in accordance with IFRS 2—Share Based Payments.

Each option granted entitles the holder to acquire one Common Share A of the Company;

- Options vest on a non-linear basis as per the following schedule:
  - 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.
- Vested options can be exercised at any time until the 10<sup>th</sup> anniversary of the issue date, after which they will be considered to have lapsed.

Compared to the year ended December 31, 2015, the Group has made amendments to the stock option plan (“SOP”), and instituted a new Long Term Incentive Plan (“LTIP”) and made grants under these plans. Under the amended plan, grants of new awards will comprise 50% equity and 50% cash components; in contrast the original SOP, was 100% equity based. The vesting of these awards will differ based on whether the employee had received grants under the original SOP. For employees who had previously received awards, future grants will vest 100% three years following grant date. The vesting of awards granted to employees the first time will follow the vesting pattern of the original SOP (i.e. 50% two years from grant date and 25% in each of years three and four following grant date). All



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 23. Equity based compensation (Continued)

cash components to these awards are subject to performance criteria. During the year ended December 31, 2016, the Group incurred expenses of €3.5 million related to the cash component.

The options were valued using the Black and Scholes model, considering the modalities of the options as described in the SOP.

##### 23.1.2. 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 in three periods:

- 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.

##### 23.2. Summary of grants and fair value of the stock options

For the year ended December 31, 2016, the Group has recorded expenses related to stock options in the line item “staff costs and employee benefits” €4.0 million for SFR Group (2015: €9.5 million). In addition, 18.5 million of expense was recharged to the Group from Altice N.V. Details of the material grants of options under the stock option plans are given below.

<u>Altice N.V SOP and LTIP</u>	<u>Number granted (m)</u>	<u>Weighted average exercise price (€)</u>
<b>Options outstanding as at January 1, 2015</b> .....	<b>36.8</b>	<b>7.30</b>
Granted .....	4.5	19.20
Exercised .....	—	—
Cancelled, lapsed .....	(1.2)	7.10
<b>Options outstanding as at December 31, 2015</b> .....	<b>40.1</b>	<b>8.60</b>
Granted .....	4.4	15.09
Exercised .....	—	7.06
Cancelled, lapsed .....	(1.3)	12.00
<b>Options outstanding as at December 31, 2016</b> .....	<b>43.2</b>	<b>9.16</b>
<u>SFR Group SOP</u>	<u>Number granted (m)</u>	<u>Weighted average exercise price (€)</u>
<b>Options outstanding as at January 1, 2015</b> .....	<b>8.2</b>	<b>15.40</b>
Granted .....	0.5	43.10
Exercised .....	(1.9)	13.90
Cancelled, lapsed .....	(0.4)	17.90
Adjustment 12/2015 .....	1.1	21.80
<b>Options outstanding as at December 31, 2015</b> .....	<b>7.5</b>	<b>18.40</b>
Granted .....	—	—
Exercised .....	(2.4)	12.52
Cancelled, lapsed .....	(2.0)	24.78
<b>Options outstanding as at December 31, 2016</b> .....	<b>3.1</b>	<b>18.90</b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 23. Equity based compensation (Continued)

The fair value of the stock option plan is measured using a Black and Scholes valuation model, using the following assumptions:

<u>Altice N.V. SOP</u>	<u>January 11, 2016</u>	<u>May 13, 2016</u>	<u>July 8, 2016</u>	<u>November 11, 2016</u>
Units granted (m) .....	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 (€) <sup>3</sup> .....	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) <sup>1</sup> .....	24.36%	23.86%	30.34%	22.62%
Anticipated dividends <sup>2</sup> .....	2.50%	2.50%	2.50%	2.50%
Risk free interest rate (governments bonds) ..	0.54%	0.12%	0.00%	0.31%

<u>SFR Group</u>	<u>April, 2015</u>	<u>September, 2015</u>
Units granted (m) .....	0.4	0.1
Expiry date .....	April, 2023	September, 2023
Unit fair value at the grant date (€) .....	7.5	5.7
Exercise price of the option (€) .....	44.21	38.81
Anticipated volatility (weighted average) .....	26%	27%
Anticipated dividends .....	4%	4%
Risk free interest rate (governments bonds) .....	0.00%	0.00%

#### 24. Depreciation, amortization and impairment losses

Depreciation and amortization for the year amounted to €4,036.6 million (2015: €3,864.9 million) consisted of:

- amortization of intangible assets for a total of €2,117.5 million (2015: €1,969.5 million), and
- depreciation of tangible assets for a total of €1,917.5 million (2015: €1,874.5 million).

In 2016, the Group recorded an impairment on the customer relationships recognised as part of SFR Group's acquisition of Virgin Mobile for an aggregate amount of €41.5 million. In 2015, the Group recognised an impairment of the ONLY brand in the French Overseas Territories for an amount of €20.9 million.

#### 25. Average workforce

The workforce employed by the Group, expressed in the form of full-time-equivalent employees, is presented below. The full time equivalence of each employee is calculated based on the number of hours worked by the employee in a given period, compared to the maximum number of hours/period allowed as per the local law prevalent in the country of operation.

<u>Average workforce</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Managers .....	10,711.0	8,787.0
Technicians .....	6,748.0	7,212.0
Employees .....	16,254.0	15,134.0
<b>Total</b> .....	<b><u>33,713.0</u></b>	<b><u>31,133.0</u></b>

#### 26. Net result on extinguishment of financial liability

As a result of the refinancing operations performed during the year ended December 31, 2016 (refer to note 15), the Group recognized net losses on extinguishment of financial liabilities amounting to €223.4 million.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 26. Net result on extinguishment of financial liability (Continued)

During the previous year, as part of the acquisition of SFR by Numericable, the earn-out due to Vivendi was cancelled. This was carried at its fair value of €643.5 million as of the extinguishment date. As per the provisions of IAS 39 and IFRS 3, on derecognition, the gain on earn-out was recognized entirely in profit or loss (in financial income) as the cancellation was a result of an event separate from the original contract.

#### 27. Net finance costs

Net finance costs	December 31, 2016	December 31, 2015
	(€m)	
<b>Net result on extinguishment of financial liabilities</b> .....	<b>(223.4)</b>	<b>643.5</b>
Foreign exchange gains .....	55.8	—
Seller's guarantee granted by Vivendi S.A. ....	—	124.0
Interest income .....	11.9	31.9
Other financial income .....	34.0	15.5
<b>Finance income</b> .....	<b>101.7</b>	<b>171.4</b>
Interests charges on borrowings .....	(1,833.9)	(1,757.2)
Mark-to-Market effect on borrowings .....	(108.9)	29.1
<b>Interest relative to gross financial debt</b> .....	<b>(1,942.9)</b>	<b>(1,728.0)</b>
Foreign exchange losses .....	—	(52.9)
Other financial expenses .....	(149.5)	(138.4)
Impairment of available for sale financial assets .....	(2.5)	(47.7)
<b>Other financial expenses</b> .....	<b>(152.1)</b>	<b>(239.1)</b>
<b>Finance costs, net</b> .....	<b><u>(2,216.6)</u></b>	<b><u>(1,152.2)</u></b>

#### 28. Related party transactions and balances

Transactions with related parties are mainly related to transactions with associates 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 associate companies (see note 8 for more details on SFR Group's associates). 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.

Transactions with related parties are not subject to any guarantees. All such transactions are at arm's length and settled in cash. The table below shows a summary of the Group's related party transactions for the year, and outstanding balances as at December 31, 2016.

Related party transactions—income and expense	December 31, 2016			December 31, 2015		
	Revenue	Operating expenses	Financial income	Revenue	Operating expenses	Financial expenses
	(€m)					
Equity holders .....	—	59.9	—	0.3	3.5	—
Executive managers .....	—	—	—	—	1.0	—
Associate companies .....	129.6	95.7	3.4	118.2	46.0	0.7
<b>Total</b> .....	<b><u>129.6</u></b>	<b><u>155.6</u></b>	<b><u>3.4</u></b>	<b><u>118.5</u></b>	<b><u>50.5</u></b>	<b><u>0.7</u></b>

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 28. Related party transactions and balances (Continued)

<u>Related party balances—assets</u>	December 31, 2016			December 31, 2015		
	Loans and receivables	Trade receivables and other	Current accounts	Loans and receivables	Trade receivables and other	Current accounts
	(€m)					
Equity holders .....	—	—	—	14.7	1.2	—
Executive managers .....	—	—	—	—	—	—
Associate companies .....	119.4	31.4	—	408.3	30.6	—
<b>Total</b> .....	<b><u>119.4</u></b>	<b><u>31.4</u></b>	<b><u>—</u></b>	<b><u>423.0</u></b>	<b><u>31.8</u></b>	<b><u>—</u></b>

<u>Related party balances—liabilities</u>	December 31, 2016			December 31, 2015		
	Other financial liabilities	Trade payables and other	Current accounts	Other financial liabilities	Trade payables and other	Current accounts
	(€m)					
Equity holders .....	—	—	29.7	12.9	0.3	—
Executive managers .....	—	—	—	—	—	—
Associate companies .....	302.1	6.8	—	5.4	96.9	—
<b>Total</b> .....	<b><u>302.1</u></b>	<b><u>6.8</u></b>	<b><u>29.7</u></b>	<b><u>18.3</u></b>	<b><u>97.2</u></b>	<b><u>—</u></b>

The increase in the related party transactions and balances for operating expenses, accounts receivables, accounts payables and revenues is mainly driven by transactions that the SFR Group has with its associate companies (for details refer to note 8). These transactions were limited to telephony with La Poste Telecom GSM-R PPP with Synerail.

The transactions and balances with equity holders includes the amounts recharged by Altice N.V. to related Group companies, and any outstanding balances. No such fees were recognised in 2015. These include the recharge of:

- the operating expense of €41.3 million related to fees invoiced by its controlling shareholder, Next Alt as part of a brand licence and service agreement entered into between the two parties in 2016. This related to the transaction whereby the parent company of the Group paid brand licensing fees to the ultimate beneficiary owner of the Altice N.V. group, amounting to 0.2% of the total consolidated revenues of the Altice N.V. Group. A total amount of €41.2 million was invoiced by Altice N.V. to the Group to cover the costs arising from the brand licensing agreement.
- The share option expense of €18.5 million, as described in note 23.

The decrease in loans and receivables compared to December 31, 2016 is mainly due to the full consolidation of GNP by the Group for the year ended December 31, 2016. GNP was accounted for as an associate as of December 31, 2015. Such loans and receivables amounted to €297.3 million as of December 31, 2015.

The increase in other financial liabilities is mainly related to:

- 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.
- An agreement for the exclusive use of a datacenter located in Switzerland and owned by a company controlled by the controlling shareholder of the Group, for an amount of €29.6 million.
- The put agreements with the minority shareholders in Altice Customer Services (€39.0 million), as described in note 3.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 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 18).

<u>Unrecognised contractual commitments December 31, 2016</u>	<u>&lt; 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 4 years</u>	<u>Five years or more</u>	<u>Total</u>
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
<b>Total . . . . .</b>	<b><u>1,166.4</u></b>	<b><u>361.5</u></b>	<b><u>631.5</u></b>	<b><u>928.2</u></b>	<b><u>3,087.6</u></b>

<u>Unrecognised contractual commitments December 31, 2015</u>	<u>&lt; 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 4 years</u>	<u>Five years or more</u>	<u>Total</u>
Goods and service purchase commitments . . .	283.4	98.4	31.8	(38.8)	374.8
Investment commitments . . . . .	764.0	204.0	279.6	716.5	1,964.1
Guarantees given to suppliers/customers . . . . .	3.6	0.5	2.0	21.0	27.1
Guarantees given to financial institutions . . . . .	71.0	—	12.0	48.0	131.0
Guarantees given to government agencies . . . . .	18.1	14.2	18.0	88.0	138.3
Other commitments . . . . .	57.4	—	5.0	30.0	92.4
<b>Total . . . . .</b>	<b><u>1,197.5</u></b>	<b><u>317.1</u></b>	<b><u>348.4</u></b>	<b><u>864.7</u></b>	<b><u>2,727.7</u></b>

#### 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 entered into with suppliers of goods and services that are used to provide services to end customers:

- At PT Portugal, commitments amounting to a total of €924.7 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 has commitments to pay a portion of the acquisition cost of the rights acquired by its competitors based on PT'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 entered into with the Portuguese sports premium channel (Sport TV) in July 2016, for a two-season period, in accordance with which PT is committed to pay a non- contingent fixed component.
- At Altice Entertainment News and Sport, commitments include a total of €407.4 million related to content agreements, including the Discovery Communications and NBC Universal agreements.
- SFR Group had total commitments amounting to €367.6 million.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 29. Contractual obligations and commercial commitments (Continued)

##### 29.2. Investment commitments

Investment commitments decreased from the prior year due to the starting of the broadcasting period of sports content rights, refer to the note 4.2.4.1. The commitments this year mainly refer to commitments made by different Group companies to suppliers of tangible and intangible assets (including content capex). It also includes commitments made to government or local bodies to make certain investments in the context of Public-Private Partnerships (“PPP”) entered into by some subsidiaries of the Group. At SFR Group, a total of €583 million was committed to suppliers of tangible and intangible assets over a period of over five years. Additionally, a total of €160 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 also 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 given by different companies in the course of their business.

##### 29.4. Guarantees given to financial institutions

This caption mainly consists of bank guarantees given by different companies in the course of their business. It mainly includes a commitment of €64.0 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 the different companies to government agencies as part of its regular operations. At PT Portugal, guarantees to government agencies for an amount of €58 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 companies in the course of 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 4,634 sites have been deployed as of December 31, 2016. SFR consider that the agreement's commitments given amount to approximately €1,672 million and commitments received amount to approximately €2,029 million, which results in a net commitment received of approximately €357 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).

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 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, taking into account that the occurrence of events in the course of 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, 2016. Tax disputes as at December 31, 2016 are described in note 21.

#### 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 postponed 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 €66.0 million for abuse of dominant position, which SFR 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 €13.1 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 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 (€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.

##### 30.1.2. *Claim by Mundio Mobile against SFR*

Mundio Mobile, an MVNO on the SFR network, brought a claim in the form of a filing against SFR on November 5, 2014 in the Paris Commercial Court. Mundio Mobile is claiming €63.6 million in damages from SFR. Mundio Mobile accuses SFR of unfair practices under the MVNO contract (by launching the

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

offer of its former subsidiary Buzz Mobile). Mundio is also challenging certain aspects of the contract including its pricing terms. The parties settled their dispute out of the court during the fiscal year.

##### **30.1.3. Complaint by Orange Réunion and Orange Mayotte against SRR and SFR**

###### *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.

###### *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.

###### *Compensation disputes*

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. To date, the merits of the case have not yet been heard and 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).

##### **30.1.4. 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 €22.1 million. On January 13, 2017, SFR appealed the ruling.



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

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 October 5, 2016, Orange sent SFR a formal notice to pay Orange €11.8 million pursuant to contractual penalty clauses concerning spillovers alleged between July 2011 and July 2014.

##### **30.1.5. Orange v. 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 Court of Cassation. The Court of Cassation rendered a decision dismissing the appeal filed by Orange on October 4, 2016. The investigation of the merits continues.

##### **30.1.6. 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.

The matter was heard in a new procedural hearing on September 27, 2016. With regard to these issues, Bouygues Telecom is claiming €138.4 million in reparation for the loss suffered. The case has been postponed until March 15, 2017 to appoint the reporting judge.

In addition, in a counter-claim, NC Numericable and Completel are seeking €10.8 million in addition to the contractual interest as well as €8 million in royalties due for fiscal year 2015.

##### **30.1.7. Free v. SFR: unfair practices for non-compliance with consumer credit provisions in a subsidized offer**

On May 21, 2012, Free filed a complaint against SFR in the Paris Commercial Court. Free challenged the subsidy used in SFR's "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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

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 to €0.5 million from €0.3 million. On May 6, 2016, Free filed an appeal. SFR's pleadings in defense were filed on November 8, 2016.

#### **30.1.8. 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.

#### **30.1.9. 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. SFR, after receiving four adverse judgments by the Court of Cassation regarding the status of branch manager, was recently successful in various Courts of Appeals. Regarding the requalification of employment contracts and sales contracts in these disputes, despite rare exceptions, SFR received favorable judgments.

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

On July 17, 2013, the European Commission signalled 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 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 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 DOCSIS 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

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.

##### **30.1.11. Dispute with Orange concerning certain IRUs**

NC Numericable 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 NC Numericable'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.

##### **30.1.12. 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.

##### **30.1.13. 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")

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

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.” The Hauts-de-Seine General Council demanded the payment of penalties totaling approximately €45 million for delays, advanced by the sole delegator and disputed by Sequalum, in the deployment of fiber optics and connections to buildings.

The demand for payment was contested in a motion filed with the Administrative Court of Cergy Pontoise on September 3, 2014. Its enforcement and the payment of the sums requested have been suspended pending a ruling on the merits.

On May 7, 2015, the General Council sent a second demand for an order for payment in the amount of €51.6 million, orders disputed by Sequalum on July 11, 2015.

Sequalum claims that the termination was unlawful and is continuing 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 will receive 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 provisioned given the situation.

On July 11, 2016, the Department 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 €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 states that it also has its own fiber optics in the department of Hauts-de-Seine to service its customers.

Pursuant to two decisions rendered on March 19, 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 €45.0 million. Sequalum intends to appeal the decisions.

#### 30.1.14. Faber agreement ruling by French Competition Authority

By Decision No.14-DCC-160 dated October 30, 2014, the French Competition Authority authorized Numericable Group, a subsidiary of the Altice Group, to take exclusive control of SFR. This

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

authorization was subject to a certain number of commitments, including those subject to the procedure initiated by the Competition Authority relating to the performance of a joint investment agreement entered into by SFR and Bouygues Telecom on November 9, 2010 ("Faber Agreement"). Under the terms of this Agreement, SFR and Bouygues Telecom committed to jointly invest in the rollout of a horizontal fiber optic network in a defined number of towns and districts located in high density areas.

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

- The obligation to provide distribution services for all Termination Points delivered as of October 30, 2014 within two years;
- The drawing up of a rider to the Faber Agreement allowing Bouygues Telecom to order a list of buildings of its choice for the distribution to Termination Points delivered after October 30, 2014 within three months (excluding performance constraints);
- The provision of maintenance for the FTTH infrastructure in a transparent and non-discriminatory manner using specially introduced quality indicators.

By Decision No.15-SO-14 dated October 5, 2015, the Competition Authority officially opened an inquiry into the conditions under which Altice and SFR Group respect these commitments. By Decision No. 17-D-04 dated March 8, 2017, the Competition Authority decided to levy a financial sanction of €40 million against Altice and SFR Group, and imposed periodic penalty payments for each day of delay, for not having respected the commitments set out in the "Faber Agreement".

SFR contests this totally incriminating decision, the arguments on which it is based, and the amount of the financial sanction. The Group will appeal the decision.

#### **30.1.15. SFR v. Orange: abuse of dominant position in the second homes market**

On April 24, 2012 SFR filed a complaint against Orange with the Paris Commercial Court for 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.

#### **30.1.16. 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.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

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 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. A judge must rule on this procedural issue, after which the hearing on the merits can begin.

#### 30.2. PT Portugal

##### 30.2.1. 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.

##### 30.2.2. 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 Euro 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 based in a judicial decision, a new trial is yet to be scheduled to appreciate new facts on this matter. Recently the court notified Meo to present the list of witnesses, which are scheduled to be heard during the first half of 2017.

##### 30.2.3. 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

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 30. Litigation (Continued)

value of the proceedings is normally set at the maximum applicable amount of the administrative fine until the final decision is formally issued.

##### **30.2.4. 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. Meo has also filed a claim against NOS regarding portability compensations, the trial of which is scheduled to take place.

##### **30.2.5. 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. As of December 31, 2016, Meo had not been informed yet on whether an appeal would be filed by NOS/Optimus.

##### **30.2.6. Municipal taxes and rights-of-way**

Pursuant to a statute enacted on 1 August 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 whose 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 Supreme Administrative Court of Portugal in several legal actions.

Some municipalities however, 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.

#### 31. Going concern

As of December 31, 2016, the Group had net current liability position of €5,307.6 million (mainly due to trade payables amounting to €6,637.0 million) and a negative working capital of €2,006.2 million. During the year ended December 31, 2016, the Group registered a net loss of €938.8 million (2015: €243.5 million) and generated cash flows from operations of €4,976.3 million. As of December 31, 2016, the Group had a negative equity position of €1,161.1 million (positive position of €465.5 million as of December 31, 2015). This negative equity position mainly resulted from the impact of the accumulated impact of the buy back of a 20% stake in SFR from Vivendi during the year ended December 31, 2015 (€4,016.0 million).

The loss generated as of December 31, 2016 was mainly due to one-off costs incurred on the extinguishment of certain financial liabilities (€223.4 million) and certain provisions for restructuring and litigation incurred in the year ended December 31, 2016.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 31. Going concern (Continued)

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, as evidenced by the difference in the level of receivables and payables (€4,237.3 million vs. €6,637.0 million). Payables due the following month are covered by revenues and cash flows from operations (if needed).

As of December 31, 2016, the Group's short term borrowings mainly comprised of accrued interests of €834.0 million on the debenture and loans from financial institutions which are repaid on a semi-annual basis, and the amortization of some bonds and term loans. Those short-term obligations are expected to be covered by the cash flows from operations of the operating subsidiaries. As of December 31, 2016, the revolving credit facilities at Altice Financing S.A. were drawn in an aggregate of €310.0 million. A listing of available credit facilities by silo is provided in note 15.5 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 EBITDA and generated strong positive operating cash flows for the year ended December 31, 2016 (€4,976.3 million).
- Adjusted EBITDA amounted to €5,940.0 million, an increase of 8.6% compared to December 31, 2015. The Board of Directors is of the view that such adjusted EBITDA and the consequent cash flows are sufficient to service the working capital of the Group.
- The Group had healthy unrestricted cash reserves (€719.9 million as of December 31, 2016, €625.7 million as of December 31, 2015), which would allow it to cover any urgent cash needs. Cash reserves in France, which carries debt obligations, were €451.9 million.
- Additionally, as of December 31, 2016, the Group had access to Revolving Credit Facilities ("RCF") and guarantee facilities of up to €2,326.9 million (of which €310.0 million was drawn as of December 31, 2016).

The Board of Directors tracks operational key performance indicators (KPIs) on a weekly basis, thus closely tracking top line trends very 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 ensure that the budgeted targets are met.

On the basis of the above, the Board of Directors is of the view that the Group will continue to act as a going concern for 12 months from the date of approval of these consolidated financial statements and has hence deemed it appropriate to prepare these consolidated financial statements using the going concern assumption.

#### 32. Events after the reporting period

##### ***New phase of the strategic partnership between SFR Group and NextRadioTV***

On January 30, 2017, SFR Group announced that it intends to take over the exclusive control of NextRadioTV and to that effect, has filed the necessary application with the French regulatory authorities (CSA and French Competition Authority) in order to obtain their clearance of the proposed transaction, which will be implemented through the conversion of existing convertible bonds.

##### ***Acquisition of a stake in Sport TV***

On February 24, 2017, PT Portugal entered the capital of SPORT TV, a sports broadcaster based in Portugal, strengthening its shareholder structure as a 25% shareholder along with, NOS, Olivedesportos and Vodafone. This new structure benefits, above all, PT Portugal's customers and the Portuguese market, guaranteeing all of the operators access to the sports content considered essential in fair and non-discriminatory market conditions.



## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 32. Events after the reporting period (Continued)

##### ***Next Generation Enterprise Network Alliance***

On February 27, 2017, the Group announced that it became a partner of the Next Generation Enterprise Network Alliance (“NGENA”) in the market of VPN services for B2B clients. Being part of NGENA is an opportunity for the operating Group companies to address B2B clients which have entities in several countries and would like to have their high performance private network with cloud services availability. NGENA is building and managing an alliance between service providers aiming at a global coverage of VPN services based on its innovative platform. Each operating Group company will benefit from the alliance for selling VPN services to its B2B clients. Joining the alliance helps the Group companies to gain immediate awareness and credibility as a worldwide service provider, to jumpstart on the VPN expertise and to accelerate penetration of the B2B market.

##### ***Judgement of the Paris Court of Appeal on the AMF decision of October 4, 2016***

On October 4, 2016, the AMF decided to oppose the public exchange offer of the Company for its subsidiary SFR Group announced on September 5, 2016. As a result of the AMF decision, the offer was terminated, but the Company filed an appeal with the Court of Appeal of Paris against the decision of the AMF, which it believes was made in breach of applicable stock market regulations. On March 14, 2017, the Court of Appeal of Paris rejected the Company’s appeal.

##### ***Acquisition of TEADS***

On March 21, 2017, the Company announced that it has entered into an agreement to acquire TEADS, the no. 1 online video advertising marketplace in the world. The proposed transaction values TEADS at an enterprise value of up to €285 million on a cash and debt free basis. The payment of the full purchase price is subject to TEADS achieving certain revenue targets in 2017: 75% of the purchase price will be due at closing, the remaining 25% being subject to TEADS’ 2017 revenue performance and becoming payable in early 2018. The proposed transaction is subject to certain competition reviews and is expected to close in mid-2017. The acquisition of TEADS is another critical component for the Group’s global advertising strategy. The Group will provide its clients with data-driven, audience-based advertising solutions on multiscreen platforms including TV, digital, mobile and tablets. It will also provide an open and intelligent advertising platform to the media industry, programmers and multichannel video programming distributors. Together with sophisticated return on investment analysis capabilities, leveraging multiscreen subscriber data information, this will put the Group in a unique position to grow its global advertising platform and better monetize its core telecommunications access and content business.

##### ***Refinancing of a portion of the existing debt of Altice International group and SFR Group credit pools***

On March 23, 2017, the Group announced that SFR Group successfully priced \$1,420 million and €1,145 million of 8.25-year term loans B, and that Altice Financing successfully priced \$910 million of 8.25-year term loan B. The new term loans will have a margin of 275bps over Libor (for the Dollar loans) and 300bps over Euribor (for the Euro loan) and be issued at an OID of 99.75. Closing of the new financing is subject to closing conditions. The proceeds of the term loans B will be used respectively to (i) refinance the €850 million and \$1.418 billion principal amount of loans under the 2014 SFR Credit Facility Agreement that mature respectively in April 2023 and in January 2024, and €297 million principal amount of loans under the 2014 SFR Credit Facility Agreement that mature in July 2023, and (ii) refinance the €446 million principal amount of loans under the 2015 Altice Financing Credit Facility Agreement that mature in July 2023 and redeem the entire \$425 million of the 2012 Senior Notes. Such refinancing will extend the average maturity of SFR Group debt from 7.3 to 7.6 years and reduce the weighted average cost of its debt from 5.2% to 4.9%, and extend the average maturity of Altice International group’s debt from 6.7 to 7 years and reduce the weighted average cost of its debt from 6.2% to 5.9%.

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 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.

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Method of consolidation</u>	<u>Economic interest</u>
Altice Luxembourg S.A. ....	Luxembourg	Parent Entity	Parent Entity
2 SIP S.A.S. ....	France	FC	78%
AF 83 S.A.S. ....	France	EM	19%
Alpha Distri S.A.S. ....	France	FC	78%
Alsace Connexia S.A.S. ....	France	FC	54%
Altice Africa S.à r.l. ....	Luxembourg	FC	100%
Altice B2B France S.A.S. ....	France	FC	78%
Altice Bahamas S.à r.l. ....	Luxembourg	FC	97.2%
Altice Blue Two ....	France	FC	99.9%
Altice Caribbean S.à r.l. ....	Luxembourg	FC	100%
Altice Content France S.A.S. ....	France	FC	59%
Altice Content Luxembourg S.A. ....	Luxembourg	FC	59%
Altice Content S.à r.l. ....	Luxembourg	FC	100%
Altice Customer Services S.à r.l. ....	Luxembourg	FC	59%
Altice Entertainment News & Sport Lux S.à r.l. ....	Luxembourg	FC	100%
Altice Entertainment News & Sport S.A. ....	Luxembourg	FC	100%
Altice Financing S.A. ....	Luxembourg	FC	100%
Altice Finco S.A. ....	Luxembourg	FC	100%
Altice France Bis S.à r.l. ....	Luxembourg	FC	100%
Altice France S.A. ....	Luxembourg	FC	100%
Altice Hispaniola, S.A. ....	Dominican Republic	FC	97.2%
Altice Holdings S.à r.l. ....	Luxembourg	FC	100%
Altice International S.à r.l. ....	Luxembourg	FC	100%
Altice Labs, S.A. ....	Portugal	FC	100%
Altice Management International ....	Switzerland	FC	100%
Altice Media Events S.A.S. ....	France	FC	78%
Altice Media Publicite S.A.S. ....	France	FC	78%
A Nous Paris S.A.S. ....	France	FC	100%
Altice Picture S.à r.l. ....	Luxembourg	FC	100%
Altice Portugal, S.A. ....	Portugal	FC	100%
Altice Securities S.à r.l. ....	Luxembourg	FC	100%
Altice Technical Services S.A. ....	Luxembourg	FC	51%
Altice West Europe S.à r.l. ....	Luxembourg	FC	100%
SFR Press Distribution ....	France	FC	78%
Animotion E.U.R.L. ....	France	FC	78%
Ariège Telecom S.A.S. ....	France	FC	78%
Atento Maroc S.A. ....	Morocco	FC	58%
Auberimmo S.A.S. ....	France	FC	100%
Audience Square S.A.S. ....	France	EM	14%
Auto Venda Já, S.A. ....	Portugal	EM	50%
Automotive Media E.U.R.L. ....	France	FC	78%
B3G International B.V. ....	Netherlands	FC	78%
BFM Business TV ....	France	FC	29%
BFM Paris S.A.S. ....	France	FC	29%
BFM Sport S.A.S. ....	France	FC	29%
BFMTV S.A.S. ....	France	FC	29%

**ALTICE LUXEMBOURG**

**Notes to the consolidated financial statements as of December 31, 2016 (Continued)**

**33. List of entities included in the scope of consolidation (Continued)**

Name of subsidiary	Country of incorporation	Method of consolidation	Economic interest
Business FM S.A.S . . . . .	France	FC	29%
Buyster S.A. . . . .	France	EM	19%
Cap Connexion S.A.S. . . . .	France	FC	78%
Capital Criativo—Scr, S.A. . . . .	Portugal	EM	11%
CBFM . . . . .	France	FC	29%
CID S.A. . . . .	France	FC	78%
City Call Ltd . . . . .	Mauritius	FC	97%
Coditel Brabant S.P.R.L. . . . .	Belgium	FC	84.4%
Coditel Holding Lux li 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%
Coditel S.à r.l . . . . .	Luxembourg	FC	84.4%
Completel S.A.S. . . . .	France	FC	78%
Comstell S.A.S. . . . .	France	FC	39%
Contact Cabo Verde—Telemarketing E Serviços De Informação, S.A. . . . .	Portugal	FC	100%
Cool Holdings Limited . . . . .	Israel	FC	100%
CPA Lux S.à r.l. . . . .	Luxembourg	FC	100%
Debitex Telecom S.A.S. . . . .	France	FC	78%
Decovery S.A.S . . . . .	France	FC	78%
Deficom Telecom S.à r.l. . . . .	Luxembourg	FC	74%
Diversite TV France S.A.S. . . . .	France	EM	12%
Dokeo TV S.A.S. . . . .	France	EM	39%
Drom Hasharon Telecommunication (1990) Ltd . . . . .	Israel	FC	100%
Emashore S.A. . . . .	Morocco	FC	58%
Ericsson Inovação S.A. . . . .	Portugal	EM	49%
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%
Eur@Seine S.A.S. . . . .	France	FC	78%
Eure Et Loir Thd S.A.S. . . . .	France	FC	78%
Fischer Telecom S.A.S. . . . .	France	EM	26%
FOD SND . . . . .	France	FC	78%
Foncière Rimbaud 1 S.A.S. . . . .	France	EM	39%
Foncière Rimbaud 2 S.A.S. . . . .	France	EM	39%
Foncière Rimbaud 3 S.A.S. . . . .	France	EM	39%
Foncière Rimbaud 4 S.A.S. . . . .	France	EM	39%
Foncière Velizy Sci . . . . .	France	FC	78%
Forum De L'investissement S.A. . . . .	France	FC	78%
Futur Telecom S.A.S. . . . .	France	FC	78%
Global Interlink . . . . .	Bahamas	FC	97.2%
Gravelines Network S.A.S. . . . .	France	FC	78%
Green Datacenter AG . . . . .	Switzerland	FC	100%
Green.Ch AG . . . . .	Switzerland	FC	100%
Groupe L'express S.A. (Ex-Groupe Altice Media) . . . . .	France	FC	78%
Groupe News Participations S.A.S. . . . .	France	FC	29%
Groupe Outremer Telecom . . . . .	France	FC	99.9%

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 33. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic interest
Groupe Tests Holding S.A.S. ....	France	FC	29%
H. Hadaros 2012 Ltd ....	Israel	FC	100%
Haut-Rhin Telecom S.A.S. ....	France	FC	78%
Holco B S.A.S. ....	France	FC	78%
Hot Eidan Israel Cabele System 1987 Ltd ....	Israel	FC	100%
Hot Mobile International Telecommunications Ltd ....	Israel	FC	100%
Hot Mobile Ltd ....	Israel	FC	100%
Hot Net Internet Services Ltd ....	Israel	FC	100%
Hot Telecom Ltd ....	Israel	FC	100%
Hot Telecom Ltd Partnership ....	Israel	FC	100%
Hot Telecommunications Systems Ltd ....	Israel	FC	100%
Hungaro Digitel Kft (Hdt) ....	Portugal	EM	45%
Informatique Telematique Ocean Indien SARL ...	France	FC	49%
I24 News S.A.S. ....	Luxembourg	FC	78%
Icart S.A.S. ....	France	FC	28.5%
Infracos S.A.S. ....	France	IP	42%
Inolia S.A. ....	France	FC	47%
Inovendys S.A. ....	Morocco	FC	58%
Intelcia Cameroun S.A. ....	Cameroon	FC	40%
Intelcia France S.A.S. ....	France	FC	58%
Intelcia Group S.A. ....	Morocco	FC	58%
Intelcia Senegal S.A.S. ....	Senegal	FC	58%
Iris 64 S.A.S. ....	France	FC	54%
Irisé S.A.S. ....	France	FC	19%
Isracable Ltd ....	Israel	FC	100%
IT For Business SARL ....	France	FC	78%
Janela Digital-Informática E Telecomunicações, Lda ....	Portugal	EM	50%
Job Rencontres S.A. ....	France	FC	78%
La Banque Audiovisuelle S.A.S. ....	France	FC	29%
La Poste Telecom S.A.S. ....	France	EM	38%
LD Communications B.V. ....	Netherlands	FC	78%
LD Communications Italie Srl ....	Italy	FC	78%
LD Communications Suisse S.A. ....	Switzerland	FC	78%
L'étudiant S.A.S. ....	France	FC	78%
L'express Ventures S.A.S. ....	France	FC	54%
Liberation SARL ....	France	FC	75%
Liberation Medias SARL ....	France	FC	75%
Loiret Thd S.A.S. ....	France	FC	78%
Ltbr S.A. ....	France	FC	78%
Macs Thd S.A.S. ....	France	FC	78%
Manche Telecom S.A.S. ....	France	FC	54%
Martinique TV Cable ....	France	FC	99.9%
MCS S.A.S. ....	France	FC	100%
Medi@Lys S.A.S. ....	France	FC	54%
Media Consumer Group S.A. ....	France	FC	78%
Meo-Serviços De Comunicações E Multimédia, S.A. ....	Portugal	FC	100%
Microcoop S.à. r.l. ....	France	FC	78%

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 33. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic interest
Middle East News Ltd	Israel	FC	78%
Mobius S.A.S.	France	FC	99.5%
Moselle Telecom Part. S.A.S.	France	FC	44%
Moselle Telecom S.A.S.	France	FC	30%
Multicert—Serviços De Certificação Electrónica, S.A.	Portugal	EM	20%
NC Numericable S.A.S.	France	FC	78%
New Post A.C.E.	Portugal	FC	51%
Newco B S.A.S.	France	FC	29%
Newco C S.A.S.	France	FC	29%
Newco E S.A.S.	France	FC	29%
Newsco Digital E.U.R.L.	France	FC	78%
Newsco Events S.à. r.l	France	FC	78%
Newsco Group S.A.S.	France	FC	78%
Newsco Mag S.A.S.	France	FC	78%
Newsco Regies E.U.R.L.	France	FC	78%
Newsco Services E.U.R.L.	France	FC	78%
Nextdev S.A.S.	France	FC	29%
Nextinteractive S.A.S.	France	FC	29%
Nextprod S.A.S.	France	FC	29%
Nextradiotv S.A.S.	France	FC	29%
Nextradiotv Production S.A.S.	France	FC	29%
Nextrégie S.A.S.	France	FC	29%
Numergy S.A.S.	France	FC	78%
Numericable US LLC	USA	FC	78%
Numericable US S.A.S.	France	FC	78%
Ocealis S.A.S.	France	EM	19%
Oise Numérique S.A.S.	France	FC	78%
Omea Holding S.A.S.	France	FC	78%
Omea Telecom S.A.S.	France	FC	78%
Omer Telecom Ltd	United Kingdom	FC	78%
OMT Invest	France	FC	99.5%
OMT Ltd	Mauritius	FC	97%
OMT Madagascar	Madagascar	FC	99.5%
OMT Océan 1	France	FC	99.5%
OMT Océan 2	France	FC	99.5%
Opalys Telecom S.A.S.	France	FC	78%
Open Idea Morocco, Sarlau	Portugal	FC	100%
Open Labs Pesquisa E Desenvolvimento Ltda	Portugal	FC	100%
Openidea Tecnologias De Telecomunicações E Sistemas De Informação, S.A. (Aveiro)	Portugal	FC	100%
Openidea, Tecnologias De Telecomunicações E Sistemas De Informação S.A. (Angola)	Portugal	FC	100%
OPS	France	FC	97%
Outremer Telecom	Mauritius	FC	99.5%
Pampa Presse E.U.R.L.	France	FC	78%
Partenaires Development SARL	France	EM	19%
Pays Voironnais Network Part. S.A.S	France	FC	78%
Pays Voironnais Network S.A.S.	France	FC	78%
Phi	Israel	EM	50%

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 33. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic interest
Pho Holding S.A.S . . . . .	France	EM	12%
Phone Marketing Mediterranee S.A.S. . . . .	France	FC	58%
Phone Marketing Rhone Alpes S.A.S. . . . .	France	FC	58%
Presse Media Participations S.A.S. . . . .	France	FC	81%
PMP Holding S.A.S. . . . .	France	FC	78%
Pole Electro E.U.R.L. . . . .	France	FC	78%
Portugal Telecom Brasil, S.A. . . . .	Portugal	FC	100%
Portugal Telecom Data Center, S.A. . . . .	Portugal	FC	100%
Portugal Telecom Inovação Brasil, S.A. . . . .	Portugal	FC	100%
Prelude & Fugue S.A.S. . . . .	France	FC	78%
Previsão-Sociedade Gestora De Fundos De Pensões, Sa . . . . .	Portugal	FC	82%
Pt Blueclip—Serviços De Gestão, S.A. . . . .	Portugal	FC	100%
Pt Cloud E Data Centers, S.A. . . . .	Portugal	FC	100%
Pt Contact-Telemarketing E Serviços De Informação, S.A. . . . .	Portugal	FC	100%
Pt Imobiliária, Sa . . . . .	Portugal	FC	100%
Pt Móveis, Sgps, Sa . . . . .	Portugal	FC	100%
Pt Multimédia.Com Brasil, Ltda. . . . .	Portugal	FC	100%
Pt Pay, S.A. . . . .	Portugal	FC	100%
Portugal Telecom, Sgps, S.A. . . . .	Portugal	FC	100%
Pt Prestações—Mandatária De Aquisições E Gestão De Bens, S.A. . . . .	Portugal	FC	100%
Pt Sales—Serviços De Telecomunicações E Sistemas De Informação, S.A. . . . .	Portugal	FC	100%
Publi-News S.à. r.l. . . . .	France	FC	78%
Rennes Métropole Telecom S.A.S. . . . .	France	FC	78%
Rhon'telecom S.A.S. . . . .	France	FC	30.6%
Rimbaud Gestion B Sci . . . . .	France	FC	78%
RMC S.A. Monegasque . . . . .	France	FC	29%
RMC—BFM Production S.A.S . . . . .	France	FC	29%
RMC BFM Edition S.A.S . . . . .	France	FC	29%
RMC Découverte S.A.S . . . . .	France	FC	29%
RMC Sport S.A.S . . . . .	France	FC	29%
S2C SARL . . . . .	France	FC	78%
Sadotel S.A.S. . . . .	Dominican Republic	FC	30.6%
Sarl Rezo Télécom . . . . .	France	FC	100%
South Sharon Communications (1990) Ltd . . . . .	Israel	FC	100%
Sequalum Participation S.A.S. . . . .	France	FC	78%
Sequalum S.A.S. . . . .	France	FC	78%
SFCM S.A. . . . .	France	FC	78%
SFR Business Distribution (Ex. Cinq Sur Cinq Sa) . . . . .	France	FC	78%
SFR Business Morocco S.A. (Ex. Telindus Morocco Sa) . . . . .	Morocco	FC	78%
SFR Business Solutions S.A.S. (Ex. Telindus France) . . . . .	France	FC	78%
SFR Collectivités S.A. . . . .	France	FC	78%
SFR Développement S.A.S. . . . .	France	FC	78%
SFR Distribution (Ex. SFD S.A.) . . . . .	France	FC	78%

## ALTICE LUXEMBOURG

### Notes to the consolidated financial statements as of December 31, 2016 (Continued)

#### 33. List of entities included in the scope of consolidation (Continued)

Name of subsidiary	Country of incorporation	Method of consolidation	Economic interest
SFR Group	France	FC	78%
SFR Participation	France	FC	78%
SFR Presse (Ex- Altice Media Group France)	France	FC	78%
SFR S.A.	France	FC	78%
SFR Service Client S.A.	France	FC	78%
SHD S.A.	France	FC	78%
SID SCS	France	FC	78%
SIG 50 S.A.	France	FC	78%
Siresp, Gestão Redes Digitais Segurança E Emergência, S.A.	Portugal	EM	31%
Smartshore SARL	Morocco	FC	17.3%
SNC Outremer Communication 1	France	FC	100%
SNC Outremer Communication 2	France	FC	100%
SNTC	France	FC	80%
Sofialys S.A.S.	France	EM	19%
Sportinvest Multimédia, Sgps, S.A.	Portugal	EM	50%
Sportscotv S.A.S.	France	FC	29%
SRR SCS	France	FC	78%
Sud Partner SARL	France	EM	19%
Sudtel S.A.	Portugal	FC	35.7%
Synerail Construction S.A.S.	France	EM	31%
Synerail Exploitation S.A.S.	France	FC	47%
Synerail S.A.S.	France	EM	23%
TAT S.à r.l	Israel	FC	26%
Technologues Culturels S.A.S.	France	FC	78%
Telecom Presse SARL	France	FC	78%
Teloise S.A.S.	France	FC	54%
The Marketing Group S.A.S.	France	FC	58%
Tme France S.A.	France	FC	78%
Tnord S.A.	Portugal	FC	30.6%
Topix Medias S.à .r.l.	France	FC	78%
TRC Belgium Sprl	Belgium	FC	28.5%
Tricom, S.A.	Dominican Republic	FC	97.2%
TWW S.A.	Morocco	FC	58%
Valofibre S.A.S.	France	FC	78%
Vod Factory S.A.S.	France	EM	31%
Voix Du Nord L'étudiant SA.	France	EM	39%
WII Antilles Guyane S.A.S.	France	FC	97%
WII Réunion S.A.S.	France	FC	97%
WMC S.A.S.	France	FC	29%
World Satellite Guadeloupe	France	FC	99.5%
Ypso Finance S.à r.l	Luxembourg	FC	78%
Ypso France S.A.S.	France	FC	78%
Ypso Holding S.à r.l	Luxembourg	FC	78%
Yunit Serviços, S.A.	Portugal	EM	33%
Zira Ltd.	Israel	EM	20%

To the Sole Shareholder of

Altice Luxembourg S.A.

5, rue Eugène Ruppert

L-2453 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

We have audited the accompanying consolidated financial statements of Altice Luxembourg S.A., which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Responsibility 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 International Financial Reporting Standards as adopted in the European Union, and for such internal control 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.

### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice Luxembourg S.A. as of December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

April 24, 2017



# **Altice Luxembourg S.A.**



## **Condensed Interim Consolidated Financial Statements**

**As of and for the three month period ended  
March 31, 2019**

# Table of Contents

<b>Condensed Consolidated Statement of Income</b>	<b>3</b>
<b>Condensed Consolidated Statement of Other Comprehensive Income</b>	<b>3</b>
<b>Condensed Consolidated Statement of Financial Position</b>	<b>4</b>
<b>Condensed Consolidated Statement of Changes in Equity</b>	<b>5</b>
<b>Condensed Consolidated Statement of Cash Flows</b>	<b>6</b>
<b>Notes to the Condensed Interim Consolidated Financial Statements</b>	<b>7</b>
1 About Altice Luxembourg and Altice Group	7
2 Accounting policies	7
3 Scope of consolidation	11
4 Segment reporting	13
5 Goodwill, intangible assets and right-of-use assets	18
6 Investment in associates	21
7 Cash and cash equivalents and restricted cash	21
8 Shareholders' equity	21
9 Borrowings, other financial liabilities and lease liabilities	22
10 Fair value of financial assets and liabilities	26
11 Taxation	27
12 Contractual obligations and commercial commitments	27
13 Litigation	27
14 Net finance costs	29
15 Going concern	29
16 Events after the reporting period	30

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Consolidated Statement of Income	Notes	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>(€m)</b>			
<b>Revenues</b>	4	<b>3,510.4</b>	<b>3,599.8</b>
Purchasing and subcontracting costs	4	(880.2)	(1,115.5)
Other operating expenses	4	(719.7)	(863.8)
Staff costs and employee benefits	4	(373.3)	(355.5)
Depreciation, amortization and impairment	4	(1,137.5)	(948.3)
Other expenses and income	4	2,863.4	12.9
<b>Operating profit</b>		<b>3,263.1</b>	<b>329.6</b>
Interest relative to gross financial debt	14	(436.2)	(432.7)
Other financial expenses	14	(81.8)	(93.7)
Finance income	14	23.1	2.7
<b>Finance costs, net</b>		<b>(494.9)</b>	<b>(523.7)</b>
Share of earnings of associates		(2.2)	1.2
<b>Profit/(loss) before income tax from continuing operations</b>		<b>2,766.0</b>	<b>(192.9)</b>
Income tax benefit	11	52.0	70.6
<b>Profit/(loss) for the period from continuing operations</b>		<b>2,818.0</b>	<b>(122.3)</b>
<i>Attributable to equity holders of the parent</i>		2,512.5	(97.0)
<i>Attributable to non-controlling interests</i>		305.6	(25.3)

Consolidated Statement of Other Comprehensive Income		Three months ended March 31, 2019	Three months ended March 31, 2018
<b>(€m)</b>			
<b>Profit/(loss) for the period</b>		<b>2,818.0</b>	<b>(122.3)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that are reclassified to profit or loss</b>			
Exchange differences on translating foreign operations		(12.4)	24.0
Gain/(loss) on cash flow hedge, net of taxes		46.5	(78.7)
<b>Item that is not reclassified to profit or loss</b>			
Fair value of financial assets through OCI, net taxes		(1.1)	(1.4)
Actuarial (loss)/gain, net of taxes		(18.8)	9.7
<b>Total other comprehensive profit/(loss)</b>		<b>14.2</b>	<b>(46.4)</b>
<b>Total comprehensive profit/(loss) for the period</b>		<b>2,832.3</b>	<b>(168.7)</b>
<i>Attributable to equity holders of the parent</i>		2,523.0	(135.2)
<i>Attributable to non-controlling interests</i>		309.3	(33.5)

*The accompanying notes on pages 7 to 31 form an integral part of these condensed interim consolidated financial statements.*

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Consolidated Statement of Financial Position (€m)	Notes	As of March 31, 2019	As of December 31, 2018
<b>Non-current assets</b>			
Goodwill	5.1	15,784.9	15,746.7
Intangible assets	5.4	7,543.0	7,675.8
Property, plant & equipment		9,931.6	10,004.7
Right-of-use assets <sup>1</sup>	5.5	3,984.5	-
Contract costs		255.2	252.5
Investment in associates	6	1,841.7	154.1
Financial assets <sup>2</sup>	10	2,122.7	2,331.8
Deferred tax assets		253.4	153.7
Other non-current assets		403.1	423.7
<b>Total non-current assets</b>		<b>42,120.1</b>	<b>36,743.0</b>
<b>Current assets</b>			
Inventories		454.9	422.2
Contract assets		253.6	265.7
Trade and other receivables		4,614.9	4,440.8
Current tax assets		147.9	119.0
Financial assets <sup>2</sup>		486.5	53.4
Cash and cash equivalents	7	2,253.1	1,666.0
Restricted cash	7	35.5	35.9
<b>Total current assets</b>		<b>8,246.4</b>	<b>7,003.0</b>
<i>Assets classified as held for sale</i>	<i>3.4</i>	<i>15.9</i>	<i>537.8</i>
<b>Total assets</b>		<b>50,382.4</b>	<b>44,283.8</b>
<b>Equity</b>			
Issued capital	8.1	2.5	2.5
Additional paid in capital	8.2	1,907.3	1,922.7
Other reserves	8.3	(520.4)	(530.7)
Accumulated losses	8	(1,062.1)	(3,611.7)
<b>Equity attributable to owners of the Company</b>		<b>327.4</b>	<b>(2,217.2)</b>
Non-controlling interests	3.3	922.9	612.9
<b>Total equity</b>		<b>1,250.3</b>	<b>(1,604.3)</b>
<b>Non-current liabilities</b>			
Long term borrowings, financial liabilities and related hedging instruments	9	32,512.0	32,534.1
Other financial liabilities	9.6	712.4	815.5
Non-current lease liabilities <sup>1</sup>	9.6	3,258.2	-
Provisions		1,365.5	1,178.7
Deferred tax liabilities		276.1	255.8
Non-current contract liabilities		576.0	564.1
Other non-current liabilities		75.2	84.7
<b>Total non-current liabilities</b>		<b>38,775.4</b>	<b>35,432.9</b>
<b>Current liabilities</b>			
Short-term borrowings, financial liabilities	9	105.4	102.3
Other financial liabilities	9.6	1,718.1	2,021.2
Current lease liabilities <sup>1</sup>	9.6	727.0	-
Trade and other payables		6,438.0	6,756.4
Contract liabilities		612.4	610.7
Current tax liabilities		326.1	246.6
Provisions		299.1	330.2
Other current liabilities		130.6	188.4
<b>Total current liabilities</b>		<b>10,356.7</b>	<b>10,255.8</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	<i>3.4</i>	<i>-</i>	<i>199.4</i>
<b>Total liabilities</b>		<b>49,132.1</b>	<b>45,888.1</b>
<b>Total equity and liabilities</b>		<b>50,382.4</b>	<b>44,283.8</b>

1 Following the adoption of IFRS 16 *Leases* as of January 1, 2019, Right-of-use assets and Current and Non-current lease liabilities captions have been included in the Consolidated Statement of Financial Position. Please refer to note 2.1.1.1.

2 The increase in current financial assets as of March 31, 2019 compared to December 31, 2018 was mainly due to a reclassification of derivative financial assets from non-current financial assets to current financial assets of €384.2 million.

*The accompanying notes on pages 7 to 31 form an integral part of these condensed interim consolidated financial statements.*

**Alice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Consolidated Statement of Changes in Equity	Number of shares on issue	Share capital	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash flow hedge reserve	Fair value through OCI
<b>Equity at January 1, 2019</b>	<b>251,050,186</b>	<b>2.5</b>	<b>1,922.7</b>	<b>(3,611.7)</b>	<b>(45.5)</b>	<b>(460.7)</b>	<b>2.6</b>
IFRS 16 transition impact	-	-	-	36.3	-	-	-
<b>Equity at January 1, 2019<sup>1</sup></b>	<b>251,050,186</b>	<b>2.5</b>	<b>1,922.7</b>	<b>(3,575.4)</b>	<b>(45.5)</b>	<b>(460.7)</b>	<b>2.6</b>
Gain/(loss) for the period	-	-	-	2,512.5	-	-	-
Other comprehensive profit/(loss)	-	-	-	-	(13.3)	43.7	(1.1)
<b>Comprehensive profit/(loss)</b>	-	-	-	<b>2,512.5</b>	<b>(13.3)</b>	<b>43.7</b>	<b>(1.1)</b>
Share based payments	-	-	-	0.6	-	-	-
Transactions with non-controlling interests	-	-	(4.3)	-	-	-	-
Transactions with Alice shareholder	-	-	(11.1)	-	-	-	-
Dividends	-	-	-	-	-	-	-
Other	-	-	-	0.3	-	-	-
<b>Equity at March 31, 2019</b>	<b>251,050,186</b>	<b>2.5</b>	<b>1,907.3</b>	<b>(1,062.1)</b>	<b>(58.8)</b>	<b>(417.0)</b>	<b>1.5</b>

<sup>1</sup> Equity as at January 1, 2019 includes the impact from the adoption of IFRS 16 *Leases* as of January 1, 2019 by the Group. Please refer to note 2.1.1.1.

Consolidated Statement of Changes in Equity	Number of shares on issue	Share capital	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash flow hedge reserve	Fair value through OCI
<b>Equity at January 1, 2018</b>	<b>251,050,186</b>	<b>2.5</b>	<b>1,194.3</b>	<b>(3,520.0)</b>	<b>56.4</b>	<b>(521.4)</b>	<b>3.5</b>
IFRS 9 transition impact	-	-	-	(2.2)	-	-	-
<b>Equity at January 1, 2018<sup>1</sup></b>	<b>251,050,186</b>	<b>2.5</b>	<b>1,194.3</b>	<b>(3,522.2)</b>	<b>56.4</b>	<b>(521.4)</b>	<b>3.5</b>
Loss for the period	-	-	-	(97.0)	-	-	-
Other comprehensive profit/(loss)	-	-	-	-	25.0	(71.5)	(1.4)
<b>Comprehensive profit/(loss)</b>	-	-	-	<b>(97.0)</b>	<b>25.0</b>	<b>(71.5)</b>	<b>(1.4)</b>
Transaction with Alice Shareholder's	-	-	-	(234.3)	-	-	-
Transactions with non-controlling interests <sup>1</sup>	-	-	(42.5)	-	-	-	-
Other	-	-	-	4.6	-	-	-
<b>Equity at March 31, 2018</b>	<b>251,050,186</b>	<b>2.5</b>	<b>1,151.8</b>	<b>(3,848.8)</b>	<b>81.4</b>	<b>(592.9)</b>	<b>2.1</b>

<sup>1</sup> Previously published information has been revised to take into account the impact following the adoption of IFRS 15 *Revenue from Contracts with Customers*.

*The accompanying notes on pages 7 to 31 form an integral part of these condensed interim consolidated financial statements.*

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

<b>Consolidated Statement of Cash Flows</b>	<b>Three months ended March 31, 2019</b>	<b>Three months ended March 31, 2018</b>
<b>(€m)</b>		
<b>Net profit/(loss) including non-controlling interests</b>	<b>2,818.0</b>	<b>(122.3)</b>
Adjustments for:		
Depreciation, amortization and impairment	1,137.5	948.3
Share in income of associates	2.2	(1.2)
Gain on disposals of business	(3,174.1)	(72.2)
Expenses related to share based payment	0.8	-
Other non-cash operating gains/(losses) net <sup>1</sup>	168.1	(53.5)
Pension liability payments	(23.7)	(6.5)
Finance costs recognized in the statement of income	494.9	523.7
Income tax credit recognized in the statement of income	(52.0)	(70.6)
Income tax paid	(20.2)	(41.0)
Changes in working capital <sup>2</sup>	(357.9)	(234.8)
<b>Net cash provided by operating activities</b>	<b>993.6</b>	<b>869.9</b>
Payments to acquire tangible and intangible assets	(763.5)	(821.6)
Payments to acquire financial assets <sup>3</sup>	(205.9)	(5.6)
Proceeds from disposal of businesses <sup>4</sup>	1,618.5	157.4
Proceeds from disposal of tangible, intangible and financial assets	3.0	2.3
Payments to acquire interests in associates	-	(19.6)
Payment to acquire subsidiaries, net	(1.3)	(0.7)
<b>Net cash provided by/(used in) investing activities</b>	<b>650.8</b>	<b>(687.8)</b>
Proceeds from issuance of debts	250.0	730.2
Transactions with non-controlling interests <sup>5</sup>	(11.1)	-
Payments to redeem debt instruments	(273.9)	(258.0)
Repayment of lease liabilities <sup>6</sup>	(235.5)	-
Advances to group companies	(99.6)	-
Dividends paid	(2.7)	-
Interest paid	(670.8)	(635.0)
Other cash (used in)/provided by financing activities <sup>7</sup>	(16.1)	35.9
<b>Net cash used in financing activities</b>	<b>(1,059.7)</b>	<b>(127.0)</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	2.3	(4.1)
<b>Net change in cash and cash equivalents</b>	<b>587.1</b>	<b>51.0</b>
Cash and cash equivalents at beginning of period	1,666.0	753.2
<b>Cash and cash equivalents at end of the period</b>	<b>2,253.1</b>	<b>804.2</b>

- 1 Other non-cash operating gains and losses mainly include allowances and writebacks for provisions (including those for restructuring plans in PT Portugal for €252.7 million), and gains and losses recorded on the disposal of tangible and intangible assets.
- 2 Changes in working capital relate to payments and receipts related to inventories, trade and other receivables and trade and other payables.
- 3 Payments to acquire financial assets include €175.0 million of cash which has been received for the sale of SFR Fiber to the Home (“SFR FTTH”), but which is held in escrow, and net payments of €31.3 million for bank guarantees, to a large extent related to new real estate contracts.
- 4 Proceeds from the disposal of businesses relate to the cash received for the sale of a 49.99% equity stake in SFR FTTH, amounting to €1,709.5 million, less cash transferred to SFR FTTH upon the completion of the transaction.
- 5 Transactions with non-controlling interest relate to payments made to former minority shareholders of ERT Luxembourg S.A. Please also refer to note 9.6.8.
- 6 Repayment of lease liabilities (IFRS 16 lease payment and the interest related to right-of-use (“ROU”)) are reported under financing activities upon adoption of IFRS 16 Leases. During the three months ended March 31, 2018, operating lease payments were included in net cash provided by operating activities. Please refer also to notes 2.1.1.1 and 2.1.1.2.
- 7 Other cash used in financing activities include net repayments of €38.8 million for factoring and securitization, which was partially offset by net receipts of €16.2 million for financing related expenses and €6.5 million of net receipts from the issuance of commercial paper.

*The accompanying notes on pages 7 to 31 form an integral part of these condensed interim 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 Europe 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 Europe N.V.. The controlling shareholder of Altice Europe N.V. is Next Alt S.à r.l. (“Next Alt”), which holds 67.53% of the share capital as of March 31, 2019 and is controlled by Mr. Patrick Drahi.

Altice is a convergent leader in telecoms, content, media, entertainment and advertising. Altice delivers innovative, customer-centric products and solutions that connect and unlock the limitless potential of its over 30 million customers over fiber networks and mobile broadband. Altice is also a provider of enterprise digital solutions to millions of business customers. The Altice Group innovates with technology, research and development and enables 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 its customers to enjoy the most well-known media and entertainment.

## **2. Accounting policies**

### **2.1. Basis of preparation**

These condensed interim consolidated financial statements of the Group as of March 31, 2019 and for the three month period then ended were approved by the Board of Directors and authorized for issue on May 27, 2019.

These condensed interim consolidated financial statements of the Group as of March 31, 2019 and for the three month period then ended, are presented in millions of Euros, except as otherwise stated, and have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. They should be read in conjunction with the annual consolidated financial statements of the Group and the notes thereto as of and for the year ended December 31, 2018 which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”) (the “annual consolidated financial statements”).

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

#### *2.1.1. Standards applicable for the reporting period*

The following standards have mandatory application for periods beginning on or after January 1, 2019 as described in note 1.3.2 to the annual consolidated financial statements.

- IFRS 16 *Leases*, effective on January 1, 2019;
- Annual improvements cycle 2015-2017, effective on or after January 1, 2019;
- IFRS Interpretation Committee (“IFRIC”) 23: *Uncertainty over Income Tax Treatments*, applicable for annual periods beginning on or after January 1, 2019;
- Amendments to IFRS 9: *Prepayments features with Negative Compensation*, effective on or after January 1, 2019;
- Amendments to IAS 28: *Long term interests in Associates and Joint ventures*, effective on or after January 1, 2019;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*, effective on or after January 1, 2019.

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

Below are described the impact of the first adoption of IFRS 16 *Leases* and the main changes in the Group’s accounting policies relating to the first time application of IFRS 16 *Leases*.

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

*2.1.1.1. Adoption of IFRS 16 Leases*

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

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

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

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

The effect of adoption IFRS 16 as at January 1, 2019 is as follows:

<b>Effect of adoption IFRS 16 (€m)</b>	<b>January 1, 2019</b>
Intangible assets	(1.4)
Property, plant & equipment	(138.8)
Right-of-use assets	4,135.1
Trade and other receivables	(40.2)
<b>Total assets</b>	<b>3,954.7</b>
Equity	40.0
Provision - non-current	(40.0)
Deferred tax liabilities	18.9
Other financial liabilities - non-current	(92.9)
Lease liability - non-current	3,406.7
Other financial liabilities - current	(40.5)
Lease liability - current	742.7
Provision - current	(20.0)
Trade and other payables	(60.2)
<b>Total liabilities</b>	<b>3,954.7</b>

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

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

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

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

- Right-of-use assets are reported separately in the statement of financial position.
- The recognition, measurement and disclosure requirements of IFRS 16 are also applied in full to short-term leases and leases of low-value assets.



**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

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

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

- Right-of-use assets of €4,135.1 million were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of €140.2 million that were reclassified from Property, plant and equipment and Intangible assets.
- Additional lease liabilities of €4,149.4 million (current and non-current) were recognised (including the reclassification of finance lease liabilities already recorded as of December 31, 2018 of €133.3 million).
- Trade and other receivables of €40.2 million and Trade and other payables of €60.2 million related to previous operating leases were derecognised.
- Deferred tax liabilities increased by €18.9 million because of the deferred tax impact of the changes in assets and liabilities.
- Provision for onerous contract (current and non-current) was reclassified in reduction on right-of-use assets for €60.0 million.
- The net effect of these adjustments had been adjusted to equity for €40.0 million.

In addition, the Group is assessing the impact of the current discussions at the IFRIC relating to subsurfacing rights that can change the IFRS 16 impacts presented above.

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

<b>Reconciliation of lease liabilities (€m)</b>	<b>January 1, 2019</b>
<b>Operating lease obligations as at December 31, 2018</b>	<b>3,592.8</b>
Period revised for IFRS 16 <sup>1</sup>	1,589.4
Other <sup>2</sup>	75.1
<b>Gross lease liability under IFRS as at January 1, 2019</b>	<b>5,257.3</b>
Discounting effect	<b>(1,241.2)</b>
<b>Lease liability as at January 1, 2019</b>	<b>4,016.1</b>
<i>Long term</i>	<i>3,313.9</i>
<i>Short term</i>	<i>702.2</i>
<b>Finance lease debt</b>	<b>133.3</b>
<b>Total Lease liabilities as of January 1, 2019</b>	<b>4,149.4</b>
<i>Long term</i>	<i>3,406.7</i>
<i>Short term</i>	<i>742.7</i>

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

2 This line includes mainly the effect of the change in scope of PHI that is consolidated as of January 1, 2019 (please refer to note 3.1.1).

The weighted average incremental borrowing rate as at January 1, 2019 is 4.4%.

### 2.1.1.2. Summary of new accounting policies upon adoption of IFRS 16

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount

of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### *Lease liabilities*

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

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

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of technical sites due to the significance of these assets to its operations.

#### *2.1.2. 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, 2019 and that may impact the amounts reported:

- Amendments to IAS 1 and IAS 8: *Definition of Material*, effective on or after January 1, 2020;
- Amendments to IFRS 3: *Definition of a Business*, effective on or after January 1, 2020;
- Amendments to References to the Conceptual Framework in IFRS Standards, effective on or after January 1, 2020.

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

#### *2.1.3. 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 readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

These key areas of judgments and estimates, as disclosed in the annual consolidated financial statements are:

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

As of March 31, 2019, there were no changes in the key areas of judgements and estimates except that, following the application of IFRS 16 *Leases*, judgement and estimates are made for the determination of lease terms and the discount rate:

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

### **3. Scope of consolidation**

The following changes occurred during the three month period ended March 31, 2019, which impacted the scope of consolidation compared to that presented in the annual consolidated financial statements.

#### **3.1. Transactions completed in the current period**

##### *3.1.1. Change in consolidation method in PHI*

In January 2019, Hot Mobile and Partner signed an amendment to the Network Sharing Agreement with respect to the governance of the company PHI, effective on January 1, 2019. Following this amendment, the parties have joint control over PHI (compared to significant influence before the amendment); accordingly, PHI is accounted under the provisions of IFRS 11 *Joint Arrangements* as joint operation (recognition of Hot Mobile's interests in PHI's assets, liabilities, revenues and expenses) instead of equity method.

##### *3.1.2. Closing of the sale of 49.99% in SFR Fibre to the Home ("SFR FTTH")*

On November 30, 2018, the Company announced that its subsidiary, Altice France, had entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers - Real Assets, acting on behalf of its clients and OMERS Infrastructure (together the "Partners") regarding the sale of a 49.99% equity stake in SFR FTTH for a total cash consideration of €1.8 billion, based on an estimated €3.6 billion equity value at closing. As a consequence, the related assets and liabilities were classified as held for sale as of December 31, 2018 (please refer to note 3.4).

The transaction closed on March 27, 2019. The consideration received was €1.7 billion, based on a €3.4 billion equity value. The total capital gain recorded for the three month period ended March 31, 2019, was €3,174.1 million (please refer to note 4.3.2.5). This partnership creates the leading FTTH infrastructure wholesaler in France and brings an additional €1.7 billion of cash to Altice France. Following the closing of the transaction, Altice France lost exclusive control over SFR FTTH as Altice France and the Partners have joint control over the new entity based on the provisions of IFRS 11 *Joint Arrangements*. Furthermore, as SFR FTTH is a joint venture (joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement), SFR FTTH is accounted for under the equity method based on the provisions of IAS 28 *Investments in Associates and Joint Ventures*.

#### **3.2. Transactions completed in the prior period**

##### *3.2.1. Sale of telecommunications solutions business and data center operations in Switzerland*

On February 12, 2018, the Company announced the closing of the transaction to sell its telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, to InfraVia

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Capital Partners. The transaction valued the business at an enterprise value of approximately 214 million CHF.

The capital gain recorded during the three month period ended March 31, 2018 amounted to €88.8 million, net of tax. The total proceeds received amounted to €156.4 million.

3.2.2. *Sale of Altice Management International (“AMI”) to Altice Group Lux S.à r.l.*

During November and December 2017, the Board of Directors of Altice N.V. decided the transfer of shares of AMI to Altice Group Lux S.à r.l. The sale was completed on January 31, 2018. The capital gain recorded for the three month ended March 31, 2018 amounted to €3.5 million.

**3.3. Variations in non-controlling interests**

Variations in non-controlling interests (€m)	Altice France	Hivory <sup>1</sup>	Altice Technical Services	Other	Group
<b>Opening balance at January 1, 2018</b>	<b>161.0</b>	-	<b>24.9</b>	<b>(28.5)</b>	<b>157.4</b>
IFRS 9	2.0	-	-	-	<b>2.0</b>
<b>Opening balance at January 1, 2018 (*revised)</b>	<b>163.0</b>	-	<b>24.9</b>	<b>(28.5)</b>	<b>159.4</b>
Net income	(42.5)	3.4	(4.3)	4.2	<b>(39.1)</b>
Other comprehensive income	2.5	-	0.3	0.3	<b>3.2</b>
Dividends	(4.4)	-	(16.3)	-	<b>(20.7)</b>
Acquisition of ATSF and ACS	16.8	-	(18.4)	0.9	<b>(0.7)</b>
Sale of i24News	(2.6)	-	-	-	<b>(2.6)</b>
Acquisition of MCS	(1.4)	-	-	-	<b>(1.4)</b>
Transaction with NCI in ACL and GNP	128.7	-	-	-	<b>128.7</b>
Transaction with NCI in DTV Holding	12.3	-	-	-	<b>12.3</b>
Transaction with NCI in ERT Luxembourg	(11.4)	-	-	-	<b>(11.4)</b>
Acquisition of Deficom instruments	-	-	-	35.6	<b>35.6</b>
Disposal of Hivory's minority stake	-	361.1	-	-	<b>361.1</b>
Consolidation of SIRESP	-	-	-	5.0	<b>5.0</b>
Other	(16.2)	-	-	(0.3)	<b>(16.5)</b>
<b>Closing at December 31, 2018</b>	<b>244.8</b>	<b>364.5</b>	<b>(13.8)</b>	<b>17.3</b>	<b>612.9</b>
IFRS 16	3.7	-	-	-	<b>3.7</b>
<b>Opening balance at January 1, 2019</b>	<b>248.6</b>	<b>364.5</b>	<b>(13.8)</b>	<b>17.3</b>	<b>616.6</b>
Net income	296.9	10.3	(0.8)	(0.8)	<b>305.6</b>
Other comprehensive income	2.9	-	0.7	0.1	<b>3.7</b>
Share based payment	0.1	-	-	-	<b>0.1</b>
Transactions with NCI	(0.2)	-	-	(0.1)	<b>(0.3)</b>
Dividends	(2.7)	-	-	-	<b>(2.7)</b>
Other	-	-	-	(0.2)	<b>(0.2)</b>
<b>Closing at March 31, 2019</b>	<b>545.6</b>	<b>374.8</b>	<b>(13.9)</b>	<b>16.3</b>	<b>922.9</b>

<sup>1</sup> This column presents the impact of the sale by Altice France of a minority stake in Hivory (an entity created by Altice France to which Altice France contributed some of its telecommunication towers) that was closed on December 18, 2018. Following the closing of the sale, Altice France keeps an exclusive control on Hivory which is consolidated in Altice France.

The main change in non-controlling interests (“NCI”) as at March 31, 2019 was mainly due to:

- net income attributable to the non-controlling interest for the three month period ended March 31, 2019 of €305.6 million, mainly related to the net income in Altice France; and
- dividend payments, reducing NCI by €2.7 million.

**3.4. Assets held for sale**

During 2018, PT Portugal classified real estate properties as held for sale with a book value of €15.9 million as at December 31, 2018, following the signature of promise of sale agreements entered with the entity Almost Future, S.A., for a total consideration of €17.7 million. As of March 31, 2019, the real estate deeds were not yet entered into, and the assets were not derecognised.

On November 30, 2018, the Company announced that its subsidiary, Altice France, had entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers - Real Assets, acting on behalf of its clients and OMERS Infrastructure, regarding the sale of a 49.99% equity stake in SFR FTTH for a total cash consideration of €1.8 billion. based on an estimated €3.6 billion equity value at closing. As a consequence, the related assets and liabilities were classified as held for sale as of December 31, 2018. The transaction closed on March 27, 2019. The final cash consideration at closing was €1.7 billion, based on a €3.4 billion equity value. This partnership creates the leading FTTH infrastructure wholesaler in France and brings an additional €1.7 billion of cash to Altice France. Please refer to note 3.1.2.

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Table below provides the details of assets and liabilities classified as held for sale as of March 31, 2019 and December 31, 2018:

Disposal groups held for sale (€m)	March 31, 2019		December 31, 2018		
	Other	Total	SFR FTTH	Other	Total
Tangible and intangible assets	15.9	15.9	438.7	15.9	454.6
Other non-current assets	-	-	0.6	0.1	0.7
Currents assets	-	-	82.7	-	82.7
<b>Total assets held for sale</b>	<b>15.9</b>	<b>15.9</b>	<b>521.9</b>	<b>16.0</b>	<b>538.0</b>
Non-current liabilities	-	-	(95.7)	(0.1)	(95.8)
Current liabilities	-	-	(103.7)	-	(103.7)
<b>Total liabilities related to assets held for sale</b>	<b>-</b>	<b>-</b>	<b>(199.4)</b>	<b>(0.1)</b>	<b>(199.5)</b>

#### 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 Board of Directors. The Board of Directors 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 Board of Directors to track the Group's operational and financial performance. The businesses that the Group owns and operates do not show significant seasonality, except for the mobile B2C and B2B business, which can show significant changes in sales at the year end and at the end of the summer season (the "back to school" period). The B2B business is also impacted by the timing of preparation of the annual budgets of public and private sector companies. 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 Altice France S.A. ("Altice France"), the second largest telecom operator in France, which provides residential, business, mobile and high-speed internet services using SFR and the associated brands. Additionally, the media division of Altice France includes NextRadioTV and SFR Presse companies, which cover audiovisual and press activities in France, respectively. As of 2018, this segment also comprises of the French Overseas Territories ("FOT"), Altice Technical Services France S.à r.l. ("ATS France") and Altice Customer Services ("ACS").
- **Portugal:** Altice owns Portugal Telecom ("PT Portugal"), the largest telecom operator in Portugal. PT Portugal caters to residential fixed, residential mobile and business services clients using the MEO brand. As of 2018, this segment also includes the Altice Technical Services entities in Portugal.
- **Israel:** Fixed and mobile services are provided using the HOT telecom, HOT mobile and HOT net brands to residential and business services clients. HOT also produces award winning exclusive content that it distributes using its fixed network, as well as content application called Next and OTT services through Next Plus. As of 2018, this segment also includes the Altice Technical Services entity in Israel.
- **Dominican Republic:** The Group provides residential fixed, residential mobile and business services using the Altice brand. As of 2018, this segment also includes the Altice Technical Services entity in the Dominican Republic.
- **Teads:** Provides digital advertising solutions.
- **Altice TV:** Content business from the use of content rights. Altice TV was no longer part of the Group following the sale to Altice Group Lux S.à r.l. that was closed on May 15, 2018.
- **Others:** This segment includes all corporate entities. The Board of Directors believed that these operations are not substantial enough to require a separate reporting segment, and so are reported under "Others".

##### 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.

## **Altice Luxembourg S.A.**

### Condensed Interim Consolidated Financial Statements

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, 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. The definition of Adjusted EBITDA used in the covenant has not changed with the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* by the Group.

##### 4.2.1.1. *Adjusted EBITDA*

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

##### 4.2.1.2. *Capex*

Capex is an important indicator to follow, as the profile varies greatly between activities:

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

##### 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*.

#### 4.2.2. *Revenues*

As of January 1, 2019, additional information on the revenue split is presented as follows:

- Residential – Fixed: revenues from fixed business to B2C customers.
- Residential – Mobile: revenues from mobiles services and equipment business to B2C customers.
- Business services: revenues from B2B customers, wholesale and other revenues.
- Media: media, content and advertisement revenues in Altice France and Teads. In 2018, Media revenues also included revenues in Altice TV.

The comparative information for the three month period ended March 31, 2018 has been revised to reflect the change in revenue split (please refer to note 4.3.3).

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Intersegment revenues represented 0.3% of total revenues for the three month period ended March 31, 2019, compared to 1.1% of total revenues for the three month period ended March 31, 2018 (€11.6 million compared to €40.3 million). Intersegment revenues mainly relate to services rendered by certain centralized Group functions (relating to content production, content distribution and centralized research and development) to the operational segments of the Group.

### 4.3. Segment results

#### 4.3.1. Operating profit by segment

For the three months ended March 31, 2019 €m	France	Portugal	Israel	Dominican Republic	Teads <sup>1</sup>	Altice TV	Others	Inter- segment elimination	Total
<b>Revenues</b>	<b>2,558.4</b>	<b>508.9</b>	<b>231.7</b>	<b>138.9</b>	<b>84.1</b>	-	<b>0.1</b>	<b>(11.6)</b>	<b>3,510.4</b>
Purchasing and subcontracting costs	(654.7)	(126.9)	(74.1)	(34.0)	-	-	-	9.5	(880.2)
Other operating expenses	(509.8)	(88.0)	(48.8)	(20.4)	(51.8)	-	(2.2)	1.3	(719.7)
Staff costs and employee benefits	(255.3)	(69.5)	(16.1)	(7.5)	(24.8)	-	(0.2)	-	(373.3)
<b>Total</b>	<b>1,138.6</b>	<b>224.5</b>	<b>92.7</b>	<b>77.0</b>	<b>7.4</b>	-	<b>(2.3)</b>	<b>(0.8)</b>	<b>1,537.2</b>
Share-based expenses	0.8	-	-	-	-	-	-	-	0.8
Rental expense operating lease <sup>2</sup>	(183.7)	(18.0)	(8.2)	(6.2)	(0.9)	-	-	-	(217.1)
<b>Adjusted EBITDA</b>	<b>955.7</b>	<b>206.5</b>	<b>84.5</b>	<b>70.8</b>	<b>6.5</b>	-	<b>(2.3)</b>	<b>(0.8)</b>	<b>1,320.9</b>
Depreciation, amortisation and impairment	(833.2)	(178.5)	(90.5)	(30.3)	(5.1)	-	-	-	(1,137.5)
Share-based expenses	(0.8)	-	-	-	-	-	-	-	(0.8)
Other expenses and income	3,141.9	(272.2)	(1.1)	(4.3)	-	-	(0.7)	(0.2)	2,863.4
Rental expense operating lease	183.7	18.0	8.2	6.2	0.9	-	-	-	217.1
<b>Operating profit/(loss)</b>	<b>3,447.4</b>	<b>(226.2)</b>	<b>1.1</b>	<b>42.4</b>	<b>2.4</b>	-	<b>(3.0)</b>	<b>(1.0)</b>	<b>3,263.1</b>

For the three months ended March 31, 2018 €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter- segment elimination	Total
<b>Revenues</b>	<b>2,641.7</b>	<b>521.1</b>	<b>241.5</b>	<b>147.4</b>	<b>67.7</b>	<b>20.3</b>	<b>0.3</b>	<b>(40.3)</b>	<b>3,599.8</b>
Purchasing and subcontracting costs	(837.8)	(136.3)	(64.0)	(41.3)	-	(72.4)	-	36.3	(1,115.5)
Other operating expenses	(641.6)	(96.4)	(54.7)	(23.5)	(44.2)	(2.7)	(2.3)	1.6	(863.8)
Staff costs and employee benefits	(245.8)	(67.2)	(15.7)	(6.5)	(18.1)	(1.2)	(1.2)	0.1	(355.5)
<b>Total</b>	<b>916.6</b>	<b>221.2</b>	<b>107.1</b>	<b>76.2</b>	<b>5.4</b>	<b>(56.0)</b>	<b>(3.2)</b>	<b>(2.3)</b>	<b>1,265.0</b>
Share-based expenses	-	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>916.6</b>	<b>221.2</b>	<b>107.1</b>	<b>76.2</b>	<b>5.4</b>	<b>(56.0)</b>	<b>(3.2)</b>	<b>(2.3)</b>	<b>1,265.0</b>
Depreciation, amortisation and impairment	(671.4)	(164.4)	(78.2)	(28.3)	(4.1)	-	(2.0)	-	(948.3)
Share-based expenses	-	-	-	-	-	-	-	-	-
Other expenses and income	(340.6)	(7.2)	(4.8)	(2.0)	-	300.0	67.5	-	12.9
<b>Operating profit/(loss)</b>	<b>(95.4)</b>	<b>49.6</b>	<b>24.1</b>	<b>45.9</b>	<b>1.3</b>	<b>244.0</b>	<b>62.3</b>	<b>(2.3)</b>	<b>329.6</b>

1 The standalone revenues of Teads for the three month period ended March 31, 2019 disclosed in the condensed interim consolidated financial statements of €84.1 million are based on revenues net of discounts. The standalone revenues disclosed in the first quarter 2019 earnings release and presentations of €88.1 million correspond to gross revenues excluding discounts.

2 This line corresponds to the operating lease expenses which impacts are included in Adjusted EBITDA following the definition stated in note 4.2.1.1.

Regarding the share-based expenses, the Group has several share-based compensation plans across its various entities comprising of mainly the Long-Term Incentive Plan (“LTIP”), the Share Option Plan (“SOP”). During the three month period ended March 31, 2019, the Group incurred share-based expenses of €0.8 million, an increase of €0.8 million compared to the three month period ended March 31, 2018.

#### 4.3.2. Other expenses and income

Other expenses and income mainly relate to provisions for ongoing and announced restructuring, transaction costs related to acquisitions, and other non-cash expenses (gains and losses on disposal of assets, provisions for litigation, etc.).

Details of costs incurred during the three months ended March 31, 2019 and 2018 are provided in the following table:

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

<b>Other expenses and income (€m)</b>	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Restructuring costs	260.5	2.9
Onerous contracts	0.8	11.0
Net loss on disposals of assets	4.2	1.9
Disputes and litigation	13.0	(0.9)
Net gain on sale of consolidated entities	(3,174.1)	(72.2)
Deal fees	3.2	3.2
Management fees	20.2	5.8
Other expenses and income (net)	8.9	35.4
<b>Other expenses and income</b>	<b>(2,863.4)</b>	<b>(12.9)</b>

*4.3.2.1. Restructuring costs*

Restructuring costs for the three month period ended March 31, 2019 mainly related to the restructuring plans in PT Portugal, for which €252.7 million of provision fully tax deductible was recorded, in connection with the voluntary employee reduction program undertaken at the end of the first quarter of 2019 that covers approximately 800 employees (mainly in support functions) in order to improve operational flexibility of PT Portugal. These employees will enter a new pre-retirement scheme under which they will receive approximately 80% of their salary every year until retirement date (expected cash out of approximately €23 million in 2019). For the three month period ended March 31, 2018, restructuring costs mainly related to a restructuring plan in PT Portugal.

*4.3.2.2. Onerous contracts*

For the three month period ended March 31, 2019, the expenses recognised for onerous contracts mainly relate to the double rent for Quadrans of €0.4 million. For the three month period ended March 31, 2018, the onerous contracts expenses mainly related to the expected vacancy of the current Altice France campus in Saint Denis, following the move to the new Altice campus in Paris for €5.2 million and double rent for Quadrans (Nord & Ouest) of €4.7 million.

*4.3.2.3. Net loss on disposal of assets*

For the three month period ended March 31, 2019, the loss on disposal of assets was primarily related to the loss on scrapped assets in Altice France (€3.3 million) and in PT Portugal (€0.9 million). For the three month period ended March 31, 2018, the loss on disposal of asset primarily related to losses on scrapped property, plant and equipment, assets related to France (€0.6 million) and in PT Portugal due to forest fires damages (€1.3 million).

*4.3.2.4. Disputes and litigation*

For the three month period ended March 31, 2019, disputes and litigation mainly relate to the provisions recorded in PT Portugal of €13.7 million for labour and tax litigations. This was partially offset by provision released in Altice France, the Dominican Republic and Israel, totalling €0.7 million.

*4.3.2.5. Net gain on sale of consolidated entities*

For the three month period ended March 31, 2019, this relates to the capital gain from the sale of a 49.99% equity stake in SFR FTTH and the remeasurement at fair value of residual interest in SFR FTTH of €3,174.1 million in total (please refer to note 3.1.2). For the three month period ended March 31, 2018, the gain related to the capital gain from the sale of telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG (please refer to note 3.2.1).

*4.3.2.6. Deal fees*

For the three month period ended March 31, 2019, deal fees consisted mainly of €2.1 million deal fees in Altice France related to the transaction in relation to tower and fibre businesses and €1.1 million expenses in PT Portugal for the deal fees for the sale of the international wholesale business and tower business.

*4.3.2.7. Management fees*

For the three month period ended March 31, 2019, management fee expense amounted to €20.2 million payable to Altice Group Lux.

Management fee for the three month period ended March 31, 2018 was €5.8 million, which mainly related to fees incurred by Altice Luxembourg group due to Altice Management International following the sale of AMI to Altice Group S.à r.l on January 31, 2018 (please refer to note 3.2.2).



**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

4.3.2.8. *Other expenses and incomes (net)*

For the three month period ended March 31, 2019, other expenses and incomes consisted mainly of expenses in Altice France of €5.4 million for network claims and €2.9 million in the Dominican Republic related to penalty and compensation for network shutdown that lasted two days in end of March 2019, which was caused by a failure of the electricity company.

For the three month period ended March 31, 2018, it consisted mainly of expenses in Altice France related to settlements of operational litigation with Orange of €15 million and €7.0 million of indemnity expense to ACS. Additionally, Altice Holdings recorded €13.0 million of shares settlement with management team of Altice Blue Two (part of FOT), PT Portugal recorded €1.6 million related to penalty under the termination of a real estate rental agreement.

4.3.3. *Revenues by activity*

In previously published information in 2018, the revenues of French Overseas Territories (FOT) were reclassified to Other revenue caption within the France segment. Following the change in the way the management looks at the business, the sale of FOT to Altice France in October 2018 and to maintain comparability over the years, the revenues of FOT for the three month period ended March 31, 2018 presented in this note were reclassified according to the revenue split per activity defined in note 4.2.2 and in line with 2019 classification.

The tables below provide the split of revenues by activity as defined in note 4.2.2.

For the three months ended March 31, 2019 €m	France	Portugal	Israel	Dominican Republic	Teads <sup>1</sup>	Altice TV	Others	Total
Residential - Fixed	627.7	153.6	139.5	25.3	-	-	-	946.2
Residential - Mobile	1,011.7	136.0	63.7	87.1	-	-	-	1,298.4
Business services	806.8	219.3	28.4	26.5	-	-	0.1	1,081.1
Media	112.2	-	-	-	84.1	-	-	196.3
<b>Total standalone revenues</b>	<b>2,558.4</b>	<b>508.9</b>	<b>231.7</b>	<b>138.9</b>	<b>84.1</b>	-	<b>0.1</b>	<b>3,522.0</b>
Intersegment eliminations	(0.7)	(10.2)	-	(0.0)	(0.8)	-	(0.0)	(11.6)
<b>Total consolidated revenues</b>	<b>2,557.7</b>	<b>498.7</b>	<b>231.7</b>	<b>138.9</b>	<b>83.3</b>	-	<b>0.1</b>	<b>3,510.4</b>

For the three months ended March 31, 2018 €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Residential - Fixed	678.3	155.3	150.2	24.4	-	-	-	1,008.2
Residential - Mobile	1,080.4	134.9	61.8	86.0	-	-	-	1,363.1
Business services	772.4	231.0	29.6	37.0	-	-	0.3	1,070.3
Media	110.6	-	-	-	67.7	20.3	-	198.6
<b>Total standalone revenues</b>	<b>2,641.7</b>	<b>521.1</b>	<b>241.5</b>	<b>147.4</b>	<b>67.7</b>	<b>20.3</b>	<b>0.3</b>	<b>3,640.1</b>
Intersegment eliminations	(11.2)	(11.8)	(0.2)	(0.3)	(0.5)	(15.8)	(0.5)	(40.3)
<b>Total consolidated revenues</b>	<b>2,630.6</b>	<b>509.3</b>	<b>241.4</b>	<b>147.1</b>	<b>67.3</b>	<b>4.5</b>	<b>(0.2)</b>	<b>3,599.8</b>

1 The standalone revenues of Teads for the three month period ended March 31, 2019 disclosed in the condensed interim consolidated financial statements of €84.1 million are based on revenues net of discounts. The standalone revenues disclosed in the first quarter 2019 earnings release and presentations of €88.1 million correspond to gross revenues excluding discounts.

The table below provides the standalone and consolidated revenues in accordance to IFRS 15 *Revenue from Contracts with Customers* for the three month periods ended March 31, 2019 and 2018.

Revenues split IFRS 15 (€m)	March 31, 2019	March 31, 2018
Residential - Fixed	946.2	1,008.2
Residential - Mobile	1,115.8	1,154.9
Business services	1,044.1	1,034.6
<b>Total telecom excluding mobile equipment sales</b>	<b>3,106.1</b>	<b>3,197.7</b>
Mobile equipment sales	219.7	243.9
Media	196.3	198.6
<b>Total stand-alone revenues</b>	<b>3,522.0</b>	<b>3,640.1</b>
Intersegment elimination	(11.6)	(40.3)
<b>Total consolidated</b>	<b>3,510.4</b>	<b>3,599.8</b>

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

4.3.4. *Capital expenditure*

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

<b>For the three months ended March 31, 2019</b>	<b>France</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Teads</b>	<b>Altice TV</b>	<b>Eliminations</b>	<b>Total</b>
<b>€m</b>								
Capital expenditure (accrued)	581.4	100.5	57.7	28.2	0.6	-	(0.9)	<b>767.4</b>
Capital expenditure - working capital items	(5.4)	7.9	(0.4)	(6.0)	-	-	-	<b>(3.9)</b>
<b>Payments to acquire tangible and intangible assets</b>	<b>576.0</b>	<b>108.3</b>	<b>57.3</b>	<b>22.2</b>	<b>0.6</b>	<b>-</b>	<b>(0.9)</b>	<b>763.5</b>

<b>For the three months ended March 31, 2018</b>	<b>France</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Teads</b>	<b>Altice TV</b>	<b>Eliminations</b>	<b>Total</b>
<b>€m</b>								
Capital expenditure (accrued)	568.8	104.7	58.1	27.6	-	3.8	(2.3)	<b>760.7</b>
Capital expenditure - working capital items	48.7	13.8	4.6	(10.7)	-	4.5	-	<b>60.9</b>
<b>Payments to acquire tangible and intangible assets</b>	<b>617.5</b>	<b>118.5</b>	<b>62.7</b>	<b>16.9</b>	<b>-</b>	<b>8.3</b>	<b>(2.3)</b>	<b>821.6</b>

4.3.5. *Adjusted EBITDA less accrued Capex*

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

<b>For the three months ended March 31, 2019</b>	<b>France</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Teads</b>	<b>Altice TV</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
<b>€m</b>									
Adjusted EBITDA	955.7	206.5	84.5	70.8	6.5	-	(2.3)	(0.8)	<b>1,320.9</b>
Capital expenditure (accrued)	(581.4)	(100.5)	(57.7)	(28.2)	(0.6)	-	-	0.9	<b>(767.4)</b>
<b>Operating free cash flow (OpFCF)</b>	<b>374.3</b>	<b>106.0</b>	<b>26.8</b>	<b>42.6</b>	<b>5.9</b>	<b>-</b>	<b>(2.3)</b>	<b>0.2</b>	<b>553.5</b>

<b>For the three months ended March 31, 2018</b>	<b>France</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Teads</b>	<b>Altice TV</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
<b>€m</b>									
Adjusted EBITDA	916.6	221.2	107.1	76.2	5.4	(56.0)	(3.2)	(2.3)	<b>1,265.0</b>
Capital expenditure (accrued)	(568.8)	(104.7)	(58.1)	(27.6)	-	(3.8)	-	2.3	<b>(760.7)</b>
<b>Operating free cash flow (OpFCF)</b>	<b>347.8</b>	<b>116.5</b>	<b>49.1</b>	<b>48.6</b>	<b>5.4</b>	<b>(59.8)</b>	<b>(3.2)</b>	<b>-</b>	<b>504.4</b>

**5. Goodwill, intangible assets and right-of-use assets**

**5.1. Goodwill**

Goodwill recorded in the consolidated statement of financial position was allocated to the different groups of cash generating units (“GCGU” or “CGU” for cash generating units) as defined by the Group. In the table below, the goodwill of Teads and other corporate entities in 2019 and 2018 were aggregated in caption Others.

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

<b>Goodwill</b>	<b>December 31, 2018</b>	<b>Recognized on business combination</b>	<b>Changes in foreign currency translation</b>	<b>Held for sale</b>	<b>Other</b>	<b>March 31, 2019</b>
<b>(€m)</b>						
France	12,547.0	1.6	-	-	-	12,548.6
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	727.0	-	36.2	-	-	763.2
Dominican Republic	694.4	-	7.7	-	-	702.1
Others	202.4	-	-	-	-	202.4
<b>Gross value</b>	<b>15,898.0</b>	<b>1.6</b>	<b>43.9</b>	<b>-</b>	<b>-</b>	<b>15,943.5</b>
France	(8.6)	-	-	-	-	(8.6)
Portugal	-	-	-	-	-	-
Israel	(142.6)	-	(7.5)	-	-	(150.1)
Dominican Republic	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Cumulative impairment</b>	<b>(151.2)</b>	<b>-</b>	<b>(7.5)</b>	<b>-</b>	<b>-</b>	<b>(158.6)</b>
France	12,538.4	1.6	-	-	-	12,540.0
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	584.2	-	28.7	-	-	613.0
Dominican Republic	694.4	-	7.7	-	-	702.1
Others	202.4	-	-	-	-	202.4
<b>Net book value</b>	<b>15,746.7</b>	<b>1.6</b>	<b>36.4</b>	<b>-</b>	<b>-</b>	<b>15,784.9</b>

<b>Goodwill</b>	<b>December 31, 2017</b>	<b>Recognized on business combination</b>	<b>Changes in foreign currency translation</b>	<b>Held for sale</b>	<b>Other</b>	<b>December 31, 2018</b>
<b>(€m)</b>						
France	12,594.3	-	0.2	-	(47.6)	12,547.0
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	746.4	-	(19.6)	-	-	727.0
Dominican Republic	800.2	-	(105.8)	-	-	694.4
Others	202.4	-	-	-	-	202.4
<b>Gross value</b>	<b>16,070.9</b>	<b>-</b>	<b>(125.2)</b>	<b>-</b>	<b>(47.6)</b>	<b>15,898.0</b>
France	(8.6)	-	-	-	-	(8.6)
Portugal	-	-	-	-	-	-
Israel	(146.7)	-	4.0	-	-	(142.6)
Dominican Republic	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Cumulative impairment</b>	<b>(155.2)</b>	<b>-</b>	<b>4.0</b>	<b>-</b>	<b>-</b>	<b>(151.2)</b>
France	12,585.8	-	0.2	-	(47.6)	12,538.4
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	599.8	-	(15.6)	-	-	584.2
Dominican Republic	800.2	-	(105.8)	-	-	694.4
Others	202.4	-	-	-	-	202.4
<b>Net book value</b>	<b>15,915.7</b>	<b>-</b>	<b>(121.2)</b>	<b>-</b>	<b>(47.6)</b>	<b>15,746.7</b>

## 5.2. Impairment of goodwill

Goodwill is reviewed at the level of each GCGU or CGU annually for impairment and whenever changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill was tested at the CGU/GCGU level for impairment as of December 31, 2018. The CGU/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 post-tax discount rates, the terminal growth rate, capital expenditures and the Earnings before Interests and Taxes (EBIT) margin during the period. EBIT is equal to EBITDA less depreciation and amortization expenses.

The Board of Directors and the Group's senior executives have determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable. In addition, there were no significant changes in assets or liabilities in any CGU/GCGU, while the recoverable amounts continue to significantly exceed the carrying amounts. Therefore, no updated impairment testing was performed, nor any impairment recorded, for the three months ended March 31, 2019.

## 5.3. Business combinations

The Group has not concluded any acquisition during the past 12 months. When the Group acquires an entity, it records the provisional value of the assets and liabilities as being equivalent to the book values in the accounting records of the entity being acquired. The Group then identifies the assets and liabilities to which the purchase price

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

needs to be allocated. The fair value is determined by an independent external appraiser based on a business plan prepared as of the date of the acquisition.

5.3.1. *Acquisitions where the purchase price allocations have been finalized during 2018*

5.3.1.1. *Diversité TV Holding (previously known as Pho Holding)*

On July 26, 2017, Altice France 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 fair value adjustment was booked for €8.9 million gain and recorded in the Other expenses and income caption in the statement of income in 2017. The purchase price allocation was finalized. The total additional goodwill resulted from the take-over was €53.4 million.

On September 1, 2018, Altice France acquired the remaining 49% interest in Diversité TV Holding, the new name of Pho Holding, and there was no change in fair value adjustment.

5.3.1.2. *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. As the defined revenue targets for 2017 were met, an earn-out payment of €48.6 million was made to the former owners of Teads during the second quarter of 2018, with an additional earn-out payment of €13.1 million made on July 3, 2018.

**5.4. Intangible assets**

The following table summarizes information relating to the Company's acquired intangible assets as of March 31, 2019 and December 31, 2018:

Intangible Assets (€m)	March 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relations	4,779.8	(2,624.8)	2,154.9
Brand names	1,546.5	(1,045.2)	501.3
Licenses and franchises	2,700.7	(881.8)	1,818.9
Software	3,530.1	(2,287.9)	1,242.2
Other amortizable intangibles	3,574.9	(1,749.2)	1,825.7
<b>Total</b>	<b>16,132.0</b>	<b>(8,589.1)</b>	<b>7,543.0</b>

Intangible Assets (€m)	December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relations	4,761.2	(2,481.7)	2,279.5
Brand names	1,544.8	(1,013.2)	531.6
Licenses and franchises	2,664.3	(838.5)	1,825.8
Software	3,454.7	(2,153.9)	1,300.8
Other amortizable intangibles	3,407.5	(1,669.4)	1,738.1
<b>Total</b>	<b>15,832.5</b>	<b>(8,156.9)</b>	<b>7,675.8</b>

The total amortization expense for the three months ended March 31, 2019 and 2018 was €469.7 million and €490.6 million, respectively, a decrease of €20.9 million.

**5.5. Right-of-use assets**

The following table provides the summary of right-of-use assets as of March 31, 2019:

Right-of-use assets (€m)	March 31, 2019			
	Lands and buildings	Technical installations	Other	Total
Gross carrying value	1,365.7	3,079.9	122.7	<b>4,568.3</b>
Accumulated amortisation	(90.7)	(423.8)	(69.3)	<b>(583.8)</b>
<b>Net carrying amount</b>	<b>1,275.0</b>	<b>2,656.1</b>	<b>53.4</b>	<b>3,984.5</b>

## 6. Investment in associates

Investments in associates (€m)	Three months ended March 31, 2019	Year ended December 31, 2018
Associates of Altice France	1,706.1	19.8
Associates of PT Portugal	135.6	134.0
Other	-	0.3
<b>Total</b>	<b>1,841.7</b>	<b>154.1</b>

The increase in investment in associates as of March 31, 2019 compared to December 31, 2018 was mainly related to the increase in Altice France following the sale of a 49.99% equity stake in SFR FTTH. Following the closing of the sale, the carrying value of investment in SFR FTTH as at March 31, 2019 was €1.7 billion. Please refer to note 3.1.2.

## 7. Cash and cash equivalents and restricted cash

Cash balances (€m)	March 31, 2019	December 31, 2018
Term deposits	1,107.5	333.6
Bank balances	1,145.6	1,332.4
<b>Cash and cash equivalents</b>	<b>2,253.1</b>	<b>1,666.0</b>
Restricted cash	35.5	35.9
<b>Total</b>	<b>2,288.6</b>	<b>1,701.9</b>

The restricted cash balance at March 31, 2019 included:

- €31.1 million in Altice Financing S.A. as collateral for a bank guarantee; and
- €4.4 million in HOT for various purposes.

## 8. Shareholders' equity

Equity attributable to owners of the Company (€m)	Notes	As of March 31, 2019	As of December 31, 2018
Issued capital	8.1	2.5	2.5
Additional paid in capital	8.2	1,907.3	1,922.7
Other reserves	8.3	(520.4)	(530.7)
Accumulated losses		(1,062.1)	(3,611.7)
<b>Total</b>		<b>327.4</b>	<b>(2,217.2)</b>

### 8.1. Issued capital

As at March 31, 2019, 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.

### 8.2. Additional paid in capital

Changes in additional paid in capital (€m)	March 31, 2019	December 31, 2018
Opening balance	1,922.7	1,143.2
Transactions with Altice shareholders <sup>1</sup>	(11.1)	(163.3)
Transactions with non-controlling interests of NextRadioTV	-	(249.7)
Transactions with non-controlling interests	(2.1)	(150.3)
Recognition of put option for non-controlling interest in Teads	(2.2)	27.4
Hivory	-	1,390.6
AB2 settlements	-	(43.4)
Other	-	(32.0)
<b>Total</b>	<b>1,907.3</b>	<b>1,922.7</b>

<sup>1</sup> Transactions with Altice shareholders relate to the interests on loan and advances granted to entities in the Altice Group which reduced additional paid in capital by €11.1 million.

### 8.3. Other reserves

The tax effects of the Group's currency, fair value through OCI, cash flow hedge and employee benefits reserves are provided below:

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Other reserves (€m)	March 31, 2019			December 31, 2018		
	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Actuarial gains and losses	(61.5)	15.4	(46.0)	(34.0)	6.8	(27.2)
<b>Items not reclassified to profit or loss</b>	<b>(61.5)</b>	<b>15.4</b>	<b>(46.0)</b>	<b>(34.0)</b>	<b>6.8</b>	<b>(27.2)</b>
Fair value through OCI	1.5	-	1.5	2.6	-	2.6
Currency translation reserve	(58.8)	-	(58.8)	(45.5)	-	(45.5)
Cash flow hedge reserve	(623.5)	206.5	(417.0)	(687.2)	226.5	(460.7)
<b>Items potentially reclassified to profit or loss</b>	<b>(680.8)</b>	<b>206.5</b>	<b>(474.3)</b>	<b>(730.1)</b>	<b>226.5</b>	<b>(503.6)</b>
<b>Total</b>	<b>(742.3)</b>	<b>221.9</b>	<b>(520.4)</b>	<b>(764.1)</b>	<b>233.3</b>	<b>(530.7)</b>

## 9. Borrowings, other financial liabilities and lease liabilities

Borrowings, other financial liabilities and lease liabilities (€m)	Notes	March 31, 2019	December 31, 2018
<b>Long term borrowings, financial liabilities and related hedging instruments</b>		<b>32,512.0</b>	<b>32,534.1</b>
- <i>Debentures</i>	9.1	22,644.9	22,287.4
- <i>Loans from financial institutions</i>	9.1	9,076.8	8,976.7
- <i>Derivative financial instruments</i>	9.3	790.2	1,270.0
<b>Other non-current financial liabilities</b>	9.6	<b>712.4</b>	<b>815.5</b>
- <i>Finance leases<sup>1</sup></i>		-	92.9
- <i>Other financial liabilities</i>		712.4	722.6
<b>Lease liabilities non-current<sup>2,3</sup></b>		<b>3,258.2</b>	-
<b>Non-current liabilities</b>		<b>36,482.6</b>	<b>33,349.5</b>
<b>Short term borrowing, financial liabilities and related hedge instruments</b>		<b>105.4</b>	<b>102.3</b>
- <i>Debentures</i>	9.1	-	-
- <i>Loans from financial institutions</i>	9.1	99.3	101.1
- <i>Derivative financial instruments</i>	9.3	6.1	1.2
<b>Other financial liabilities</b>	9.6	<b>1,718.1</b>	<b>2,021.2</b>
- <i>Other financial liabilities</i>		1,268.3	1,297.8
- <i>Bank overdraft</i>		35.3	39.2
- <i>Accrued interests</i>		414.5	643.7
- <i>Finance leases<sup>1</sup></i>		-	40.4
<b>Lease liabilities current<sup>2,3</sup></b>		<b>727.0</b>	-
<b>Current liabilities</b>		<b>2,550.5</b>	<b>2,123.5</b>
<b>Total</b>		<b>39,033.1</b>	<b>35,473.1</b>

1 Following the adoption of IFRS 16 *Leases* as of January 1, 2019, Finance leases non-current and current have been reclassified to Lease liabilities non-current and current, respectively. Please refer to note 2.1.1.1.

2 Following the adoption of IFRS 16 *Leases* as of January 1, 2019, liabilities arising from leases are recognized in Lease liabilities non-current and current. Please refer to note 2.1.1.1.

3 As of March 31, 2019, the amounts of finance lease non-current and current existing under IAS 17 *Leases* (before the adoption of IFRS 16 *Leases*) were €79.3 million and €40.3 million, respectively.

### 9.1. Debentures and loans from financial institutions

Debentures and loans from financial institutions (€m)	Notes	March 31, 2019	December 31, 2018
Debentures	9.1.1	22,644.9	22,287.4
Loans from financial institutions	9.1.2	9,176.1	9,077.8
<b>Total</b>		<b>31,821.0</b>	<b>31,365.2</b>

#### 9.1.1. Debentures

Maturity of debentures (€m)	Less than one year	One year or more	March 31, 2019	December 31, 2018
Altice France	-	9,619.0	9,619.0	9,447.5
Altice Luxembourg	-	6,665.7	6,665.7	6,582.5
Altice Financing	-	4,748.5	4,748.5	4,660.3
Altice Finco	-	1,611.8	1,611.8	1,597.0
<b>Total</b>	-	<b>22,644.9</b>	<b>22,644.9</b>	<b>22,287.4</b>

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

9.1.2. *Loans from financial institutions*

<b>Maturity of loans from financial institutions (€m)</b>	<b>Less than one year</b>	<b>One year or more</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Altice France (including RCF)**	75.6	7,219.4	7,295.0	7,224.3
Altice Financing (including RCF)**	19.1	1,857.0	1,876.1	1,848.5
Others	4.6	0.4	5.0	4.9
<b>Total</b>	<b>99.3</b>	<b>9,076.8</b>	<b>9,176.1</b>	<b>9,077.8</b>

\*\* RCF amounts have been classified as amounts which mature in less than one year, but can be extended till the maturity date of the RCF agreement. Please refer to note 9.5 for further details regarding the credit facilities.

**9.2. Refinancing activities**

During the three month periods ended March 31, 2018 and March 31, 2019, the Group did not refinance any of its debt.

**9.3. Derivatives and hedge accounting**

As part of its financial risk management strategy, the Group enters 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* (the Group continues to apply the requirement of IAS 39 related to hedge accounting, as allowed under IFRS 9 *Financial Instruments*).

9.3.1. *CCIRS*

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

<b>Entity Maturity</b>	<b>Notional amount due from counterparty (millions)</b>	<b>Notional amount due to counterparty (millions)</b>	<b>Interest rate due from counterparty</b>	<b>Interest rate due to counterparty</b>	<b>Accounting treatment<sup>1</sup></b>
<b>Altice France S.A.</b>					
February 2027	USD 1,750	EUR 1,300	8.13%	6.60%	CFH / FVPL
August 2026	USD 2,500	EUR 2,061	LIBOR +4.00%	5.50%	CFH / FVPL
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
January 2024	USD 1,425	EUR 1,104	3m LIBOR+4.25%	3m EURIBOR+4.45%	FVPL
May 2024	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
<b>Altice Luxembourg S.A.</b>					
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
<b>Altice Financing S.A.</b>					
May 2022	USD 1,700	EUR 1,485	0.075%	5.25%	FVPL
May 2026	USD 1,700	EUR 1,485	6m LIBOR	6m EURIBOR -0.085%	FVPL
February 2023	USD 2,060	EUR 1,821	6.63%	5.30%	CFH
May 2026	USD 930	EUR 853	7.50%	7.40%	FVPL
July 2025	USD 485	EUR 449	3m LIBOR+2.75%	3m EURIBOR+2.55%	FVPL
July 2024	USD 500	EUR 442	7.50%	6.03%	FVPL
July 2024	USD 1,320	EUR 1,102	7.50%	6.02%	CFH
<b>Altice Finco S.A.</b>					
February 2025	USD 385	EUR 340	7.63%	6.25%	CFH

<sup>1</sup> 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 is recognized in the cash flow hedge reserve. The derivatives not hedge accounted have the change in fair value recognised immediately in profit or loss (“FVPL”).

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the three month period ended March 31, 2019. Before the impact of taxes, gains of €63.8 million were recorded in other comprehensive income (€43.7 million net of taxes).

9.3.2. *Interest rate swaps*

The Group enters interest rate swaps to cover its interest rate exposure in line with its treasury policy. These swaps

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

cover the Group's debt portfolio and do not necessarily relate to specific debt issued by the Group.

In April 2019, interest rate swaps with a maturity date of April 2019 in Altice France S.A. and Altice Financing S.A. matured. Subsequently the Group entered into new one year interest rate swaps which replaced the interest rate swaps with a maturity date of April 2019.

The details of the instruments are provided in the following table.

Entity 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
<b>Altice France S.A.</b>					
April 2019	USD 1,406	USD 1,406	1m LIBOR+2.75%	3m LIBOR+2.55%	FVPL
April 2019	USD 2,139	USD 2,139	1m LIBOR	3m LIBOR-0.15%	FVPL
August 2019	USD 2,500	USD 2,500	1m LIBOR+4.00%	3m LIBOR+3.90%	FVPL
January 2023	EUR 4,000	EUR 4,000	3m EURIBOR	-0.12%	FVPL
<b>Altice Financing S.A.</b>					
April 2019	USD 901	USD 901	1m LIBOR	3m LIBOR -0.15%	FVPL
April 2019	USD 896	USD 896	1m LIBOR	3m LIBOR -0.15%	FVPL
May 2026	USD 720	USD 720	1.81%	6m LIBOR	FVPL
January 2023	EUR 750	EUR 750	3m EURIBOR	-0.13%	FVPL

#### 9.4. Reconciliation to swap adjusted debt

The various hedge transactions mitigate interest and foreign exchange risks on the debt instruments issued by the Group. Such instruments cover both the principal and the interest due. A reconciliation from the carrying amount of the debt as per the statement of financial position and the due amount of the debt, considering the effect of the hedge operations (i.e., the "swap adjusted debt"), is provided below:

Reconciliation to swap adjusted debt (€m)	March 31, 2019	December 31, 2018
<b>Debentures and loans from financial institutions</b>	<b>31,821.0</b>	<b>31,365.2</b>
Transaction costs	339.4	349.2
Fair value adjustments	-	-
<b>Total (excluding transaction costs and fair value adjustments)</b>	<b>32,160.4</b>	<b>31,714.4</b>
Conversion of debentures and loans in foreign currency (at closing spot rate)	(35,960.4)	(35,351.1)
Conversion of debentures and loans in foreign currency (at hedged rates)	34,173.6	34,003.7
<b>Total swap adjusted value</b>	<b>30,373.6</b>	<b>30,367.0</b>

#### 9.5. Available credit facilities

Available credit facilities (€m)	Total facility	Drawn
Altice France S.A.	1,425.0	10.0
Altice Financing S.A.	831.0	-
Altice Luxembourg S.A.	200.0	-
<b>Revolving credit facilities</b>	<b>2,456.0</b>	<b>10.0</b>

#### 9.6. Other financial liabilities and lease liabilities

Other financial liabilities and lease liabilities (€m)	March 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Lease liabilities	727.0	3,258.2	3,985.3	-	-	-
Finance leases	-	-	-	40.4	92.9	133.3
Reverse factoring and securitisation	1,054.3	-	1,054.3	1,100.6	-	1,100.6
Accrued interest	414.5	-	414.5	643.7	-	643.7
Put options with non-controlling interests	-	165.5	165.5	-	161.6	161.6
Deposits received	35.0	163.5	198.5	37.2	162.7	200.0
Bank overdraft	35.3	-	35.3	39.2	-	39.2
Commercial paper	113.5	-	113.5	107.0	-	107.0
Buy out minority interest ERT	11.1	30.0	41.1	8.1	29.1	37.2
Other debts and liabilities with Altice group companies	-	264.0	264.0	-	262.9	262.9
Perpetual subordinated notes ("TSDI") - Altice France	-	55.0	55.0	-	50.0	50.0
Other	54.4	34.4	88.7	44.9	56.3	101.2
<b>Total</b>	<b>2,445.1</b>	<b>3,970.6</b>	<b>6,415.7</b>	<b>2,021.2</b>	<b>815.5</b>	<b>2,836.7</b>



**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

The current portion amounted to €2,445.1 million as at March 31, 2019, an increase of €423.9 million compared to the current portion of €2,021.2 million as at December 31, 2018. The non-current portion increased by €3,155.1 million to €3,970.6 million as at March 31, 2019 compared to €815.5 million as at December 31, 2018. Details of the main items within the caption, and the movements from the prior period, are detailed below.

9.6.1. *Leases*

The increase in current and non-current lease liabilities recorded as at March 31, 2019 is mainly explained by the impact of the adoption of IFRS 16 *Leases* as at January 1, 2019. The amount of finance lease existing under IAS 17 *Leases* as at December 31, 2018 have been reclassified under the caption lease liabilities in the statement of financial position and amounts to €119.6 million as of March 31, 2019 compared to €133.3 million as at December 31, 2018. The amounts of non-current and current finance lease existing under IAS 17 *Leases* (before the adoption of IFRS 16 *Leases*) as at March 31, 2019 were €79.3 million and €40.3 million, respectively. Please also refer to notes 2.1.1.1 and 2.1.1.2 for more details on IFRS 16 *Leases*.

9.6.2. *Reverse factoring and securitisation*

Through the use of reverse factoring structures, the Group improves the financial efficiency of its supply chain by reducing requirements for working capital. The decrease in reverse factoring and securitisation as at March 31, 2019 compared to December 31, 2018 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 a reduction of secured B2B receivables due to Altice France.

9.6.3. *Accrued interest*

The decrease of the accrued interest is largely explained by Altice France due to the timing of the interest payments as certain interest payments are either due on quarterly basis or on semi-annual basis.

9.6.4. *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 10.1.2 for further information).

9.6.5. *Deposits received*

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

9.6.6. *Bank overdrafts*

Bank overdrafts consist of temporary overdrafts on bank accounts

9.6.7. *Commercial paper*

During the three-month period ended March 31, 2019, Altice France made additional borrowings under its commercial paper program.

9.6.8. *Buyout of minority interest in ERT Luxembourg S.A.*

On August 29, 2018, ATS France signed sale and purchase agreements with each of the five minority shareholders of ERT Lux in order to acquire 253 shares of ERT Luxembourg S.A. (“ERT Lux”) for a total price of €42.0 million. Four of the five sale and purchase agreements contemplated a transfer of the ERT Lux shares to ATS France upon signing. As a result, on the date thereof and as at December 31, 2018, ATS France owned 84.3 % of the share capital of ERT Lux. Upon completion of the sale under the fifth sale and purchase agreement, which occurred on January 31, 2019, ATS France owns 100% of the share capital of ERT Lux. The payment of this acquisition will be made in several instalments until January 2023, of which €11.1 million has been paid during the three months ended March 31, 2019.

9.6.9. *Other debts and liabilities with Altice group companies*

Other debts and liabilities with Altice group companies relate to debts and liabilities which Altice Luxembourg

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

has with Altice group companies outside of the Altice Luxembourg consolidation.

9.6.10. *Perpetual subordinated Notes – Altice France*

Related to the liability for the perpetual subordinated notes (“TSDI”) recorded in Altice France.

9.6.11. *Other*

Other consists mainly of various other debts and liabilities recorded by Group companies.

**10. Fair value of financial assets and liabilities**

**10.1. Fair value of assets and liabilities**

The table below shows the carrying value compared to fair value of financial assets and liabilities.

Fair values of assets and liabilities (€m)	March 31, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	2,253.1	2,253.1	1,666.0	1,666.0
Restricted cash	35.5	35.5	35.9	35.9
Derivatives	462.0	462.0	38.1	38.1
Other financial assets	24.5	24.5	15.4	15.4
<b>Current assets</b>	<b>2,775.0</b>	<b>2,775.0</b>	<b>1,755.4</b>	<b>1,755.4</b>
Derivatives	946.7	946.7	1,427.8	1,427.8
Call options on non-controlling interests	53.0	53.0	63.5	63.5
Equity instruments at fair value through OCI	4.4	4.4	5.5	5.5
Other financial assets	1,118.6	1,118.6	835.0	835.0
<b>Non-current assets</b>	<b>2,122.7</b>	<b>2,122.7</b>	<b>2,331.8</b>	<b>2,331.8</b>
Short term borrowings and financial liabilities	99.3	99.3	101.1	101.1
Derivatives	6.1	6.1	1.2	1.2
Lease liabilities	727.0	727.0	40.4	40.4
Reverse factoring and securitisation	1,054.3	1,054.3	1,100.6	1,100.6
Deposits received	35.0	35.0	37.2	37.2
Accrued interest	414.5	414.5	643.7	643.7
Commercial paper	113.5	113.5	107.0	107.0
Other financial liabilities	100.7	100.7	92.3	92.3
<b>Current liabilities</b>	<b>2,550.5</b>	<b>2,550.5</b>	<b>2,123.5</b>	<b>2,123.5</b>
Long term borrowings and financial liabilities	31,721.7	31,333.9	31,264.1	29,153.1
Put options with non-controlling interests	165.5	165.5	161.6	161.6
Derivatives	790.2	790.2	1,270.0	1,270.0
Lease liabilities	3,258.2	3,258.2	92.9	92.9
Other financial liabilities	546.9	546.9	561.0	561.0
<b>Non-current liabilities</b>	<b>36,482.6</b>	<b>36,094.8</b>	<b>33,349.5</b>	<b>31,238.5</b>

During the three month period ended March 31, 2019, 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.

10.1.1. *New put and call options*

During the three-month period ended March 31, 2019, the Group entered into a new call option contract as part of the SFR FTTH transaction. This call option has been valued at nil and is therefore not disclosed in the fair value hierarchy below.

10.1.2. *Fair value hierarchy*

The following table provides information about the fair values of the Group’s financial assets and liabilities and which level in the fair value hierarchy they are classified.

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

Fair value measurement (€m)	Fair value hierarchy	Valuation technique	March 31, 2019	December 31, 2018
<b>Financial Liabilities</b>				
Derivative financial instruments	Level 2	Discounted cash flows	796.4	1,271.1
Minority Put Option - Teads	Level 3	Discounted cash flows	135.9	133.6
Minority Put Option - Intelcia	Level 3	Discounted cash flows	29.6	28.0
<b>Financial Assets</b>				
Derivative financial instruments	Level 2	Discounted cash flows	1,408.7	1,465.9
Minority Call option - Teads	Level 3	Black and Scholes model	44.0	53.8
Minority Call option - Intelcia	Level 3	Black and Scholes model	9.0	9.7
Equity instruments at FVOCI - Partner Co. Ltd.	Level 1	Quoted share price	4.4	5.5

## 10.2. Level 3 financial instruments

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	March 31, 2019
Opening balance	-	(161.6)	63.5	(98.1)
Change in value of minority put options recorded in equity	-	(3.9)	-	(3.9)
Gains or losses recognised in profit or loss	-	-	(10.5)	(10.5)
<b>Closing balance</b>	-	<b>(165.5)</b>	<b>53.0</b>	<b>(112.5)</b>

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2018
Opening balance	1.2	(329.5)	50.6	(277.7)
Exercises	-	127.8	(18.8)	109.0
Change in value of minority put options recorded in equity	-	40.0	31.7	71.7
Gains or losses recognised in profit or loss	(1.2)	-	-	(1.2)
<b>Closing balance</b>	-	<b>(161.6)</b>	<b>63.5</b>	<b>(98.1)</b>

## 11. Taxation

Tax expense (€m)	Three months ended March 31, 2019	Three months ended March 31, 2018
Profit/(loss) before income tax and share of earnings of associates	2,768.2	(194.0)
Income tax benefit	52.0	70.6
<b>Effective tax rate</b>	<b>-2%</b>	<b>36%</b>

The Group is required to use an estimated annual effective tax rate to measure the income tax benefit or expense recognized in an interim period.

The Group recorded an income tax benefit of €52.0 million for the three month period ended March 31, 2019, reflecting a negative effective tax rate of 2% compared to an income tax benefit of €70.6 million for the three month period ended March 31, 2018, reflecting an effective tax rate of 36%. Without the effect of the taxable capital gain in France related to the disposal of a 49.99% equity stake in SFR FTTH on March 27, 2019 (please refer to note 3.1.2), the effective tax rate for the three month period ended March 31, 2019 would have been an effective tax rate of 15%. Non-deductible financial expenses and provisions as well as non-recognition of tax losses as deferred tax assets had the impact of lowering the Group's effective tax rate for the three month periods ended March 31, 2019 and 2018.

### 11.1. Income tax litigation

There was no significant development in existing tax litigations since the publication of the annual consolidated financial statements that have had, or that may have, a significant effect on the financial position of the Group.

## 12. Contractual obligations and commercial commitments

During the three month period ended March 31, 2019, no significant contractual obligations and commercial commitments have been signed as compared to the year ended December 31, 2018.

## 13. Litigation

In the normal course of its activities, the Group is accused in a certain number of governmental, arbitration and administrative lawsuits. Provisions are recognised by the Group when management believe that it is more likely than not that such lawsuits will result in an expense being recognized by the Group, and the magnitude of the expenses can be reliably estimated. 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 disputes, arbitration, governmental or legal action or exceptional fact (including any legal action of which the Group 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 describes the new proceedings and developments in existing litigations that have occurred since the publication of the annual consolidated financial statements as of December 31, 2018 and that have had or that may have a significant effect on the financial position of the Group.

### **13.1. Portugal**

#### *13.1.1. European Commission 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.

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 Mobile gun jumping case, in which the Group had agreed not to challenge the allegations brought against it. In the Group's opinion, the Commission's decision relies on a wrongful definition of the notion of "implementation" of a concentration. Further, 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 aimed at preserving the value and integrity of the target prior to closing and was in accordance with well-established M&A market practice.

In any event, 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.

On July 5, 2018, the Group filed a request for annulment 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.

On November 6, 2018, the Council of the European Union filed an Application to intervene in the case before the EU General Court. Both Altice Europe N.V. and the European Commission confirmed they had no observations to the Council's Application to intervene. The Council requested an extension of the time-limit to file its Statement of intervention. The Court granted that extension until February 25, 2019.

On November 30, 2018 the European Commission filed its defence requesting the Court (1) to dismiss Altice Europe N.V.'s Application and (2) to order Altice Europe N.V. to pay the costs. The said defence was notified to Altice Europe N.V. on December 14, 2018. On December 20, 2018, Altice Europe N.V. requested an extension of one month to lodge its reply. The extension was granted on January 4, 2019, until February 25, 2019.

On February 25, 2019, Altice Europe N.V. filed its Reply to the Commission's defence adhering to the conclusions and orders sought in its application for annulment.

On March 15, 2019, Altice Europe N.V. filed its observations on the Statement of intervention of the Council of the European Union, which essentially mirror the corresponding allegations in Altice Europe N.V.'s Application and reply to the Commission's defence.

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

On March 18, 2019, Altice Europe N.V. received the copy of the Commission's observations on the Statement of intervention of the Council of the European Union, which merely state it does not have any observations, as its position and that of the Council of the European Union are aligned.

After an extension of the deadline, the Commission filed its Rejoinder to the Group's reply on May 10, 2019.

Once the written phase of the procedure is closed, the President will fix a date on which the Judge-Rapporteur is to present a preliminary report to the General Court. The preliminary report shall contain an analysis of the relevant issues of fact and of law raised by the action, proposals as to whether measures of organization of procedure or measures of inquiry should be undertaken, whether there should be an oral part of the procedure and whether the case should be referred to the Grand Chamber or to a Chamber sitting with a different number of Judges.

A hearing may be arranged, either on the General Court's own initiative or at the request of one of the parties. Altice Europe N.V. intends to request a hearing.

As of March 31, 2019, a liability of €124.5 million is recorded at Altice Portugal, as it is the acquiring entity of PT Portugal. On July 25, 2018, the Group issued a bank guarantee to the European Commission.

#### 14. Net finance cost

Net finance cost (€m)	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest relative to gross financial debt	(436.2)	(432.7)
Other financial expenses	(81.8)	(93.7)
Finance income	23.1	2.7
<b>Finance costs, net</b>	<b>(494.9)</b>	<b>(523.7)</b>

The net finance costs for the three month period ended March 31, 2019 decreased to €(494.9) million compared to €(523.7) million for the same period in 2018. The decrease was mainly attributed to a higher net foreign exchange gain recorded in the three month period ended March 31, 2019, amounting to a €12.0 million gain, whilst a €59.0 million loss was recorded in the same period in 2018. This was partially offset by an increase in interest expenses related to lease liabilities that amounted to €48.4 million for the three month period ended March 31, 2019 following the adoption of IFRS 16 *Leases* (2018: nil).

#### 15. Going concern

As at March 31, 2019, the Group had net current liability position of €2,110.3 million (mainly due to trade payables amounting to €6,438.0 million) and a negative working capital of €1,368.2 million. During the three-month period ended March 31, 2019, the Group registered a net profit of €2,818.0 million and generated cash flows of €993.6 million from operating activities.

As at March 31, 2019, the Group had a positive equity position of €1,250.3 million compared to negative equity position of €1,604.3 million as at December 31, 2018. The equity position increased from the prior period mainly due to the profit for the three month period ended March 31, 2019.

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; €4,614.9 million compared to €6,438.0 million as at March 31, 2019, as compared to €4,440.8 million and €6,756.4 million as at December 31, 2018. Payables due the following month are covered by revenues and cash flows from operations (if needed).

As at March 31, 2019, the Group's short-term borrowings comprised mainly of loans from financial institutions for Altice France and Altice Financing for €75.6 million and €19.1 million respectively. As at December 31, 2018, the Group's short-term borrowings amounted to €101.1 million. The short-term obligations are expected to be covered by the operating cash flows of the operating subsidiaries. As at March 31, 2019, the revolving credit facility at Altice France was drawn in an aggregate of €10.0 million. A listing of available credit facilities by silo is provided in note 9.5 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.

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

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's performance on Adjusted EBITDA and operating cash flows:
  - Adjusted EBITDA for the three-month period ended March 31, 2019 amounted to €1,320.9 million, an increase of 4.4% compared to the same period last year. This increase in Adjusted EBITDA is mainly linked to a better performance in the France segment, which was partially offset by a decrease in performance in the Portugal, Israel, the Dominican Republic segments.
  - Operating cash flows for the three months ended March 31, 2019 were €993.6 million.
- The Group had unrestricted cash reserves of €2,253.1 million as at March 31, 2019, compared to €1,666.0 million as at December 31, 2018, 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: €1,623.2 million
  - Altice International: €555.4 million
- Additionally, as of March 31, 2019, the Group had access to revolving credit facilities of up to €2,456.0 million (of which €10.0 million was drawn as of March 31, 2019) and has access to an equity market where it can issue additional equity.

The Group's senior executives track operational KPIs on a weekly basis, thus tracking top line trends closely. This allows the Group's senior executives 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 of Directors is of the view that the Group will continue to act as a going concern for 12 months from the date of approval of these financial statements and has hence deemed it appropriate to prepare these condensed interim consolidated financial statements using the going concern assumption.

## **16. Events after the reporting period**

### **16.1. Claim from a competitor concerning the acquisition of Virgin Mobile by the Group**

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

### **16.2. Altice Luxembourg refinancing and repayment of debt**

On May 6, 2019, Altice Luxembourg S.A. priced €2.8 billion equivalent of new 8-year Senior Notes at an all-inclusive cost of 7.9% (fully euro swapped). The Group will repay €1.5 billion of debt from cash on hand to reduce gross leverage. In June 2019, the proceeds from this transaction, together with €500 million cash from Altice France and swap monetization proceeds of €435 million will be used by Altice Luxembourg S.A. to partially repay its existing \$2,900 million and €2,075 million 2022 Notes. On May 6, 2019, a redemption notice was sent to the trustee for a repayment on June 6, 2019. As a result, there will be approximately €1.0 billion equivalent remaining outstanding of the 2022 Altice Luxembourg Notes.

Furthermore, in June 2019, the Group will use €1.0 billion of cash on balance sheet at Altice France to partially redeem the existing €1,250 million and \$1,375 million 2024 Altice France Notes on a pro rata basis. On May 9, 2019, a redemption notice was sent to the trustee for a repayment on June 9, 2019.

Pro forma for the refinancing transactions, the average maturity of the Group's debt capital structure has been extended by 0.5 years and the weighted average cost of the Group's debt remains at 5.7%.

### **16.3. Dividend and upstream loan**

On May 8, 2019, the General Assembly of Altice France agreed to distribute a dividend of €820 million to its direct shareholders, Altice Luxembourg FR S.A., Altice Luxembourg FR bis S.à r.l. and Altice Europe N.V.. A portion of the dividend (€500 million) was paid in cash (from proceeds received from the Ivory and SFR FTTH stake sales), while an amount of €320 million was used to offset upstream loans made by Altice France to its

**Altice Luxembourg S.A.**  
Condensed Interim Consolidated Financial Statements

indirect shareholders in January and February 2019.

At the same time, Altice France provided a short term upstream loan for an aggregate amount of €750 million. This loan has a maturity of less than one year and is remunerated at Eonia+30 bps.