**Altice N.V.**

**Annual Report 2017**

Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

## Letter from the President

Dear Shareholders,

After several years of acquisitions, 2017 was the year of integration and execution, with an ongoing focus on making our customer experience better. As well as accelerated investment into upgrading its fixed and mobile networks for better quality services, Altice rapidly expanded its media and advertising businesses as new areas of growth. In parallel, Altice took important steps to simplify the group and separate the business into a European and US group with distinct strategies.

I would like to summarize some of our achievements for 2017:

### Investment in our infrastructure

Fiber and 4G/4G+ mobile network deployments remain a priority for Altice in France, Portugal and the US. More than ever, Altice is committed, through a dialogue with its partners, local and public authorities, and the regulators, to provide superfast broadband to as many users as possible in all of its territories. In France, Altice remains the leader in fiber coverage and had the fastest deployment of 4G mobile antennas in 2017. In Portugal, Altice established a market-leading position with its fiber coverage and remains on track for nationwide coverage. In the US, Altice USA started building its next-generation fiber-to-the-home network, capable of delivering broadband speeds of more than 10 Gbps.

### Development of our media assets and agreement to acquire Media Capital

2017 has been a transformational year for the development of Altice's media assets, gaining market share in France every quarter to establish a top position. Altice has created and operated local, national, and international TV channels, as well as radio channels, newspapers, magazines, series and TV shows. In 2017, the group has launched BFM Paris, My Cuisine, and i24news in the US, reached global deals with Netflix and Viacom (Paramount), and Disney for its US customers.

Furthermore, Altice has acquired the UEFA Champions League and Europa League rights for the French market for seasons 2018 through 2021. In the last two years in France, Altice has acquired the main sports rights available on the market: English Premier League, Portuguese Football Championship, French Basketball, English Rugby, Athletics, Boxing, Skiing, Tennis, etc. The acquisition of these sport rights is a new critical step in Altice's strategy and support the creation of Altice's new TV business in Europe.

Altice has signed an agreement to acquire Media Capital, a leading Portuguese media group with audience leadership positions in both TV and radio. The acquisition of Media Capital forms part of Altice's global convergence strategy and follows its path in France, the US and Israel. Altice is committed to continuing Media Capital's open platform in the Portuguese market while ensuring its success in a rapidly evolving media and digital landscape with new challenges and opportunities. This acquisition is under regulatory approval in Portugal.

### Acquisitions of Teads and Audience Partners

Teads is the No. 1 online video advertising marketplace in the world with an audience of more than 1.2 billion unique visitors including 720 million via mobile devices. This acquisition is a critical component for Altice's global advertising strategy. Altice is providing clients with data-driven, audience-based advertising solutions on multiscreen platforms including TV, digital, mobile and tablets. It is providing 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 puts Altice in a unique position to grow its global advertising platform and better monetize its core telecommunications access and content business.

Altice USA also acquired Audience Partners in 2017, a leading provider of data-driven, audience-based digital advertising solutions worldwide. Altice USA has a successful TV data and addressable advertising track record in the New York DMA, and this will expand to include the unique digital capabilities of Audience Partners thus delivering seamless multiscreen addressable solutions.

**Refinancing**

Following over €21 billion of refinancing activity in 2016, refinancing transactions during 2017 totaling €11 billion again demonstrated Altice's commitment to proactively manage its liabilities across every credit pool, improving its maturity schedule as well as reducing interest costs.

**Squeeze out of SFR Group**

On October 9, 2017, Altice announced the implementation of the squeeze-out of the SFR Group shares. The SFR Group shares have therefore been delisted from Euronext Paris. This squeeze out will allow a better integration of SFR Group within the Altice group.

**IPO of Altice USA**

On June 27, 2017, Altice announced the closing of Altice USA's initial public offering of 71,724,139 shares of its Class A common stock at a price to the public of $30.00 per share, including the underwriters full exercise of their option to purchase 7,781,110 shares to cover overallotments. In connection with the sale of its Class A common stock, Altice USA received proceeds of approximately $362,069,000. Funds advised by BC Partners and entities affiliated with the Canada Pension Plan Investment Board also sold shares in the offering representing a portion of their stake in Altice USA. Altice USA's Class A common stock began trading on June 22, 2017 on the New York Stock Exchange under the symbol "ATUS".

**Separation of Altice USA during 2018**

Altice is planning to separate Altice USA from Altice NV 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.

The separation will allow both Altice Europe and Altice USA to focus on their respective operations and execute against their strategies, deliver value for shareholders, and realize their full potential. Both operations will have the fundamental Altice model at their heart through Patrick Drahi's personal involvement as well as that of the historic founding team.

Altice Europe has tremendous opportunities as we deliver on our operational aspirations. At the core of our strategy is the operational and financial turnaround in France and Portugal.

Altice USA sees exciting opportunities in the US market as we start 2018 with strong momentum.

In both Europe and the US, with dedicated management teams with enhanced focus on execution in their respective markets, we have a full operational agenda to deliver best-in-class services to our customers, drive innovation, improve our infrastructure and leverage our content investment strategy.

Dexter Goei, President

April 3, 2018

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**MANAGEMENT REPORT 2017 – ALTICE N.V.**

**(for the financial year ended December 31, 2017)**

This management report as referred to in Section 2:391 of the Dutch Civil Code (the "**Management Report**") has been prepared in compliance with the requirements of Dutch law, including the Dutch Corporate Governance Code.

# 1 PRINCIPAL ACTIVITIES OF THE GROUP

## 1.1 Overview of the Group's business

The Group is a multinational broadband and mobile communications, content and media group, operating in Western Europe (comprising France and Portugal)[1], the United States of America ("**US**"), Israel, the Dominican Republic and the French overseas territories (comprising Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte (the "**French Overseas Territories**")). The parent company of the Group is Altice N.V. (the "**Company**"), which succeeded to Altice S.A. pursuant to a cross-border merger completed on August 9, 2015 (the "**Merger**").

The Group has expanded internationally in recent years through a number of acquisitions of telecommunications businesses, including: SFR and PT Portugal in Western Europe; HOT in Israel; Altice Hispaniola and Tricom in the Dominican Republic; Cequel Corporation (which, through its subsidiary Cequel Communications, LLC, operates the 'Suddenlink' brand) and Cablevision in the US. The Group's acquisition strategy has allowed it to target cable, fiber-to-the-home ("**FTTH**") or mobile operators with what it believes to be high-quality networks in markets the Group finds attractive from an economic, competitive and regulatory perspective and to 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, the Group is focused to grow the businesses that it acquired organically, by focusing on cost optimization, increasing economies of scale and operational synergies and improving quality of its network and services. Moreover, as part of its innovative strategy, the Group is also focusing on the convergence of telecoms, media, content and advertising, to offer more and more value to its customers. As part of this strategy, the Group acquired a strategic interest of 49% in NextRadioTV S.A. ("**NextRadioTV**")[2] and the Group acquired Altice Media Group France S.A.S. ("**Altice Media Group**"), which was renamed SFR Presse S.A.S. in October 2016. The Group also entered into a definitive agreement on July 14, 2017 for the acquisition of a 94.7% stake in Media Capital SGPS, SA ("**Media Capital**"), the leading Portuguese media group, and announced the launching of a mandatory takeover offer for the remaining 5.3% of Media Capital[3]. Moreover, the Group acquired in June 2017 Teads, a leading online video advertising marketplace with an audience of more than 1.2 billion unique visitors. On March 2, 2017, the Group finalized the acquisition of Audience Partners, a leading provider of data-driven, audience-based advertising solutions worldwide. Finally, the Group acquired a 25% stake in the capital of the Portuguese sports broadcaster SPORT TV in February 2017.

On January 8, 2018, the Company announced that its Board 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. The Company aims to complete the proposed transaction by the end of the second quarter of 2018 following regulatory and the General Meeting's approvals (please see section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company"*).

[1] Until recently, the Group was also present in Switzerland. On December 1, 2017, the Company announced that it has entered into 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 closed on February 12, 2018.

[2] On January 30, 2017, SFR Group announced that it intended to take over exclusive control of NextRadioTV and, to that effect, had 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 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. The process before the CSA is still ongoing and the CSA should render its decision in the second quarter of 2018.

[3] The acquisition of Media Capital is subject to relevant regulatory approvals.

## 1.2 Products, services and brands

Through its various Group Companies, the Group provides fixed services, mobile telephony services (other than in the US) and media and advertising services to B2C and B2B customers in all of the geographies in which it operates. In addition, the Group offers a variety of wholesale and other services across its footprint. The Group also invests in specific content to supplement and enrich the services the Group provides.

The Group's fixed services (high-quality pay TV, broadband Internet and fixed line telephony) are mainly provided over its cable- and fiber-based network infrastructure which are either DOCSIS 3.0, DOCSIS 2.0 or FTTH enabled, offering download speeds of between 30 Mbps and 1 Gbps depending on geography. For example, as of December 31, 2017, the Group had total pay TV RGUs of 6.9 million, total broadband RGUs of 7.6 million and total fixed line telephony RGUs of 6.0 million. Furthermore, on a blended basis, as of December 31, 2017, the Group's high-speed broadband services passed 26.4 million cable/fiber homes, with 8.6 million Cable/Fiber Customer Relationships and total cable/fiber RGUs of 20.6 million. To a lesser extent, the Group offers xDSL/DSL/DTH services, with 4.8 million xDSL/DSL/DTH unique customers and 11.9 million xDSL/DSL/DTH RGUs for the year ended December 31, 2017. The Group also offers mobile services in the geographies in which it operates, through 2G, 3G and 4G Long-Term-Evolution ("**LTE**") technology, and, on a blended basis, as of December 31, 2017, the Group had 25.6 million mobile B2C customers (of which 17.2 million were post-paid customers).

In all geographies in which the Group provides mobile telephony services, the Group is focused on the convergence of fixed and mobile services by cross-selling and up-selling its offerings to further increase its multi-play penetration (except for Israel, where the regulator does not allow it). The Group's cable, fiber and mobile technologies enable it to offer premium digital services, attractive interactive features (such as its 'MEO Go!' offering in Portugal) and local content (*e.g.*, through its 'HOT 3' channel in Israel) to its subscribers, including exclusive football rights in France and Netflix. The Group has leveraged its network advantage to drive its multi-play strategy and offer an attractive combination of content, speed and functionality. The Group offers its B2C customers bundled double- and triple-play services, which comprises paying for a combination of TV, broadband Internet access and fixed line telephony services (*e.g.*, through its 'Box Home de SFR' offering in France) at what the Group believes are attractive prices. The Group believes the demand for its multi-play packages is primarily driven by the inherent quality of the various products included in them, which the Group believes are among the best available in the markets in which it operates. Although the Group believes its products offer the best value for money and cost-savings for customers when purchased as part of multi-play packages, the Group typically also offers most of these services on a stand-alone basis in most of its geographies. In some markets, such as France and Portugal, the Group offers quad-play bundles including mobile services, as well.

The Group is also focused on strategically developing content to complement its fixed and mobile services with exclusive or high-quality content offerings. For example, in March 2017 the Group entered into an agreement with Sky Vision to co-produce Riviera, in order to develop an original and audacious 10-part drama. Earlier, the Group entered into a strategic joint partnership with NextRadioTV, to invest in media companies and to accelerate the development of multimedia projects in both France and other international markets. Moreover, the Group acquired Altice Media Group, a French media group which publishes newspapers such as Libération and L'Express and operates the international news channel i24news, and launched 'SFR Play', the largest catalogue of video on demand ("**VoD**") content in France. The Group also continues to develop and offer content through its 'HOT 3' and 'HOT HBO' channels (in Israel) and its subsidiaries Ma Chaîne Sport and Altice Entertainment News & Sport (the "**Content Distribution Division**"). Finally, the Group acquired the exclusive right to broadcast and distribute various premium sports events in selected countries, including the English Premier League, the French National Basketball League, Rugby Premier League fixtures, French Athletics Federation events, Diamond League, World Gymnastics Championships and World Series of Boxing events. Leveraging the rights acquired to these national and international sports events, the Group consolidated its strategic positioning in France with the launch of a bundle of five channels entirely dedicated to sports. In May 2017, the Group acquired the exclusive rights to broadcast UEFA Champions League and UEFA Europa League fixtures in France for seasons 2018 through 2021.

Separately, the Group has formed a partnership with Discovery Communications and launched two exclusive channels in France: Investigation Discovery and Discovery Family. In addition, this partnership has allowed the SFR Group Business to distribute Discovery Channel and Discovery Science (the number one factual pay TV channel in France) with exclusivity for both of these existing channels from January 17, 2017 onwards. The Group has also entered into a strategic agreement with NBCUniversal International which gives the Group the distribution rights of the three NBCUniversal channel brands in France Metropolitan, as from March 22,

2017: 13ème rue, Syfy, and E! Entertainment Television. In addition, as from July 1, 2017, the SFR Group Business offers exclusively films produced by NBCUniversal, including future titles within key franchises such as *Jason Bourne*, *Fast & Furious* and *Despicable Me*. The Group has also launched a new premium channel in France on August 22, 2017, Altice Studio, entirely dedicated to cinema and television series, including brand new releases, which broadcasts the NBCUniversal catalogue and other French and European productions.

The Group markets its products and services under the following brands: 'Suddenlink' and 'Optimum' in the US; 'SFR' in France; 'HOT' in Israel; 'MEO' and 'M4O' in Portugal; and, in each case, several associated trademarks. Furthermore, in the Dominican Republic, the Group launched the Altice brand in November 2017, replacing the 'Orange' and 'Tricom' brands.

The Group's portfolio in each of the regions in which it operates is set forth below.

| **Geographic area** | **Western Europe** | | **United States** | **Israel** | **Dominican Republic** | **French Overseas Territories** (1), (2) | **Other**[4] |
|---|---|---|---|---|---|---|---|
| **Countries of operation** | France | Portugal | United States | Israel | Dominican Republic | French Overseas Territories | Various |
| **Bundling strategy** | 4P | 4P/5P | 3P | 3P + Mobile | 4P | 4P | N/A |
| **Mobile services offered** | ■ 2G, 3G, 4G-LTE, 4G-LTE+<br>■ B2B services<br>■ Wholesale services | ■ 2G, 3G, 4G-LTE, 4G-LTE+<br>■ B2B services<br>■ Wholesale services | N/A | ■ UMTS 2G, 3G, 4G-LTE<br>■ B2B iDEN mobile services | ■ 2G, 3G, 4G-LTE<br>■ B2B Services | ■ UMTS 2G, 3G, 4G-LTE[3]<br>■ B2B Services | N/A |
| **Fixed (Very High Speed Fixed/FTTH /xDSL) services offered** | ■ Pay TV<br>■ Broadband internet<br>■ Fixed line telephony<br>■ B2B services<br>■ Wholesale services | ■ Pay TV<br>■ Broadband internet<br>■ Fixed line telephony<br>■ B2B services<br>■ Wholesale services | ■ Pay TV<br>■ Broadband internet<br>■ Fixed line telephony<br>■ B2B services<br>■ Wholesale services | ■ Pay TV<br>■ Broadband internet<br>■ Fixed line telephony<br>■ Infrastruc-ture access<br>■ ISP<br>■ B2B services | ■ Pay TV<br>■ Broadband internet<br>■ Fixed line telephony<br>■ B2B services | ■ Pay TV<br>■ Broadband internet<br>■ Fixed line telephony<br>■ B2B services | ■ B2B services |
| **Content**[5] | ■ Television, radio and news content | ■ Television content | ■ Television content<br>■ News content | ■ Television content<br>■ Local Israeli content | ■ Television content | ■ Television content | ■ Centralized purchasing, production and distribution of television content |

(1) The Group provides its fixed services in the French Overseas Territories under the SFR brand licensed from SFR.
(2) The Group provides pay TV, fixed line telephony and Internet access services over its unbundled xDSL network in certain parts of the French Overseas Territories under the SFR brand.
(3) In the French Overseas Territories, the Group markets its mobile services under the SFR brand. In connection with the acquisition of SFR in 2014, the Group disposed of mobile network assets in La Réunion and Mayotte on July 31, 2015.
(4) Other includes the Group's B2B telecommunications solutions business and data center operations in Switzerland (green.ch AG and Green Datacenter AG), its data center operations in France (Auberimmo), its Content Distribution Division (Ma Chaîne Sport S.A.S. and Altice Entertainment News and Sport S.A.), Altice Picture, Parilis (Altice Technical Services France and Europe ex-France), Altice Technical Services US, Intelcia Group (Altice Customer Services) and Teads. On December 1, 2017, the Company announced that it had entered into 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 closed on February 12, 2018. The Company also transferred the ownership of Altice Technical Services US to Altice USA in the first quarter of 2018.
(5) Through its Content Distribution Division, the Group produces and broadcasts a diverse range of content and offers such content as part of its pay TV packages in several of its geographies. In addition, the Group acquired a strategic interest in NextRadioTV, a leading French media company which owns several TV and radio channels, and the Group acquired Altice Media Group (currently known as SFR Presse), a French media group which publishes newspapers such as Libération and L'Express and operates the international news channel i24news.

## 1.3 Activities

The Group tracks the performance of its business by geography and further analyzes its revenues by activity. The Group has identified the following activities: fixed B2C, fixed B2B, mobile B2C, mobile B2B, wholesale and other.

### *1.3.1 Fixed B2C*

The Group offers a variety of fixed B2C services, primarily as part of multi-play packages, with available offerings depending on the bandwidth capacity of its cable and fiber networks in a particular geography (which consist primarily of hybrid fiber coaxial ("**HFC**") infrastructure).

The Group has a high-quality cable- and fiber-based network infrastructure across the geographies in which the Group operates. The Group's HFC networks are DOCSIS 3.0-enabled, which the Group believes allows it to offer attractive and competitive services in terms of picture quality, speed and connection reliability. The Group believes that with its HFC and FTTH technologies, it is well positioned for future technological developments, including the ability to upgrade to the upcoming DOCSIS 3.1 standard. The FTTH networks in Portugal are already set up to provide download speeds of up to 1 Gbps. This makes it possible for the Group to increase broadband Internet download and upload speeds exceeding those offered by competing technologies and without making significant additional investments.

*Pay TV*

Across its geographies, the Group offers 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, including VoD and near-VoD ("**NVoD**"), digital video recorders ("**DVR**"), HD television ("**HDTV**") services and, in some cases, exclusive content. The Group's cable networks enable it to offer interactive digital services to most of its customers. The Group's pay TV offerings include content and channels purchased from a variety of local and foreign producers and the Group continues to focus on broadcasting high-quality content over all of its cable networks as well as producing its own original content. To ensure the Group caters to local demand for content, it tailors both its basic and additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation. As of December 31, 2017, the Group had 6.9 million pay TV RGUs (over its cable- and fiber-based network infrastructure) across its geographies (representing 80% penetration of its Cable/Fiber Customer Relationships).

*Broadband Internet access and fixed line telephony*

The Group provides broadband Internet access and fixed line telephony services across its cable, fiber (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, it expects that the portions of its networks that are DOCSIS 3.0-enabled can offer download speeds of up to 400 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of its networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable it to better meet the needs of its residential and corporate customers who demand higher download speeds. However, across the US, France and Portugal, the Group is upgrading its networks for next-generation FTTH technology which will deliver download speeds of more than 10 Gbps as well as reducing operating costs of running and maintaining its networks and services. As of December 31, 2017, the Group provides broadband Internet to 7.6 million B2C customers (over its cable- and fiber-based network infrastructure) across its geographies (representing 88% penetration of its Cable/Fiber Customer Relationships).

The Group's fixed line telephony services are based on either PacketCable or voice-over-Internet-Protocol ("**VoIP**") technologies. The Group offers a wide range of telephony packages and its triple-play offers tend to include flat-rate telephony packages with a significant number of minutes of use included in the price. The Group provides national and international connectivity to its customers either through its own interconnection capabilities or through its partners. The Group intends to phase out stand-alone telephony packages as its strategy is to offer fixed line telephony as an add-on product in its multi-play packages.

In its fixed B2C business, the Group believes 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. Furthermore, when set-top boxes, modems and other customer premise equipment are combined in one box, it allows cable operators to significantly reduce customer service expenses. Accordingly, the Group has continued to roll out 'LaBox', its most advanced set top box, in France, the Dominican Republic and Israel. LaBox is an innovative integrated set-top box and cable router offered to customers subscribed to the Group's premium multi-play packages. It 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, has four tuners to allow subscribers to record two television programs simultaneously while watching still another (as well as watching different channels in different rooms), and has HD and 3D capability. Additional features include an optional Blu-Ray DVD player, access to social networking features such as Facebook and Twitter on television and a VoD price comparison engine and intelligent content search. Smartphones and tablets can act as 'remote controls' for LaBox, 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'. The Group expects that through LaBox it will be able to increase the Average Revenue Per User ("**ARPU**") by attracting new premium package customers and prompting existing customers to upgrade to the Group's premium packages which offer LaBox as standard. The Group expects that LaBox will also promote the sales of its other premium services. In the United States, the Group introduced a new home communications hub, Altice One, during the fourth quarter of 2017. This new home communications hub is an innovative, integrated platform with a dynamic and sophisticated user interface, combining a set-top box, Internet router and cable modem in one device, and is the Group's most advanced home communications hub. It is capable of delivering broadband Internet, Wi-Fi, digital television services, OTT services and fixed-line telephony and supports 4K video and a remote-storage DVR with the capacity to record 15 television programs simultaneously and the ability to rewind live television on the last two channels watched.

### *1.3.2 Fixed B2B*

The Group offers focused fixed B2B services to large, medium, small and very small business customers in France, the United States, Portugal, the Dominican Republic and other geographies. In Israel, the Group's B2B services primarily consist of enhanced versions of the Group's B2C products, which are adapted to meet the need of its B2B customers.

### *1.3.3 Mobile B2C*

The Group owns and operates mobile infrastructure in most of its geographies, including France, Portugal, Israel and the Dominican Republic. The Group primarily services the post-paid subscriptions market, which represented approximately 67% of the Group's mobile customer base on a blended basis as of December 31, 2017, and, to a less extent, the prepaid market. Depending on geography and network technology deployed, the Group offers 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 the Group's markets it provides wireless broadband plans through a nomadic broadband Internet, giving customers access to the Group's very-high-speed mobile networks.

In the fourth quarter of 2017, Altice USA and Sprint entered into a multi-year strategic agreement pursuant to which Altice USA will utilize Sprint's network to provide mobile voice and data services to its customers through the nation, and Altice USA broadband network will be utilized to accelerate the densification of Sprint's network. This additional product offering will enable Altice USA to deliver greater value and more benefits to its customers, including by offering quad-play offerings that bundle broadband, pay television, telephony and mobile voice and data services to its customers.

As of December 31, 2017, on a blended basis across geographies where the Group is active, it offered mobile services to 25.6 million B2C customers. In Israel, due to current regulations, the Group offers its 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.

### *1.3.4 Mobile B2B*

The Group offers focused mobile B2B services to large, medium, small and very small business customers. The Group's 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. As of December 31, 2017, the Group offered mobile services to 2.0 million B2B customers in France and 1.1 million B2B customers in Portugal (excluding M2M customers).

### *1.3.5 Wholesale services*

The Group offers some wholesale services across its geographies, including interconnection services to other operators, and sells wholesale cable and xDSL services to other telecommunications operators who resell such services under their own brands.

In addition, thanks to the creation of premium channels by the Content Distribution Division, which include premium sport rights, exclusive or original films and series, the Group may offer original channels to other telecommunications operators or third parties, therefore becoming a wholesale player in both infrastructure and content.

### *1.3.6 Other*

*Content development and aggregation*

The Group is focused on strategically developing content to complement its fixed and mobile services with exclusive or high-quality content offerings. Through its Content Distribution Division, the Group produces and broadcasts a diverse range of content including live broadcasts of sports events and other sports- and lifestyle-related programs as well as the sports programming for which the Group has acquired broadcasting rights, including the English Premier League, the French National Basketball League, Ski World Championship events, Rugby Premier League fixtures, French Athletics Federation events, Diamond League, World Gymnastics Championships and World Series of Boxing events. Leveraging the rights acquired to these national and international sports events, the Group consolidated its strategic positioning in France with the launch of a bundle of five channels entirely dedicated to sports. The Group offers the channels distributed by its Content Distribution Division as part of its pay TV packages in several of its geographies and also distributes them to third party service providers. The Group also continues to develop and offer content in Israel through its 'HOT 3' and 'HOT HBO' channels. Moreover, the Group has broadened its media presence with the acquisition of a strategic interest in NextRadioTV and the acquisition of Altice Media Group (currently known as SFR Presse). Separately, the Group has formed a partnership with Discovery Communications and NBCUniversal to distribute exclusive channels in France, and has also announced the creation of a new channel, to be entirely dedicated to cinema and series, which will broadcast the NBCUniversal catalogue and other French and European productions. Finally, the Group has entered into a global multi-year partnership with Netflix, which will lead to Netflix's content being made available to the Group's customers into all eligible devices in France, Portugal, Israel and Dominican Republic.

*R&D services*

The Group has implemented the 'Altice Labs' initiative, which is the Group's state-of-the-art research and development center that aims to centralize and streamline innovative technological solutions development for the entire Group ("**Altice Labs**"). Under this initiative, the Group's R&D teams across all of the jurisdictions in which the Group operates (i) creates products and technology to facilitate the build-out of its fixed and mobile network, (ii) develops systems to improve customer experience and handle disturbances and outages with speed and precision allowing for a near uninterrupted usage of the Group's services and (iii) creates user friendly and high quality customer interfaces and products, including new generation set-top boxes, portals and loT. Altice has also joined the NGENA alliance in the first half of 2017 together with SFR and PT Portugal. This alliance will be used to share network assets such as cloud and virtualization technologies to provide hybrid Virtual Private Network ("**VPN**") services.

*Other services*

The Group offers 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 the Group operates it also generates revenues from selling advertising time to national, regional and local customers.

*Targeted advertising*

The Group acquired Teads in June 2017. Teads, founded in 2011, is a leading digital video advertising business. Publishers work with Teads to create brand new video inventory, monetizing it through their own sales force, Teads sales force or programmatic buying. Teads, a highly complementary strategic asset to the Group, is able to leverage data from the Group's telecoms businesses to deliver anonymous people-based targeting solutions,

including set top box viewing data information, enriched by consumer data, allowing the Group to track buying behaviour.

## 1.4 Marketing and sales

The Group's marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. It markets its B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. The Group's primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door-to-door marketing, billboards, newspaper advertising and targeted mail solicitation. The Group continuously evaluates its marketing channels, to allocate its resources most efficiently. The Group's marketing strategy is based on increasing the penetration of multi-play services within its 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. The Group highlights its multi-play offerings in its marketing efforts and focuses on transitioning its analog and digital video-only customers to multi-play packages. The Group believes customers who subscribe for more than one service from it are significantly more loyal. The Group's marketing and sales efforts are always geared towards demonstrating the high-quality and speed of its networks.

The Group uses a broad range of distribution channels to sell its products and services throughout its operations, including retail outlets owned and run by the Group, retail outlets owned and run by third parties, dedicated sales booths, counters and other types of shops, door-to-door sales agents, inbound and outbound telesales and, in certain countries, its websites.

## 1.5 Customers

### *1.5.1 Customer contracts and billing*

The Group typically enters into standard form contracts with its B2C customers. The Group reviews the standard rates of its services on an on-going basis. In certain of its geographies, in addition to the monthly fees the Group charge, customers generally pay an installation fee upon connection or re-connection to the Group's cable network. The terms and conditions of the Group's 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 the Group's operations primarily due to the different regulatory regimes it is subject to in each of the jurisdictions in which it operates.

The Group monitors payments and the debt collection process internally. The Group performs credit evaluation of its B2C and B2B subscribers and undertakes a wide range of bad debt management activities to control its bad debt levels, including direct collections executed by its employees, direct collections executed in co-operation with third party collection agencies, and pursuit of legal remedies in certain cases.

### *1.5.2 Customer service*

The Group's 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. The Group has vertically integrated one of its main historical customer care suppliers, Intelcia Group, as well as one of its main historical suppliers in the area of the network deployment, Parilis., in order to have more end-to-end control over processes and to optimize its operational risks and costs. The integration of Intelcia Group and Parilis enhanced the Group's expertise in these areas and ensure further quality of service improvements to its 50 million customers. The Group has also launched and started to implement initiatives aimed at improving its customers' experience, including enhanced customer relationship management systems, which allow the Group 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.

## 1.6 Competition

In each of the geographies and industries in which the Group operates, the Group faces significant competition and competitive pressures. Certain markets, such as France, are very mature markets, with a limited number of new subscribers entering the market. Moreover, the Group's products and services are subject to increasing competition from alternative new technologies or improvements in existing technologies.

With respect to its B2C activities, the competition that the Group faces from telephone companies and other providers of DSL, VDSL2 and fiber network connections varies between geographies in which the Group offers its services. With respect to pay TV services, the Group is faced with growing competition from alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast over-the-top ("**OTT**") programs on a broadband network, such as Internet competitors Amazon, Apple, Google and Netflix, are expected to grow stronger in the future. Connected or 'smart' TVs facilitate the use of these services. With respect to the fixed line and mobile telephony markets, the Group experiences a shift from fixed line telephony to mobile telephony and faces intensive competition from established telephone companies, mobile virtual network operators ("**MVNOs**") and providers of new technologies such as VoIP.

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

The following is an overview of the competitive landscape in certain key geographies in which the Group operates:

*France*

In the French pay television market, the Group competes with providers of premium television packages such as CanalSat, DSL triple-play and/or quad-play operators such as Orange, Free and Bouygues Telecom, which provide Internet Protocol TV ("**IPTV**"), and providers of pay digital terrestrial television ("**DTT**"). In the broadband market, the Group competes primarily, though increasingly with fiber, with xDSL providers such as Orange (the leading DSL provider in France), Free and Bouygues Telecom. The Group's competitors continue to invest in fiber network technology which has resulted in additional competition to its fiber-based services. In the French mobile telephony market, the Group competes with well-established mobile network operators such as Orange, Bouygues Telecom and Free, as well as other MVNOs such as La Poste. In particular, price competition is significant since entry into the market by Free in early 2012 with low-priced no-frills packages. Moreover, the competition in the fixed market has deteriorated recently with more aggressive promotions from competitors for longer periods, particularly at the low end of the market. However, the acceleration of the Group's fiber deployment in France, notably expanding FTTH coverage in low-density and rural areas, should support better fiber subscriber trends as the addressable market for very high-speed broadband services expands.

*United States*

In the US, the Group's video business faces competition primarily from direct broadcast satellite ("**DBS**"), service providers, principally DirecTV and DISH. Telephone companies, including AT&T, CenturyLink, Frontier and Verizon, and utility companies are capable of offering video and other services in competition with the Group. In 2015, AT&T acquired DirecTV, the nation's largest DBS provider, creating a large competitor to the Group's cable services which has the ability to offer bundled wireless offerings. In addition, content owners, such as HBO, CBS and Nickelodeon, are increasingly utilizing Internet-based delivery of content. With respect to its high-speed Internet service, the Group faces competition from telephone companies and other providers of DSL, such as AT&T, CenturyLink, Frontier and Verizon.

*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) 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, and 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 next to the incumbent Claro, the Group's main competitor, with national market shares of approximately 25.0% and 21.9%, respectively, as of December 31, 2017, according to the local regulator's statistics (Indotel). 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.

## 2 STRATEGY AND PERFORMANCE

### 2.1 Objectives

The Group's key objective is to improve its operating and financial performance by increasing operational efficiencies of its existing businesses, driving growth through reinvestment, and integrating its acquired businesses utilizing the Group's operational expertise, scale and investment support. Furthermore, the Group aims to deliver to its customers the best quality services and exclusive content on proprietary state-of-the-art mobile and fixed infrastructure, by investing in best-in-class technology, insourcing its historical suppliers in the area of technical services and call centers in order to better control quality, and developing a tailor-made approach, based on the analysis of data collected from its customers, in order to service them in an individualized manner, propose them targeted offers, dedicated content and custom-made advertising and provide them with a unique and sophisticated customer experience. The Group aims to create long-term shareholder value through exceptional operating and financial performance, mainly driven by its focus and investments to provide a superior customer experience at lower cost levels.

The Group has contributed to long-term value creation in the past financial year through continued strong execution at Altice USA as well as the IPO of this business and rapid deleveraging creating optionality for capital deployment. In Europe, the Group also continued to invest at an accelerated pace into upgrading its fixed and mobile networks for better quality services to improve the customer experience and drive future growth.

### 2.2 Strategy of the Company

The below strategies are designed to achieve the Group's objectives and further improve its business operations and practices and as a result thereof provide long-term value creation.

***Grow operating margins and cash flow by leveraging the Group's operational expertise and synergies.***

The Group plans to continue to grow its operating margins across its operations by focusing on cost optimization and leveraging economies of scale and operational synergies. The Group targets further savings as the Group focuses on integrating and optimizing acquired businesses, particularly in its key markets France, the United States and Portugal. The execution of this plan amongst other things, includes:

- developing, launching and integrating new products, services and business models, including the creation of the next generation communications access and content convergence platforms with market-leading home hubs;
- improving network quality, upgrading and building out very high-speed communication networks;
- improving customer relationship management and maximizing customer experience, notably by investing in efficient IT platforms, focusing on digitalization and simplifying processes;
- delivering to the Group's customers the best new channels, the best sport content, the best documentary programs and the best series and movies;
- delivering key technology services and market-leading research and development through Altice Labs, promoting innovation and transforming technical knowledge into marketable competitive advantages, including the creation and monetization of world-class data analytics;
- leveraging sales and marketing strategies; and
- selecting strategic suppliers and improving technical and commercial negotiations.

The Group intends to implement this model at the level of its main operational subsidiaries in the different geographical areas in which the Group operates.

***Invest in fixed and mobile infrastructure across the Group's footprint to maintain its competitive advantage in the market and provide best-in-class services to its customers.***

The Group aims to remain a technology leader in each of its markets and to provide innovative, best-in-class services to its customers. In France, the Group announced in 2015 its plan to expand its next-generation fiber footprint and ensure its leading position as provider of fiber broadband services in the French market. The Group is well-positioned to achieve this target, having rolled out over 9.3 million new fiber homes in 2016 and reaching 11.0 million fiber homes passed as of December 31, 2017. Also, in France, the SFR Group Business has again had a record year of investment in 2017, related to its capital expenditure on upgrading its 3G network and expanding its 4G mobile and fiber networks. The SFR Group Business rolled out an additional 4,294 4G sites in 2017, reaching a population coverage of 95%.

In the United States, the Group continued with 'Operation GigaSpeed', delivering next-generation 1 Gbps broadband services across 72% of the Suddenlink footprint by the end of December 2017, supported by the digitalization of its network. On November 30, 2016, the Group announced 'Generation GigaSpeed', its plan to invest further in the US, by building a next-generation FTTH network capable of delivering broadband speeds of more than 10 Gbps across its entire Cablevision footprint and part of its Suddenlink footprint. The Group will extend fiber deeper into its existing HFC network in the US and leverage cutting-edge and proprietary technologies developed by Altice Labs, in order to create its state-of-the-art system. This follows a quadrupling of Internet speeds for Cablevision's customers to up to 400 Mbps for residential customers and 450 Mbps for business customers.

In Portugal, subsequent to its acquisition of PT Portugal, the Group announced in 2015 its plan to extend its fiber network from approximately 2.3 million homes to 5.3 million homes by 2020, creating the most innovative, GPON-technology based fiber network in Europe. The Group is well-positioned to achieve this target, having rolled out over 700,000 new fiber homes passed in 2016 and reaching 4 million homes passed as of December 31, 2017.

Furthermore, the Group is investing in improving the customer experience by simplifying the customer's journey when interacting with it. This activity is supported by innovative processes and systems.

The Group intends to continue to invest into its networks and services to maintain its competitive advantage and position itself to grow in the future.

***Selectively invest into key content to enrich the Group's communications service offerings and differentiate its offerings in the market place.***

The Group believes that the telecommunication industry is increasingly characterized by (i) digitalization of all aspects of everyday lives transforming usage and needs of individuals and enterprises and (ii) growing competition from new players for the control of the entire value chain consisting of terminal-access-content/services. In this new environment, the Group is implementing a strategy based on the integration of connectivity, content and services, and the monetization of customers' usage-related data. The Group plans to invest selectively to provide premium content and services across all platforms, including TV, mobile, laptops, tablets, and stimulate customers' demand and usage. The Group believes this strategy will help to differentiate its brands and offerings and to have better control over the entire customer experience. The Group sees a competitive advantage which is expected to reduce churn, to have an accretive impact on ARPU and customer purchases and also to reduce dependence on content publishers.

The Group made significant investments, which it can leverage on its large customer base, in the French media business, such as the acquisition of exclusive broadcasting rights to the UEFA Champions League and UEFA Europa League for seasons 2018 through 2021, and earlier for the English Premier League, the world's most widely broadcasted football championship, for the three seasons which started in August 2016, as well as the French National Basketball League, Rugby Premier League fixtures, French Athletics Federation events, Diamond League, World Gymnastics Championships and World Series of Boxing events. The Group also entered into a strategic partnership with NextRadioTV, which owns, among other assets, France's leading news channel BFMTV, the local news channel BFM Paris as well as the sports channels BFM Sport and RMC Sport TV, and acquired Altice Media Group (currently known as SFR Presse). In July 2017, the Group also entered into a definitive agreement for the acquisition of a 94.7% stake in Media Capital, the leading Portuguese media group,

and announced the launching of a mandatory takeover offer for the remaining 5.3% of Media Capital[4]. In Portugal, the Group holds rights to broadcast games of popular Portuguese football clubs and PT Portugal's subsidiary MEO holds a 25% stake in SPORT TV, a sports broadcaster based in Portugal. Separately, the Group formed a partnership with Discovery Communications and NBCUniversal to distribute exclusive channels in France, and created a new channel, Altice Studio, entirely dedicated to cinema and series, which broadcasts the NBCUniversal catalogue and other French and European productions. Finally, the Group has entered into a global multi-year partnership with Netflix, which will lead to Netflix's content being made available to Altice customers in all eligible devices in France, Portugal, Israel, Dominican Republic and the US.

***Leverage the Group's networks to address new growth opportunities including B2B and mobility.***

The Group believes that its dense cable/fiber network, supported by fiber backbones will position it 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 its peers. The Group aims to leverage its well invested infrastructures to offer tailored data solutions and capture profitable growth in the markets where it is active, thereby maximizing the return on its network assets.

***Opportunistically grow through value-accretive acquisitions and generate value through proven integration capabilities***

The Group has made numerous acquisitions since its inception in 2002. The Group believes that it has consistently demonstrated an ability to acquire and effectively integrate companies, realize efficiencies and cost synergies, improve revenue trends and grow Adjusted EBITDA and cash flow. The Group believes that its superior operating model and ability to achieve efficiencies and cost synergies through acquisitions provide it with a competitive advantage in future consolidation opportunities within the communications and media market in the geographies in which the Group operates. However, the Group is currently mainly focused on improving the operational and financial performance of its existing assets and deleveraging its balance sheet to its stated target.

***Altice reorganization***

As also described in section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company",* the Board has approved plans to separate Altice USA from the Company (which will be renamed Altice Europe) by the end of the second quarter of 2018. The proposed 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.

The proposed separation aims 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.

In connection with the proposed separation, the strategies for both Altice Europe and Altice USA are outlined below. These strategies are designed to achieve Altice Europe's and Altice USA's objectives and further improve their business operations and practices.

[4] The acquisition of Media Capital is subject to relevant regulatory approvals.

*Altice Europe's strategy*

At the core of Altice Europe's strategy is a return to revenue, profitability and cash flow growth and, as a result, deleveraging. Altice Europe 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 Europe is advancing with its preparations for the disposal of its non-core assets.

Key elements of the Altice Europe growth and deleveraging strategy include:

- the operational and financial turnaround in France and Portugal under the leadership of 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, which include its non-strategic tower portfolio in France and Portugal and its operations in Dominican Republic.

Furthermore, to increase accountability and transparency, Altice Europe will be structured in three distinct operating units with new perimeters:

- *Altice France:* Altice France will include SFR Telecom, SFR Media (NextRadioTV and press), French Overseas Territories, Altice Technical Services France and Altice Customer Services;
- *Altice International:* Altice International will include MEO in Portugal, HOT in Israel, Altice Dominicana in the Dominican Republic, Teads and Altice Technical Services in Europe (other than France); and
- *Altice TV division:* the newly formed Altice TV division will include the Content Distribution Division, Altice Picture major sports rights (including the UEFA Champions league and the English Premier League), and other premium content rights (including Discovery Communications and NBCUniversal).

*Altice USA's strategy*

The business strategy of Altice USA continues to focus on Altice's original investment thesis when it entered the US market in 2015, which the US team has been successfully implementing since then. Central to Altice USA are investments in networks and the video product, simplification across the operations and improved customer services.

Altice USA will focus on the following key areas to successfully complete the original acquisition plan and be prepared for the next phase of market consolidation:

- focus on KPI's to improve revenue growth;
- complete implementation of operating expenses efficiencies; and
- full scale deployment of the new Altice One entertainment platform, gateway and FTTH build out.

## 2.3 Corporate social responsibility

### *2.3.1 United Nations Sustainable Development Goals*

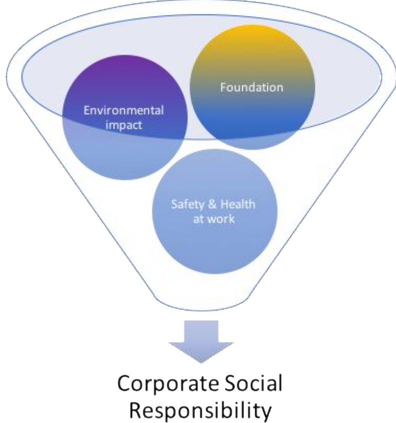
On September 25, 2015, more than 190 countries adopted a set of 17 goals to end poverty, hunger and inequality, protect the planet and ensure prosperity for all as part of a new sustainable development agenda (the "Sustainable Development Goals" or "SDGs"). Each Sustainable Development Goal has specific targets to be achieved by 2030.

The Group is willing to contribute to the achievement of the Sustainable Development Goals and identified within its own activities where it can have the biggest potential to contribute to their implementation, given the nature, scale and reach of its operations and how this could add value to its business. The Group believes that it can have a positive impact in reaching the targets underlying the following Sustainable Development Goals:

- SDG 4 - Quality Education

- SDG 8 - Decent Work and Economic Growth
- SDG 9 - Industry, Innovation and Infrastructure
- SDG10 - Reduce Inequalities
- SDG 11 - Sustainable Cities and Communities
- SDG 12 - Responsible Production and Consumption
- SDG 17 - Partnerships for the Goals

The Group translates these Sustainable Development Goals in the corporate social responsibility principles which are applied across the Group and are developed around the three following main axes, described in more details below:




The Group also implements these principles in the master agreements it enters into with its main telecom suppliers (please see section 2.3.5 "*Contractual implementation of the corporate social responsibility principles*").

### *2.3.2 Environmental impact*

Preservation of the environment is recognized as an important issue for the digital economy. Conscious of the importance of environmental issues, the Group wishes to promote a responsible attitude and be part of a continuous process of reducing its impacts and accompanying its clients.

The Group, through its activities, works towards creating a positive impact on the environment, customers, employees, communities and other stakeholders. The Group Companies pay particular attention to the environmental impact of their activities and aim to combine profitable growth that is sustainable and responsible from a social, environmental and societal point of view. The Group coordinates the different practices developed by the Group Companies and encourages the alignment and streamlining of practices.

The Group Companies have implemented numerous initiatives in environmental matters as part of their businesses and in respect of their customers and employees. The Group encourages the Group Companies to pursue this approach in the coming years.

*Greenhouse gas emissions*

The aim is not only to contribute to the reduction of greenhouse gas emissions through the use of Information and Communication Technologies (ICT) in sectors as varied as those of the building sector, energy and services, mobility, health and well-being, safety, education, etc., but also to be exemplary in their implementation by controlling their impacts in the context of an explosion of uses and energy transition.

By way of example, to reduce the impact of business travel and home-work for employees, the Group Companies are requesting from their employees (i) to travel less and to make use of audio and videoconferencing systems and (ii) to move better by having a travel policy that favors the train, which is a means of transport more than twenty times less impactful than the airplane in terms of greenhouse gas emissions. For each travel booked through digital tools, the employees receive the $CO_2$ consumption for their trip to reinforce their conscience of the environmental impact of their travel. In addition, the Group Companies have reduced the number of company cars allocated to their employees and some Group Companies have developed car sharing programs.

*Ecologically responsible products and services*

Beyond the control of its direct impact, the Group also seeks to offer its customers ecologically responsible products and services in order to reduce their energy consumption.

Recently, this focus on reducing the ecological impact of the Group's products has been taken into account to design the new Altice One set top box and gateway in the US:

- The printed circuit board integrated in Altice One are manufactured using a double reflow process. It means that components are placed on both side of the circuit board, thus the necessary surface is reduced. The material saving (epoxy resin, copper, metal) is estimated at 300 cm², meaning a saving of 2.6 kg $eqCO_2$;
- Concerning plastic materials:
    - Altice One mainly uses ABS (Acrylonitrile Butadiene Styrene) as it has a lower environmental impact compared to PC (Poly Carbonate) (ABS: 6.3 kg $eqCO_2$/kilo; PC: 10.5 kg $eqCO_2$/kilo). The use of PC is limited to the glossy and transparent shape on the front of the product, in order to satisfy both cosmetic design and lower environmental impact;
    - by integrating two products in one (a set top box and a gateway), it was possible to reduce the global amount of plastics (meaning a saving of 1.05 kg $eqCO_2$) and the number of accessories (meaning a saving of 1.679 kg $eqCO_2$).
- From a consumer point of view, as energy consumption impacts the environment because of energy production, but also the households because of the associated cost, the designer of the Altice One product took this aspect into account to reduce the global consumption of the product (resulting in a saving of 19.4 kg $eqCO_2$ per year, compared to the target energy consumption set forth in the US voluntary agreement for complex set top boxes (tiers 2)).

The Group has also developed, through the Group Companies, various initiatives for its B2B and B2C customers in this area. For example:

- all Group Companies have reduced the consumption of paper related to commercial documentation as well as to invoicing and customer relations;
- the Group favors the use of environmentally friendly supports bearing the PEFC or FSC certification; and
- the Group Companies have launched more than one decade ago the process of collecting used mobiles for the purpose of refurbishing them or treating them to be used for another purpose.

*Exposure to airwaves*

On a local basis, and through the Group Companies, the Group monitors scientific developments and positions of the health authorities on radio frequencies and maintains its information campaigns and dialogue towards its various stakeholders, including elected representatives, sponsors, customers, etc., thereby remaining vigilant as well as transparent.

The Group Companies relay the usual precautions recommended by the health authorities to reduce exposure to the airwaves, including the use of a headset or telephoning in areas with good coverage.

The Group Companies are also informing their customers through their websites by providing comprehensive and up-to-date information on the subject. The Group Companies also put dedicated information at the disposal of the sales forces of their distribution network, to supplement these information systems, so that they can better respond to customer inquiries on that topic.

*Data protection*

Finally, the Group ensures that decisions made by the Group Companies to facilitate the digital life of their customers also maintain data protection. This includes various actions against phishing, spam and all hacking activities against the Group's networks.

"Phishing" is a technique used by fraudsters to obtain personal information for the purpose of perpetrating identity theft or stealing bank details. The technique consists in sending an e-mail by posing as a trademark or a state agency, in which the victim gives his or her personal data: password, credit card number, date of birth, etc.

To protect their customers against these practices, the Group Companies implemented an information campaign to sensitize all their customers to phishing.

In addition, for the authentication page of their commercial websites, the Group Companies selected the highest level of security (SSL Extended Validation), allowing their customers to visually verify that they are on the legitimate Group Companies' website and not on a phishing site created by fraudsters seeking to steal personal information.

Beyond that, the Group Companies are also participating in various associations bringing together public and private actors in the fight against unwanted emails.

The Group's B2B customers are also facing new threats such as, for example, denial of services attacks, which are an attempt at making an online service unavailable by overwhelming it with traffic from multiple sources, so that the flood of incoming messages or connection requests to the targeted service forces it to slow down or even crash and shut down, thereby denying service to the legitimate users of the service. The Group Companies are offering to their B2B customers turnkey solutions to protect and secure their information systems, internal networks, internet access and websites against such threats.

### *2.3.3 Foundations and other philanthropic activities*

Core to the Group's culture is its deep commitment to supporting the communities in the geographies in which the Group Companies operate.

In 2017, the Group relied on the actions of the various foundations supported by the Group Companies:

- The SFR Foundation is active in missions for equal opportunities to vulnerable population groups, issues of integration, the promotion of digital and targeted actions in the local territories.

  The SFR Foundation has always been committed to support young people from disadvantaged backgrounds through various programs sponsored by employees. The SFR Foundation decided to reinforce this support and to concentrate on the specific problem of their professional success.

  The SFR Foundation supports and promotes associative projects and initiatives enabling these young people to know the links and professions of the future, to better understand the social and professional codes, to access the best cultural programs, etc. The mastering of digital tools, the promotion of entrepreneurship, the practice of sport, are efficient levers to accompany young people in difficulties towards employment that the SFR Foundation wishes to use with its associative partners.

  For example, the "ClicNjob" program run by the association WeTechCare facilitates access to digital to promote access to employment. "ClicNjob" is the first professional integration platform for young people away from employment, which provides support at each stage of their career path. It is based on bringing together four stakeholders: young people, businesses, communities and employment professionals. The goal is to allow the integration of one million young people within five years. The SFR Foundation was committed to support the creation of the web platform.

- The Portugal Telecom Foundation conducts its activities through social interventions and support for sustainable development in different areas:

  - Health and well-being: it supports investigation and development in the health area and encourages the establishment of more humane and solidary relationships in vulnerable situation;

  - Education: it promotes the social use of communication and information technologies, aiming at the broadening of technological and cultural education as well as the fight against info-exclusion;

- Access to communications: it develops innovative initiatives in order to put telecommunications and new technologies at the service of everyone; and

- Volunteering: it conducts nationwide projects that benefit social institutions and non-governmental agencies.

- The foundation in the Dominican Republic is active in developing actions to improve education and inclusion in the country but also to develop programs promoting the digital solidarity; it is also creating schemes in favor of good health.

In the US, Altice Connects is the community and philanthropic program of Altice USA, connecting to customers, communities and employees through programs and partnerships that highlight Altice USA's presence and investment in the 21 states and more than 1,300 communities across the country it serves. Altice Connects focuses community engagement on core Altice philanthropic tenets – broadband connectivity, education and innovation - balanced with support for hyperlocal programs that reflect the unique market attributes of the individual communities where Altice USA's employees and customers live and work. Highlight programs include:

- Broadband Connectivity: partnerships and events with community organizations to ensure qualifying households are aware of low priced broadband offer, encourage adoption and support acquisition of digital literacy skills;

- Education: programs to support student volunteerism, recognize contributions of veterans, engage students in global issues using the i24news channel as a resource, and support diversity through contests and events, including a Hispanic Heritage essay contest that garnered participation of more than 900 students from 10 states and a currently running Black History Month contest for children of employees;

- Innovation: Inspire a future workforce by highlighting innovation at Altice USA and demonstrating the real-world application of science, technology, engineering and math;

- Meet the Leaders: an interview style program engaging more than 300 public officials and community leaders annually;

- Philanthropic Support for Local Communities: support for local non-profit organizations and community events that reflect the priorities of the markets Altice USA serves. Additionally, this past year in the wake of Hurricanes Harvey and Maria, Altice USA banded together to support its communities as well as its employees by donating money and airtime to the American Red Cross, producing a public service announcement to raise funds for relief efforts in Puerto Rico featuring Lin-Manuel Miranda, creator and star of Tony Award winning musical "Hamilton", donating airtime in partnership with the Hispanic Federation and establishing a fund to recognize and support the volunteer efforts of Altice USA's employees;

- Employee Volunteer Program: Altice USA's Volunteer Day provides eligible employees with one paid day off a year to volunteer and make a difference.

#### *2.3.4 Safety and health at work*

The Group requests the Group Companies to develop programs in order to reinforce safety and health at work and to act, from a human resources perspective, by developing a workforce diversity.

Each Group Company has therefore implemented different actions, in compliance with local practices, to:

- Develop the employee's skills;

  Through their human resources policy, the Group Companies promote the employability and development of their employees. In a sector in constant evolution, the professional development of employees is a real challenge of competitiveness. The Group Companies have therefore deployed an ambitious training plan that takes account of the evolution of the professions and the personal aspirations of each one.

- Ensure equal opportunities and fight against all discriminations;

  To understand their customers, who rely on diversity, and offer services that resemble them, it is essential for the Group Companies to think about diversity within the company. Diversifying their sources of recruitment, raising employees' awareness of non-discrimination and acting in favor of equal opportunities are both a commitment and a condition for success.

- Promote employment for disabled persons;

  Convinced that diversity constitutes a genuine factor of efficiency, modernity and innovation in the company, the Group Companies try to improve their commitments in favor of the employment of workers with disabilities, and intend to improve promotion of equality of opportunity through a policy geared to the development of vocational integration and the sustainable integration of disabled workers into the labor market.

- Fight against all psychosocial risks through dedicated training paths, detection program, etc.

### *2.3.5 Contractual implementation of the corporate social responsibility principles*

The master agreements entered by the Group with its main telecom suppliers contain an undertaking from the latter to comply with the principles of the corporate social responsibility, such as social fundamental principles, protection of the environment, waste management as well as business ethical principles. By signing the master agreement, the suppliers also undertake to comply with the provisions of the United Nation Global Compact, which is a voluntary initiative based on a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

Regarding the fundamental social principles, the suppliers undertake to comply with the following guiding principles which are mainly issued from the Agreement of the International Labor Organization:

- children labor: the minimum age for employment must comply with the applicable law in the host country and in no event may be less than 15-year-old for any kind of activity;
- forced labor and mistreatment: forced labor in all its forms is prohibited; the employer must respect the dignity and human rights of its employees;
- working time and schedules: working schedules must comply with the legislation of the country;
- living wages and social benefits: minimum salaries and social benefits paid to employees must comply with the legislation of the country;
- freedom of expression: freedom of association and right to collective bargaining;
- equal opportunities and non-discrimination: any discrimination regarding recruitment, training, promotion, remuneration etc. based upon the race, the color, the age, the gender, the sexual orientation, the marital status, the ethnic group, a handicap, the religion, the membership in a political party or in a syndicate, etc., is prohibited
- health, hygiene and security at work: the employer must warrant to its employees the optimal hygiene and security conditions on all its sites.

Regarding the protection of the environment, waste management, and energy performance, the supplier agrees to take into account all the constraints related to the protection of the environment and to the waste management and energy performance for the term of the master agreement. In particular, the supplier undertakes to:

- implement means to eliminate or to reduce the sources of pollution generated by its activities, to measure and to reduce its greenhouse gas emissions, to preserve natural resources, to avoid or to minimize the use of dangerous substances and to promote the recycling or the re-use of waste while ensuring its traceability;
- ensure that waste and more particularly dangerous waste is managed in a safe way on all its sites (handling operations, storage, etc.) and managed by appropriate recycling industries pursuant to applicable laws.
- do its best efforts to reduce the packaging of its products, and to this end, contribute to the development of the recycling and the revaluation;
- integrate in its quality policy an ongoing improvement process towards excellence concerning the environment and energy management; and
- respect specific regulation such as:

- the European directive 2002/96/CE related to Waste Electrical and Electronic Equipment (WEEE);
- the European directive 1907/2006/CE REACH (Registration, Evaluation and Authorization of Chemicals); and
- the European directive 2002/95CE RoHS (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment).

Regarding the Principles of Business Ethics, the supplier commits to behave loyally and fairly in all his relations with his own suppliers and partners and to prevent any kind of active or passive corruption, and undertakes to refuse any kind of extortions and to implement measures of raising awareness on this thematic within its sphere of influence.

### *2.3.6 Example of concrete actions to implement the Sustainable Development Goals*

By way of example, set out below is an overview of the action plans that are implemented, ongoing or being evaluated at PT Portugal with respect to the Sustainable Development Goals which are the most relevant for this company to address the 2030 agenda.

| SDGS | Actions | KPIs | Annual target | 2030 objectives |
|---|---|---|---|---|
| **SDG 4 - Quality Education** | Promote training sessions and educational sessions that are accessible to all employees<br>Promote opportunities, equality and fair treatment of persons with disabilities<br>Promote sustainable education<br>Collaborate with educational institutions to promote professional training, employment, education and innovative solutions | Investment in training compared with last year<br>Number of young people and adults trained in IT technologies<br>Partnerships development in digital inclusion area<br>Number of people benefiting from educational training compared with last year<br>Percentage of educational training related with sustainable development | Increase in percentage the investment in training and educational programs compared with last year<br>Percentage of women and men in the training sessions/programs<br>Percentage of investment in education<br>Number of strategic partnership in the education and digital inclusion field<br>Number of educational program in sustainable education area | Reduce education inequalities based in race, religion, gender, sexual orientation or social/economic conditions |
| **SDGS 8 - Decent Work and Economic Growth** | More efficient and better use of energy, water, materials and other resources<br>Implement circular business models in order to reduce the environmental impact and footprint, and promote a better usage of natural resources. Extend responsibility to post consumption phase and reuse of equipment<br>Replace equipment for others with less energy or water consumption<br>Improve waste management<br>Perform awareness/training session about environmental protection among employees and service providers | Reuse rate of materials/products<br>Recycling rate of products/materials<br>Energy, water and other resources consumption monitoring<br>Monitoring of the effectiveness of awareness actions developed | Percentage of reuse of products and materials<br>Percentage of recycling of products/materials<br>Percentage of reduction of the consumption of natural resources (energy, water, etc.)<br>Number of awareness sessions regarding environment sustainability | Promote sustainable economic and environmental growth |

| SDGS | Actions | KPIs | Annual target | 2030 objectives |
|---|---|---|---|---|
| **SDGS 9 - Industry, Innovation and Infrastructure** | Ensure an efficient use of resources, and the sustainability of transports, facilities, information technologies and communication<br><br>Integrate life cycle approach when investing, developing, managing and transforming the company's infrastructure, in order to take into consideration environmental protection, clean and efficient technologies and integrate this approach in the supply chain<br><br>Monitor greenhouse gas emissions<br><br>Review, validate and implement purchasing procedures for the work equipment and machines | Monitoring of fuel consumptions and $CO_2$ emissions of the fleet vehicles<br><br>Investment and development in the infrastructure taking into consideration environmental and social protection<br><br>Monitoring of greenhouse gas emissions<br><br>Compliance with the purchasing procedures when selecting manufacturers and equipment | Percentage of reduction of the fuel consumption and $CO_2$ emissions<br><br>Percentage of CAPEX in the development and modernization of infrastructure taking into consideration environmental and social protection measures, compared with last year<br><br>Percentage of reduction of greenhouse gas emissions<br><br>Compliance rate on the implementation of purchasing procedures | Development of sustainable and resilient infrastructures that promote the social and economic development<br><br>Modernize the infrastructures and improve the efficient use of natural resources |
| **SDGS 12 - Responsible Consumption and Production** | Use renewable materials and efficient technologies in order to reduce the use of natural resources<br><br>Increase the efficiency in energy use and development of renewable energy sources<br><br>Improve the mobility and efficient use of transportation<br><br>Efficient use of water<br><br>Reduce the greenhouse gas emissions | Recycle rate (in tons)<br><br>Waste production by type<br><br>Hazardous waste produced and handled/managed, by type<br><br>Reduction of paper consumption<br><br>Implementation of sustainable procurement policy and framework involving suppliers and partners | Percentage of recycling of waste produced<br><br>Percentage of reduction of the production of hazardous waste and non-hazardous waste<br><br>Percentage of reduction of the paper consumption<br><br>Percentage of the suppliers complying with the procurement policy | Achieve a sustainable natural resources usage and management<br><br>Significantly reduce the production of waste through prevention, recycling and reuse of materials, in order to reduce its impact on human life and environment |

## 2.4 Group financial review

The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the Consolidated Financial Statements for the year ended December 31, 2017, including the accompanying notes (see page 128 of this Management Report). For an overview of the Group's business, objectives and strategy, please see section 1 "*Principal activities of the Group*" and section 2 "*Strategy and performance*". Please see section 2.7 "*Risk management and control*" below, for a discussion of important principal risk factors relating to the Group's business and financial profile.

The below table sets forth the Group's Consolidated Statement of Income for the years ended December 31, 2017 and December 31, 2016, in euros.

| **Consolidated Statement of Income**<br>**(€m)** | **Year ended December 31, 2017** | **Year ended December 31, 2016** | **Change** |
|---|---|---|---|
| **Revenues** | **23,499.8** | **20,755.7** | **13.2%** |
| Purchasing and subcontracting costs | (7,391.5) | (6,534.7) | 13.1% |
| Other operating expenses | (4,267.8) | (3,932.9) | 8.5% |
| Staff costs and employee benefits | (2,709.7) | (2,287.3) | 18.5% |
| Depreciation, amortization and impairment | (6,961.2) | (5,576.9) | 24.8% |
| Other expenses and income | (1,221.1) | (802.9) | 52.1% |
| **Operating profit** | **948.5** | **1,621.0** | **-41.5%** |
| Interest relative to gross financial debt | (3,688.0) | (3,251.3) | 13.4% |
| Other financial expenses | (450.3) | (357.1) | 26.1% |
| Finance income | 487.3 | 184.7 | 163.8% |
| Net result on extinguishment of a financial liability | (199.4) | (338.6) | -41.1% |
| **Finance costs, net** | **(3,850.4)** | **(3,762.3)** | **2.3%** |
| Net result on disposal of business | - | 104.6 | -100.0% |
| Share of earnings of associates | (23.1) | (2.5) | NM |
| **Loss before income tax** | **(2,925.0)** | **(2,039.2)** | **43.4%** |
| Income tax benefit | 2,730.2 | 177.7 | 1436.3% |
| **Loss for the year** | **(194.8)** | **(1,861.5)** | **-89.5%** |
| *Attributable to equity holders of the parent* | *(546.0)* | *(1,557.6)* | *-64.9%* |
| *Attributable to non-controlling interests* | *351.1* | *(303.9)* | *-215.6%* |
| *Earnings per share (basic and diluted)* | *(.46)* | *(1.42)* | *-67.3%* |

The Group operates in various geographies. When analyzing the financial health of these geographical segments, the Group uses measures and ratios - in particular Adjusted EBITDA - that are not required by or presented in accordance with IFRS or any other generally accepted accounting standards. The Group presents Adjusted EBITDA because it believes that it is of interest for the Shareholders and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The below tables show the Adjusted EBITDA and operating profit for the periods indicated, respectively by geographical segments.

| (€m) | France[(1)] | United States[(2)] | Portugal | Israel | Dominican Republic | Others (3) | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | **Year ended December 31, 2017** | | | | | | | |
| **Revenues** | **10,915.8** | **8,252.7** | **2,249.4** | **1,036.1** | **692.7** | **1,874.4** | **(1,521.4)** | **23,499.8** |
| Purchasing and subcontracting costs | (4,026.4) | (2,686.1) | (574.7) | (272.4) | (152.7) | (613.5) | 934.3 | **(7,391.5)** |
| Other operating expenses | (2,300.2) | (1,148.0) | (390.4) | (228.8) | (163.8) | (427.0) | 390.5 | **(4,267.8)** |
| Staff costs and employee benefits | (876.8) | (1,079.0) | (275.8) | (63.7) | (26.7) | (489.6) | 101.8 | **(2,709.7)** |
| **Total** | **3,712.4** | **3,339.6** | **1,008.6** | **471.2** | **349.5** | **344.4** | **(94.9)** | **9,130.8** |
| Stock option expense | 2.0 | 251.6 | - | - | - | 28.6 | - | **282.2** |
| **Adjusted EBITDA** | **3,714.4** | **3,591.2** | **1,008.6** | **471.2** | **349.5** | **373.0** | **(94.9)** | **9,413.0** |
| Depreciation, amortisation and impairment | (2,817.2) | (2,599.2) | (825.7) | (333.5) | (131.9) | (253.7) | - | **(6,961.2)** |
| Stock option expense | (2.0) | (251.6) | - | - | - | (28.6) | - | **(282.2)** |
| Other expenses and income | (976.8) | (161.4) | (116.6) | (15.6) | (28.1) | 77.4 | - | **(1,221.1)** |
| **Operating profit** | **(81.6)** | **579.0** | **66.2** | **122.1** | **189.4** | **168.2** | **(94.9)** | **948.4** |

| (€m) | France[(1)] | United States[(2)] | Portugal | Israel | Dominican Republic | Others [(3)] | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|
| | **Year ended December 31, 2016** | | | | | | | |
| **Revenues** | **10,990.5** | **5,436.1** | **2,311.5** | **955.5** | **717.5** | **734.7** | **(390.1)** | **20,755.7** |
| Purchasing and subcontracting costs | (3,956.0) | (1,716.5) | (526.0) | (234.5) | (146.9) | (191.3) | 236.3 | **(6,534.7)** |
| Other operating expenses | (2,328.1) | (745.9) | (413.0) | (223.3) | (164.6) | (186.3) | 128.2 | **(3,932.9)** |
| Staff costs and employee benefits | (945.0) | (827.9) | (284.1) | (66.9) | (30.0) | (135.9) | 2.4 | **(2,287.3)** |
| **Total** | **3,761.4** | **2,145.8** | **1,088.4** | **430.8** | **376.0** | **221.2** | **(23.2)** | **8,000.4** |
| Stock option expense | 4.0 | 62.3 | - | - | - | 18.7 | - | **85.1** |
| **Adjusted EBITDA** | **3,765.4** | **2,208.1** | **1,088.4** | **430.8** | **376.0** | **239.9** | **(23.2)** | **8,085.5** |
| Depreciation, amortisation and impairment | (2,565.1) | (1,539.8) | (770.5) | (331.2) | (165.1) | (205.3) | - | **(5,576.9)** |
| Stock option expense | (4.0) | (62.3) | - | - | - | (18.7) | - | **(85.1)** |
| Other expenses and income | (539.7) | (254.3) | (152.4) | (37.0) | (37.2) | 217.7 | - | **(802.9)** |
| **Operating profit/(loss)** | **656.5** | **351.7** | **165.5** | **62.6** | **173.7** | **233.6** | **(23.2)** | **1,620.5** |

(1) The France segment includes the results of SRR, a direct subsidiary of SFR, 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 French Overseas Territories business (reported in Others) as it is fully integrated in the France business, operationally and in terms of reporting.

(2) The Group's US segment combines the results of the two businesses that the Group acquired in the USA; Suddenlink and Cablevision (Optimum).

(3) For the financial year 2017, this includes the results of Coditel Belgium and Coditel Luxembourg from January 1, 2017 to the date of disposal to Telenet. Coditel Belgium and Coditel Luxembourg contributed €32.6 million to revenues and €20.4 million to Adjusted EBITDA for the period between January 1, 2017 to June 19, 2017.

### *2.4.1 Significant events affecting historical results*

Many significant events had an impact on the results of the Group's operations for the year ended December 31, 2017. A summary of the significant events that took place in the year ended December 31, 2017 is presented below:

- On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12.3 million through MEO. 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.

- On March 2, 2017, Altice USA acquired Audience Partners, a leading provider of data-driven, audience-based digital advertising solutions worldwide.

- On March 15, 2017, CSC Holdings, LLC ("**CSC Holdings**") successfully priced, for the Cablevision credit pool, $3 billion of 8.25-year senior secured term loans placed with institutional investors and Altice US Finance I successfully priced, for the Suddenlink credit pool, $1.265 billion of 8.25-year senior secured term loans placed with institutional investors. The new term loans have a margin of 225bps over Libor, and were issued at an OID of 99.50. The proceeds of the terms loans were used

respectively to (i) refinance the entire $2.5 billion principal amount of loans under the 2015 Cablevision Credit Facility Agreement due to mature in October 2024 and redeem $500 million of the 8.625% Senior Notes due September 2017 issued by Cablevision, and (ii) refinance the entire $815 million principal amount of loans under the 2015 Cequel Credit Facility Agreement due to mature in January 2025 and redeem $450 million of the 2012 Cequel Senior Notes. At the date of the refinancing, the average maturity of Cablevision's debt was extended from 6.1 to 6.5 years and the weighted average cost of its debt was reduced from 7.3% to 7.0%, and the average maturity of Suddenlink's debt was extended from 6.6 to 6.9 years and the weighted average cost of its debt was reduced from 5.6% to 5.3%.

- On March 23, 2017, the Group announced that it successfully priced, for its SFR Group credit pool, 2.492 billion euro-equivalent of new 8.25-year Term Loan B's and that Altice Financing successfully priced, for the Altice International credit pool, 863 million euro-equivalent of new 8.25-year Term Loan B's. The 2.492 billion euro-equivalent of new SFR Group Term Loan B's comprised one dollar loan of $1.420 billion at a margin of 275bps over Libor (issued at an OID of 99.75) and one euro loan of €1.145 billion at a margin of 300bps over Euribor (issued at an OID of 100). For the Altice International credit pool, the 863 million euro-equivalent of new Term Loan B's was issued as a dollar loan of $910 million at a margin of 275bps over Libor (issued at an OID of 99.75). The proceeds of the term loans B's were used respectively to (i) refinance the €850 million and $1.418 billion principal amount of loans under the 2014 SFR Credit Facility Agreement due to mature respectively in April 2023 and in January 2024, and €297 million principal amount of loans under the 2014 SFR Credit Facility Agreement due to mature in July 2023, and (ii) refinance the €446 million principal amount of loans under the 2015 Altice Financing Credit Facility Agreement due to mature in July 2023 and redeem the entire aggregate principal amount outstanding of Altice Finco's $425 million $9^{7}/_{8}$% Senior Notes due 2020. At the date of the refinancing, the average maturity of SFR Group's debt was extended from 7.3 to 7.6 years and the weighted average cost of its debt was reduced from 5.2% to 4.9%, and the average maturity of Altice International group's debt was extended from 6.7 to 7 years and the weighted average cost of its debt was reduced from 6.2% to 5.9%.

- 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, a direct subsidiary of Telenet Group Holding N.V. The Group received €302.8 million in connection with the sale, where the purchase price is subject to customary final post-closing price adjustments, and recognized a loss after transaction costs of €24.0 million.

- On June 21, 2017 the Group announced that Altice USA had priced its initial public offering of 63,943,029 shares of its Class A common stock at a price to the public of $30.00 per share. Of the shares of Altice USA's Class A common stock included in the offering, 12,068,966 shares were offered by Altice USA, 31,475,965 shares were offered by funds advised by BC Partners and 20,398,098 shares were offered by entities affiliated with CPPIB. The selling shareholders granted the underwriters a 30-day option to purchase up to 7,781,110 additional shares of Class A common stock of Altice USA. Altice USA's Class A common stock began trading on the New York Stock Exchange on June 22, 2017.

- On June 22, 2017, Altice USA completed the redemption in full of $1.75 billion in aggregate principal amount of notes outstanding under the Notes Agreement dated June 21, 2016, between Altice USA, as issuer (as successor to Neptune Holding US Corporation) and the noteholders party thereto. The redemption price of the notes was paid by Altice USA in shares of its Class A common stock.

- On June 23, 2017, the Group completed the acquisition of Teads, the number one online advertising marketplace in the world. The acquisition valued Teads at an enterprise value of up to €285 million on a cash-free 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 was due at closing, with the remaining 25% being subject to Teads' 2017 revenue performance and becoming payable in early 2018.

- On June 23, 2017, Altice Financing entered into the 2017 Guarantee Facility Agreement, providing for a €331 million guarantee facility, with, among others, BNP Paribas SA and J.P. Morgan Limited as mandated lead arrangers and J.P. Morgan Europe Limited as facility agent. The 2017 Guarantee Facilities are used primarily for the purposes of guaranteeing any obligations of any member of the

Borrower Group (as defined therein) pursuant to a media rights agreement dated June 12, 2017 relating to certain media rights to UEFA Champions League and UEFA Europa League and made between Union des Associations Européennes de Football and Altice Picture. The 2017 Guarantee Facilities consist of two separate facilities, a €15 million Facility A due to mature on June 23, 2022 and a €316 million Facility B due to mature on July 7, 2021. As of December 31, 2017, the 2017 Guarantee Facilities had been fully drawn.

- On June 27, 2017, Altice USA completed a public offering of 71,724,139 shares of its Class A common stock at an initial public offering price of $30.00 per share, including the underwriters full exercise of their option to purchase 7,781,110 shares to cover over-allotments (the "**Altice USA IPO**"). After giving effect to the Altice USA IPO, the Company indirectly owned approximately 70.2% of Altice USA's issued and outstanding common stock, which represented 98.2% of the voting power of Altice USA's outstanding common stock.

- On July 10, 2017, CSC Holdings redeemed approximately $350 million aggregate principal amount of its outstanding 2015 Cablevision Senior Notes using the proceeds of the Altice USA IPO.

- On July 14, 2017 the Group entered into a definitive agreement with Promotora de Informaciones, S.A. to acquire its 94.7% stake in Media Capital, a leading Portuguese media group with audience leadership positions in both TV and radio. The acquisition values Media Capital at an enterprise value of €440 million, subject to customary debt, debt-like and working capital adjustments. Closing of the acquisition is subject to customary closing conditions, including approval by Prisa's shareholders and regulatory approvals. In addition, the Group announced the launch of a mandatory takeover offer for the remaining 5.3% stake of Media Capital not owned by Prisa. The acquisition of Media Capital is subject to relevant regulatory approvals. Following the consummation of the mandatory takeover offer, Altice intends to delist Media Capital from Euronext Lisbon.

- On July 21, 2017, the Company amended its Bank Guarantee Agreement between, among others, Altice Corporate Financing as the Additional Borrower, the Company as Parent Guarantor, Altice Group Lux S. à r. l. as the Additional Guarantor, J.P. Morgan Limited and BNP Paribas as mandated lead arrangers, J.P. Morgan Securities PLC and BNP Paribas as issuing banks, BNP Paribas as security agent and J.P. Morgan Europe Limited as facility agent to provide for a maturity date of June 10, 2020 for all tranches available under the Bank Guarantee Agreement and additional incremental facilities in an amount up to €950 million. On September 1, 2017, the Company drew on €800 million in incremental facilities and on November 17, 2017, the Company drew on €150 million in incremental facilities. The incremental facilities rank *pari passu* with the other facilities under the Bank Guarantee Agreement. The proceeds of the incremental facilities were used for general corporate purposes. As of December 31, 2017, the facilities had been fully drawn. Altice expects to repay €625 million of the outstanding indebtedness under the Bank Guarantee Agreement with the proceeds of the Pre-Distribution Dividend (as defined below).

- On August 9, 2017, the Company 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 August 28, 2017, the Company announced the start of a programme to repurchase Shares that would end no later than August 31, 2018. As part of this programme, Altice intended to purchase up to €1 billion of Common Shares A and Common Shares B on Euronext Amsterdam, which it intended to cancel upon repurchase and/or hold in treasury.

- On October 9, 2017, the Company 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, i.e. a cash payment of €34.50 per SFR Group share, net of all costs. The SFR Group shares were delisted from Euronext Paris.

- On October 9, 2017, the Group announced that it has successfully priced, for its SFR Group credit pool, 2.884 billion euro-equivalent of new 8.25-year Term Loan B's. The new SFR Term Loan B's

comprise one loan of $2.150 billion at a margin of 300bps over LIBOR (issued at an OID of 99.75) and one loan of €1.0 billion at a margin of 300bps over LIBOR (issued at par). The proceeds were used to (i) refinance SFR Group's €697 million and $1,781 million principal amount of loans under the 2014 SFR Credit Facility Agreement due to mature in January 2025 and (ii) repay €600 million of commercial paper. Such refinancing improved SFR Group's debt maturity profile (from 6.8 to 7.2 years). The weighted average cost of its debt remained at 4.7%.

- On October 9, 2017, the Group also announced that Altice Financing successfully priced, for the Altice International credit pool, 1.089 billion euro-equivalent of new 8.25-year Term Loan B's. The new Term Loan B's comprised one dollar loan of $900 million at a margin of 275bps over LIBOR (issued at an OID of 99.75) and one euro loan of €300 million at a margin of 275bps over LIBOR (issued at an OID of 99.75). The proceeds were used to refinance Altice Financing's €300 million and $900 million 6.50% Senior Secured Notes due January 2022. Altice Finco also successfully placed €675 million of its 10.25-year 2017 Senior Notes with institutional investors, upsizing from the original offering of €500 million launched on October 5, 2017 following excess demand. The 2017 Senior Notes have a coupon of 4.75% and are due to mature on January 15, 2028. The proceeds were used to repay drawings under certain of the Altice International group's Revolving Credit Facility Agreements. Such refinancing improved the Altice International group's debt maturity profile (from 6.6 to 7.5 years) and reduced the weighted average cost of its debt (from 5.8% to 5.5%).

- On October 16, 2017, the Company announced that its existing share repurchase programme announced on August 28, 2017 was suspended and that a new programme to repurchase shares also in closed periods would commence on October 16, 2017 and continue until November 2, 2017 (inclusive). On November 7, 2017 the Group announced that it repurchased 5,549,180 Common Shares A and 350,238 Common Shares B in the period from October 16, 2017 up to and including November 2, 2017 under this programme, for a total consideration of €98,446,858.62. On November 3, 2017, the Company resumed its discretionary share repurchase activity.

- On November 2, 2017, Altice Caribbean entered into a term sheet with SFR Group to acquire 100% of the share capital of Altice Blue Two (the holding company of the telecom business in the French Overseas Territory). The closing of the transaction is expected to occur in Q2 2018 with the transfer of the French Overseas Territory assets from the Altice International restricted group to the SFR restricted group.

- On December 1, 2017, the Company announced that it had entered into 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. green.ch AG provides private and business customers with internet connections, hosted, cloud and multimedia services and data backup solutions. Green Datacenter AG provides data center services for medium-sized and large companies in Switzerland, in Europe and throughout the world. The transaction, which valued the business at an enterprise value of approximately CHF 214 million (9.9x LTM Adjusted EBITDA), closed on February 12, 2018.

- On December 4, 2017, the Board resolved to cancel 417,307,716 treasury Shares, consisting of 416,000,000 Common Shares A and 1,307,716 Common Shares B held by the Company in the Company's share capital. The cancellation of such Shares became effective on February 10, 2018.

## 2.5 Discussion and analysis of the results and financial condition of the Group

### *2.5.1 Revenue*

*Group*

For the year ended December 31, 2017, the Group generated total external revenues of €23,499.8 million, a 13.2% increase compared to €20,755.7 million for the year ended December 31, 2016. This increase in revenues was mainly due to the full year revenue contribution of Optimum in 2017, acquired in June 2016.

The tables below set forth the Group's revenue by lines of activity in the various geographical segments in which the Group operates for the years ended December 31, 2017 and December 31, 2016, respectively:

| Year ended December 31, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Revenue** | **France** | **United States** | **Portugal** | **Israel** | **Dominican Republic** | **Others** | **Total** |
| **(€m)** | | | | | | | |
| Revenue Fixed - B2C | 2,805.1 | 6,727.1 | 658.4 | 657.6 | 108.9 | 95.1 | **11,052.2** |
| Revenue Mobile - B2C | 4,448.7 | - | 570.0 | 242.3 | 387.7 | 87.3 | **5,736.0** |
| B2B and wholesale | 3,145.7 | 1,149.3 | 887.6 | 136.2 | 176.6 | 30.6 | **5,526.0** |
| Other revenue | 516.4 | 376.3 | 133.4 | - | 19.5 | 1,661.4 | **2,707.1** |
| **Total standalone revenues** | **10,915.8** | **8,252.7** | **2,249.4** | **1,036.1** | **692.7** | **1,874.4** | **25,021.2** |
| Intersegment eliminations | (114.1) | (1.0) | (61.7) | (1.2) | (12.6) | (1,330.8) | **(1,521.4)** |
| **Total consolidated revenues** | **10,801.8** | **8,251.7** | **2,187.8** | **1,034.9** | **680.0** | **543.6** | **23,499.8** |

| Year ended December 31, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Revenue** | **France** | **United States** | **Portugal** | **Israel** | **Dominican Republic** | **Others** | **Total** |
| **(€m)** | | | | | | | |
| Fixed - B2C | 2,839.9 | 4,376.5 | 684.4 | 642.5 | 109.6 | 136.2 | **8,789.1** |
| Mobile - B2C | 4,513.8 | - | 584.9 | 185.5 | 425.3 | 83.0 | **5,792.6** |
| B2B and wholesale | 3,336.1 | 796.5 | 925.7 | 127.5 | 160.7 | 58.5 | **5,405.0** |
| Other | 300.7 | 263.1 | 116.4 | - | 21.9 | 457.0 | **1,159.2** |
| **Total standalone revenues** | **10,990.5** | **5,436.1** | **2,311.5** | **955.5** | **717.5** | **734.7** | **21,145.8** |
| Intersegment eliminations | (44.6) | - | (35.5) | (.4) | (5.3) | (304.3) | **(390.1)** |
| **Total consolidated revenues** | **10,945.9** | **5,436.1** | **2,276.0** | **955.0** | **712.2** | **430.5** | **20,755.7** |

Revenues for the Group's fixed services increased from €8,789.1 million for the year ended December 31, 2016 to €11,052.2 million for the year ended December 31, 2017, a 25.7% increase compared to the year ended December 31, 2016. This increase was driven primarily by the full year revenue contribution of Optimum, acquired in June 2016.

The Group's mobile services revenue decreased to €5,736.0 million for the year ended December 31, 2017, a 1.0% decrease compared to €5,792.6 million for the year ended December 31, 2016, mainly due to an increase in mobile revenues in Israel offset by a decrease in mobile revenues in France.

The Group's B2B and Wholesale services revenue increased to €5,526.0 million for the year ended December 31, 2017, a 2.2% increase compared to €5,405.0 million for the year ended December 31, 2016, mainly due to an increase in B2B and wholesale revenues in the Dominican Republic and Israel offset by decreases in France and Portugal.

Revenues from the Group's other activities totaled €2,707.1 million for the year ended December 31, 2017, a 133.5% increase as compared to €1,159.2 million for the year ended December 31, 2016. The increase in other revenues was mainly due to a higher level of services which are provided within the Group by Group Companies but which financial impact is eliminated in consolidation.

*Geographical segments*

*France.* For the year ended December 31, 2017, the Group generated external revenue in France of €10,801.8 million, a 1.3% decrease compared to €10,945.9 million for the year ended December 31, 2016. This decrease is mainly attributable to a decrease in B2B and wholesale revenues of €190 million.

Revenues from the Group's fixed business decreased by 1.2% on a year on year basis compared to the year ended December 31, 2016 (€2,805.1 million in 2017 compared to €2,839.9 million in 2016) impacted by customer losses.

The Group's mobile business posted a net revenue decline of 1.4% on a year on year basis (€4,448.7 million in 2017 compared to €4,513.8 million in 2016). The Group improved customer trends, 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 (€3,145.6 million in 2017 compared to €3,336.1 million in 2016). B2B revenues were impacted by price reductions in the first half of 2017.

Other revenues mainly include the contribution of the media assets during the course of 2017 (€516.4 million in 2017 compared to €300.7 million in 2016, an increase of 71.7%). Revenue growth at NextRadioTV (+25% YoY in 2017) continues to be supported by strong and improving TV and radio audiences boosting advertising revenues.

*United States*. For the year ended December 31, 2017, the Group generated revenue in the United States of €8,251.7 million, a 51.8% increase compared to €5,436.1 million in 2016. This increase was driven primarily by the full year revenue contribution of Optimum, acquired on June 20, 2016.

Revenues from the Group's fixed business increased by 53.7% on a year on year basis compared to the year ended December 31, 2016 (€6,727.1 million in 2017 compared to €4,376.5 million in 2016), driven primarily by the full year revenue contribution of Optimum, acquired on June 20, 2016.

Revenues from the Group's B2B and wholesale business increased by 44.3% on a year on year basis compared to the year ended December 31, 2016 (€1,149.3 million in 2017 compared to €796.5 million in 2016), driven primarily by the full year revenue contribution of Optimum, acquired on June 20, 2016.

Other revenues mainly include the contribution of the media and advertising assets during the course of 2017 (€376.3 million in 2017 compared to €263.1 million in 2016, an increase of 43.0%), driven primarily by the full year revenue contribution of Optimum, acquired on June 20, 2016.

*Portugal*. For the year ended December 31, 2017, the Group generated revenues in Portugal of €2,187.8 million, a 3.9% decrease compared to €2,276.0 million for the year ended December 31, 2016. This decrease was mainly due to a decline in the international wholesale business.

*Israel*. For the year ended December 31, 2017, the Group generated revenue in Israel of €1,034.9 million, a 8.4% increase compared to €955.0 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 and increase in the ARPU, partly offset by a decrease in fixed B2C revenues as a result of a minor decrease in subscriber base following high competition in the fixed sector.

*Dominican Republic*. For the year ended December 31, 2017, the Group generated total revenue of €680.0 million, a 4.5% decrease compared to €712.2 million for the year ended December 31, 2016. On a constant currency basis, revenues increased by 1.8%. This was mainly due to a decrease in mobile B2C revenues.

*Others*. For the year ended December 31, 2017, the Group generated total revenue in Others (which comprises of the Group's fixed- and mobile services in the French Overseas Territories as well as its datacenter operations in Switzerland (Green Datacenter), its datacenter operations in France and its content production and distribution businesses (including its Content Distribution Division) of €543.6 million, a 26.3% increase compared to €430.5 million for the year ended December 31, 2016. This increase can be attributed mainly to the full year revenue contributions of Parilis and Intelcia Group, which were acquired during 2016 and the revenue contribution of Teads, which was acquired on June 22, 2017.

### *2.5.2 Adjusted EBITDA*

*Group*

For the year ended December 31, 2017, the Group's Adjusted EBITDA was €9,413.0 million, an increase of 16.4% compared to the year ended December 31, 2016 (€8,085.9 million). This increase can primarily be attributed to the full year Adjusted EBITDA contribution of Optimum, acquired in June 2016. Non-recurring items and other adjustments in Adjusted EBITDA accounted for €282.2 million for the year ended December 31, 2017 (€85.1 million for the year ended December 31, 2016).

*Geographical segments*

*France*. For the year ended December 31, 2017, the Group's Adjusted EBITDA in France was €3,714.4 million, a decrease of 1.4% from €3,765.5 million compared to 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. 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.

*United States*. For the year ended December 31, 2017, the Group's Adjusted EBITDA in the United States was €3,591.2 million, an increase of 62.6% compared to December 31, 2016 (€2,208.0 million). This increase is mainly attributable to the full year Adjusted EBITDA contribution of Optimum, acquired on June 20, 2016 and the reduction of employee related costs resulting from the elimination of certain positions.

*Portugal*. For the year ended December 31, 2017, the Group's Adjusted EBITDA in Portugal was €1,008.6 million, a decrease of 7.3% from €1,088.5 million compared to the year ended December 31, 2016. This decrease is attributable to a decline in the international wholesale business, in addition to an increase in sport-related content costs following the agreements entered into during 2015 and 2016 for the acquisition of broadcasting rights.

*Israel*. For the year ended December 31, 2017, the Group's Adjusted EBITDA in Israel was €471.2 million, an increase of 9.4% compared to €430.9 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 revenues, partly offset by higher content costs for sports channels and cost of sales for the mobile.

*Dominican Republic*. For the year ended December 31, 2017, the Group's Adjusted EBITDA in the Dominican Republic decreased by 7.1% from €376.1 million in 2016 to €349.5 million (2.7% on a constant currency basis). This decrease is mainly due to a decrease in mobile B2C revenues.

*Others*. For the year ended December 31, 2017, the Group's Adjusted EBITDA in Others was €373.0 million, an increase of 55.5% from €239.9 million compared to the year ended December 31, 2016. This increase can be attributed mainly to the full year Adjusted EBITDA contributions of Parilis and Intelcia Group, which were acquired during 2016 and the Adjusted EBITDA contribution of Teads, which was acquired on June 22, 2017.

### ***2.5.3 Operating profit of the Group***

*Depreciation, amortization and impairment*

For the year ended December 31, 2017, depreciation and amortization totaled €6,961.2 million, a 24.8% increase compared to €5,576.9 million for the year ended December 31, 2016. Depreciation and amortization in the year ended December 31, 2017 was impacted by the full year depreciation and amortization contribution of Optimum, acquired in June 2016.

*Non-recurring items and other adjustments in EBITDA*

For the year ended December 31, 2017, non-recurring items and other adjustments in EBITDA totaled €282.2 million, a 231.8% increase compared to €85.1 million for the year ended December 31, 2016. This increase was mainly related to the US, resulting from an increase in the fair value of the US Carried Unit Plan. In addition, during 2016, awards were issued in July and reflect 6 months of expenses whereas 2017 reflects twelve months of expenses.

*Other operating expenses and income*

For the year ended December 31, 2017, other operating expenses and income totaled €1,221.1 million, a 52.1% increase compared to €802.9 million for the year ended December 31, 2016. A detailed breakdown of other expenses and income is provided below:

| Details of Other expenses and income (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 | Change |
|---|---|---|---|
| Stock option expense | 282.2 | 85.1 | 231.8% |
| **Items excluded from adjusted EBITDA** | **282.2** | **85.1** | **231.8%** |
| Restructuring costs (1) | 853.8 | 428.9 | 99.1% |
| Loss on disposals of assets (2) | 131.5 | 12.8 | 927.3% |
| Onerous contracts (3) | 118.9 | 56.0 | 112.4% |
| Penalties (4) | 32.9 | 128.2 | -74.3% |
| Disputes and litigation (5) | - | 95.0 | -100.0% |
| Gain on sale of consolidated entities (6) | (12.4) | - | - |
| Deal fees (7) | 12.2 | 35.9 | -66.0% |
| Other expenses and income (net) (8) | 84.2 | 46.1 | 82.7% |
| **Other expenses and income** | **1,221.2** | **802.8** | **52.1%** |

(1) Restructuring costs mainly include costs related to provisions for employee redundancies and contract termination fees:
   a) €746.2 million in France, including €742.0 million related to new restructuring plans in France.
   b) €132.7 million in the US related to severance payments made to Optimum executives following the acquisition in June 2016, and includes provision for further announced redundancies.
(2) The loss on disposal of asset primarily relates to losses on scrapped property, plant and equipment, primarily in France.
(3) The expenses recognised for onerous contracts largely relate to the expected vacancy of the current SFR campus in Paris, following the move to the new Altice Campus during the fourth quarter of 2017.
(4) Penalties incurred during 2016 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 of SFR by the Group and a €15 million penalty imposed by the French Competition Authority on price increases in the French Overseas Territories.
(5) Provisions for litigations related to different ongoing litigations/disputes in various segments.
(6) The gain on sale of consolidated entities primarily relates to the €35.0 million gain on the sale of certain press activities in the SFR Group Business, partly offset by a loss of €22.7 million on the disposal of Coditel Belgium and Coditel Luxembourg in the second quarter of 2017.
(7) 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.
(8) Other expenses and income mainly related to allowances and reversals for other provisions (non-cash) and other cash expenses.

*Operating profit*

As a result of the above-mentioned factors, for the year ended December 31, 2017, the Group recorded an operating profit of €948.4 million, a 42.5% decrease compared to €1,620.9 million for the year ended December 31, 2016.

### *2.5.4 Loss for the year of the Group*

*Finance costs (net)*

Net finance costs amounted to €3,850.4 million for the year ended December 31, 2017, registering an increase of 2.3% compared to the year ended December 31, 2016 (€3,762.3 million). This increase was mainly related to the full year impact of the acquisition of Cablevision on June 21, 2016. The Group incurred non-recurring expenses on the extinguishment of refinanced debt of €199.4 million in 2017, compared to €338.6 million in 2016.

*Loss for the year*

For the year ended December 31, 2017, the Group recorded a net loss of €194.8 million, as compared to a net loss of €1,861.5 million for the year ended December 31, 2016. The reasons for this decrease are enumerated in the sections above. The increase in the loss before income tax is largely offset by an increase in income tax benefits (tax benefit of €2,730.2 million in 2017 compared to a tax benefit of €177.7 million in 2016), mainly due to the change in income tax rates in certain jurisdictions, leading to a deferred tax income of €2,874.8million for the year ended December 31, 2017 compared to €505.2 million in 2016.

### *2.5.5 Liquidity and capital resources*

*General*

The Group's principle sources of liquidity are (i) operating cash flow generated by the Group's subsidiaries and (ii) various revolving credit facilities and guarantee facilities that are available at each of the Group's restricted groups, as applicable, for any requirements not covered by the operating cash flow generated.

As of December 31, 2017, Altice Luxembourg's restricted group had an aggregate of €200 million (equivalent) available borrowings under the 2014 Altice Luxembourg Revolving Credit Facility Agreement; Altice International's restricted group had an aggregate of €791 million (equivalent) available borrowings under the 2013 Altice Financing Revolving Credit Facility Agreement, the 2017 Guarantee Facility Agreement, the 2014 Altice Financing Revolving Credit Facility Agreement and the 2015 Altice Financing Revolving Credit Facility Agreement; the SFR Group's restricted group had an aggregate of €1,125 million (equivalent) available borrowings under the 2014 SFR Revolving Credit Facility Agreement; Suddenlink's restricted group had an aggregate of €279.5 million (equivalent) available borrowings under the 2015 Cequel Revolving Credit Facility; and Cablevision's restricted group had an aggregate of €1,442.4 million (equivalent) available borrowings under the 2015 Cablevision Revolving Credit Facility.

The Group expects 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 Group's ability to generate cash from the Group's operations will depend on the Group's 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 the Group's control. As the Group's debt matures in later years, the Group anticipates that it will seek to refinance or otherwise extend the Group's debt maturities.

*Cash flow*

The following table presents primary components of the Group's cash flows for each of the years indicated.

| **Net Cash Flows**<br><br>**(€m)** | **For the year ended December 31, 2017** | **For the year ended December 31, 2016** |
|---|---|---|
| Net cash flow from operating activities | 8,065.4 | 7,003.0 |
| Net cash flow from investing activities | (4,677.4) | (4,991.1) |
| Net cash flow from financing activities | (3,298.7) | (3,457.3) |
| **Changes in cash and cash equivalents** | **89.3** | **(1,445.3)** |
| Effects of exchange rate changes on cash held in foreign currencies | 40.6 | 27.4 |
| **Net changes in cash and cash equivalents** | **129.9** | **(1,417.9)** |

The Group recorded a net increase of €129.9 million in cash and cash equivalents for the year ended December 31, 2017, compared to a net decrease of €1,417.9 million for the year ended December 31, 2016. The total increase in cash and cash equivalents for the year ended December 31, 2017 can be explained by the increase in the net cash flows from operating activities. The increase in cash flows from operating activities for the year ended December 31, 2017 can mainly be attributed to an increase in Adjusted EBITDA (an increase of 16.4% from €8,085.5 million in 2016 to €9,413.0 million in 2017), primarily attributable to the full year Adjusted EBITDA contribution of Optimum, acquired in June 2016. Net cash used in investing activities was impacted by a decrease in the cash used to acquire subsidiaries of €305.3 million (mainly due to the use of restricted cash for the acquisition of Optimum in June 2016) and a decrease in the cash used to acquire interests in associates of €324.9 million. These decreases in cash outflows are partly offset by a higher cash outflows for the acquisition of tangible and intangible assets (increase of €325.6 million). The Group had a net cash outflow from financing activities in 2017 compared to 2016, mainly related to the refinancing of various debt instruments completed during the year and an increase in interest paid (€3,627.7 million in 2017 compared to €2,762.1 million in 2016), resulting from the issuance of new debt to finance the acquisition of Optimum. In 2016, the net cash outflow from financing activities was mainly due to the issuance of new debt to finance the acquisition of Optimum.

*Capital expenditures*

The Group classifies its capital expenditures in the following categories.

*Fixed services (including wholesale)*: Includes capital expenditures related to (i) connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth (‘CPEs and installation related’); (ii) investment in improving or expanding the Group’s cable network, investments in the television and fixed line platforms and investments in DOCSIS network capacity (‘cable network and construction related’) and (iii) other capital expenditures related to the Group’s fixed business. This also includes capital expenditures relating to data centers, backbone network, connection fees of clients’ premises, rental equipment to customers and other B2B operations as well as content-related capital expenditures relating to the Group’s subsidiaries that produce and distribute content. Capital expenditures relating to network and equipment that is common to the delivery of fixed or mobile services as well as in ‘Others’ are reflected in cable capital expenditures or mobile capital expenditures as the case may be.

*Mobile services*: Includes capital expenditures related to improving or expanding the Group’s mobile networks and platforms and other investments relating to the Group’s mobile business.

*Others*: Includes capital expenditures relating to the Group’s content and other non-core fixed or mobile activities, such as capital expenditures relation to the Group’s data centers and backbone network.

The Group has made substantial investments and will continue to make capital expenditures in the geographies in which it operates to expand its footprint and enhance its product and service offerings. In addition to continued investment in its infrastructure, the Group will continue to strategically invest in content across its geographic segments to enrich its differentiated and convergent communication services as well as to reduce churn and increase ARPU. The Group expects to finance principal investments described below, to the extent they have not been completed, with cash flow from its operations.

In the year ended December 31, 2017, the Group made capital expenditures related to its fixed network expansion (fiber connections) in France, Portugal, the Dominican Republic and the US, improvements in its mobile network (launch of new 4G sites), recurring capital expenditure related to new customer acquisition and the acquisition of exclusive content and sports rights. The Group has made new investment commitments since December 31, 2017. For information on contractual obligations and commercial commitments the Group has acquired in the year ended December 31, 2017, please see Note 30 to the Consolidated Financial Statements. The increase in capital expenditures is also explained by the full year impact of the acquisition of Cablevision on June 21, 2016. Additionally, for the year ended December 31, 2017, the Group acquired exclusive rights to broadcast premium sporting events and other content rights for a total amount of €43.5 million. This amount is reported under the ‘Others’ segment for the year ended December 31, 2017.

The table below sets forth the Group’s capital expenditure on an accrued basis for the years ended December 31, 2017 and 2016, respectively, for each of the Group’s geographical segments:

| | Year ended December 31, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (€m) | **France** | **United States** | **Portugal** | **Israel** | **Dominican Republic** | **Others** | **Eliminations** | **Total** |
| Capital expenditure (accrued) | 2,368.0 | 940.4 | 469.4 | 262.5 | 116.6 | 127.4 | (91.0) | **4,193.3** |
| Capital expenditure - working capital items | 227.2 | (14.1) | (16.1) | (7.1) | (5.5) | 97.3 | - | **281.6** |
| **Payments to acquire tangible and intangible assets** | **2,595.2** | **926.3** | **453.3** | **255.3** | **111.1** | **224.7** | **(91.0)** | **4,474.9** |

| | Year ended December 31, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (€m) | **France** | **United States** | **Portugal (1)** | **Israel (2)** | **Dominican Republic** | **Others (3)(4)** | **Eliminations** | **Total** |
| Capital expenditure (accrued) | 2,312.0 | 642.0 | 443.3 | 314.0 | 123.1 | 585.0 | (23.2) | **4,396.3** |
| Capital expenditure - working capital items | 214.7 | (129.9) | (56.1) | 1.9 | 12.3 | (289.9) | - | **(247.0)** |
| **Payments to acquire tangible and intangible assets** | **2,526.7** | **512.1** | **387.3** | **315.9** | **135.5** | **295.1** | **-** | **4,172.6** |

(1) Included €44.0 million of capitalized exclusive content costs in Portugal for multi-year contracts.

(2) Israel’s accrued CAPEX included 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.

(3) Included a one-off capital expenditure related to an indefeasible right of use (IRU) on a datacenter at Green Datacenter, for a total amount of €29.6 million.

(4) Included the capitalization of content rights for a total amount of €413.8 million during the year ended December 31, 2016.

*Discussion and analysis of the financial condition of the Group*

| **Consolidated Statement of Financial Position (€m)** | **As of December 31, 2017** | **As of December 31, 2016** | **Change** |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 22,302.4 | 23,045.7 | -3.2% |
| Intangible assets | 24,502.3 | 29,412.1 | -16.7% |
| Property, plant & equipment | 15,161.4 | 16,256.8 | -6.7% |
| Investment in associates | 49.4 | 65.7 | -24.8% |
| Financial assets | 2,545.5 | 3,615.8 | -29.6% |
| Deferred tax assets | 157.3 | 113.6 | 38.4% |
| Other non-current assets | 466.9 | 182.4 | 156.0% |
| **Total non-current assets** | **65,185.2** | **72,692.1** | **-10.3%** |
| **Current assets** | | | |
| Inventories | 461.4 | 394.8 | 16.9% |
| Trade and other receivables | 4,870.6 | 4,600.5 | 5.9% |
| Current tax assets | 235.0 | 179.2 | 31.2% |
| Financial assets | 93.4 | 758.6 | -87.7% |
| Cash and cash equivalents | 1,239.0 | 1,109.1 | 11.7% |
| Restricted cash | 168.1 | 202.0 | -16.8% |
| **Total current assets** | **7,067.5** | **7,244.3** | **-2.4%** |
| *Assets classified as held for sale* | 184.3 | 476.0 | -61.3% |
| **Total assets** | **72,437.0** | **80,412.3** | **-9.9%** |
| | | | |
| Issued capital | 76.5 | 76.5 | 0.0% |
| Treasury shares | (370.1) | - | - |
| Additional paid in capital | 2,572.8 | 738.0 | 248.6% |
| Other reserves | (807.7) | (564.8) | 43.0% |
| Accumulated losses | (3,296.7) | (2,779.5) | 18.6% |
| **Equity attributable to owners of the Company** | **(1,825.2)** | **(2,529.8)** | **-27.9%** |
| Non-controlling interests | 1,244.2 | 190.2 | 554.2% |
| **Total equity** | **(581.0)** | **(2,339.6)** | **-75.2%** |
| **Non-current liabilities** | | | |
| Long term borrowings, financial liabilities and | 50,059.4 | 52,826.3 | -5.2% |
| Other financial liabilities | 1,963.1 | 4,480.0 | -56.2% |
| Provisions | 1,484.0 | 1,876.2 | -20.9% |
| Deferred tax liabilities | 4,355.2 | 8,074.3 | -46.1% |
| Other non-current liabilities | 637.7 | 878.4 | -27.4% |
| **Total non-current liabilities** | **58,499.4** | **68,135.2** | **-14.1%** |
| **Current liabilities** | | | |
| Short-term borrowings, financial liabilities | 1,792.9 | 1,342.3 | 33.6% |
| Other financial liabilities | 2,394.0 | 3,491.9 | -31.4% |
| Trade and other payables | 8,368.8 | 7,713.4 | 8.5% |
| Current tax liabilities | 205.4 | 298.4 | -31.2% |
| Provisions | 542.4 | 658.8 | -17.7% |
| Other current liabilities | 1,110.4 | 1,022.7 | 8.6% |
| **Total current liabilities** | **14,413.9** | **14,527.4** | **-0.8%** |
| *Liabilities directly associated with assets* | 104.7 | 89.2 | 17.4% |
| **Total liabilities** | **73,018.0** | **82,751.8** | **-11.8%** |
| **Total equity and liabilities** | **72,437.0** | **80,412.2** | **-9.9%** |

For the year ended December 31, 2017, the Group had a total asset position of €72,437.0 million and a net negative equity position of €581.0 million. The major contributors to the total asset position of the Group are the SFR Group Business, the US subsidiaries Suddenlink and Cablevision, and PT Portugal.

*Current assets*

As at December 31, 2017, the Group had a current asset position of €7,067.5 million, a 2.4% decrease compared to €7,244.2 million as at December 31, 2016. This decrease was mainly due to a decrease in the short-term part of derivative financial assets, mainly related to the remeasurement of the fair value at the balance sheet date of

derivatives entered into to hedge the debt position in compliance with the treasury policy. Cash and cash equivalents increased from €1,109.1 million as of December 31, 2016 to €1,239.0 million as of December 31, 2017. This increase was mainly due to an increase in Adjusted EBITDA.

Trade and other receivables increased by 5.9% (from €4,600.5 million in 2016 to €4,870.6 million in 2017), mainly in France due to increases in unbilled roaming revenues, year-end billing runs and prepaid expenses for RAN sharing. These increases were partly offset by reductions in trade and other receivables in other countries.

*Non-current assets*

As of December 31, 2017, the Group had a non-current asset position of €65,185.2 million, a 10.3% decrease as compared to €72,692.1 million as of December 31, 2016, that consists of the following:

*Property, plant and equipment* ("PPE"). The Group includes companies that have substantial PPE relating to their telecommunications network, which are required to enable them to run their business. The net book value of such assets (classified under the property, plant and equipment caption) amounted to €15,161.4 million as of December 31, 2017 compared to €16,256.8 million at December 31, 2016. The decrease is mainly explained by the impact of depreciation (€2,943.5 million) and foreign currency fluctuations (€803.7 million), partly offset by additions (€3,024.1 million) and other immaterial movements.

*Intangible assets*. The net book value of intangible assets amounted to €24,502.3 million at December 31, 2017 compared to €29,412.1 million at December 31, 2016. The decrease is explained by the impact of foreign currency fluctuations (€2,287.7 million) and amortization (€4,074.0 million), partly offset by additions (€1,286.8 million) and other immaterial movements.

*Goodwill*. The net book value of goodwill decreased from €23,045.7 million at December 31, 2016 to €22,302.4 million at December 31, 2017. The decrease in goodwill is mainly resulting from the impact of foreign currency fluctuations in US Dollar, Dominican Peso and Israeli Shekel, partly offset by additions through new acquisitions and purchase price adjustments.

*Investments in associates*. The investments in associates decreased from €65.7 million at December 31, 2016 to €49.4 million at December 31, 2017. This decrease is mainly explained by NextRadioTV taking control of the company PHO Holding during the third quarter of 2017, resulting in the company Diversité TV France being fully consolidated. This decrease is partly offset by the acquisition of a 25% stake in the capital of SPORT TV for €12.3 million by PT Portugal on February 24, 2017.

*Financial assets*. Financial assets amounted to €2,545.5 million at December 31, 2017, a decrease of 29.6% compared to €3,615.8 million at December 31, 2016, mainly related to the remeasurement of the fair value at the balance sheet date of derivatives entered into to hedge the debt position in compliance with the treasury policy.

*Deferred tax assets*. Deferred tax assets amounted to €157.3 million as of December 31, 2017, an increase of 38.4% compared to €113.6 million at December 31, 2016. For information on the changes in the deferred tax assets, please see Note 23.3 to the Consolidated Financial Statements.

*Current liabilities*

The Group had a current liability position of €14,413.9 million at December 31, 2017 compared to €14,527.4 million at December 31, 2016, mainly composed of trade and other payables, current portion of debentures and other financial liabilities.

Trade and other payables amounted to €8,368.8 million for the year ended December 31, 2017, an increase of 8.5% compared to €7,713.4 million for the year ended December 31, 2016, mainly as a result of acquisition of entities during the year and an increase of corporate and social security contributions mainly in SFR Group due to the reclassification of indemnity provisions to social payables during the on-going voluntary departure plan.

The high level of trade payables is structural (i.e., related to the structure of the industry in general) and follows industry norms, as customers generally make payments in advance, based on their billing cycle, and suppliers are paid as per the standard payment terms prevalent in each country. The Group generates sufficient operating cash to respect its current debts and has access to revolving credit facilities to assist in meeting its current debt obligations.

The current portion of borrowings increased from €1,342.3 million as of December 31, 2016 to €1,792.9 million as of December 31, 2017. The balance as at December 31, 2017 primarily relates to €199.0 million (ILS 957 million), debentures related to HOT and €1,300.1 million Altice USA Senior Notes maturing in 2018. The balance as at December 31, 2016 primarily relates to €878.5 million ($900 million) 2009 Cablevision Senior Notes maturing in September 2017 as well as €310.0 million drawn under the 2014 Altice Financing Revolving Credit Facility Agreement.

Other financial liabilities registered a decrease of 31.4% to reach €2,394.0 million as of December 31, 2017 compared to €3,491.9 million in the year ended December 31, 2016. This was mainly driven by:

- a decrease in the current portion of the collateralised debt at Altice USA (€590.1 million);
- a decrease in accrued interest, following interest payments during the period (€392.1 million);
- the repayment of a €100.0 million vendor loan, relating to the acquisition of Altice Media Group by SFR Group from a company controlled by the controlling shareholder of the Group;
- the redemption of the short-term loans of CVC 1 for an aggregate of €220.5 million, including accrued interest; and
- the repayment of commercial paper by SFR Group for an aggregate amount of €215.0 million.

The decreases in other financial liabilities explained above have been partly offset by increases in indebtedness related to securitization and reverse factoring for a total amount of €212.5 million, of which €182 million relate to reverse factoring programmes and securitization of certain B2B receivables in SFR Group, and other movements for an amount of €171.4 million.

*Non-current liabilities*

The Group's non-current liabilities are mainly composed of bonds and indebtedness obtained from banking institutions in order to finance new acquisitions. The non-current liability position was €58,499.4 million as of December 31, 2017 compared to €68,135.2 million as of December 31, 2016.

The Company raises debt through its subsidiaries Altice Corporate Financing, Altice Luxembourg, Altice Finco, Altice Financing, SFR Group, Altice US Finance I, Cequel Communications Holdings I, LLC, Cequel Capital Corporation, Cablevision, CSC Holdings, HOT and certain of their subsidiaries.

As of December 31, 2017, debentures and bank loans issued by the restricted group of (i) Altice Luxembourg amounted to €6,385.1 million (equivalent), (i) SFR Group amounted to €15,936.3 million (equivalent), (ii) Altice International amounted to €7,794.3 million (equivalent) and (iii) Altice USA amounted to €16,956.4 million (equivalent). In addition, the corporate facility contracted by Altice Corporate Financing amounted to €2,353.0 million and senior and unsecured debentures and bank loans incurred or owed by other Group Companies amounted to €22.8 million (equivalent).

Other non-current financial liabilities are mainly composed of liabilities related to transactions with non-controlling interest (put options, vendor notes, contributions) and a collateralized debt obligation at Cablevision. Other non-current financial liabilities decreased from €4,480.0 million to €1,963.1 million compared to December 31, 2016, mainly as a result of the following:

- the put options that the Group entered with the non-controlling interests in the US no longer exist following the Altice USA IPO. The fair value previously recognized was reversed, with a total reduction of €2,812.3 million from the amount reported in the Company's consolidated financial statements as of and for the year ended December 31, 2016;
- the $525 million Sponsors loan, issued by the non-controlling interests in the US, was redeemed via a capital contribution (€498.1 million);
- an increase of €492.9 million in the non-current portion of the collateralised debt held at Altice USA in relation to the Comcast share investments; the entire balance is now classified as non-current following changes in the agreements; and
- the US Carried Unit Plan was remeasured to its fair value at December 31, 2017, of €193.2 million.

Retirement benefit obligations (included in non-current provisions) decreased to €973.8 million as of December 31, 2017 (€1,125.7 million as of December 31, 2016). For information on the changes in the retirement benefit obligations, please see Note 16 to the Consolidated Financial Statements.

Deferred tax liabilities decreased by 46.1% to reach €4,355.2 million as of December 31, 2017, compared to €8,074.3 million as of December 31, 2016. For information on the changes in the deferred tax liabilities, please see Note 23.3 to the Consolidated Financial Statements.

### *2.5.6 Going concern assumption*

As of December 31, 2017, the Group had net current liability position of €7,346.4 million (mainly due to trade payables amounting to €8,368.8 million) and a negative working capital of €3,036.8 million. During the twelve-month period ended December 31, 2017, the Group registered a net loss of €194.8 million and generated cash flows from operations of €8,065.4 million.

As of December 31, 2017, the Group had a negative equity position of €581.0 million compared to a negative equity position of €2,339.6 million as at December 31, 2016. The negative equity position improved from the prior period due to the cancellation of the put options of €2,812.3 million held by the minority investors in the US.

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; €4,870.6 million compared to €8,368.8 million for the twelve-month period ended December 31, 2017, as compared to €4,600.5 million and €7,713.4 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 consists of debentures of Altice USA (€1,300.1 million) and HOT (€199.0 million), due within the next twelve months. In January 2018, CSC Holdings entered into a new $1,500 million incremental term loan facility, which will mature on January 25, 2026. Of the net proceeds from the incremental term loan facility, $900 million will be used to repay the CSC Holdings' debentures maturing later in 2018. For additional information, please also refer to section 2.5.13 "*Events after the reporting period - Issuance of Cablevision's $1,500 million incremental term loans*". 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, the revolving credit facilities at Altice USA and Altice Financing were drawn in an aggregate of €494.3 million. A listing of available credit facilities by silo is provided in Note 17 to 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 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 €9,413.0 million, an increase of 16.4% compared to the same period last year. This increase in Adjusted EBITDA is mainly due to the integration of newly acquired entities (please refer to Note 3 to the Consolidated Financial Statements).
  - Operating cash flows for the twelve-month period ended December 31, 2017 were €8,065.4 million, an increase of 15.2% compared to the twelve-month period ended December 31, 2016 (€7,003.1 million).

- The Group had healthy unrestricted cash reserves €1,239.0 million as of December 31, 2017, compared to €1,109.1 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
  - United States: €228 million
  - Altice International: €253 million

- The Group will use part of the proceeds from the expected cash dividend of $1,008 million to be received from Altice USA for the repayment of a portion of outstanding borrowings under the Bank Guarantee Agreement. For further details please also refer to "*Separation of Altice USA from the Company*" below.

- Additionally, as of December 31, 2017, the Group had access to revolving credit and guarantee facilities of up to €4,440.3 million (of which €494.3 million were drawn as of December 31, 2017), as follows:

- Altice Luxembourg's restricted group had an aggregate of €200.0 million (equivalent) available borrowings under the 2014 Altice Luxembourg Revolving Credit Facility Agreement;
- Altice International's restricted group had an aggregate of €911.0 million (equivalent) available borrowings under the 2013 Altice Financing Revolving Credit Facility Agreement, the 2017 Guarantee Facility Agreement, the 2014 Altice Financing Revolving Credit Facility Agreement and the 2015 Altice Financing Revolving Credit Facility Agreement;
- the SFR Group's restricted group had an aggregate of €1,125.0 million (equivalent) available borrowings under the 2014 SFR Revolving Credit Facility Agreement;
- Altice USA's restricted group had an aggregate of €2,204.3 million (equivalent) available borrowings under the 2015 Cequel Revolving Credit Facility and under the 2015 Cablevision Revolving Credit Facility.

- Finally, the Group 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 and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and help to ensure that the budgeted targets are met.

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

*Separation of Altice USA from the Company*

On January 8, 2018, the Company announced that its Board has approved plans for the separation of Altice USA from the Company (which will be renamed "Altice Europe"). The separation is to be effected by a spin-off of the Company's 67.2% interest in Altice USA through a distribution in kind to the Company's shareholders. Simultaneously, the Board of Directors of Altice USA, acting through its independent directors, approved in principle the payment of a $1.5 billion cash dividend to all shareholders immediately prior to completion of the separation. The Company will use €625 million of its $1,008 million of proceeds received in the Altice USA dividend to prepay a portion of outstanding borrowings under the Bank Guarantee Agreement and will retain c.€275 million on balance sheet to provide funding for the Altice TV division. For further information, please also refer to section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company"*.

At the core of Altice Europe's strategy is a return to revenue, profitability and cash flow growth and, as a result, deleveraging. Altice Europe 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 Europe 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 operations and the French and Portuguese tower portfolio is underway, with the signing of an agreement expected during the first half year of 2018.

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

- 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 Europe's profitability and financial structure and further confirms the view that the Company will continue to act as a going concern for twelve months after December 31, 2017.

### *2.5.7 Key operating measures*

The Group uses several key operating measures, such as number of homes passed, Cable/Fiber unique customers, Fixed ARPU, number of mobile subscribers and Mobile ARPU, to track the financial and operating performance of its 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 the Group's internal operating and financial systems. As defined by the Group's management, these terms may not be directly comparable to similar terms used by competitors or other companies.

The tables below set forth the Group's key operating measures for the years ended December 31, 2017 and December 31, 2016, respectively:

| **Q4-17 [12 months]** | As and for the year ended December 31, 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | France | FOT | Optimum | Suddenlink | Portugal | Israel | Dominican Republic | Total |
| **Homes passed** | **24,921** | **178** | **5,164** | **3,457** | **5,046** | **2,497** | **786** | **42,048** |
| Fiber / cable homes passed | 10,951 | 172 | 5,164 | 3,193 | 4,027 | 2,497 | 748 | 26,752 |
| **FIXED B2C** | | | | | | | | |
| **Fiber / cable unique customers** | **2,231** | **59** | **2,893** | **1,642** | **620** | **1,001** | **204** | **8,649** |
| Fiber / cable customer net adds | 193 | (0) | 14 | (8) | 142 | (16) | (1) | 324 |
| **Total DSL / non-fiber unique customers** | **3,711** | **24** | **-** | **-** | **935** | **-** | **120** | **4,790** |
| DSL / non-Fiber customer net adds | (364) | (5) | - | - | (186) | - | 5 | (551) |
| **Total fixed B2C unique customers** | **5,943** | **82** | **2,893** | **1,642** | **1,555** | **1,001** | **323** | **13,439** |
| Total fixed B2C customer net adds | | | | | | | | |
| Fixed ARPU (€/month) | € 35.8 | € 45.9 | € 138.5 | € 98.3 | € 33.8 | € 56.6 | € 28.3 | - |
| **MOBILE B2C** | | | | | | | | |
| **Postpaid subscribers** | **12,535** | **191** | **-** | **-** | **2,817** | **1,152** | **536** | **17,231** |
| Postpaid net adds | 199 | 29 | - | - | 95 | 70 | (29) | 364 |
| **Prepaid subscribers** | 1,842 | 55 | - | - | 3,658 | 145 | 2,717 | 8,418 |
| **Total mobile B2C subscribers** | **14,378** | **246** | **-** | **-** | **6,476** | **1,296** | **3,252** | **25,649** |
| Mobile ARPU (€/month) | € 22.7 | € 32.3 | - | - | € 6.3 | € 12.5 | € 8.5 | - |

| Q4-16 [12 months] | As and for the year ended December 31, 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | France | FOT | Optimum | Suddenlink | Portugal | Israel | Dominican Republic | Total |
| **Homes passed** | **25,732** | **178** | **5,116** | **3,407** | **4,985** | **2,454** | **739** | **42,613** |
| Fiber / cable homes passed | 9,316 | 171 | 5,116 | 3,147 | 3,123 | 2,454 | 640 | 23,968 |
| **FIXED B2C** | | | | | | | | |
| **Fiber / cable unique customers** | **2,038** | **59** | **2,879** | **1,649** | **478** | **1,017** | **205** | **8,325** |
| Fiber / cable customer net adds | 209 | 4 | 22 | 31 | 74 | (10) | 33 | 362 |
| **Total DSL / non-fiber unique customers** | **4,075** | **29** | **-** | **-** | **1,122** | **-** | **115** | **5,341** |
| DSL / non-Fiber customer net adds | (463) | (22) | - | - | (155) | - | (18) | (659) |
| **Total fixed B2C unique customers** | **6,113** | **88** | **2,879** | **1,649** | **1,599** | **1,017** | **320** | **13,666** |
| Total fixed B2C customer net adds | | | | | | | | |
| Fixed ARPU (€/month) | € 35.9 | € 45.4 | € 138.4 | € 97.2 | € 33.8 | € 56.6 | € 29.2 | - |
| **MOBILE B2C** | | | | | | | | |
| **Postpaid subscribers** | **12,337** | **162** | **-** | **-** | **2,722** | **1,081** | **565** | **16,868** |
| 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** | **14,625** | **223** | **-** | **-** | **6,169** | **1,187** | **3,511** | **25,715** |
| Mobile ARPU (€/month) | € 22.6 | € 32.3 | - | - | € 6.9 | € 11.2 | € 8.8 | - |

(1) Total homes passed in France includes unbundled DSL homes outside of the SFR Group Business's fiber / cable (FTTH / FTTB) footprint. Portugal total homes passed includes DSL homes enabled for IPTV outside of PT Portugal's fiber footprint. Dominican Republic total homes passed includes DSL homes outside of Altice Hispaniola's and Tricom's fiber footprint. In Israel, the total number of homes passed is equal to the total number of Israeli homes. For Optimum, the total homes passed includes both the B2C (residential) and B2B (commercial) units. For Suddenlink, the total homes passed includes B2C (residential) units only, not B2B.
(2) 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 how many 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 and includes a total of 19,000 La Poste TV customers from a new revenue sharing agreement within the B2C fixed base from the fourth quarter of 2016 (4,000 net additions in the fourth quarter). For Optimum and Suddenlink customers, it refers to the total number of unique B2C (residential) customer relationships but excludes B2B (consistent with Suddenlink prior disclosure, but not with Optimum prior disclosure that used to include B2C and B2B). For Israel, it refers to the total number of unique customer relationships, including both B2C and B2B.
(3) ARPU is an average monthly measure that the Group uses to evaluate how effectively the Group is realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Suddenlink and Optimum, Israel and the Dominican Republic, ARPU has been calculated by using the following exchange rates: average rate for the year ended December 31, 2017, €1.00 = $1.1301, €1.00 = ILS 4.0607, €1.00 = 53.6481 DOP, average rate for the year ended December 31, 2016, €1.00 = $1.1069, €1.00 = ILS 4.2488, €1.00 = 50.8876 DOP. Optimum's ARPU has been recalculated to exclude advertising revenue compared to prior disclosure.
(4) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Group's mobile networks. In Israel, the split between iDEN and UMTS (B2C only, including prepaid) services as follows: 8,000 iDEN and 1,289,000 UMTS as of December 31, 2017, and 10,000 iDEN and 1,177,000 UMTS as of December 31, 2016.

### *2.5.8 Equity*

The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands.

The Company's Common Shares A and Common Shares B are traded on Euronext Amsterdam under the tickers ATC and ATCB.

As of December 31, 2017, the Company's authorized capital is €345,962,639.50, divided into the following shares:

- 8,899,142,150 Common Shares A, each with a nominal value of €0.01;
- 269,884,872 Common Shares B, each with a nominal value of €0.25;
- 4,700,000,000 Preference Shares A, each with a nominal value of €0.04; and
- 150,000,000 Preference Shares B, each with a nominal value of €0.01.

As of December 31, 2017, the Company's issued share capital consists of €76,482,509.50, divided into:

- 1,572,352,225 Common Shares A, of which 624,077,513 are held by the Company as treasury shares; and
- 243,035,949 Common Shares B, of which 1,307,716 are held by the Company as treasury shares.

As of December 31, 2017, no Preference Shares A or Preference Shares B have been issued.

The Company has instituted a share conversion policy, whereby the holders of Common Shares B can opt to convert their Shares into Common Shares A. As part of the conversion, each Common Share B with a nominal value of €0.25 is converted into 25 Common Shares A having a nominal value of €0.01. The holder of the Common Share B then receives one Common Share A and sells the other 24 Common Shares A to the Company for no consideration. These repurchased Shares are held as treasury shares by the Company. As the consideration paid for the acquisition of the Common Shares A held by the Company is nihil, the carrying value of these Common Shares A is zero. For the year ended December 31, 2017, the Company had received and executed conversion orders amounting to a total of 23,999,567 Common Shares B.

As of December 31, 2017, total negative equity amounted to €581.0 million compared to a negative equity of €2,339.6 million as of December 31, 2016. The share of non-controlling interest amounted to €1,244.2 million as of December 31, 2017 compared to €190.2 million as of December 31, 2016. The increase is explained by an increase in the financial interest held by non-controlling interests in the United States due to the impact of the Altice USA IPO on June 22, 2017, which resulted in an increase of €1,517.2 million in non-controlling interests and the share of profit for the year ended December 31, 2017 allocated to non-controlling interests of €426.9 million, which was mainly due to the profit recorded in Altice USA of €1,346.4 million following a change in tax legislation in the United States leading to a large tax credit in 2017. This increase was partly offset by a reduction in the financial interest held by non-controlling interests in SFR Group due to the share exchange and buyout of SFR Group shares from the minority investors whereby the Group obtained 100% interest in SFR Group, thereby reducing the non-controlling interest by €510.8 million. In addition, the increase in the United States was partly offset by a decrease of €246.9 million related to dividend payment and foreign exchange impacts recognized in other comprehensive income which reduced non-controlling interests by €118.3 million.

The Group recorded a net loss of €194.8 million compared to a net loss of €1,861.5 million for the year ended December 31, 2016, thus also explaining the increase in total equity. The Group believes that the negative equity position does not impact the going concern assumption for the Group (please see Note 32 to the Consolidated Financial Statements).

### *2.5.9 Share performance*

The evolution of the price of the Common Shares A until December 31, 2017 is presented below and is based on data available from public sources.

The share price performance of Common Shares A has been volatile throughout 2017, ending the year at €8.75, a decrease of 53.6% versus the opening price at the beginning of the year. In the first half of the year, the share price of Common Shares A increased by 22.7% to a peak of €23.1 on May 9, 2017, mainly related to the improved performance of the Group's businesses in the US and in anticipation of the IPO of Altice USA (which started trading on June 22, 2017). However, subsequently market concerns over a deterioration of the US video market weighed on the valuations of listed cable businesses including Altice USA, on top of press speculation of potential US M&A being received negatively, which in turn negatively impacted the Company's share price. A deterioration of the operating and financial performance of the Group's business in France, as well as management changes here, also negatively impacted the share price of Common Shares A in the second half of 2017. Lastly, market concerns over the Group's leverage in a potential rising rate environment contributed to the relative underperformance of the share price of Common Shares A.

### *2.5.10 Presence of branches*

The Company has no branches as of December 31, 2017.

### *2.5.11 Dividends*

The Company has not paid any dividends since its incorporation. In 2018, the Company intends to spin-off its 67.2%[5] interest in Altice USA through a distribution in kind to its Shareholders, with a view to separating Altice USA from the Company. In future years, the Company intends to assess the relevance of paying dividends in light of its strategy to prioritize value-enhancing acquisitions or investments in its infrastructure or portfolio of rights. Within this framework, the Company will at times consider returning capital to the Shareholders through ordinary and exceptional dividend as well as share buy-backs if deemed adequate on the basis of its review of the opportunity set for acquisitions or development projects.

[5] The Distribution will exclude the shares of Altice USA indirectly owned by the Company through Neptune Holding US LP.

### *2.5.12 Treasury shares*

As of December 31, 2017, the Company held 624,077,513 Common Shares A and 1,307,716 Common Shares B as treasury shares.

As set forth in section 2.5.8 "*Equity*", the Company has instituted a share conversion policy, whereby the holders of Common Shares B can opt to convert their Shares into Common Shares A. As part of the conversion, each Common Share B with a nominal value of €0.25 is converted into 25 Common Shares A having a nominal value of €0.01. The holder of the Common Share B then receives one Common Share A and sells the other 24 Common Shares A to the Company for no consideration. These repurchased Shares are held as treasury shares by the Company. Accordingly, it depends on the holders of Common Shares B that may decide to convert their shares whether the Company will acquire additional Common Shares A to be held as treasury shares as a consequence of such share conversion policy.

Treasury shares may be used to cover grants under the Company's Stock Option Plans (described in section 5.5.7 "*Share options*") and for other purposes. The Company may furthermore repurchase Shares which can be used to cover grants under the Stock Option Plans (please see section 2.4.1 "*Significant events affecting historical results*" for a description of the share repurchase programmes carried out by the Company in 2017). As described in section 3.7.8 "*Power to issue and repurchase Shares*", no authorization from the General Meeting is required for the acquisition of fully paid up issued Shares for the purpose of transferring the same to employees of the Company or of a Group Company under a scheme applicable to such employees (such as the Stock Option Plans), provided that such issued Shares are listed on a stock exchange.

Certain of the Company's treasury shares will be cancelled, please see section 2.5.13 "*Events after the reporting period - Cancellation of treasury shares*".

### *2.5.13 Events after the reporting period*

***Separation of Altice USA from its controlling stockholder, the Company***

On January 8, 2018, the Company 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. The Company aims to complete the proposed transaction by the end of the second quarter 2018 following regulatory and the General Meeting's approvals.

The separation is to be effected by a spin-off of the Company's 67.2%[6] interest in Altice USA through a distribution in kind to the Company's shareholders. Following this proposed transaction, the two companies will be led by separate management teams. Mr. Drahi, founder of Altice, will retain control of both companies through Next Alt S.à r.l. ("**Next Alt**") and is committed to long-term ownership. Post-separation, Mr. Drahi will serve as President of the Board of Altice Europe and Chairman of the Board of Altice USA.

Simultaneously, the Board of Directors of Altice USA, acting through its independent directors, approved in principle the payment of a $1.5 billion cash dividend to all shareholders immediately prior to completion of the separation (the "**Pre-Distribution Dividend**"). Formal approval of the Pre-Distribution Dividend and setting of a record date are expected to occur in the second quarter of 2018. The Company will use €625 million of the approximately $1,008 million of proceeds received from the Pre-Distribution Dividend to prepay a portion of outstanding borrowings under the Bank Guarantee Agreement and will retain approximately €275 million as cash on balance sheet to provide funding for the Altice TV division. In addition, the Board of Directors of Altice USA has authorized a share repurchase program of $2 billon, effective following completion of the separation.

In the spirit of enhanced accountability and transparency, the Company will reorganize its structure comprising Altice France (including the French Overseas Territories), Altice International and a newly formed Altice TV subsidiary. This will include integrating the Group's support services businesses into their respective markets and bundling Altice Europe's premium content activities into one separately funded

[6] The Distribution will exclude the shares of Altice USA indirectly owned by the Company through Neptune Holding US LP.

operating unit with its own P&L. The Company'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.

***Issuance of Cablevision's $1,500 million incremental term loans***

On January 12, 2018, CSC Holdings successfully priced, for the Cablevision credit pool, $1,500 million of 8-year incremental term loans under the 2015 Cablevision Credit Facility Agreement. The term loans were issued at OID of 99.50 and are due to mature in January 2026. The term loans may be comprised of eurodollar borrowings or alternate base rate borrowings, and will bear interest at a rate per annum equal to the adjusted LIBO rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 1.50% per annum and (ii) with respect to any eurodollar loan, 2.50% per annum. The term loans were drawn on January 25, 2018. The proceeds of the term loans were used, together with proceeds from CSC Holdings' offering of new 2018 Cablevision Senior Guaranteed Notes, borrowings under the 2015 Cablevision Revolving Credit Facility and cash on balance sheet, to (i) refinance all of CSC Holdings' 7⅞% senior debentures due 2018, (ii) make a dividend to Cablevision, the direct parent of CSC Holdings, which used the proceeds to refinance all of Cablevision's 7¾% senior notes due 2018, (iii) temporarily repay approximately $450.0 million of outstanding borrowings under the 2015 Cablevision Revolving Credit Facility, (iv) fund a dividend of $1,500 million to Cablevision and (v) pay fees, costs and expenses associated with these transactions. Cablevision will use the proceeds referred to in (iv) above to fund a dividend to its parent, Altice USA, which will in turn use such proceeds to fund the Pre-Distribution Dividend.

***Issuance of Cablevision's $1,000 million Senior Guaranteed Notes due 2028***

On January 12, 2018, CSC Holdings successfully priced $1,000 million in aggregate principal amount of Senior Guaranteed Notes due 2028. The 2018 Cablevision Senior Guaranteed Notes bear interest at a rate of 5.375% and are due to mature on February 1, 2028. The offering closed on January 29, 2018. The proceeds of the 2018 Cablevision Senior Guaranteed Notes will be used, together with proceeds from the $1,500 million of incremental term loans borrowed under the 2015 Cablevision Credit Facility Agreement (as described above) to (i) refinance all of CSC Holdings' 7⅞% senior debentures due 2018, (ii) make a dividend to Cablevision, the direct parent of CSC Holdings, which used the proceeds to refinance all of Cablevision's 7¾% senior notes due 2018, (iii) temporarily repay approximately $450.0 million of outstanding borrowings under the 2015 Cablevision Revolving Credit Facility, (iv) fund a dividend of $1,500 million to Cablevision and (v) pay fees, costs and expenses associated with these transactions.

***Cancellation of treasury shares***

On January 26, 2018, the Board resolved to cancel 370,000,000 common shares A held by the Company, in addition to the 416,000,000 common shares A and 1,307,716 common shares B that it resolved to cancel on December 4, 2017.

***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.

***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.

***Issuance of Cequel's $1,050 million Senior Notes due 2028***

On March 22, 2018, Cequel Communications Holdings I, LLC and Cequel Capital Corporation successfully priced $1,050 million in aggregate principal amount of Senior Notes due 2028. The 2018 Cequel Senior Notes will bear interest at a rate of 7.500% and are due to mature on April 1, 2028. The offering is expected to close on or about April 5, 2018, subject to customary closing conditions. The proceeds from the offering, together with cash on hand, are expected to be used to redeem the $1,050 million aggregate principal amount outstanding of the 2012 Cequel Senior Notes and to pay fees, costs and expenses in connection therewith.

### *2.5.14 Related party transactions*

Transactions with related parties are mainly related to transactions with associates of the various operating entities of the Group, such as SFR Group, 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 to the Consolidated Financial Statements for more details on SFR Group's and PT Portugal's associates);
- entering into a brand license and services 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;
- significant debt transactions with minority shareholders in Altice USA and other transactions with the controlling shareholder of the Group;
- exchange of services like healthcare insurance, management of emergency network and broadcasting of sport events between PT Portugal and its associate companies; and
- services between HOT and Phi, its joint venture partner for mobile services.

The Group also entered into rental agreements for office space in France for SFR Group with Quadrans, a company controlled by the ultimate beneficial owner of the Group. The Group has an agreement for the exclusive use of a data center located in Switzerland and 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 the Group with InfraVia Capital Parnters, through the InfraVia III fund, for the sale of the shares of green.ch AG and Green Datacenter AG, Green Datacenter AG signed a share and purchase agreement with Anfa II Holding S.à r.l., a related party of the Company, for the acquisition of the shares of Green Datacenter Properties AG.

In addition to the transactions mentioned above, certain managers and executives have acquired equity in Altice USA as part of the management investment plan that Altice USA established.

The Group licences the Altice brand from Next Alt as part of a brand license and services 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. In 2017, the brand license and services agreement was amended. Instead of a fee, Next Alt was granted 30 million stock options (please see section 3.8.1 "*Conflict of interest and transactions with Board Members and major Shareholders*"). In light of Mr. Drahi's significant and ongoing direct contributions to the development and implementation of the Altice USA's strategic vision, on December 30, 2017, non-qualified options to purchase 600,604 shares of Altice USA Class A common stock were granted under the AUSA LTIP to a personal holding company that is wholly-owned and controlled by Mr. Drahi. The options have a grant date fair value of $5.3 million. Stock compensation expenses for these options were zero as the grant date was on December 30, 2017. A total operating expense with the Company's equity holder of €53.1 million and €41.3 million was recognised in the consolidated statement of income for the years ended December 31, 2017 and December 31, 2016, respectively.

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

| Related party transactions - income and expense | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Revenue | Operating | Financial | Financial | Capex |
| (€m) | | expenses | expenses | income | |
| Equity holders | - | 53.1 | - | - | - |
| Executive managers | - | - | - | - | - |
| Associate companies and non-controlling interests | 142.0 | 137.5 | 29.0 | 1.0 | 14.3 |
| **Total** | **142.0** | **190.7** | **29.0** | **1.0** | **14.3** |

| Related party transactions - income and expense | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Revenue | Operating | Financial | Financial | Capex |
| (€m) | | expenses | expenses | income | |
| Equity holders | - | 41.3 | - | - | - |
| Executive managers | - | - | - | - | - |
| Associate companies and non-controlling interests | 130.3 | 104.5 | 31.9 | - | - |
| **Total** | **130.3** | **145.8** | **31.9** | **-** | **-** |

| Related party balances - assets | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| (€m) | Loans and receivables | Trade receivables and other | Current accounts | Loans and receivables | Trade receivables and other | Current accounts |
| Equity holders | 11.3 | - | - | - | - | - |
| Executive managers | - | - | - | - | - | - |
| Associate companies and non-controlling interests | 72.6 | 44.5 | 11.4 | 121.2 | 36.9 | - |
| **Total** | **83.9** | **44.5** | **11.4** | **121.2** | **36.9** | **-** |

| Related party balances - liabilities | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| (€m) | Other financial liabilities | Trade payables and other | Current accounts | Other financial liabilities | Trade payables and other | Current accounts |
| Equity holders | - | 4.0 | - | - | 12.0 | - |
| Executive managers | - | - | - | - | - | - |
| Associate companies and non-controlling interests | - | 70.3 | 0.4 | 3,805.2 | 5.9 | - |
| **Total** | **-** | **74.3** | **0.4** | **3,805.2** | **17.9** | **-** |

The increase in the related party transactions and balances for operating expenses, accounts receivables, accounts payables and revenues is mainly driven by transactions that SFR Group and PT Portugal with their associate companies (please refer to Note 8 to the Consolidated Financial Statements for more details on SFR Group's and PT Portugal's associates). These transactions were mainly related to telephony with La Poste Telecom, Fibroglobal - Comunicações Electrónicas, Siresp, Sport TV Portugal, VOD Factory, Synerail and Phi.

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

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

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

- Fibroglobal - Comunicações Electrónicas for €8.3 million for fiber network infrastructure management (the operating expenses 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);
- La Poste Telecom for 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 expenses by its controlling shareholder, Next Alt, as part of the brand license and services agreement entered into in 2016. 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 being 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 SFR Group.

The financial expense of €29.0 million mainly relates to interest on the loan with BC Partners and CPPIB amounting to €24.0 million for both BC Partners and CPPIB for the first six months of 2017, as the loan was settled as part of the Altice USA IPO.

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

- a loan of €14.2 million to Fibroglobal - Comunicações Electrónicas, which provides fiber network and infrastructure management services to PT Portugal;
- a loan receivable of €14.8 million with Synerail in relation to the GSMR project; and
- a subordinated loan with Wananchi of €43.0 million.

The Group also entered into rental agreements for office space in France for SFR 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.

During 2016, there was a transaction with an entity controlled by the controlling shareholder to sell a €9.0 million stake ($10 million equivalent) in CVC 1. The transaction was completed on July 1, 2016 and the amount was recorded as a current receivable as of December 31, 2016. In 2017, this receivable was repaid as part of the Altice USA IPO.

The decrease in other financial liabilities is mainly related to:

- capitalization of the debt issued by Altice USA (as successor to Neptune Holding US Corporation) and subscribed by the non-controlling interests in CVC 2 for an amount of €498.1 million ($525 million equivalent) as part of the Altice USA IPO in 2017;
- unwinding of the put with minority shareholders in CVC 2 valued at €2.8 billion as of December 31, 2016;
- repayment of CVC 1 note including accrued interest of €220.5 million with dividends received from the Altice USA IPO; and
- 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 Altice Media Group by SFR Group from a company controlled by the controlling shareholder of the Group.

The trade payables and other is mainly related to:

- the 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 partner that operates a mobile network in Israel;
- Sport TV that provides broadcasting services of sport events to PT Portugal. PT Portugal has a trade payable of €6.9 million as of December 31, 2017;
- Portugal Telecom - Associação de Cuidados de Saúde, which provides healthcare insurance for the PT Portugal's active and retired employees. A trade payable of €6.6 million exists as of December 31, 2017.

The total amount of transactions with the controlling shareholder of the Group amounted to €558.1 million as per December 31, 2017 (including future operating leases in France with Quadrans).

## 2.6 Future developments

***Investments in network and content***

Based on the results of operations and the implementation of various strategies, the Group believes that it will be able to make substantial investments in the geographies in which it operates, including France, Portugal and the US.

In France, the Group accelerated the build-out of its 4G network over the last two years to have a market-leading mobile network in place by the end of 2017 (4G population coverage of 95%). The Group also aims to continue the expansion of its fiber network in France and Portugal and intends to capitalize on its past investments in improved fiber infrastructure.

In Portugal, the Group aims to reach 5.3 million homes by 2020 (from 4.0 million at the end of 2017) to capitalize on PT Portugal's leading market position and unmatched service offerings. Across its footprint, the Group will also seek to replicate the successful convergence of its Portuguese customer base into quad- and multi-play offerings, which have lower churn rates, in order to increase cross- and up-selling opportunities and to achieve cross-border operational synergies.

In the US, the Group is committed to the implementation of Operation GigaSpeed at Suddenlink. In addition, on November 30, 2016, the Group announced 'Generation GigaSpeed', its plan to invest further in the US, by building a next-generation FTTH network capable of delivering broadband speeds of more than 10 Gbps across its entire Cablevision (Optimum) footprint and part of its Suddenlink footprint.

The Group will continue to strategically invest in content across geographies segments to enrich its differentiated and convergent communication services as well as to reduce churn and increase ARPU.

***Refinancing activities***

The Group will continue to opportunistically evaluate refinancing options of its debts, in order to obtain more attractive commercial terms, reduce the interest rates and extend the average maturity of its debts.

### *2.6.1 Unusual events*

There have not been any unusual events affecting the Company in the financial year ended on December 31, 2017 other than mentioned in this Management Report (please see in particular section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company"* regarding the planned separation of Altice USA from the Company).

### *2.6.2 Research and development*

In 2016, as part of the Altice Way, the Group implemented the Altice Labs initiative, which aims at leveraging the engineering talents which are present in the Group Companies and centralizing and streamlining innovative technological solutions development for the entire Group. The Altice Labs aim to (i) create products and technology to facilitate the build-out of the Group's fixed and mobile network, (ii) develop systems to improve customer experience and handle disturbances and outages with speed and precision allowing for a near to uninterrupted usage of the Group's services and (iii) create user friendly and high-quality customer interfaces and products, including new generation set-top boxes, portals, mobile applications, OTT services and IoT. Altice R&D teams were first based in Portugal and now have presence in France, Israel and the United States.

The different R&D teams work closely, under the roadmap and leadership provided by the Group, and share technologies and products to enhance the services the Group provides in each of the jurisdictions in which the Group operates. The R&D teams work encompasses, inter alia, the following areas of innovation:

- telecommunications hardware through, for example, the development of (i) optical networking solutions, such as the NGPON2, a technology that allows to increase the current speed of the optical fiber access

16 to 32 times faster than what exists today and (ii) mobile network solutions, such as 5G, the R&D teams being committed to sharing the European Union's efforts to lead the development of this technology worldwide;

- business support systems, through the development of integrated products BSS (Business Support Systems) focusing on software solutions that enable value chain monetization and services that improve and personalize the customer experience;

- NOSSIS, which is a set of integrated OSS (Operations Support Systems) products which includes operational end-to-end processes via a shaping architecture, and enables telecom operators to manage multi-technology and multi-service networks and simplify implementation processes in their operations;

- Next Generation TV, with the development of interactive services that enables a next-generation TV experience across all devices (TV, smartphones, tablets, etc.); and

- digitalization for delivering innovative and seamless customer experience.

The following are a few examples of the recent innovations developed by the Group:

- In the B2C segment, Altice USA has developed Altice One, an integrated gateway and set top box offering that provides a next generation TV experience that extends across devices with innovative features such as Cloud DVR, SmartWi-Fi and home management capabilities, the whole supported with a brand new and innovative user interface.

- In the B2B segment, the Group has recently leveraged the unified communication platform developed by the R&D team in Portugal, which is extremely successful in the Portuguese market, and deployed this technology in the US. This platform offers an extremely rich set of Hosted PBX features (which permits B2B customers to avoid a costly investment in a complex business phone system and still enables them to utilize telephony functionalities such as voicemail, conference calls, etc.) as well as capabilities to manage seamlessly mobile and fixed calls on mobile, fixed or soft phone devices. The Group rolled out this technology in Israel and France in 2017.

- The Group decided to further develop and roll out the call center as a service platform, known as Call Contact and developed in France, to the rest of the Group's footprint. This solution, sold as a service and which combines an interactive voice server and call center services, brings to small and medium B2B customers a full set of call management functionalities that will enable them to manage an internal call center organization without having to support significant investment or long project.

- The Global M2M platform, developed in Portugal, brings full connectivity management capabilities to the Group's M2M or IoT customers. This layer is one of the critical characteristic required to successfully implement internet of things applications that will triggered the re-engineering of key processes within the Group's B2B customers.

To promote further innovations, the Group is also part of various forums and groups throughout Europe and the United States but also has a strong relationship with other service providers to enhance the infrastructure products and services it offers.

## 2.7 Risk management and control

The Group recognizes that effective risk management is critical to enable the Group to meet its strategic objectives. As a structured approach, risk management is integrated in the Group's strategic planning and operational management procedures, and relies on the commitment of all employees to adopt risk management as an integral part of their duties, notably by identifying, reporting and implementing risk mitigation measures and behaviors. Therefore, the Group is continuously monitoring its risk management framework, policies and procedures, to adapt to the ever-changing business environment where the Group operates.

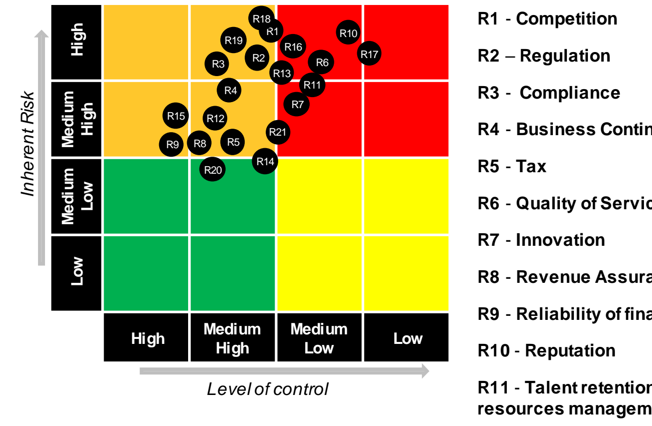
The Group conducts annual risk assessments to identify the main risks the Group is exposed to and to determine appropriate measures with the view to focus on internal controls in the relevant areas. The Group therefore operates a risk management framework designed to account for its geographically diversified market presence

and product portfolio. The Group's risk management framework enables its risks to be identified, assessed, managed and monitored. The Group categorizes its risks into four groups:

- strategic risks – risks and uncertainties that may hamper the achievement of strategic and/or business plans of the Group;
- operational risks – risks and uncertainties that may potentially affect the effectiveness and efficiency of the Group's current business and operations;
- financial risks – risks and uncertainties with respect to the Group's financial position; and
- compliance risks – risk and uncertainties with respect to laws and regulations that can have an impact on the Group's organization and/or business processes and operations.

The Group's risk assessment approach consists of two parts: (i) identification of the key risks and events that can materially affect the Group's strategic objectives and operations, using a "top down" and a "bottom up" exercise conducted in its key operations and geographies – United States, France, Portugal, the Dominican Republic and Israel; and (ii) assessment of the probability of occurrence of such risks and of their impact on the Group's strategy and operations, and determination of the level of control the Group has over those risks (risk mapping). The Group conducted its risk mapping exercise in 2017 to reflect the changes in its corporate structure and the evolving economic, business and regulatory environment. The exercise was performed through workshops conducted across the key Group's entities, businesses and geographies, and involved around 150 senior executives.

The below illustration shows the key risks identified for the Group, that were considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on the Group's results of operations, financial condition, business or operations in the future.




R1 - Competition
R2 – Regulation
R3 - Compliance
R4 - Business Continuity
R5 - Tax
R6 - Quality of Service
R7 - Innovation
R8 - Revenue Assurance
R9 - Reliability of financial statements
R10 - Reputation
R11 - Talent retention and human resources management
R12 - Network and IT reliability
R13 – Growth Strategy
R14 - Supply Chain Management
R15 - Legal and administrative proceedings
R16 - Cybersecurity
R17 - Content Strategy
R18 - Debt and Liquidity Management
R19 - AUSA spinoff execution
R20 – Fraud
R21 - Macroeconomic and political risks

### 2.7.1 *Key risks*

*Competition (R1)*

The Group faces significant competition from established and new competitors in each of the countries and segments in which it operates. The nature and level of the competition the Group faces varies in each of its countries of operation and for each of the products and services it offers. For its fixed services, the Group's 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 television services using technologies such as IPTV, providers of television by satellite, DTT providers, mobile network operators, and providers of emerging digital entertainment technologies and other providers of wholesale carrier, infrastructure and white label services. For its mobile services, the Group faces competition from other mobile operators who own and operate a mobile network as well as from providers of VoIP and MVNOs. For its wholesale services, the Group's key competitors include but are not limited to, wholesale providers of voice, data and fiber services. For its media and content offerings, the Group's competitors include historical private media groups, public radio operators, and online content aggregators with broadcast OTT programs on a broadband network.

In some instances, the Group's 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 cable or mobile networks, greater brand name recognition and experience or longer established relationships with regulatory authorities, suppliers and customers. Some of the Group's 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 on a number of countries in which the Group operates. Mergers, joint ventures, and alliances among franchised, wireless, or private cable operators, satellite providers, local exchange carriers, and other telecommunication service providers, in any of the jurisdictions in which the Group operates may provide additional benefits to some of its competitors, either through access to financing, resources, or efficiencies of scale, or the ability to provide multiple services in direct competition with the Group. Competition may also increase following the creation of public-private joint ventures.

Because the telecommunications and mobile markets in Western Europe and the United States in which the Group operates are reaching saturation, there are a limited number of new subscribers entering the market and therefore in order to increase its subscriber base and market share it is dependent on attracting the Group's competitors' existing subscribers, which intensifies the competitive pressures it is subject to. Moreover, the competitive landscape in those countries 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, which may contribute to increased average revenue per unique customer relationship, but will likely reduce the Group's ARPU on a per service basis for each service included in a multi-play package. The Group expects additional competitive pressure to result from the convergence of broadcasting and communication technologies, as a result of which participants in the media and telecommunications industries seek to offer packages of fixed and mobile voice, Internet and video broadcast services.

The Group's products and services are also subject to increasing competition from alternative new technologies or improvements in existing technologies. For example, its pay TV services in certain jurisdictions compete with providers who provide IPTV services to customers in its network areas utilizing DSL or VDSL broadband Internet connections. In the broadband Internet market, the Group generally faces competition from mobile operators as they are increasingly able to utilize a combination of progressively powerful handsets and high bandwidth technologies, such as UMTS and LTE technology. Mobile services, including those offering advanced higher speed, higher bandwidth technologies and MVNOs also contribute to the competitive pressures that the Group faces as a fixed line telephony operator. In the past, mobile operators have engaged in 'cut the line' 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, tends to negatively affect the Group's 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 the Group's existing telephony customers, as well as prospective telephony customers, to return or remain with the incumbent by offering certain economic incentives.

In addition, 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 media players, which operate OTT of an existing broadband Internet network without the Internet access provider being involved in the control or distribution of the program), have also emerged as competitors to the Group's video content offering. These players are taking advantage of improved connectivity and platform agnostic technologies to offer over the top 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 network, which would put pressure on the revenues and margins of operators like the Group while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect the Group's business, financial condition or results of operations.

Moreover, the Group is also facing competition from non-traditional mobile voice and data services, based on new mobile voice over the 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 (“”/”MMS”) provided by mobile network operators like the Group, who are only able to charge the Internet data usage for such services. With the growing share of smartphone users in the jurisdictions in which the Group operates, there is an increasing number of customers using OTT services. All telecommunications operators are currently competing with OTT service providers who leverage existing infrastructures and are often not required to implement capital-intensive business models associated with traditional mobile network operators like the Group. 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, or 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 the Group, or more generally all the telecommunications operators, are not able to address this competition, this could cause declines in ARPU, subscriber base and profitability across all of the Group’s products and services, among other material adverse effects.

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

In order to mitigate these risks, the Group actively monitors market developments and trends in customer demands. The Group also develops initiatives and programs to promote customer experience, such as introducing new innovative products and services and investing in the technology and networks (LTE and FTTH) as well as in content offerings. In addition, the Group is implementing organizational restructuration initiatives and programs in order to set up a more agile organization and processes to enable a lower level of operational costs and adapt to new market developments.

*Legislation and regulatory matters – Compliance (R2 and R3)*

The Group’s activities as a television, broadband Internet infrastructure access provider, ISP, fixed line, international long distance telephony and mobile operator, and media and content provider are subject to regulation and supervision by various regulatory bodies, including local and national authorities in the jurisdictions in which it operates. Such regulation and supervision, as well as future changes in laws or regulations or in their interpretation or enforcement that affect the Group, its competitors or its industry, strongly influence how the Group operates its business. Complying with existing and future law and regulations may increase its operational and administrative expenses, restrict its ability or make it more difficult to implement price increases, affect its ability to introduce new services, force the Group to change its marketing and other business practices, and/or otherwise limit its revenues. In particular, the Group’s 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 that the provision of the Group’s 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 the Group’s business or loss of required licenses or other adverse consequences.

In addition, the Group is subject to antitrust rules and regulations and is, from time to time, subject to review by authorities concerning whether it exhibits monopoly power in any of the markets in which it operates. To the extent that the Group is deemed by relevant authorities to exhibit significant market power, it can be subject to various regulatory obligations adversely affecting its results of operations and profitability. Regulatory authorities may also require the Group to grant third parties access to the Group’s bandwidth, frequency capacity, and facilities or services to distribute their own services or resell its services to end customers. Remedies imposed by the regulators may also require the Group to provide services in certain markets or geographic regions or to make investments that it would otherwise not choose to make. In addition, the Group incurred, and may still have to

incur, expenses to adapt its operations to changing regulatory requirements and to ensure regulatory compliance. The Group may have to divert resources from its business operations in order to fulfil its regulatory obligations, which could adversely affect its ability to compete.

The Group collects and processes subscriber data as part of its daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and adversely affect its business. Regarding the new EU regulation on data protection (General Data Protection Regulation or GDPR) that will take effect on May 25, 2018, the Group has performed an assessment of the impact on implementing the GDPR in the different European countries in which it operates and is currently developing initiatives to comply with the requirements of this new regulation.

The Group might also be exposed to risks of non-compliance due to the non-observance or the breach of internal (self-regulation such as, for example, bylaws or code of ethics) and external rules (laws and regulations), with consequent judicial or administrative penalties, financial losses or reputational damage.

The Group monitors closely the risks and opportunities that could result from new regulations in the different geographies in which it operates, and implements policies, processes and internal control procedures, aiming to limit exposure to complex legal, regulatory and compliance requirements. The Group also aims to have an on-going, open and transparent discussion with regulatory authorities. In addition, the Group aims to ensure that processes, procedures, systems and corporate conduct comply with legal requirements.

*Business continuity management (R4)*

The Group is required to hold licenses, franchises, permits and similar authorizations to own and operate its networks and to broadcast its signal and radio and TV content to its customers. These authorizations generally require that the Group complies with applicable laws and regulations, meets certain solvency requirements and maintains minimum levels of service. Should the Group fail to comply with these, it 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 the Group's results of operations and financial condition and prevent the Group from conducting its 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 the Group has operated and is operating under either temporary operating agreements or without an authorization while negotiating renewal terms with the local franchising authorities. Should the Group not be able to obtain or renew the licenses needed to operate or develop its business in a timely fashion, its ability to realize its strategic objectives may be compromised. In certain cases, the Group's mobile licenses require it to comply with certain obligations (population coverage, sharing in certain areas, national roaming) and the Group may suffer adverse consequences if it is not able to comply with these obligations.

In certain operations, the Group's cable system franchises are non-exclusive. Consequently, local and state franchising authorities can grant additional franchises to competitors in the same geographic area or operate their own cable systems. In some cases, local government entities and municipal utilities may legally compete with the Group without securing a local franchise or more favorable franchise terms. There are federal legislative and regulatory proposals now pending regarding the ability of municipalities to construct and deploy broadband facilities that could compete with the Group's cable systems. In addition, certain telephone companies are seeking authority to operate in communities within the geographies in which the Group operates without first obtaining a local franchise. As a result, competing operators may build systems in areas in which the Group holds franchises.

The Group monitors closely, through its operational teams, the compliance with requirements under the licenses, franchises, permits and similar authorizations it holds to own and operate its networks and that support its business processes and services. In addition, the Group has processes in place that enable it to identify and act in cases of any potential non-compliance.

*Taxation (R5)*

Any change in local or international tax rules, for example prompted by the OECD recommendations on Base Erosion and Profit Shifting (a global initiative to improve the fairness and integrity of tax systems) or by the

implementation of the EU Anti-Tax Avoidance Directive (2016/011/CNS), or adverse decision by tax authorities may have an adverse effect on the Group's tax status and its financial results. Any such changes may also affect the return on an investor's investment in the Group and result in changes in personal tax rates and tax relief.

The Group monitors closely changes in tax legislation in the different countries where it operates, as part of its tax governance. In addition, the Group maintains a constructive engagement with the various tax authorities and relevant government representatives in the countries where it operates. When appropriate, the Group seeks additional advice from external advisors. Furthermore, the Group maintains an internal control framework for key tax risk areas.

Nevertheless, significant judgment is required in determining the Group's tax positions, 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. Additionally, calculation of the tax positions is based in part on interpretations of applicable tax laws in the jurisdictions in which the Group operates. Although the Group believes its tax estimates are reasonable, there is no assurance that the final determination of its tax positions will not be materially different from what is reflected in its statement of income and related balance sheet accounts. Should additional taxes be assessed as a result of new legislation, tax litigation or an audit, if the tax treatment should change as a result of changes in tax laws, or if the Group were to change the locations in which the Group operates, there could be a material effect on its results of operation or financial position.

*Quality of service - Services failures (R6)*

Many of the Group's products and services are manufactured and maintained through complex and precise technological processes. These complex products may contain defects or experience failures when first introduced or when new versions or enhancements to existing products are released. The Group cannot guarantee that, despite testing procedures, errors will not be found in new products after launch. Such errors could result in a loss of, or a delay in, market acceptance of the Group's products, increased costs associated with customer support, delay in revenue recognition or loss of revenues, writing down the inventory of defective products, replacement costs, or damage to the Group's reputation with its customers and in the industry. As a result, the Group could incur substantial costs to implement modifications and correct defects. Any of these problems could materially adversely affect its results of operations

The volume of contacts handled by the Group's customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on its 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 reestablished 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, the Group relies on its experienced customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers.

The Group has 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 the Group fails to manage such improvements effectively and achieve such growth, it may in the future experience customer service problems and damage its reputation, contributing to increased churn and/or limiting or slowing its future growth.

The Group's ability to attract and retain subscribers to its fixed and mobile telephony services, or to increase profitability from existing subscribers, will depend in large part on its ability to stimulate and increase subscriber usage, convince subscribers to switch from competitors' services to its services, offer the network quality and coverage, delivery best in class customer services, and on its ability to minimize customer churn.

The Group remains focused on continuing to improve network quality to provide its customers with the best network and technologies offerings. In addition, the Group is deploying a program to improve the effectiveness and quality of its customer care services in all geographies in which the Group operates.

*Innovation (R7)*

The Group's business is characterized by rapid technological change and the introduction of new products and services. Innovation cycles in the telecommunications industry are getting shorter and technologies are superseding existing technologies, products or services at a fast pace. Therefore, the Group is subjected to the risk of failing to leverage technological advances and developments in its business model, to obtain or maintain competitive advantages. The continuous investment in innovation by the Group has proved to be essential for enhancing the leadership and competitiveness of the Group in the various segments and markets in which it operates. As part of the Group's continued investment in innovation, the Group launched Altice Labs. The Group also aims to promote innovation and creativity by seeking partnerships with universities, corporate networks, and start-ups.

In addition, in response to changing consumer habits, the Group has focused its offers towards convergence, mobility and virtualization of content and services. If any new or enhanced technologies, products or services that the Group introduces fail to achieve broad market acceptance or experience technical difficulties, its revenue growth, margins, cash flows and competitive advantage may be adversely affected.

The Group's business may suffer if the Group cannot continue to license or enforce the intellectual property rights on which its business depends, or if it is subject to claims of intellectual property infringement. The Group relies on patent, copyright, trademark and trade secret laws and licenses and other agreements with its employees, customers, suppliers and other parties to establish and maintain its intellectual property rights in content, technology and products and services used to conduct its businesses. However, the Group's intellectual property rights or those of its licensors could be challenged or invalidated, the Group could have difficulty protecting or obtaining such rights or the rights may not be sufficient to permit the Group to take advantage of business opportunities, which could result in costly redesign efforts, discontinuance of certain product and service offerings or other competitive harm. Successful challenges to its rights to intellectual property or claims of infringement of a third party's intellectual property could require the Group 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 the Group to change its business practices and limit its ability to provide its customers with the content that they expect.

*Revenue assurance (R8)*

The Group could be in some situations vulnerable to revenue leakages with the dynamic changes in networks, IT systems and the multitude of its service/bundle/plan offerings given the pace at which new offers are launched in the market. The revenue chain is usually a very complex set of inter-related technologies and processes providing a seamless set of services to the end consumer. As the set of technologies and business processes grows bigger and more complex, the chance of failure increases in each of its connections. A revenue leakage will have an impact in the Group's ability to bill customers correctly for a given service or to receive the correct payment, which may adversely impact the Group's margins and profitability.

The Group monitors closely the risk related with revenue loss and continuously improves controls in its revenue assurance processes in order to prevent and/or detect cases of revenue leakages. Prior to the launch or cut-over of new products, services and new systems, appropriate revenue assurance controls are already embedded in system capabilities and manual processes.

*Reliability of financial statements (R9)*

The preparation of the Group's 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 the Group's 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 the Group's 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 May 2014, the International Accounting Standards Board ("**IASB**") issued a new accounting standard for revenue recognition - International Financial Reporting Standards as adopted by the European Union ("**IFRS**") 15

"Revenue from Contracts with Customers" - that will come into effect in 2018 and supersedes nearly all existing revenue recognition guidance that the Group currently complies with, including International Accounting Standards ("**IAS**") 18 "Revenue", 11 "Construction Contracts" and related interpretations. The Group has evaluated the activities that are most impacted by this new accounting standard and has finalized the implementation of the process changes needed to comply with this standard.

IFRS 9 "Financial Instruments" issued on July 24, 2014 is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The standard is applicable for annual periods beginning on or after January 1, 2018. The Group performed a detailed review of the impact on amounts reported in respect of the Group's financial assets and financial liabilities.

In January 2016, the IASB issued a new standard coming into effect in January 2019, IFRS 16 "Leases", which is meant to supersede the current standard (IAS 17 "Leases") and its current interpretations. The Group is currently evaluating the impact that this standard might have on the financial statements of the Group, particularly as the new standard addresses the treatment of operating and other lease arrangements that are today recorded as off balance sheet contingent financial liabilities, which may have an impact on its leverage and overall debt reporting.

In order to mitigate the risks resulting from the factors mentioned above, the Group has a mechanism in place to anticipate and analyze complex financial transactions in advance of their completion, in order to correctly evaluate the requisite accounting treatment and expected quantitative impact on the financial statements. This mechanism includes benchmarking the treatment of similar transactions by peers and advance consultation with the Group's external auditors. Recent examples of such cases include the accounting treatment of the acquisition of exclusive sports content, the evaluation and accounting of put/call options with minority investors and the accounting for derivative transactions entered into by the Group.

The Group also forms taskforces and engages external consultants to work on the implementation of and assess the impact of new accounting standards on its financial statements, with an objective to be ready internally in advance of the adoption of such standards. This includes a peer review of positions adopted within the industry and round tables with market regulators and other authorities.

*Reputation (R10)*

The reputation risk refers to the risk of deterioration of reputation among customers, counterparties, investors, supervisory and control authorities, and the general public as a result of business decisions, operating events, instances of non-compliance with applicable laws, rules or regulations or other events. The objective of managing the reputation risk is to protect the Group's reputation by counteracting the occurrence of reputation losses and limiting the negative effect of image-related events on the Group's reputation.

An unexpected negative media report on the Group's products, services and corporate activities can have a huge impact on the reputation of the Group and its brand image. Social networks have made it possible that such information and opinions can spread much more quickly and extensively.

The Group monitors closely potential threats and engages in a constant and constructive dialog with its relevant stakeholders to mitigate any negative impact on its brands value and reputation.

*Talent retention and human resources management (R11)*

The Group operates in highly competitive and changing markets, which requires the Group to constantly adapt, anticipate and adopt new measures in order to preserve its competitiveness and efficiency. This leads to regular changes to its organizations, which require the employees affected to adapt. This process requires mobilization and motivation of teams with the Group's objectives. As a result, the Group's business could be affected by deterioration in labor relations with its employees, staff representative bodies or unions. The Group's ability to maintain good relations with its employees, staff representative bodies and unions is crucial to the success of its various projects. Therefore, the Group must continuously consult with staff representatives in order to ensure the success of its current and future projects, which may delay the completion of certain projects. Furthermore, the Group has entered into various collective bargaining agreements and will periodically negotiate with representatives of labor organizations. While the Group has recently entered into such agreements with various

labor organizations, it cannot be excluded that the Group will have difficulties in finalizing such collective bargaining agreements in the future.

In addition, planned decisions or projects may not be well received by employees and may lead to a deterioration in labor relations, 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 Group depends on the continued contributions of its senior management and other key personnel. There can be no assurance that the Group will be successful in retaining their services or that it would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key executives and employees could cause disruptions in its business operations, which could materially adversely affect its results of operations. Any failure to apply the necessary managerial and operational resources to the Group's growing business and any weaknesses in its operational and financial systems or managerial controls and procedures may impact its ability to produce reliable financial statements and may adversely affect its business, financial condition and results of operations.

The Group maintains and develops collaborative relationships with employees, staff representative bodies and unions, in order to ensure the success of its current and future projects. In addition, the Group promotes talent retention programs in order to identify and proactively retain key employees and competencies. As such, all the HR departments are working to identify the key employees based on the same methodology and to ensure the Group is offering them an opportunity to grow adequately and to remain on board. The retention of the talents is certainly an axis on which the Group needs to continue to invest by applying new processes but also by improving internal mobility and career planning.

*Reliability of network and IT systems (R12)*

The Group's success depends, in part, on the continued and uninterrupted performance of its information technology and network systems as well as its customer service centers. Despite the precautions the Group has taken, unanticipated problems affecting its systems could cause failures in its information technology systems or disruption in the transmission of signals over its networks. Sustained or repeated system failures that interrupt the Group's ability to provide service to its customers or otherwise meet its business obligations in a timely manner would adversely affect its reputation and result in a loss of customers and revenues.

If any part of the Group's fixed or mobile networks, including its information technology systems, is subject to terrorism, acts of war, a computer virus, a power loss, flooding, fires, other catastrophe or unauthorized access, its operations and customer relations could be materially adversely affected. The occurrence of any such event could cause interruptions in service or reduce capacity for customers, either of which could reduce its revenue or cause the Group to incur additional expenses. In addition, the occurrence of any such event may subject the Group to penalties and other sanctions imposed by regulators.

The Group develops risk mitigation actions such as: (i) securing the telecommunications core network; (ii) preparing risk maps for the various technological platforms, identifying dependencies and single failure points; (iii) defining and implementing disaster recovery plans; (iv) implementing systems and procedures aimed at ensuring determined QoS (Quality of Service) and QoE (Quality of End user Experience) levels; (v) investing in new generation networks and preventive maintenance actions; and (vi) investing in information systems to support the activity of technical teams.

*Growth strategy (R13)*

Historically, the Group's business has grown, in part, through a significant number of selective acquisitions that enabled it to take advantage of existing networks, service offerings and management expertise. The Group's future growth, profitability and results of operations depend upon its ability to successfully implement its business strategy, which, in turn, is dependent upon a number of factors, including its ability to continue to:

- simplify and optimize its organization;
- reinvest in infrastructure and content;
- invest in sales, marketing and innovation;
- enhance the customer experience;

- drive revenue and cash flow growth; and
- opportunistically grow through value-accretive acquisitions

There can be no assurance that the Group can successfully achieve any or all of the above initiatives in the manner or time period that it expects. Furthermore, achieving these objectives will require investments which may result in short term costs without generating any current revenues and therefore may be dilutive to its earnings. The Group cannot provide any assurance that it will realize, in full or in part, the anticipated benefits it expects its strategy will achieve. The failure to realize those benefits could have a material adverse effect on the Group's business, financial condition and results of operation. In addition, if the Group is unable to continue improving its operational performance and customer experience, it may face a decrease in new subscribers and an increase in subscriber churn could also have a material adverse impact on its business and financial condition.

*Supply chain performance (R14)*

The Group has important relationships with several suppliers of hardware, software and related services that it uses to operate its pay TV, broadband Internet, fixed line telephony, mobile and B2B businesses and to broadcast its content offerings. In certain cases, the Group has made substantial investments in the equipment or software of a particular supplier, making it difficult for it to quickly change supply and maintenance relationships in the event that its initial supplier refuses to offer the Group favorable prices or ceases to produce equipment or provide the support that the Group requires. 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 its contracts with its subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that the Group will be able to obtain the hardware, software and services it needs for the operation of its business, in a timely manner, at competitive terms and in adequate amounts. In particular, in the case of an industry wide cyclical upturn or in the case of high demand for a particular product, the Group's suppliers of software, hardware and other services may receive customer orders beyond the capacity of their operations, which could result in late delivery to the Group, should these suppliers elect to fulfill the accounts of other customers first. The Group has, 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. The Group may also not be able to recover monies paid to such suppliers or obtain contractual damages to which the Group may be entitled (if any) in the event its suppliers fail to comply with their obligations in a timely manner.

The Group also outsources some of its support services, including parts of its subscriber services, information technology support, technical services and maintenance operations. In addition, in France, the Group does not own its own broadcast network and relies on a third party to broadcast its content offerings. Should any of these arrangements be terminated by either contract party, this could result in delays or disruptions to the Group's operations and could result in the Group incurring additional costs, including if the outsourcing counterparty increases pricing or if the Group is required to locate alternative service providers or in source previously outsourced services.

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

In addition, the Group develops strategic partnerships with some suppliers that could breach or not comply with relevant legislation, including human rights and/or environmental laws, which could have a negative impact on the Group's reputation.

In order to mitigate these risks, the Group established a centralized procurement that defines policies, procedures and standards to be applied across the Group, and also monitors compliance of suppliers with terms of contracts. In addition, the Group insourced two of its main historical suppliers in the area of customer care and network deployment in order to better control its supply chain in these two fields.

*Legal and administrative proceedings (R15)*

The Group is involved in a number of legal and administrative proceedings arising in the ordinary course of its business. The legal proceedings initiated against the Group 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 the Group is subject to in the countries in which it operates. Furthermore, some of the jurisdictions in which the Group operates allow for certification of certain suits as class action suits. Given its B2C activities, the Group could be confronted, like any operator in the sector, with potential class action lawsuits that could be joined by clients seeking to obtain reparations for potential damages. In such cases, and assuming there are actual or even only alleged practices and damages, the Group could face significant claim amounts and its reputation could be harmed.

The Group proactively manages its litigation risks by assessing disputes where it believes the claimant may have merit, and by 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 by contesting others where it believes the claim does not have merit. The Group records 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.

Please see Note 31 to the Consolidated Financial Statements for a summary of material administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) that are likely to have, or have had, a material adverse effect on the Group's business, financial position, operations or liquidity.

*Cybersecurity (R16)*

The Group's reputation and business could be materially harmed as a result of, and the Group could be held liable, including criminally liable, for, data loss, data theft, unauthorized access, or successful hacking. If third parties manage to gain access to any of the Group's information technology systems, or if such systems are brought down, third parties may be able to misappropriate confidential information, cause interruptions in the Group's operations, access the Group's services without paying, damage its computers, or otherwise damage the Group's reputation and business. Both unsuccessful and successful "cyber-attacks" on companies have continued to increase in frequency, scope, and potential harm in recent years. In 2017, PT Portugal was hit by a ransomware attack ("Wannacry"), a large-scale attack that affected other European companies, but no key services or operations were affected. While the Group continues to invest in measures to protect its networks, any such unauthorized access to the Group's cable television service could result in a loss of revenue, and any failure to respond to security breaches could result in consequences under the Group's agreements with content providers, all of which could have a material adverse effect on the Group's business, results of operations and financial condition. Furthermore, as an electronic communications services provider, the Group may be held liable for the loss, release, or inappropriate modification or storage conditions of customer data or the wider public, which are carried by its network or stored on its infrastructures. In such circumstances, the Group could be held liable or be subject to litigation, penalties, including the payment of damages and interest, and adverse publicity that could adversely affect its business, financial condition and results of operations.

The Group mitigates these risks through a series of measures, including control procedures, backup systems, and protection systems, such as firewalls, antivirus and building security. In addition, the Group is continuously assessing the security policies, standards, procedures and adjusting them so they incorporate new profile threats, and their effectiveness by regular audits. Since 2016, the Group has launched a cyberwatch program in order to assess potential vulnerabilities and to monitor effectiveness of the controls in place.

*Content strategy (R17)*

The success of the Group's basic and premium pay TV services depends on access to an attractive selection of television programming from content providers. The ability to provide movies, sports and other popular programming, including VoD content, is a major factor that attracts subscribers to pay TV services, especially premium services. The inability to obtain high-quality content may also limit the Group's ability to migrate customers from lower tier programming to higher tier programming, thereby inhibiting its ability to execute its business strategy, which could result in reduced demand for, and lower revenue and profitability from, the Group's digital cable television services.

The Group relies on digital programming suppliers for a significant portion of its programming content and VoD services. In addition, 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, which can have an adverse impact on the Group's ability to differentiate itself from its competitors.

The Group monitors closely this risk by surveying the best content offerings, according to customer demands and trends, and by seeking to establish strategic partnerships with content providers, in order to be able to offer the best content to its customers.

*Debt and liquidity management (R18)*

The Group has significant outstanding debt and debt service requirements and may incur additional debt in the future. As of December 31, 2017, the Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €50,968 million, compared to €53,925 million as of December 31, 2016.

The Group's financing structure currently consists of five distinct financing groups which finance the business, acquisitions and operations: the Altice International group, the SFR Group Business, the Altice Luxembourg group and its restricted subsidiaries (which include the Altice International group and the SFR Group Business and certain additional holding companies), the Suddenlink group and the Cablevision group. Following the Distribution, the Group's financing structure will consist of three distinct financing groups which finance the business, acquisitions and operations: the Altice International group, the Altice France Business, the Altice Luxembourg group and its restricted subsidiaries (which include the Altice International group and the Altice France Business and certain additional holding companies). Each of these financing groups is subject to covenants that restrict the use of their cash flows outside their respective restricted group. Consequently, cash flows from operations of any of the restricted groups may not always be available to meet the obligations of any other restricted group. In addition, the Group carries out certain financing activities at holding companies (mainly Altice Corporate Financing) that are not a part of the five financing groups.

The Group's significant level of debt could have important consequences, including, but not limited to, the following:

- making it more difficult for the Group to satisfy its debt obligations;
- requiring that a substantial portion of the Group's cash flows from operations be dedicated to servicing debt, thereby reducing the funds available to the Group to finance its operations, capital expenditures, research and development and other business activities, including upgrading and maintaining the quality of the Group's networks;
- impeding the Group's ability to obtain additional debt or equity financing, including financing for capital expenditures and refinancing of existing debt, and increasing the cost of any such funding, particularly due to the financial and other restrictive covenants contained in the agreements governing the Group's debt;
- impeding the Group's ability to compete with other providers of pay television, broadband Internet services, fixed line telephony services, mobile services and B2B services in the regions in which the Group operates;
- restricting the Group from exploiting business opportunities or making acquisitions or investments;
- increasing the Group's vulnerability to, and reducing its flexibility to respond to, adverse general economic or industry conditions;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and the competitive and economic environment in which the Group operates; and
- adversely affecting the public perception of the Group and its brands.

Moreover, the terms of the agreements and instruments governing the Group's debt contain a number of significant covenants or other provisions that, among other things, restrict the applicable financing group's ability to incur additional indebtedness and grant guarantees, refinance existing indebtedness, pay dividends, make certain investments or acquisitions, 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, grant liens and pledge assets, change its business plan, and repurchase or redeem equity interests and subordinated debt or issue shares of subsidiaries (each a "**Non-ordinary Course Transaction**"). However, with the exception of certain revolving credit indebtedness, the covenants applicable to substantially all indebtedness of the Group owed

to third parties are tested only at the time the applicable financing group consummates a Non-ordinary Course Transaction and do not otherwise impede such financing group's ability to carry on its business in the ordinary course. Each financing group's applicable Revolving Credit Facilities also contain a maintenance covenant, which is linked to a specified consolidated net senior secured leverage ratio, tested quarterly. Borrowings under certain of the Group's debt agreements or instruments also contain cross default or cross acceleration provisions and as a result may be become payable on demand. In that event, the Group may not have sufficient funds to repay all of its debts as they become due. In addition, the Group has €15,495 million of floating rate debt outstanding as of December 31, 2017. An increase in the interest rates on the Group's debt will reduce the funds available to repay its debt and to finance its operations, capital expenditures and future business opportunities. For a description of the risks related to changes in foreign exchange, please see Note 18.3.3 to the Consolidated Financial Statements.

The Group is currently implementing a deleveraging strategy, based on 3 layers: non-core assets disposals; EBITDA growth and cashflow generation, to reduce its current leverage of 5,4x EBITDA to 4x.

To help manage the risks relating to changes in interest rates and foreign exchange, the Group enters into various derivative transactions to manage exposure of each financing silo to such changes. As of December 31, 2017, the Group had a total of cross currency and FX forward derivative transactions in an aggregate notional principal amount of €24.4 billion and a total of interest rate derivative transactions in an aggregate notional principal amount of €6.6 billion. As a result of its derivative transactions, the Group is exposed to the risk of default by the counterparties to its derivative instruments. Although the Group regularly reviews its credit exposures under its derivative transactions, defaults may arise from events or circumstances that are difficult to detect or foresee. At December 31, 2017, the Group's exposure to counterparty credit risk included derivative assets with an aggregate fair value of €973.7. While the Group currently has no specific concerns about the creditworthiness of any counterparty for which it has material credit risk exposures, it cannot rule out the possibility that one or more of its counterparties could fail or otherwise be unable to meet its obligations to it. Any such instance could have an adverse effect on its cash flows, results of operations, financial condition and/or liquidity. The Group manages such counterparty credit risk by diversifying the credit exposure of its derivative transactions among several financial institutions it believes to be credit-worthy at the time of entering into such derivative transaction. In addition, the terms of its derivative contracts give rise to early termination rights if the credit-worthiness of such counterparty deteriorates significantly enough to trigger a default under such derivative contract and permit the Group to set off other liabilities against sums due to such counterparty upon such termination.

*Altice USA spinoff execution (R19)*

The Group believes that with spin off the Company's interest in Altice USA, it will be able to, among other things, better focus its financial and operational resources on its specific business, implement and maintain a capital structure designed to meet its specific needs, design and implement corporate strategies and policies that are exclusively targeted to its business and more effectively respond to industry dynamics, and decouple its businesses will enable to focus resources on addressing issues relevant in each geography. However, by separating Altice USA from the Company, the Group may have less leverage with suppliers and it may experience other adverse events. In addition, the Group may be unable to achieve some or all of the benefits that it expects to achieve with the Distribution in the time it expects, if at all. The completion of the Distribution will also require significant amounts of the Group's management's time and effort, which may divert management's attention from operating and growing its business.

*Fraud (R20)*

Given the size and geographic spread of the Group, the Group is 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 the Group's 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 its internal policies. In addition, because the Group delegates a number of operational responsibilities to its subsidiaries and its local managers retain autonomy regarding the management of its operations in their markets, the Group may face an increased likelihood of the risks described above occurring. It also subcontracts some of its maintenance, customer service, installation and other activities to third party suppliers acting on its behalf and instances of fraud perpetuated by employees of these suppliers might also expose the Group to claims and/or may have a detrimental impact on its brand and reputation.

The Group has internal control policies and procedures designed to mitigate fraud risks and to ensure compliance with regulations such as anti-corruption laws and economic sanctions. Regular internal audits are performed in key areas to monitor the effectiveness of internal control framework.

*Macroeconomic and political risks (R21)*

The Group's operations are subject to macroeconomic and political risks that are outside of its control. The current macroeconomic environment is highly volatile, and continuing instability in global markets, including the ongoing struggles in Europe 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 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 the Group's business and financial operations. The Group cannot predict how long challenging conditions will exist or the extent to which the markets in which the Group operates may deteriorate.

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 U.K. held a referendum in which voters approved, on an advisory basis, an exit from the E.U., 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 is currently in negotiations to determine the terms of the U.K.'s withdrawal from the E.U. It is possible that members of the European monetary union could hold a similar referendum 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 the demand for the Group's products, and accordingly, on its revenue and cash flows. Moreover, any changes from euro to non-euro currencies in countries in which the Group operates would require the Group to modify its billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow the Group to timely bill its customers or prepare and file required financial reports. In light of the significant exposure that the Group has 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 the Group's business.

Furthermore, continued hostilities in the Middle East and North Africa could adversely affect the Israeli economy. Additionally, the Dominican Republic economy depends to a significant degree on global tourism and the health of the US economy and remains vulnerable to external shocks (e.g., economic declines in other emerging market countries). These conditions could also adversely affect access to capital and increase the cost of capital. As a result of the disruptions in the credit markets, many lenders have increased interest rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts) or refused 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 the Group's assets and liabilities. Moreover, the Group's transactional currency is euros although a large part of the Group's financing activity is conducted in currencies other than such primary transactional currency, particularly the U.S. dollar. In Israel, HOT's primary transactional currency is the New Israeli Shekel and in the Dominican Republic, the primary transactional currency of Altice Dominicana is the Dominican Peso. The exchange rate between the U.S. dollar and the New Israeli Shekel, euro and Dominican Peso has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Furthermore, 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 the Group's control and may result in the Dominican Peso ceasing to be freely convertible or transferable abroad to service the Group's then outstanding indebtedness or the Dominican Peso being significantly depreciated relative to other currencies, including the

U.S. dollar. The exchange rate has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. The Group seeks to manage such transactional foreign currency exposures through its hedging policy in accordance with its specific business needs. There can be no assurance that the Group's hedging strategies will adequately protect the Group's operating results from the effects of exchange rate fluctuation, or that these hedges will not limit any benefit that the Group might otherwise receive from favorable movements in exchange rates. If there is a negative impact on the fair values of its assets and liabilities, the Group could be required to record impairment charges.

Negative macroeconomic developments in the markets in which the Group operates, 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 the Group's revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of its subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. In addition, the Group 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 the Group's B2B and wholesale services as a result of businesses and governments reducing spending, as well as adversely affect revenues from the Group's media and content offerings as a result of reduced spending in advertising. Therefore, a weak economy and negative economic development in the markets in which the Group operates may jeopardize its growth targets and may have a material adverse effect on its business, financial condition and results of operations.

### *2.7.2 Risk control*

The Board is ultimately responsible for maintaining effective risk management, which includes the Group's risk governance structure, the Group's system of internal controls and the Group's internal audit approach. Management's responsibility is to manage risk across the Group on behalf of the Board. To facilitate the process, the Group shares the same roadmap across the Group, thereby ensuring the control frameworks implemented by the operating Group Companies align with the Group's approach.

The Company's internal audit function assists the Board in maintaining effective controls by independently and objectively evaluating the adequacy and effectiveness of the Group's internal control and risk management systems. Criteria established under 'Internal Control – Integrated Framework' issued by the Treadway Commission's Committee of Sponsoring Organizations (COSO, 2013 framework), are used by the Company's internal audit function to analyse and make recommendations to the Board on the effectiveness of the Group's internal control framework.

The Company's internal audit function conducts its activities in a risk-based manner, developing an audit plan, based on the results of the Group's risk assessment of various business units and strategic priorities that are approved by the Audit Committee and the Board. The internal audit function conducts systematic and ad hoc financial, IT and operational audits and special investigations.

Quarterly reports are submitted and discussed with the Audit Committee and the Board, in order to inform them of the most relevant observations and recommendations regarding the effectiveness of the risk management procedures related to the various risks to which the Group is subject.

Based on the risk assessments performed, the Board, under the supervision of the Audit Committee, is responsible for determining the overall internal audit work and for monitoring the integrity of the financial statements of the Company.

No matter how comprehensive a risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments from occurring in the Group's business and business environment or that response to risk will be fully effective. The Group's risk management framework is designed to avoid or mitigate rather than to eliminate the risks associated with the accomplishment of the Group's strategic objectives. It provides reasonable assurance but not absolute assurance against material misstatement or loss.

During this financial year and in the previous years, the Group has not identified any major failings in its internal risk management and controls system.

# 3 GOVERNANCE

This chapter summarizes certain information concerning the Board and the Company's corporate governance. It is based on relevant provisions of Dutch law, including the Code (as defined below), as in effect on the date of this Management Report, the Articles of Association and the Board Rules (both as defined below).

This chapter does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to the relevant provisions of Dutch law as in force on the date of this Management Report, the Articles of Association and the Board Rules.

## 3.1 Introduction

The Company is incorporated under Dutch law and adheres to the Corporate Governance Code as adopted by the Corporate Governance Monitoring Committee (the "**Committee**") on December 8, 2016 (the "**Code**"). The Code contains best practice provisions that apply to the Company's corporate governance structure. The Company provides a substantive and transparent explanation in its Management Report if it does not comply with any of the principles and best practice provisions of the Code. The "comply or explain" report of the Company is in accordance with the Code and is also made available on the Company's website. On September 7, 2017, the Dutch legislator designated the revised Code by decree as the new corporate governance code as set out in Section 2:391 of the Dutch Civil Code (the "**DCC**"), which became effective per the financial year beginning on or after January 1, 2017.

The Company maintains a one-tier board (the "**Board**") consisting of three[7] executive board members (the "**Executive Board Members**") and three non-executive board members (the "**Non-Executive Board Members**", and together with the Executive Board Members, the "**Board Members**"). As of the date of this Management Report, the provisions in the DCC that are commonly referred to as the "large company regime" (*structuurregime*) do not apply to the Company.

The Board is responsible for the management of the Company, the Company's operations and general affairs as well as the operations and general affairs of the Group. The Board is furthermore responsible for the Company's and the Group's continuity with a focus on long-term value creation. The Board may perform all acts necessary or useful for achieving the Company's objectives, with the exception of those acts that are prohibited by law or by the Articles of Association (as defined below). In performing their duties, the Board Members are required to be guided by the interests of the Company and its business, taking into consideration all relevant interests of the Company's stakeholders (which include but are not limited to its customers, its suppliers, its employees and the Shareholders).

The Board as a whole is authorized to represent the Company. In addition, the president of the Board ("**President**") and the vice-president of the Board ("**Vice-President**"), acting jointly, are also authorized to represent the Company. Pursuant to the Articles of Association, the Company may be represented by one or more Board Members or others on the basis of a specific power of attorney. Such attorneys are authorized to represent the Company within the limits of the specific delegated powers.

The Board has adopted rules regarding its functioning and internal organization with effect on August 9, 2015. These rules were lastly amended, also to implement the relevant provisions of the new Code, by the Board on December 4, 2017 (the "**Board Rules**"). The applicable Board Rules in the governing English language (only) can be downloaded from the Company's website under www.altice.net.

The articles of association of the Company dated September 6, 2016 (the "**Articles of Association**"), in the governing Dutch language and in an unofficial English translation thereof, are available on the Company's website under www.altice.net.

[7] As announced on January 8, 2018, Mr. Patrick Drahi will serve as President of the Board of Altice Europe post-separation of Altice USA from the Company (please see section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company"*). In the 2018 AGM, it will therefore be proposed to appoint him as Executive Board Member.

### 3.2 The Board

The Articles of Association of the Company provide that the Board consists of at least three and not more than ten Board Members. As of the date of this Management Report, the Board consists of three Executive Board Members and three Non-Executive Board Members.

The Executive Board Members and the Non-Executive Board Members are appointed by the General Meeting. The Executive Board Members are appointed by the General Meeting at the binding nomination of Next Alt. The General Meeting may at all times overrule such binding nomination by a resolution adopted by a majority of at least two thirds of the votes cast representing more than 50% of the issued capital. If the General Meeting overrules the binding nomination, Next Alt shall make a new binding nomination. The nomination must be included in the notice convening the General Meeting at which the appointment will be considered. The Board will request Next Alt to make its nomination at least ten days before publication of the notice convening the General Meeting at which the appointment will be considered. If a nomination has not been made by Next Alt or has not been made by Next Alt within seven days following the request of the Board, this must be stated in the notice and the General Meeting will be free to appoint a Board Member at its discretion.

The General Meeting may at any time dismiss or suspend a Board Member. An Executive Board Member may also be suspended by the Board. If Next Alt has not made a proposal for the dismissal of a Board Member, the General Meeting can only resolve upon the dismissal of that Board Member with a majority of at least two-thirds of the votes cast representing more than 50% of the issued capital.

Next Alt's rights mentioned above may not be amended or withdrawn without Next Alt's prior written consent. Next Alt will only be entitled to these rights as long as it holds a direct interest of at least 30% of the aggregate nominal value of the issued and outstanding Common Shares and is controlled by (i) Mr. Patrick Drahi individually or (if applicable) together with any of his children who indirectly hold Common Shares or (ii) his heirs jointly.

Board Members may be appointed for a term to be determined by the General Meeting.

See section 3.7.7 "*Appointment and replacement of Board Members / amendment to the Articles of Association*" for a more detailed description of the procedure of the binding nomination and appointment of Board Members.

#### *3.2.1 Duties of the Board*

The Company is headed by the Board acting as a collegial body. Board Members are collectively responsible for the Company's management, the Company's operations and general affairs and the operations and general affairs of the Group companies. Pursuant to the Articles of Association and the Board Rules, the Board Members divide their tasks by mutual consultation, provided that the day-to-day management of the Company is entrusted to the Executive Board Members and the supervision of the Board Members' performance of their duties is entrusted to, and cannot be taken away from, the Non-Executive Board Members.

In addition to the responsibilities of the Board referred to above, the Board's responsibilities include, among other things:

- the achievement of the Company's operational and financial objectives;
- determining the Company's strategy and policy to achieve these objectives;
- corporate social responsibility issues that are relevant to the Company's business;
- the general state of affairs in and the results of the Company;
- identifying and managing the risks connected to the business activities;
- ensuring that effective internal risk management and control systems are in place and reporting on this in the Management Report;
- maintaining and preparing the financial reporting process;
- compliance with legislation and regulations;
- compliance with and maintaining the corporate governance structure of the Company;
- publishing the corporate structure of the Company and any other information required under the Code, through the Company's website, publication in the Management Report and otherwise;
- preparing the Annual Accounts, the semi-annual accounts and drawing up the annual budget and important capital investments of the Company;

- rendering advice with respect to the nomination of the external auditor of the Company (the "**External Auditor**") for appointment by the General Meeting;
- ensuring that internal procedures are established and maintained which safeguard that all relevant information is known to the Board in a timely fashion;
- ensuring that the External Auditor receives all necessary information to perform his work in a timely fashion;
- ensuring that the draft audit plan is discussed with the External Auditor before the External Auditor presents the plan of the Audit Committee;
- identifying and analysing the risks associated with the strategy and activities of the Company and its business;
- establishing the risk appetite and the measures that are put in place to counter the aforementioned risks being taken;
- designing, implementing and maintaining adequate internal risk management and control systems; and
- monitoring the operation of the internal risk management and control systems and carrying out a systematic assessment of their design and effectiveness once per year.

Notwithstanding the responsibilities of the Board, referred to above, the responsibilities of the Non-Executive Board Members include:

- selecting and recommending the External Auditor for appointment by the General Meeting;
- together with the Remuneration Committee (as defined below), proposing the remuneration policy for the Executive Board Members for adoption by the General Meeting, and fixing the remuneration and the contractual terms and conditions of employment of the Executive Board Members;
- selecting and recommending individuals for appointment by the General Meeting as Non-Executive Board Members and proposing the remuneration of the Non-Executive Board Members for adoption by the General Meeting;
- reviewing the performance of the Board and the individual Board Members and discussing the conclusions that must be drawn on the basis of this review at least on an annual basis; and
- drawing up the Company's diversity policy for the composition of the Board.

### *3.2.2 Composition of the Board*

As of the date of this Management Report, the Board is composed of six Board Members. Mr. van Breukelen was elected Chairman in 2015. Mr. Combes stepped down as Executive Board Member and CEO as from November 9, 2017.

*Composition of the Board*[(1)]

| Name | Age[(2)] | Position | Date of appointment | Current term | Independent | Role |
|---|---|---|---|---|---|---|
| D. Goei | 46 | President | August 6, 2015[(3)] | 2015-2019 | N/A | Executive |
| D. Okhuijsen | 47 | CFO | August 6, 2015 | 2015-2019 | N/A | Executive |
| A4 S.A. | N/A | Vice-President | August 6, 2015 | 2015-2019 | N/A | Executive |
| J. van Breukelen | 48 | Chairman | August 6, 2015 | 2015-2019 | Yes | Non-Executive |
| S. Matlock | 52 | Board Member | August 6, 2015 | 2017-2021 | Yes | Non-Executive |
| J.-L. Allavena | 54 | Board Member | August 6, 2015 | 2017-2021 | Yes | Non-Executive |

(1) As announced on January 8, 2018, Mr. Patrick Drahi will serve as President of the Board of Altice Europe post-separation of Altice USA from the Company (please see section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company"*). In the 2018 AGM, it will therefore be proposed to appoint him as Executive Board Member.
(2) As of December 31, 2017.
(3) The date of appointment refers to the date Mr. Goei was appointed as an Executive Board Member. He was granted the title of President on September 6, 2016.

*CV's Board Members*

*Dexter Goei, President*

Dexter Goei joined the Group in 2009, after working for 15 years in investment banking. Mr. Goei began his investment banking career with JP Morgan and joined Morgan Stanley in 1999 working in their Media & Communications Group. Over the years, Mr. Goei has worked across all segments of the media industry in the US and EMEA region covering primarily cable, pay TV, broadcasting, Internet, content and gaming companies eventually becoming Co-Head of Morgan Stanley's European TMT Group. Mr. Goei was the Chief Executive Officer of the Company until June 28, 2016, when he stepped down to take on the position of Chairman and Chief Executive Officer of Altice USA. Mr. Goei was appointed as President of the Board on September 6, 2016. Mr. Goei is a graduate of Georgetown University's School of Foreign Service with cum laude honors.

*Dennis Okhuijsen, CFO*

Dennis Okhuijsen joined the Group in September 2012 as the CFO. Before joining the Group, he was a Treasurer for Liberty Global since 2005. From 1993 until 1996 he was a senior accountant at Arthur Andersen. Mr. Okhuijsen 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.

*A4 S.A., Vice-President*

A4 S.A. is a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg, with its registered office at 5 rue Eugène Ruppert, L-2453 Luxembourg and registered with the Luxembourg Trade and Company register under number B 199.163. A4 S.A. is controlled by the family of Patrick Drahi. The purpose of A4 S.A. is to acquire participating interests in other entities, both local and international, as well as the administration, management, control and development of such participating interests. A4 S.A. is not a Shareholder of the Company. The current permanent representative of A4 S.A. on the Board is Jérémie Bonnin.

Jérémie Bonnin, General Secretary of Altice, joined Altice in May 2005 as Corporate Finance director. Before joining Altice, he was a Manager in the Transaction Services department at KPMG which he joined in 1998. At KPMG, he led several due diligence projects with a significant focus on the telecom sector. Since his appointment at Altice, he has been involved in all of the Group's acquisitions which have increased its footprint (in France, Belgium, Luxembourg, Switzerland, Israel, the French Overseas Territories, the Dominican Republic, Portugal and the United States). He has a long track record of successful cross-border transactions, and in financial management within the telecom sector. Jérémie 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.

*Jurgen van Breukelen, Chairman*

Jurgen van Breukelen is a Dutch national, and holds a Master Degree in Business Economics at the Erasmus University in Rotterdam. Having spent his military service as a lieutenant in the Royal Dutch Army, he joined KPMG in 1994. In 2000, at the age of 31, he became partner at KPMG, and from 2003 to 2007 he was Head of Corporate Finance in the Netherlands. In 2007 he joined the Board of Management of KPMG, being responsible for Advisory as well as for Clients & Markets. From 2012 to 2014 he acted as CEO and Country Senior Partner of KPMG in the Netherlands. During his professional career Mr. Van Breukelen has held a number of senior executive roles at KPMG International, including serving on the boards of KPMG Europe, Middle East & Africa and then, until 2014, as a member of the Global Executive Team and Global Board of KPMG International. At the Global Board he chaired KPMG's Global Quality & Risk Committee. He is a member of the supervisory board of Alzheimer Nederland and chairman of the board of Bosal Nederland B.V. In addition, he is a Senior Adviser at the private equity fund Permira Advisers LLP, a Senior Adviser to the Investment Bank of Barclays Bank PLC, an Advisory Board Member of the Rotterdam School of Management, Erasmus University Rotterdam, and an Advisory Board Member of Ponooc B.V. Finally, until 2014 Mr. van Breukelen held a position as a supervisory

board member of the Princess Maxima Centre for Pediatric Oncology in the Netherlands. From 2015 to early 2017, he was chairman of the supervisory Board of Van Gansewinkel Groep B.V.

*Scott Matlock*

Scott Matlock is a citizen of both the United States and the United Kingdom. He is a partner at PJT Partners, the independent investment bank, where he is a mergers and acquisitions advisor to companies and individuals worldwide. Previously, Scott worked at Morgan Stanley, where he was an investment banker for 25 years. He was the Global Head of Media and Communications M&A from 2005 to 2008, the Chairman of Asia M&A (including Australia, India and Japan) from 2008 to 2010, and the Chairman of International M&A from 2010 to 2014. Mr. Matlock started his career at Morgan Stanley focused on transportation, industrial and technology companies. In 1997, he switched his focus to the media and communications sectors. When he moved to London in 2002, he became the Head of European Media Coverage and then the Co-Head of European Media Communications Coverage for the firm. Mr. Matlock was responsible for some of Morgan Stanley's most important clients and transactions in the media and communication sectors. Sectors on which he has been particularly focused have included cable, mobile/cellular, satellite and broadcast. Mr. Matlock graduated from the University of California, Berkeley in 1988.

*Jean-Luc Allavena*

Jean-Luc Allavena is a Monégasque national who serves as Chairman of Atlantys Investors, an investment fund (in partnership with Apollo Management). He graduated in 1986 from HEC Paris, the French leading business school. Mr. Allavena was appointed Analyst at Banque Paribas in 1986 before joining Lyonnaise des Eaux (now called Engie) in 1989 as a Financial Controller. In 1992, he became Chief Financial Officer of Techpack International (Pechiney) and was appointed Chief Executive Officer in 1996 and then Chairman of the Pechiney World Luxury Cosmetics Division in 1999. In 2000, he joined Lagardère Media as the group's Chief Operating Officer. He also became a board member of its four main divisions: Lagardère Active (radio and TV), Hachette Livre (book publishing), Hachette Filipacchi Media (magazine publishing) and Hachette Distribution Services (press distribution). A native and citizen of Monaco, Mr. Allavena served as the Chief of Staff of His Serene Highness Prince Albert II of Monaco at the beginning of His Reign (2005-2006). In 2007, he joined Apollo Management in London, one of the largest investment platforms in the world with almost $200 billion under management. He has done several important deals in various industries such as Monier (formerly Lafarge Roofing), Constellium (formerly Pechiney Aluminium), Latecoere (aerospace) and Verallia (formerly Saint Gobain Glass Packaging). He has served on the Board of Verallia since 2015. He has also been involved, for more than two decades, in various non-governmental organizations and served as the Chairman of the Alumni Association of HEC from 2001 to 2003 (subsequently as Honorary Chairman), Chairman of the HEC Foundation from 2003 to 2005 (subsequently as Honorary Chairman) and Chairman of the board of the French-American Foundation - France from 2010 to 2015 (subsequently as Honorary Chairman). He has been awarded Chevalier of the French Légion d'Honneur. In addition, Mr. Allavena holds or has held the following positions as member of a management board: board member of Constellium N.V. (2011-2013), board member of Latécoère S.A. (2015-2016), board member of Mecaplast Group S.A. (2013-2016), board member of Monaco Resources Group (2014-2016), board member of Cosfibel S.A. (since 2007) and board member of Banque Pâris Bertrand Sturdza SA (since 2016).

*Independent Board Members*

In considering the independence of a Non-Executive Board Member, the Board takes the following criteria, which are based on the Code (save for the deviations indicated in section 3.6 "*Comply or explain*"), into account. A Non-Executive Board Member shall not be considered independent if the Non-Executive Board Member concerned or his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree, as defined under Dutch law:

- has been an employee or an Executive Board Member of the Company (including associated companies as referred to in article 5:48 of the Dutch Financial Markets Supervision Act ("**Wft**")) in the five years prior to his/her appointment;
- receives significant personal financial compensation from the Company or a Group Company, other than the compensation received for the work performed as a Non-Executive Board Member and in so far as this is not in keeping with the normal course of business;
- has had an important business relationship with the Company or a Group Company in the year prior to his/her appointment. This includes the case where the Non-Executive Board Member, or the firm

of which he/she is a shareholder, partner, associate, or adviser, has acted as an adviser to the Group (consultant, external auditor, civil law notary or lawyer), and the case where the Non-Executive Board Member is a member of the management board or an employee of a bank with which the Group has a lasting and significant relationship;

- is a member of the management board of a company in which an Executive Board Member is a member of the supervisory board or a non-executive board member;
- has temporarily performed management duties during the previous twelve months in the absence or incapacity of Board Members;
- has a shareholding in the Company of at least ten percent, taking into account the shareholding of natural persons or legal entities cooperating with him/her on the basis of an express or tacit, oral or written agreement; and
- is a member of the management board or supervisory board - or is a representative in some way - of a legal entity which holds at least ten percent of the Shares in the Company, unless that entity is a Group Company.

An independent Board Member who no longer meets the criteria for independency must immediately inform the Board accordingly.

*Independent functioning*

The composition of the Board shall be such that the Non-Executive Board Members are able to operate independently and critically vis-à-vis one another, the Executive Board Members and any particular interests involved. In particular, the following criteria apply to the Non-Executive Board Members:

- at most one Non-Executive Board Member is not independent pursuant to best practice provision 2.1.8 sections (i) to (v) inclusive of the Code;
- less than half of the total number of Non-Executive Board Members is not independent pursuant to best practice provision 2.1.8 of the Code; and
- for each shareholder or group of affiliated shareholders who directly or indirectly hold more than 10% of the shares in the Company, there is at most one Non-Executive Board Member who can be considered to be affiliated with or representing them as stipulated to in best practice provision 2.1.8 sections (vi) and (vii) of the Code.

#### *3.2.3 Board Meetings and Board resolutions*

The Chairman chairs the meetings of the Board. If the Chairman is absent or unwilling to take the chair, the meeting shall appoint one of the Non-Executive Board Members or, in the event all Non-Executive Board Members in office are absent, one of the Executive Board Members to chair the meeting of the Board.

Unless the law, the Board Rules or the Articles of Association provide otherwise, resolutions of the Board shall be adopted by an absolute majority of the votes cast, including a vote in favor of the proposal from the Vice-President. The vote in favor from the Vice-President shall not be required when the Vice-President cannot participate in the deliberations and decision-making in respect of a proposal due to a direct or indirect personal conflict of interest.

Each Board Member, other than the President, and if no President is in function, other than the Vice-President, shall be entitled to one vote. The President is entitled to cast a number of votes that equals the number of Board Members entitled to vote, excluding the President, that is present or represented at that meeting, with the exception of resolutions concerning the suspension or dismissal of the Vice-President, in respect of which the President is entitled to one vote. If no President is in function or if the President has a direct or indirect personal conflict of interest, the Vice-President shall be entitled to cast a number of votes that equals the number of Board Members entitled to vote, excluding the Vice-President, that is present or represented at that meeting of the Board.

#### *3.2.4 Board Committees*

The Board has an audit committee (the "**Audit Committee**") and a remuneration committee (the "**Remuneration Committee**"). Each of the committees has a preparatory and/or advisory role to the Board. In accordance with the Board Rules, the Board has drawn up regulations on each committee's role, responsibilities and functioning. The

committees consist of Non-Executive Board Members. They report their findings and recommendations to the Board, which is ultimately responsible for all decision-making.

*Audit Committee*

The Audit Committee prepares the Board's decision making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems.

The Audit Committee focuses on monitoring the Board in matters including:

- relations with the internal auditor and External Auditor, and compliance with and follow-up on their recommendations and comments;
- the Company's funding;
- the application of information and communication technology by the Company, including risks relating to cybersecurity; and
- the Company's tax policy.

In addition, the Audit Committee carries out the following duties:

- recommending persons for appointment as senior internal auditor;
- forming a position on how the internal audit function fulfils its responsibility;
- monitoring the financial reporting process and drawing up proposals to safeguard the integrity of this process;
- monitoring the effectiveness of the internal control systems, the internal audit function and risk management systems with regard to the Company's financial reporting;
- monitoring the statutory audit of the Annual Accounts and the consolidated annual accounts;
- assessing and monitoring the independence of the External Auditor, specifically taking into account the extension of ancillary services to the Company; and
- determining the selection process for the External Auditor and the nomination to give the assignment to carry out the statutory audit to the External Auditor.

The Audit Committee shall at least annually report on its deliberations and findings to the Board for consideration. In particular, the Audit Committee reports on the results of the annual statutory audit to the Board.

At least every four years, the Executive Board Members, together with the Audit Committee, must thoroughly assess the functioning of the External Auditor in the various entities and capacities in which the External Auditor operates. The main conclusions of the assessment shall be notified to the General Meeting for the purpose of considering the recommendation for the appointment of the External Auditor.

The Audit Committee must hold at least four meetings per year and whenever one or more of its members have requested a meeting. At the date of this Management Report, the Audit Committee consists of three Non-Executive Board Members: Mr. Jean-Luc Allavena, Mr. Jurgen van Breukelen and Mr. Scott Matlock. Mr. Jurgen van Breukelen is the chairman of the Audit Committee.

The regulations of the Audit Committee are an annex to the Board Rules. They are also separately published on and can be downloaded from the Company's website under www.altice.net.

*Remuneration Committee*

The Remuneration Committee advises the Board in relation to its responsibilities and prepares the decision-making regarding the determination of the remuneration of Board Members.

The Remuneration Committee has the following duties:

- making proposals to the Board for the remuneration policy to be pursued;
- making proposals for the remuneration of the individual Board Members, for adoption by the General Meeting, which proposals must be drawn up in accordance with the Remuneration Policy and, in any event, cover:

  - the remuneration structure;
  - the amount of the fixed remuneration and variable remuneration components;
  - the scenario analyses that are carried out, if any; and
  - the pay ratios within the Company and its business;
- preparing the remuneration report.

In exercising its duties, the Remuneration Committee may request the services of a remuneration consultant. If the Remuneration Committee makes use of the services of a remuneration consultant, it must verify that the consultant concerned does not provide advice to the Executive Board Members.

The Remuneration Committee shall at least annually report on its deliberations and findings to the Board.

The Remuneration Committee must hold at least one meeting per year and whenever one or more of its members have requested a meeting. At the date of this Management Report, the Remuneration Committee consists of three Non-Executive Board Members: Mr. Jean-Luc Allavena, Mr. Jurgen van Breukelen and Mr. Scott Matlock. Mr. Scott Matlock is the chairman of the Remuneration Committee.

The regulations of the Remuneration Committee are an Annex to the Board Rules. They are also separately published on and can be downloaded from the Company's website under www.altice.net.

### *3.2.5 Nomination committee*

The Board has decided not to set up a nomination committee as referred to in the Code, since the Board as a whole will perform the duties of such nomination committee. Furthermore, the Board deems it not necessary to set up a nomination committee because of the nomination right attributed to Next Alt in the Articles of Association.

### *3.2.6 Board meetings held in 2017*

The Board met 17 times in 2017, and focused among other things, on the following matters:

- the approval of the annual budget for the financial year 2017;
- the approval of the corporate financial statements and the consolidated financial statements of the Company as at and for the year ended December 31, 2016;
- the approval of the 2016 Management Report and the 2016 comply or explain list;
- the approval of the quarterly earnings releases and condensed interim consolidated financial statements of the Company;
- the approval of the policy on the independence of the External Auditor;
- the approval of the internal audit charter;
- the approval of the internal audit plan for 2017;
- the review of the quarterly internal audit findings;
- the design of the new governance of the Company pursuant to the resignation of Mr. Michel Combes as CEO;
- the amendment of the Board Rules, the Audit Committee regulations and the Remuneration Committee regulations to bring them in line with the Code;
- the cancellation of treasury shares;
- the proposal to the General Meeting regarding the remuneration of the Board Members, including:
  - the amendment of the remuneration policy of the Board;
  - the amendment of the remuneration of certain Executive Board Members;
  - the determination of the remuneration of the Non-Executive Board Members;
  - the determination of the annual cash bonus for Executive Board Members for the financial year 2016;
  - the adoption of the PSOP;
- some amendments to the SOP;
- the adoption of the 2017 SOP and the 2017 LTIP;
- the grant and ratification of grant of stock options to certain eligible employees under the SOP, the LTIP and the 2017 LTIP;
- the grant of stock options to certain eligible employees under the PSOP;
- the approval of the proposed Teads transaction;

- the approval of the proposed acquisition of Media Capital[8];
- the approval of the public buy-out offer followed by a squeeze-out to acquire all issued and outstanding shares which were not yet directly or indirectly held by the Company in SFR Group;
- the approval of the Altice USA IPO; and
- the review of the strategy of the Company.

### *3.2.7 Board evaluation*

The Board regularly discusses its functioning and performance, including the functioning of the Non-Executive Board Members, the committees as well as individual Non-Executive Board Members. The Non-Executive Board Members have performed a self-evaluation on the functioning of their own performance, the performance of the entire Board, as well as the performance of the External Auditor. Overall, the Non-Executive Board Members are of the opinion that during 2017 significant steps have been taken not only in executing the strategy of the Company, but also in improving the governance and functioning of the Non-Executive Board Members as well as the Board as a whole. The Non-Executive Board Members are committed to continue to make further improvements in that respect in the financial year 2018.

## 3.3 The Group Advisory Council

The Company has a group advisory council (the "**Group Advisory Council**") which advises the Company, the Board, its individual Board Members and the Group Companies on all matters that are material to the Company and the Group as a whole, including the operational, technological and general strategy of the Group. The Group Advisory Council is entitled to review any financial commitment of the Company or its subsidiaries above €10 million or not provided for in the annual budget of the Company (as approved by the Board). The President of the Group Advisory Council is Mr. Drahi.

The President or the Vice-President shall for all Board meetings invite one member of the Group Advisory Council, which member may be designated by the Group Advisory Council for the purpose of attending such meetings.

## 3.4 Maximum number of supervisory positions of Board Members

Restrictions apply with respect to the overall number of supervisory positions that a managing director or supervisory director (including a one-tier board) of "large Dutch companies" may hold. The restrictions only apply with regard to executive and supervisory positions in Dutch public limited liability companies, Dutch private limited liability companies and Dutch foundations that, on two successive balance sheet dates without subsequent interruption, meet at least two of the three criteria referred to in Section 2:397(1) DCC, which criteria are: (i) the value of the company's/foundation's assets according to its balance sheet, on the basis of the purchase price or manufacturing costs exceeds €20 million, (ii) its net turnover in the applicable year exceeds €40 million and (iii) its average number of employees in the applicable year is 250 or more (such company or foundation, a "**Large Company**").

Pursuant to the DCC, a person cannot be appointed as a member of the management board if (a) he or she holds more than two supervisory positions with other Large Companies, or (b) if he or she acts as chairman of the supervisory board or, in the case of a one-tier board, serves as chairman of the board of a Large Company. The term "supervisory position" refers to the position of supervisory board member, non-executive board member in the case of a one-tier board, or member of a supervisory body established by the articles of association. A person may not be appointed as member of the supervisory board if he or she holds more than four supervisory positions with Large Companies. Acting as a chairman of a supervisory board or a supervisory body established by the articles of association or, in the case of a one-tier board, chairman of the management board, of a Large Company counts twice.

As of December 31, 2017, the Company meets the criteria of a Large Company for two successive balance sheet dates. The restrictions therefore apply to the Company.

[8] The acquisition of Media Capital is subject to relevant regulatory approvals.

## 3.5 Deviation from the Dutch gender diversity requirement and diversity policy

### *3.5.1 Gender diversity rule*

Dutch law requires Large Companies to pursue a policy of having at least 30% of the seats on both the management board and supervisory board held by men and at least 30% of the seats on the management board and supervisory board held by women, each to the extent these seats are held by natural persons. Under Dutch law, this is referred to as a well-balanced allocation of seats. This allocation of seats must be taken into account in connection with: (i) the appointment, or nomination for the appointment, of members of the management board; (ii) drafting the criteria for the size and composition of the management board and supervisory board, as well as the designation, appointment, recommendation and nomination for appointment of supervisory board members; and (iii) drafting the criteria for the non-executive directors, as well as the nomination, appointment and recommendation of non-executive directors.

If a Large Company does not comply with the gender diversity rule, it is required to explain in its management report (i) why the seats were not allocated in a well-balanced manner, (ii) how it had attempted to achieve a well-balanced allocation and (iii) how it aimed to achieve a well-balanced allocation in the future.

The nature and the activities of the Company and the desired expertise and background of the Board Members are decisive when Board Members are appointed or reappointed. The present composition of the Board deviates from the Dutch law rule regarding gender diversity. Although the Company pays close attention to gender diversity in the profiles of new Board Members and its diversity policy, the Company has not yet reached the 30% target. However, subject to the availability of suitable candidates at the time of Board appointments, the Company aims to reach a well-balanced mix of men and women among its Board Members in the future.

### *3.5.2 Diversity policy*

The Non-Executive Board Members have drawn up a diversity policy which is included in the Board Rules. The aim of this policy is to ensure that the Board has a diverse composition that contributes to a robust decision-making and proper functioning of the Board. The Non-Executive Board Members recognize that diversity should not be limited to the Board, but should extend to all areas of the Company's business, including but not limited to other key leadership positions. The diversity targets of the Company are:

- increasing the (work) experience diversity within the Board with one member with relevant expertise and knowledge of the US media and telecom businesses; and
- increasing the gender diversity within the Board.

The diversity policy is pursued by taking the diversity targets into account in recruitment, talent development, appointment to roles, retention of employees, mentoring and coaching programs, succession planning, training and development. The Company does not yet meet the diversity targets but aims for a more diverse Board in the future and will take the diversity targets into account if vacancies in the Board must be filled.

The Board intends to review the diversity policy after the separation of Altice USA from the Company (please see section 2.5.13 "*Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company*") to assess whether the diversity targets should be amended to be better aligned with the new strategy of Altice Europe.

As the diversity policy has been adopted on December 4, 2017, the Company aims to reflect on the results of the policy in 2018.

## 3.6 Comply or explain

### *3.6.1 Introduction*

The Code applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere. The Code therefore applies to the Company. The Code contains a number of principles and best practice provisions in respect of management boards, supervisory boards, shareholders and the general meeting of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

The Company is required to disclose in its Management Report whether or not it applies the provisions of the Code and, if it does not apply those provisions, to explain the reasons why in a substantive and transparent manner. Furthermore, if the departure from a principle or provision is of a temporary nature and continues for more than one financial year, the explanation should include an indication of when the Company intends to comply with that principle or provision. Where applicable, the Management Report should include a description of the alternative measure that was taken in the event of a deviation and either an explanation of how that measure attains the purpose of the principle or the provision or a clarification of how the measure contributes to good corporate governance of the Company.

In accordance with the "comply or explain" principle, the Company has outlined below departures from the Code. The entire "comply or explain" list is also published on the Company's website.

The principles are based on a company with a two-tier board structure, whereby a supervisory board supervises the management board. The one-tier board structure, with non-executive directors who supervise the executive directors, is only explicitly mentioned in the best practice principle 5.1. The Committee advised that in principle all provisions for the supervisory board *mutadis mutandis* apply to non-executive directors and that all provisions for the management board *mutadis mutandis* apply to executive directors and in some instances also apply to the non-executive directors. The text of the (best practice) provisions below should be read bearing this in mind.

### *3.6.2 Compliance with the Code*

The Company endorses the underlying principles of the Code, and is committed to adhering to the best practices of the Code as much as possible. The Company fully complies with the Code, with the exception of the following provisions:

*Best practice provision 1.3.1*: The Company does not entirely comply with this best practice provision. Since the Company has a one-tier board, the Board as a whole, thus including the Non-Executive Board Members, appoints and dismisses the senior internal auditor. Therefore, separate approval from the Non-Executive Board Members is not deemed necessary.

*Best practice provision 1.3.3*: The Company does not entirely comply with this best practice provision. Since the Company has a one-tier board, the internal audit plan is submitted to the Board as a whole, thus including the Non-Executive Board Members. Therefore, separate approval from the Non-Executive Board Members is not deemed necessary.

*Best practice provision 1.6.3*: Since the Company has a one-tier board, the engagement proposal is submitted by the Audit Committee to, and resolved upon by, the Board as a whole.

*Best practice provision 2.1.8*: With a view to greater flexibility, the Company applies a slightly different criterion for independence referred to under subsection (ii). According to the Board Rules, a Board Member shall not be considered independent if the Board Member concerned receives significant personal financial compensation from the Company or a Group Company, other than the compensation received for the work performed as a Non-Executive Board Member and in so far as this is not in keeping with the normal course of business.

*Best practice provision 2.3.4*: The Company does not fully comply with this best practice provision with regard to the Audit Committee. Mr. Van Breukelen chairs both the Board and the Audit Committee. However, since Mr. van Breukelen is considered to be a financial expert and experienced in supervising the integrity and quality of financial reporting and is also experienced in Dutch corporate governance matters, the Board regards the combination of his roles of Chairman of the Board and chairman of the Audit Committee of significant added value to the Company.

*Best practice provision 2.3.6*: The Company complies with this best practice provision, with the exception that the responsibility to ensure that a vice-chairman is elected is not attributed to the Chairman. From a flexibility perspective and since the Company has only three Non-Executive Board Members, any Non-Executive Board Member (other than the Chairman) will carry out the duties of the Chairman on a case-by-case basis should the Chairman be absent or unable to chair.

*Best practice provision 2.3.7*: The Company does not comply with this best practice provision since no vice-chairman has been appointed. The Board Rules do, however, state that if appointed, the vice-chairman shall deputise for the Chairman when the occasion arises. The Board Rules do provide that if the Chairman or the vice-

chairman are absent or unwilling to take the chair, the meeting shall appoint one of the Non-Executive Board Members or, in the event all Non-Executive Board Members in office are absent, one of the Executive Board Members as chairman of the meeting.

*Best practice provision 2.3.9*: In case an Executive Board Member is absent, his duties and powers will be carried out by another Executive Board Member that is designated for such purpose by the Executive Board Members. In case of long-term absence, the Non-Executive Board Members will be notified of such designation.

*Best practice provision 2.3.10*: The Company does not entirely comply with this best practice provision. Since the Company has a one-tier board, the Board as a whole, thus including the Non-Executive Board Members, appoints the company secretary. Therefore, separate approval from the Non-Executive Board Members is not deemed necessary.

*Best practice provision 2.4.2*: The Company complies with this best practice provision, albeit that the acceptance of the membership of a supervisory board by an Executive Board Member requires the approval of the Board as a whole instead of the Non-Executive Board Members.

*Best practice provision 2.4.3*: The Company does not entirely comply with this best practice provision, since no vice-chairman has been appointed. The Board Rules provide that, if no vice-chairman is appointed, any Non-Executive Board Member (other than the Chairman) shall act as contact for individual Non-Executive Board Members regarding the functioning of the Chairman.

*Best practice provision 2.6.2*: The Company does not fully comply with this best practice provision, since the whistle-blower policy does not provide for a specific reporting procedure in case a suspected misconduct or irregularity pertains to the functioning of a Board Member. The whistle-blower policy does, however, provide for general reporting possibilities to the Company's general counsel, compliance officer, head of the internal audit team, Chairman, and in certain circumstances, the chairman of the Audit Committee. This reporting structure provides reporting employees with sufficient possibilities, also in respect of suspected misconduct or irregularities that pertain to the functioning of a Board Member.

*Best practice provision 2.7.2*: The Company complies with this best practice provision, albeit that the Board Rules do not stipulate which transactions require the approval of the Non-Executive Board Members since, due to the Company's one-tier board structure, the Board as a whole, thus including the Non-Executive Board Members decides upon such transactions. Therefore, no separate approval from the Non-Executive Board Members is requested.

*Best practice provision 2.7.3*: The Company complies with this best practice provision, provided that the Chairman will determine whether a reported (potential) conflict of interest qualifies as a conflict of interest. Where the Chairman has a (potential) conflict of interest, the vice-chairman or, if no vice-chairman is appointed, another Non-Executive Board Member, will determine whether the reported (potential) conflict of interest of the Chairman qualifies as a conflict of interest.

*Best practice provision 2.7.4*: The Company does not fully comply with this best practice provision since the decision to enter into a transaction that involves a conflicted Board Member is adopted by the Board as a whole. Since the Company has a one-tier board, no separate approval from the Non-Executive Board Members is requested.

*Best practice provision 2.7.5*: The Company does not comply with this best practice provision for two reasons:

- Due to the Company's one-tier board structure, the Board as a whole decides upon the transactions referred to in this best practice provision; no separate approval from the Non-Executive Board Members is sought in such instance.
- The terms and conditions of the brand license and services agreement with Next Alt may not be in line with the letter of the Code, because the Company is not aware of any comparable agreement in the market in which the Group operates and, more specifically, where the consideration is in the form of stock options. Brand licence and services agreements generally give rise to a fee calculated as a percentage of a financial indicator, such as revenues or EBITDA. Having a consideration in the form of stock options does not result in any cost for the Company and better aligns the interests of Next Alt, which is the licensor and service provider under the agreement and also the controlling shareholder of the Company, with those of the minority shareholders of the Company. The Company has followed the normal governance process for this type of transaction.

*Principle 3.1*: The Company has a one-tier board, and therefore, the Board as a whole proposes the Remuneration Policy to the General Meeting for adoption, based on a recommendation of the Remuneration Committee, which consists of all Non-Executive Board Members. The Remuneration Policy is implemented by the General Meeting upon the proposal of the Board based on a recommendation of the Remuneration Committee. The Remuneration Policy is in line with the elements enumerated in this principle.

*Best practice provision 3.1.1*: The Company has a one-tier Board, and consequently, the Remuneration Policy is proposed to the General Meeting for adoption by the Board as a whole, based on a recommendation of the Remuneration Committee, of which all Non-Executive Board Members are members.

*Best practice provision 3.1.2*: The Remuneration Policy takes into consideration the aspects mentioned in this best practice provision, except that: (i) the Preference Shares B which were allocated to Mr. Combes in 2016 vest on the fourth anniversary of the grant date; since Mr. Combes resigned from his position as CEO on November 9, 2017, the grant of Preference Shares B was cancelled and therefore the non-compliance with this best practice provision on this point has ended and (ii) stock options granted under the SOP and the 2017 SOP are exercisable in various tranches, the first of which is two years after the grant of the options.

*Principle 3.2*: The Company does not comply with this principle since the General Meeting determines the remuneration of individual Board Members (as opposed to the Non-Executive Board Members as stipulated in this principle), upon the proposal of the Board which in turn is based on a recommendation of the Remuneration Committee, which consists of all Non-Executive Board Members.

*Best practice provision 3.2.1:* Due to the Company's one-tier board structure, the Remuneration Committee submits the proposal concerning the remuneration of individual Board Members to the Board as a whole. The proposal covers the elements enumerated in this best practice provision.

*Best practice provision 3.2.3:* The Company does not comply with this best practice provision, since the severance package of Mr. Combes includes a cash severance payment of a gross amount of €6,000,000 (i.e. exceeding one year's salary). This severance package was recommended by the Remuneration Committee after obtaining advice of both a legal and remuneration counsel and after careful consideration of several elements - including the fixed and variable remuneration to which Mr. Combes would have been entitled during his notice period, the scope of his non-compete provision and the litigation and reputational risk which could have arisen from this resignation -, and is subject to the approval of the 2018 AGM.

*Best practice provision 3.2.4:* The Company has a one-tier board. Therefore, the Board as a whole proposes the remuneration for its Non-Executive Board Members to the General Meeting. This proposal is based on a recommendation of the Remuneration Committee, which consists of all Non-Executive Board Members.

*Principle 3.3:* The Company has a one-tier board. Therefore, the Board as a whole proposes the remuneration for its Non-Executive Board Members to the General Meeting. This proposal is based on a recommendation of the Remuneration Committee, which consists of all Non-Executive Board Members.

*Best practice provision 4.1.8:* The Company did not comply with this best practice provision in 2017, since both Mr. Matlock and Mr. Allavena were not present at the 2017 General Meeting in which votes were cast on their nomination for re-appointment as Non-Executive Board Member. The Company will take this best practice provision into account in case of new (re-)appointments of Board Members.

*Best practice provision 4.3.3:* The Company does not comply with this best practice provision. According to the Articles of Association, Executive Board Members are appointed by the General Meeting on the binding nomination of the Nominating Shareholder. The General Meeting may at all times overrule the binding nomination by a resolution adopted by a majority of at least two thirds of the votes cast representing more than half of the issued share capital. In addition, according to the Articles of Association, the General Meeting may at any time dismiss or suspend any member of the Board. If the Nominating Shareholder has not made a proposal for the dismissal of a Board Member, the General Meeting can only resolve upon the dismissal of such Board Member by resolution adopted by a majority of at least two thirds of the votes cast representing more than half of the issued capital. The majority and quorum requirements included in the Articles of Association do not comply with this best practice provision, but do comply with the statutory provisions included in section 2:133(2) DCC.

*Best practice provision 5.1.1:* The Company does not comply with this best practice provision since the Board consisted, as per the end of the financial year 2017, of an equal number of Executive Board Members and Non-Executive Board Members. However, the composition of the Board as a whole ensures that its duties are carried out properly, supervision of the Executive Board Members is performed sufficiently and independently, and that all the necessary expertise and experience is available.

*Best practice provision 5.1.4:* Mr. van Breukelen chairs both the Board and the Audit Committee and, consequently, the Company does not comply with this best practice provision. However, since Mr. van Breukelen is considered to be a financial expert and experienced in supervising the integrity and quality of financial reporting and is also experienced in Dutch corporate governance matters, the Board regards the combination of his roles of Chairman of the Board and chairman of the Audit Committee of significant added value to the Company.

## 3.7 Capital, Shares and voting rights

### *3.7.1 Share capital*

As of December 31, 2017, the Company's authorized capital is €345,962,639.50, divided into the following Shares:

- 8,899,142,150 Common Shares A, each with a nominal value of €0.01;
- 269,884,872 Common Shares B, each with a nominal value of €0.25;
- 4,700,000,000 Preference Shares A, each with a nominal value of €0.04; and
- 150,000,000 Preference Shares B, each with a nominal value of €0.01.

*Common Shares A and Common Shares B*

One Common Share A has one vote and one Common Share B has 25 votes. Common Shares A and Common Shares B must be paid up in full upon issuance and are equally entitled to dividends.

*Preference Shares A*

Each Preference A Share has four votes on all matters on which all voting shares have voting rights and, other than matters that require a class vote, form a single class with other voting shares in the capital of the Company for such purposes.

Pursuant to the Articles of Association, Preference Shares A may be issued against payment in cash of at least one quarter of their nominal value.

*Preference Shares B*

Each Preference Share B has one vote on all matters on which all voting shares have voting rights and, other than with respect to matters that require a class vote, form a single class with the other voting shares in the capital of the Company for such purposes.

Preference Shares B must be paid up in full upon issuance. Pursuant to the Articles of Association, the Board may at all times convert one or more Preference Shares B into one or more Common Shares A in accordance with the conversion ratio and other conditions as determined by the Board.

*Issued capital*

As of December 31, 2017, the Company's issued capital is €76,482,509.50.

*Issued share capital of the Company as at December 31, 2017*

| Shares | Nominal Value | Number | Percentage of issued share capital |
|---|---|---|---|
| **Common Shares A** | €0.01 | 1,572,352,225 (of which 624,077,513 are held by the Company) | 20.56% |
| **Common Shares B** | €0.25 | 243,035,949 (of which 1,307,716 are held by the Company) | 79.44% |
| **Preference Shares A** | €0.04 | 0 | 0% |
| **Preference Shares B** | €0.01 | 0 | 0% |
| **Total** | | 1,815,388,174 | 100% |

No Preference Shares A or Preference Shares B have been issued.

The issued Shares are listed on Euronext Amsterdam. All issued Shares are fully paid-up and are subject to, and have been created under, the laws of the Netherlands.

*Conversion*

A holder of Common Shares B may at all times provide the Board with a written notice in the form as determined by the Board ("**Conversion Notice**") requesting to convert one or more of its Common Shares B into Common Shares A in the ratio of 25 Common Shares A for one Common Share B. The Conversion Notice must at least include an irrevocable and unconditional power of attorney to the Company, with full power of substitution, to transfer 24 of the converted Common Shares A unencumbered and without any attachments for no consideration (*om niet*) to the Company, which transfer shall be effected by the Company simultaneously with the conversion of the (relevant) Common Share(s) B into Common Shares A referred to in the Conversion Notice.

A form of Conversion Notice is available on the Company's website (www.altice.net) and can be downloaded and submitted to the Company in accordance with the instructions set forth in the Conversion Notice.

The Articles of Association provide that as per the moment of conversion of Common Shares B and/or Preference Shares B into Common Shares A, the authorized capital of the Company shall decrease with the number of Common Shares B and/or Preference Shares B included in such conversion, as applicable, and the authorized capital of the Company shall increase with the number of Common Shares A resulting from such conversion.

In addition, the Articles of Association provide for a transitory provision with respect to the authorized capital, pursuant to which the authorized capital will automatically be increased to €400,000,000 if and as soon as a resolution adopted by the General Meeting or the Board has been filed with the Trade Register of the Chamber of Commerce, pertaining to an issuance of such number of Shares pursuant to which the issued share capital of the Company will be at least €80,000,000. At the time of this Management Report, no such resolution has been filed with the Trade Register of the Chamber of Commerce. Therefore, this transitory provision did not yet take effect.

### *3.7.2 Restrictions on the transfer of Shares*

Shares are freely transferable, unless agreements between the Shareholders provide otherwise. For a description of such agreements, please refer to section 3.7.6 "*Agreements between Shareholders known to the Company and which may result in restrictions on the transfer of securities and/or voting rights*".

### *3.7.3 Significant direct and indirect Shareholders*

Pursuant to the register kept by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*), through December 31, 2017, the below table specifies the persons having notified a substantial holding in the

share capital of the Company (the relevant thresholds being 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%) [(1)]:

| Shareholders | Capital | Voting rights | Date of notification (most recent notification only) |
|---|---|---|---|
| The Goldman Sachs Group Inc. | 3.04% | 3.04% | November 29, 2017 |
| P. Drahi (through Next Alt) | 60.85% | 63.89% | October 13, 2017 |
| Altice N.V. | 5.00% | 0% | September 11, 2017 |
| Carmignac Gestion S.A. | 0.61% | 0.61% | June 2, 2017 |
| FMR LLC | 2.91% | 2.75% | January 5, 2017 |
| M. Combes | 0.04% | 63.61% [(2)(3)] | July 6, 2016 |
| EuroPacific Growth Fund | 5.17% | 0.00% | February 9, 2016 |
| D. Goei | 1.66% | 62.56% [(2)] | January 28, 2016 |
| D.L. Okhuijsen | 0.85% | 62.56% [(2)] | January 28, 2016 |
| J. Bonnin | 0.72% | 62.56% [(2)] | January 28, 2016 |
| J.M. Hegesippe | 0.71% | 62.56% [(2)] | January 28, 2016 |
| P. Giami | 0.38% | 62.56% [(2)] | January 28, 2016 |
| J.L. Berrebi | 0.34% | 62.56% [(2)] | January 28, 2016 |
| N. Rotkoff | 0.07% | 62.56% [(2)] | January 28, 2016 |
| Capital Research and Management Company | 0% | 7.05% | August 10, 2015 |

(1) The percentages are based on the information registered in the register kept by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) as at December 31, 2017. These percentages may not reflect the actual shareholdings and/or voting rights as per December 31, 2017 since not all changes in shareholdings and/or voting rights require a notification. Only if a relevant threshold is exceeded or one falls below a certain threshold this must be notified. For further information on share trades by Board Members, persons discharging managerial responsibilities or closely associated persons, please see https://www.afm.nl/en/professionals/registers/meldingenregisters/bestuurders-commissarissen and https://www.afm.nl/en/professionals/registers/meldingenregisters/transacties-leidinggevenden-mar19.

(2) Next Alt has entered into shareholders' agreements with these Shareholders in which a voting agreement is included, pursuant to which such Shareholders have to vote in favor of all items in the General Meeting proposed by Next Alt for a period of thirty years. For a description of such agreements, please refer to section 3.7.6 "*Agreements between Shareholders known to the Company and which may result in restrictions on the transfer of securities and/or voting rights*".

(3) The shareholders' agreement between Next Alt and Mr. Combes was terminated as from November 9, 2017.

### *3.7.4 Voting rights and restrictions on voting rights*

*Voting rights*

Each issued and outstanding Common Share A confers the right to cast one vote, each issued and outstanding Common Share B confers the right to cast 25 votes, each Preference Share B (if it were to be issued and outstanding) confers the right to cast one vote and each Preference Share A (if it were to be issued and outstanding) confers the right to cast four votes in the General Meeting and in meetings of holders of a separate class of shares.

Each Shareholder who meets the requirements below may attend the General Meeting, address the General Meeting and, to the extent applicable, exercise voting rights pro rata to its shareholding, either in person or by proxy. Shareholders may exercise these rights if:

- they are the holders of issued shares on the record date as required by Dutch law, which is currently the 28th day before the day of the General Meeting;
- they or their proxy have notified the Company of their intention to attend the General Meeting in writing by the date specified in the notice of the General Meeting; and
- they are registered as such in (a) the records that are kept by the banks and agents that are defined as intermediaries pursuant to the Securities Giro Transfer Act (*Wet Giraal effectenverkeer*) or (b) the Company's shareholders' register.

The convocation notice shall state the record date and the manner in which the persons entitled to attend the General Meeting may register and exercise their rights. The Board may determine that the voting rights may be exercised by means of electronic communication.

To the extent the law or the Articles of Association do not require a qualified majority, all resolutions of the General Meeting shall be adopted by an absolute majority of the votes cast, in a meeting in which a quorum of at least 50% of the issued and outstanding capital is present or represented.

*Restrictions on voting rights*

Pursuant to Dutch law, no voting rights may be exercised for any issued Shares held by the Company or a subsidiary (as defined in the Articles of Association) nor for any issued Shares for which the Company or a subsidiary holds the depositary receipts. However, pledgees and usufructuaries (*recht van vruchtgebruik*) of issued Shares held by the Company or a subsidiary are not excluded from exercising the voting rights, if the right of pledge or the usufruct was created before the issued Share was owned by the Company or such subsidiary. The Company or a subsidiary may not exercise voting rights for an issued Share in respect of which it holds a right of pledge or usufruct. When determining how many votes are cast by Shareholders, how many Shareholders are present or represented, or which part of the Company's issued capital is represented, no account is taken of issued Shares for which, pursuant to the law or the Articles of Association, no vote can be cast.

#### *3.7.5 System of control of employee share scheme*

The Company has not implemented any employee share scheme granting rights to employees to acquire shares in the Company or a subsidiary where the control rights are not exercised directly by the employees.

#### *3.7.6 Agreements between Shareholders known to the Company and which may result in restrictions on the transfer of securities and/or voting rights*

Next Alt has entered into shareholders' agreements with Dexter Goei (through More ATC LLC), Dennis Okhuijsen, Jérémie Bonnin (through Hamaja S.à r.l.), Patrice Giami, Jean-Michel Hegesippe (through OTR S.à r.l. and JMH Gestion & Participations Limited), Jean-Luc Berrebi (through Lynor's S.à r.l.) and Nicolas Rotkoff (through Belem Capital S.à r.l.) (collectively the "**ANV Shareholders**") in which procedures for transfers of Shares by the relevant ANV Shareholder and a voting agreement have been laid down.

Subject to certain exceptions, the shareholders' agreements limit the rights of ANV Shareholders to enter into collar arrangements over Shares or grant options, rights or warrants to purchase Shares. In addition, Next Alt has a pre-emption right in the event any ANV Shareholder intends to transfer Shares to third parties. Prior to effecting any such transfer, the ANV Shareholder must notify Next Alt about the contemplated transfer. Following such notification, Next Alt may exercise its pre-emption right and acquire all, or some, of the Shares. In the event Next Alt does not exercise its pre-emption right timely and in accordance with the terms of the relevant shareholders' agreements, Next Alt will be deemed to have waived its pre-emption right with respect to the specific Shares and the relevant ANV Shareholder may freely transfer such Shares.

Pursuant to the voting arrangements laid down in the shareholders' agreements, in order to ensure the smooth continuation of the Company's business, the ANV Shareholders undertook to cast their votes in good faith during all General Meetings and to vote in favor of all items proposed by Next Alt in the General Meeting for a period of 30 years. Each ANV Shareholder must also give a proxy to Next Alt to represent it and to vote on its behalf in the General Meeting.

Certain other managers of the Group are also bound by similar shareholders' agreements with Next Alt, except that the relevant voting arrangement will only come into effect in case Next Alt no longer holds at least 50% of the voting rights in the Company.

On November 23, 2015, Next Alt entered into a funded collar transaction for over 81.2 million Common Shares A with Goldman Sachs International and, to facilitate the collar transaction, lent the Shares underlying the collar to Goldman Sachs International, which in turn sold approximately 61 million Common Shares A to institutional investors to establish its initial hedge for the collar. Next Alt entered into a 150-day lock-up in connection with this transaction.

#### *3.7.7 Appointment and replacement of Board Members / amendment to the Articles of Association*

*Appointment and replacement of Board Members*

The Executive Board Members and Non-Executive Board Members are appointed by the General Meeting. Only natural persons can be appointed Non-Executive Board Members. The Executive Board Members are appointed by the General Meeting at the binding nomination of Next Alt, provided that Next Alt (a) holds a direct interest of at least 30% of the aggregate nominal value of the issued and outstanding Common Shares and (b) is Controlled by the Controller (both defined below), or (ii) when Next Alt does not hold a direct interest of at least

30% of the aggregate nominal value of the issued and outstanding Common Shares and/or is no longer Controlled by the Controller, any other legal entity which (x) holds a direct interest of at least 30% of the aggregate nominal value of the issued and outstanding Common Shares and (y) is Controlled by the Controller (the "**Nominating Shareholder**"). In this context, "**Controlled**" means, with respect to a legal entity, (i) the ownership of legal and/or beneficial title to voting securities that represent more than 50% of the votes in the general meeting of such legal entity; and/or (ii) being empowered to appoint, suspend or dismiss or cause the appointment, suspension or dismissal of at least a majority of the board members, supervisory board or any similar governing body of such legal entity, whether through the exercise of voting rights, by contract or otherwise; and/or (iii) the power to direct or cause the direction of the management and policies of such entity, whether through the exercise of voting rights, by contract or otherwise, and "**Controller**" means (i) Patrick Drahi individually or (if applicable) together with any of his children who indirectly hold Common Shares or (ii) Patrick Drahi's heirs jointly.

Pursuant to the Articles of Association, the General Meeting may at all times overrule such binding nomination by a resolution adopted by a majority of at least two thirds of the votes cast representing more than 50% of the issued capital. If the General Meeting overrules the binding nomination, the Nominating Shareholder may make a new binding nomination. The nomination must be included in the notice of the General Meeting at which the appointment will be considered. The Board will request the Nominating Shareholder to make its nomination at least ten days before publication of the notice of the General Meeting at which the appointment will be considered. If a nomination has not been made by the Nominating Shareholder or has not been made by the Nominating Shareholder within seven days following the request of the Board, this must be stated in the notice and the General Meeting will be free to appoint a Board Member at its discretion.

The General Meeting may at any time dismiss or suspend a Board Member. If the Nominating Shareholder proposes the dismissal of a Board Member to the General Meeting, the General Meeting can resolve upon that dismissal with an absolute majority of the votes cast. If the Nominating Shareholder has not made a proposal for the dismissal of a Board Member, the General Meeting can only resolve upon the dismissal of that Board Member with a majority of at least two-thirds of the votes cast representing more than 50% of the issued capital. An Executive Board Member may also be suspended by the Board; any resolution of the Board concerning the suspension or dismissal of the Vice-President must be adopted by unanimous votes in a meeting where all Board Members, other than the Vice-President, are present or represented. A General Meeting must be held within three months after a suspension of a Board Member has taken effect, in which General Meeting a resolution must be adopted either to dismiss such Board Member or to terminate or extend the suspension for a maximum period of three months. If neither such resolution is adopted, nor the General Meeting has resolved to dismiss the Board Member, the suspension will lapse.

The Nominating Shareholders' rights mentioned above may not be amended or withdrawn without the Nominating Shareholders' prior written consent. The Nominating Shareholder will only be entitled to these rights as long as it holds a direct interest of at least 30% of the aggregate nominal value of the issued and outstanding Common Shares and is Controlled by the Controller.

*Amendment of the Articles of Association*

The General Meeting may, at the proposal of the Board, resolve to amend the Articles of Association with an absolute majority of the votes cast, provided that at least 50% of the issued and outstanding capital is present or represented. A proposal to amend the Articles of Association must be included in the agenda of the relevant General Meeting. When a proposal to amend the Articles of Association is made, a copy of the proposal, containing the verbatim text of the proposed amendment, must be lodged with the Company for the inspection of every Shareholder from the date on which notice of the meeting is given until the end of the General Meeting.

### *3.7.8 Power to issue and repurchase Shares*

*Issuance of Shares*

Shares are issued pursuant to a resolution of the General Meeting or pursuant to a resolution of the Board, to the extent so authorized by the General Meeting for a specific period not exceeding five years. The General Meeting will, for as long as any such designation of the Board for this purpose is in force, remain authorized to resolve upon the issuance of Shares. Unless otherwise stipulated at its grant, the authorization cannot be withdrawn.

The Board is irrevocably authorized in the Articles of Association to issue Shares and to grant rights to subscribe for Shares up to the amount of the Company's authorized capital for a period of five years from August 8, 2015.

This authorization of the Board will expire on August 8, 2020. After that period, Shares may be issued pursuant to (i) a resolution of the General Meeting, or (ii) a resolution of the Board, if so authorized by the General Meeting.

*Pre-emptive rights*

In accordance with Dutch law and the Articles of Association, holders of issued Shares have pre-emptive rights to subscribe on a pro rata parte basis for any issue of new Common Shares or upon a grant of rights to subscribe for Common Shares. Such pre-emptive rights do not apply, however, in respect of Common Shares issued against contribution in kind, Common Shares issued to employees of the Group and Common Shares issued to persons exercising a previously granted right to subscribe for Common Shares.

Pre-emptive rights may be limited or excluded by a resolution of the General Meeting. The General Meeting may designate this authority to the Board for a period not exceeding five years, provided that the Board is at that time also authorized to issue Shares. If less than one half of the issued capital of the Company is represented at a General Meeting, a majority of at least two-thirds of the votes cast is required for a resolution of the General Meeting to limit or exclude such pre-emptive rights or to make such designation. Unless otherwise stipulated at its grant, the authorization cannot be withdrawn.

Pursuant to the Articles of Association, the Board is irrevocably authorized to limit or exclude pre-emptive rights on any issue of Shares or the granting of rights to subscribe for Shares for a period of five years from August 8, 2015. After such period, the Articles of Association stipulate that pre-emptive rights may be limited or excluded by a resolution of the General Meeting, which may again designate this authority to the Board, for a period not exceeding five years, provided that the Board at that time is also authorized to issue Shares.

In accordance with Section 2:96a DCC, Shareholders do not have pre-emptive rights on any issue of Preference Shares A or Preference Shares B. Holders of Preference Shares A or Preference Shares B do not have a pre-emptive right in respect of Common Shares.

*Repurchase of Shares*

The Company may not subscribe for Shares upon issue. The Company may acquire fully paid-up issued Shares at any time for no consideration, or subject to Dutch law and the Articles of Association, if (i) its equity exceeds the Distributable Equity, (ii) the number of issued Shares which the Company or a or a subsidiary (as defined in the Articles of Association) acquires, holds or holds as pledgee, is not more than as permitted by Dutch law and (iii) the Board has been authorized by the General Meeting to repurchase issued Shares.

The General Meeting's authorization as referred to above may be valid for a specific period not exceeding 18 months. As part of the authorization, the General Meeting must specify the number of issued Shares that may be acquired, the manner in which the issued Shares may be acquired and the price range within which the issued Shares may be acquired.

On June 28, 2017, the General Meeting authorized the Board for a period of 18 months, commencing on June 28, 2017, to acquire issued Shares in its own capital, subject to the following conditions: (i) the maximum number of issued Shares which may be acquired is 10% of the issued share capital of the Company at any time during the period of authorization; (ii) transactions must be executed at a price between the nominal value of the issued Shares and 110% of the opening price at Euronext Amsterdam at the date of the acquisition; and (iii) transactions may be executed on the stock exchange or otherwise.

No authorization from the General Meeting is required for the acquisition of fully paid up issued Shares for the purpose of transferring the same to employees of the Company or of a Group Company under a scheme applicable to such employees (such as the Stock Option Plans), provided that such issued Shares are listed on a stock exchange.

*Capital Reduction*

With due observance of the statutory requirements, the General Meeting may resolve to reduce the issued share capital by (i) reducing the nominal value of issued Shares by amending the Articles of Association or (ii) cancelling issued Shares. Pursuant to the Articles of Association, a resolution to cancel issued Shares may only relate to (a) issued Shares or depositary receipts for such issued Shares held by the Company or (b) all (issued) Preference Shares A with repayment. A reduction of the nominal value of issued Shares, with or without

repayment, must be made pro rata on all issued Shares concerned. This pro rata requirement may be waived if all Shareholders concerned so agree.

Pursuant to Dutch law, a resolution of the General Meeting to reduce the share capital requires a majority of at least two-thirds of the votes cast, if less than half of the issued and outstanding share capital is present or represented at the General Meeting. In addition, Dutch law contains detailed provisions regarding the reduction of capital. A resolution to reduce the issued share capital will not take effect as long as creditors have legal recourse against the resolution.

On June 28, 2017, the General Meeting resolved to authorize the cancellation of any Common Shares A and Common Shares B in the share capital of the Company held by the Company. This cancellation may be executed in one or more tranches. The Board has full discretionary power to resolve not to cancel Shares. If the Board resolves to cancel Shares, it determines the number of issued Shares that will be cancelled (whether or not in a tranche). Pursuant to the relevant statutory provisions, cancellation may not be effected earlier than two months after a resolution to cancel issued Shares is adopted and publicly announced. This will apply for each tranche. On December 4, 2017, the Board resolved to cancel 416,000,000 Common Shares A and 1,307,716 Common Shares B held by the Company as treasury shares. On January 25, 2017, the Board resolved to cancel 370,000,000 additional Common Shares A held by the Company as treasury shares.

### *3.7.9 Significant agreements which alter or terminate upon change of control*

*Change of control event triggers under the Group's debt documents*

Under the terms of certain of the Group's Indentures, Term Loans, Revolving Credit Facility Agreements and the 2017 Guarantee Facility Agreement, at any time following a Change of Control (or with respect to the Indentures and Term Loans that contain "portability" features, at any time following a Change of Control Triggering Event) (each as defined in each of the relevant Indentures, Term Loans, Revolving Credit Facility Agreements and the 2017 Guarantee Facility Agreement, as applicable), the issuer or borrower, as applicable, will be required to offer to repurchase the notes or prepay the facilities, as applicable. Change of Control is generally defined under the relevant Indentures, Term Loans, Revolving Credit Facility Agreements and the 2017 Guarantee Facility Agreement as: (i) a direct or indirect change in ownership of more than 50% of the issued and outstanding voting stock in the parent of the issuer or borrower, as applicable, measured by voting power rather than number of shares, (ii) a direct or indirect change to the composition of the majority of the board (including the Board and as further described in the relevant documents), (iii) a direct or indirect sale or other disposition of all or substantially all assets of the parent, or (iv) in the case of the Altice International group, a direct or indirect change of ownership whereby the respective controlling entities cease to hold 100% of the capital stock of Altice Financing, or Altice Finco, as applicable. Under the Indentures, at any time following a Change of Control (or with respect to the Indentures that contain "portability" features, at any time following a Change of Control Triggering Event), the applicable issuer under the Indentures will be required to offer to repurchase the notes issued thereunder at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any. Holders of the notes are not required to tender their notes to the offer. Under the Term Loans, at any time following a Change of Control (or with respect to the Term Loans that contain "portability" features, at any time following a Change of Control Triggering Event), the applicable borrower will be required to prepay the loans plus accrued and unpaid interest, if any, and additional amounts, including unpaid accrued fees, if any. Certain of the Indentures and Term Loans contain "portability" features, under which the Change of Control Triggering Event would not be triggered as long as there is no Rating Decline (as defined in the relevant Indentures and Term Loans) following a Change of Control. Under the Revolving Credit Facility Agreements, upon the occurrence of a Change of Control, the facilities are cancelled and all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents become immediately due and payable. Certain of the Revolving Credit Facility Agreements, in addition to designating all outstanding loans as immediately payable, also require the borrower, immediately following a Change of Control, to cash collateralize its outstanding obligations.

*Change of control event triggers under other agreements*

Certain employment agreements may contain specific clauses in case a change of control occurs, but this is an exceptional situation and would not have a significant impact in case of a change of control.

The SOP, the LTIP, the 2017 SOP and the 2017 LTIP provide that all options will automatically vest in case a change of control occurs. A change of control means, for this purpose, Next Alt, together with related parties,

owning, directly or indirectly, less than 30% of the aggregate nominal value of the issued and outstanding Common Shares in the capital of the Company.

Furthermore, certain of the Group's customer contracts may include certain terminations rights upon the occurrence of a change of control. However, the Group deems the impact of these to be non-material should this provision be triggered, in light of the volume of contracts that the Group services.

Also, the Group is subject to various rules and regulations in the jurisdictions in which the Group operates and will be required to seek regulatory approval from the applicable governing bodies upon the occurrence of certain change of control events.

The Group is not subject to any change of control clause in the agreements with its major telecom suppliers.

Under the terms of certain agreements entered into by the Group Companies for the acquisition of content rights, the content provider may terminate the agreement upon a change of control of the relevant Group Company. A change of control is generally defined as (i) a change in the (direct or indirect) ownership of more than 50% of the share capital or voting rights of the relevant Group Company or (ii) a change in the (direct or indirect) power to direct or cause the direction of the management and policies of the relevant Group Company. In certain cases, the content provider may terminate the agreement and request the relevant Group Company to pay a portion of the amounts remaining due under the agreement if, in its reasonable opinion, the change of control is detrimental to its interests or adversely affects the ability of the Group Company to perform its obligations under the agreement.

The service agreements of the members of the Board do not provide for any benefit upon termination of employment as a result of a change of control. The employment agreement of Mr. Combes with Altice Management International S.A. provided the following benefits upon termination: if Mr. Combes leaves the Group other than by reason of (i) voluntary resignation, (ii) dismissal for gross negligence, or (iii) dismissal for willful misconduct, he shall be paid a severance fee equal to six months of his base annual salary. The employment agreement of Mr. Combes was terminated on November 9, 2017. His severance package includes a cash severance payment of a gross amount of €6,000,000 (i.e. exceeding the severance fee he was entitled to in his employment agreement). This severance package was recommended by the Remuneration Committee after obtaining advice of both a legal and remuneration counsel and after careful consideration of several elements (including the fixed and variable remuneration to which Mr. Combes would have been entitled during his notice period, the scope of his non-compete provision and the litigation and reputational risk which could have arisen from this resignation), and is subject to the approval of the 2018 AGM.

## 3.8 Other corporate governance practices

### *3.8.1 Conflict of interest and transactions with Board Members and major Shareholders*

Dutch law provides that a managing director of a Dutch public limited liability company, such as the Company, may not participate in the adoption of resolutions (including deliberations in respect of these) if he or she has a direct or indirect personal interest conflicting with the interests of the Company and the enterprise connected therewith. Such a conflict of interest only exists if in the situation at hand the managing director is deemed to be unable to serve the interests of the company and the business connected with it with the required level of integrity and objectivity. Pursuant to the Board Rules, each Board Member must immediately report any (potential) personal conflict of interest to the Chairman and to the other Board Members. A Board Member with such (potential) conflict must provide the Chairman and the other Board Members with all information relevant to the conflict. The Chairman will determine whether a reported (potential) conflict of interest qualifies as a conflict of interest within the meaning of Section 2:129 DCC, in which case the Board Member cannot participate in the deliberations and the decision-making involving a subject or transaction in relation to which there is a direct or indirect personal conflict of interest.

If there is a conflict of interest in respect of all Board Members, the decision will nevertheless be taken by the Board. All transactions involving personal conflicts of interest with members of the Board must be concluded on terms customary in the industry concerned.

The existence of a (potential) conflict of interest does not affect the authority to represent the Company.

The only transactions involving a conflict of interest with a board Member that were entered into in 2017 and that were of material significance to the Company and/or the relevant Board Member are listed below:

- the acquisition by CVC 3 B.V. of a residual stake in Cequel Corporation, in respect of which a Non-Executive Board Member, Mr. Scott Matlock, had a personal conflict of interest, in his capacity as partner at an independent investment bank, PJT Partners; and

- the buy-out offer, followed by a squeeze out, on all issued and outstanding shares which were not yet directly or indirectly held by the Company in SFR Group, in respect of which the CEO, Mr. Michel Combes, had a personal conflict of interest, in his capacity as Chairman of the Board and CEO of SFR Group.

The Company complied with best practice provisions 2.7.3 and 2.7.4 of the Code, save for the deviations indicated in section 3.6 "*Comply or explain*".

The only transaction that was entered into in 2017 between the Company and holders of at least 10% of the total Common Shares and that was of material significance to the Company and/or the relevant shareholder was the following:

- In May 2017, the Board 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 would be 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.

The Company is not aware of any comparable agreement in the market in which the Group operates and, more specifically, where the consideration is in the form of stock options. Brand license and services agreements generally give rise to a fee calculated as a percentage of financial indicator, such as revenues or EBITDA. Having a consideration in the form of stock options does not result in any cost for the Company and better aligns the interests of Next Alt, which is the licensor and service provider under the agreement and also the controlling shareholder of the Company, with those of the minority shareholders of the Company. The Company has followed the normal governance process for this type of transaction. Although the terms and conditions of the amended brand license and services agreement may not be in line with the letter of the Code, the Company believes that it has acted in line with the spirit of the Code. Since, as a formal matter, it may be argued that the Company has not fully complied with the letter of best practice provision 2.7.5 of the Code, it has indicated a deviation in section 3.6 "*Comply or explain*".

### *3.8.2 Anti-takeover measures*

On August 9, 2015, the Company issued a warrant (the "**Warrant**") to Next Alt pursuant to which, under specific circumstances, Next Alt would be entitled to subscribe for Preference A Shares in the capital of the Company to be issued upon exercise of the Warrant (the "**Warrant Shares**"). The Warrant may be exercised at any time upon and following each date of occurrence of the following event as long as the event continues to exist (the "**Exercise Event**"):

- if the shareholding of any holder of Common Shares, other than Next Alt (or the shareholding of any holder of Common Shares, other than Next Alt, when aggregated with the shareholding(s) of any Shareholder(s) with whom such Shareholder is acting in concert), is at least equal to 20% of the aggregate nominal value of the Common Shares.

Upon exercise of the Warrant (in full or partially), Next Alt has the right (but not the obligation) to subscribe for Warrant Shares. The consideration to be paid consists of payment in cash of at least one quarter of the nominal value of each Warrant Share in euro (the "**Exercise Price**"). Next Alt has the right to subscribe for such number

of Warrant Shares in order for Next Alt to reach a maximum of 66.67% of the aggregate nominal value of all issued Shares in the capital of the Company from time to time, taking into account the Shares already held by Next Alt.

The right of Next Alt to exercise the Warrant is not extinguished upon exercise of the Warrant. The Warrant is a revolving instrument entitling Next Alt to exercise the Warrant when an Exercise Event occurs, notwithstanding any previous exercise of the Warrant.

The Company shall cancel all outstanding Warrant Shares against repayment of the aggregate Exercise Price following the exercise of the Warrant:

- if Next Alt transfers any Warrant Shares to any person other than the Company, except in case of a transfer to any person or entity which holds a direct interest of at least 30% of the aggregate nominal value of the Common Shares and is controlled by (i) Mr. Patrick Drahi individually or (if applicable) together with any of his children who indirectly hold Common Shares or (ii) his heirs jointly; or
- if Next Alt holds less than 30% of the aggregate nominal value of the Common Shares; or
- following the occurrence of the Exercise Event, if no single holder of Common Shares (other than Next Alt) and no holder of Common Shares (other than Next Alt) acting in concert continues to hold 20% or more of the aggregate nominal value of the Common Shares.

### *3.8.3* Culture and values of the Group

*Core values and mindsets*

The Group's core values are the following: together; dedicated; brave; disruptive; quick; to deliver excellence to customers. These values translate in 10 Altice Mindsets, which originate from the Group's family anchoring and are the foundation of its success:

- Everything is possible **-** We reinvent the future for our customers by challenging ourselves to deliver products that unlock the limitless potential of our assets, our people and our world. We never say "it is not possible" -- we act to make everything possible.

- We make our dreams reality - Our dreams energize all of our people and guide our decisions. We recruit and retain team members who share our dreams and we never give up until we make our dreams reality. We are never fully satisfied by our accomplishments and set further limits to our dreams.

- Simplicity means success - We think simple ideas, direct our ideas into quick actions, simplify our processes, and fine-tune our organization to achieve our goals. Complexity is the enemy of growth and bureaucracy the enemy of fun – for us, simplicity and fun will lead to success.

- People are our best asset - We own and build the strongest organizations, but our best asset is our people who form the Altice Family. We recruit, develop and retain the best talents: diversity is our culture. Our people become our partners: entrepreneurial, fearless, self-motivated, committed, always optimistic and share our dreams.

- Customers are our boss - Our attitude and our decisions benefit our customers. We work hard at providing better experiences to our customers in everything we do. We listen to our customers as we listen to our friends, and we want them to be proud of us and what we enable for them.

- We lead by example - Our leaders do not tell us what to do, they show us how to act. They listen more than they talk, and everyone has direct and informal access to them.

- Smart investment implies cost control - As we own our Group, engaging Group money is investing our own money. Our cost control makes us grow faster than others and enables investment and innovation. In the end, our growth provides for a better experience to our customers and leads to a successful workplace.

- Optimism brings solutions -We are problem solvers: we do not see problems in every idea, we bring solutions to any problem. In every situation, there is an opportunity: this is our optimism.

- Informal management favors collaboration - We favor close dialogue between all of our people with a collective spirit, fairness and transparency. There is no hierarchy; challenging ideas is more important than compromise, decisions are thoughtful and rapid; action is spontaneous; reward is fair.

- Innovation is everywhere - We invented our model not long ago, we invent our products every day and we shall reinvent ourselves all the time. Innovation is everywhere all the time.

The 10 Altice Mindsets apply throughout the Group regardless of the level of responsibility so that the Group can maintain the same entrepreneurial spirit and camaraderie that has gotten it to where it is today.

*Business integrity*

From a business perspective, the Group has developed a culture focused on compliance and integrity and adopts a zero-tolerance approach to illegal or unethical behavior, bribery and corruption. Conducting business in accordance with the law and maintaining the highest level of professional and ethical standards in the conduct of business affairs are essential components of the Group's corporate culture. This is outlined in and implemented through the code of business conduct (the "**Code of Conduct**") and anti-corruption policy (the "**Anti-Corruption Policy**") adopted by the Company on August 9, 2015, which are available on the Company's website.

The Code of Conduct, which applies to all directors, officers and employees of the Group, is designed to outline the applicable ethical and legal obligations in handling the Group's business, regarding, in particular, the following areas: compliance with laws, conflicts of interest, fair dealing, protection and proper use of the Group's assets and respecting the Group's community.

The Anti-Corruption Policy, which applies to the Company, the Group Companies and their respective directors, officers and employees, describes rules and procedures for conducting business in accordance with applicable anti-corruption laws and establishes guidelines for handling corruption concerns. It is the Group's policy to: (i) conduct Group's business in a manner designed to maintain a culture of honesty and opposition to fraud and corruption; (ii) maintain the highest moral, ethical and social standards in the Group's business and activities; (iii) maintain proper business relationships with all individuals, including government officials, regardless of whether such relationships are direct or indirect; (iv) require the Group's agents, consultants, and business partners to comply with the Anti-Corruption Policy; and (5) enforce the Anti-Corruption Policy with appropriate disciplinary measures, up to and including termination of association with the Group.

Each employee is responsible for adhering to the values of the Group and for making every effort to ensure that the Code of Conduct and the Anti-Corruption Policy are respected by all. Employees shall at all times report irregularities regarding the implementation of the Code of Conduct or the Anti-Corruption Policy in accordance with the Group's whistle-blower policy.

The effectiveness of, and compliance with, the Code of Conduct and the Anti-Corruption Policy are assessed through internal controls and procedures put in place by the Group, as well as through systematic and ad hoc financial and operational audits and special investigations carried out by the internal audit function, with a view to actively detecting and investigating any alleged misconduct and taking any disciplinary action if misconduct is substantiated.

# 4 BOARD STATEMENTS

## 4.1 Corporate governance statement

The information required to be included in this corporate governance statement as described in sections 3, 3a and 3b of the Decree laying down additional requirements for management reports ("*Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag*") (the "**Decree**"), can be found in the following sections of this Management Report:

- the information concerning compliance with the Code, as required by article 3 of the Decree, can be found in section 3.6 *"Comply or explain*";
- the information concerning the Company's internal risk management and control systems relating to the financial reporting process of the Company and the Group Companies of which the financials are included in the Consolidated Financial Statements, as required by section 3a(a) of the Decree, can be found in section 2.7 "*Risk management and control*";
- the information regarding the functioning of the General Meeting, and the authority and rights of the Company's Shareholders, as required by article 3a(b) of the Decree, can be found in section 3.7.7 "*Appointment and replacement of Board Members / amendment to the Articles of Association*", section 3.7.4 "*Voting rights and restrictions on voting rights*" and in section 3.7.8 *"Power to issue and repurchase Shares"*;
- the information regarding the composition and functioning of the Board and its committees, as required by article 3a(c) of the Decree, can be found in section 3.2 *"The Board*";
- the information regarding the diversity policy of the Board including the goals of that policy, the way the policy is implemented and the results of the policy in the last financial year, as required by article 3a(d) of the Decree, can be found in section 3.5.2 *"Diversity policy*"; and
- the information required by Article 10 of the European Takeover Directive ("*Besluit artikel 10 overnamerichtlijn"*), as required by article 3b of the Decree, can be found in section 3.7 "*Capital, Shares and voting rights*".

## 4.2 In control statement

In accordance with best practice provision 1.4.3 of the Code, the Board believes that, to the best of its knowledge:

- the Management Report provides sufficient insights into any failings in the effectiveness of the Company's internal risk management and control systems;
- the Company's internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs of the Company, it is justified that the financial reporting is prepared on a going concern basis (please see also section 2.5.6 "*Going concern assumption*"); and
- the Management Report states those material risks and uncertainties that are relevant to the expectation regarding the Company's continuity for the period of twelve months after the preparation of the Management Report.

## 4.3 Responsibility statement

With reference to section 5.25c paragraph 2 subparagraph c of the Wft, the Board declares that, to the best of its knowledge:

- the annual financial statements for the year ended December 31, 2017 provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its consolidated subsidiaries in accordance with IFRS as adopted by the European Union; and
- the Management Report provides a true and fair view of the position of the Company and its consolidated subsidiaries as at December 31, 2017 and the development of the business during the financial year 2017, accompanied by a description of the principal risks the Company faces.

## 4.4 Non-financial statement

The information required to be included in the Management Report as described in the Decree on disclosure of non-financial information ("*Besluit bekendmaking niet-financiële informatie*") (the "**Decree Non-Financial Information**"), can be found in the following sections of this Management Report:

- a short description of the business model of the Company, as required by article 3(1)(a) of the Decree Non-Financial Information, can be found in sections 1 "*Principal activities of the Group*" and 2.2 *"Strategy of the Company"*;
- a description of the Company's policy, including the applied security measures, regarding:
  - environmental, social and employee matters;
  - respect for human rights;
  - anti-corruption and anti-bribery policies,

  as required by article 3(1)(b) of the Decree Non-Financial Information, can be found in sections 2.3.2 *"Environmental impact"*, 2.3.3, *"Foundations and other philanthropic activities"*, 2.3.4 *"Safety and health at work"*, 2.3.5 *"Contractual implementation of the corporate social responsibility principles"*, 2.3.6 "*Example of concrete actions to implement the Sustainable Development Goals"* and 3.8.3 "*Culture and values of the Group*";
- a description of the main risks relating to the matters referred to in article 3(1)(b) of the Decree Non-Financial Information relating to the Company's activities, including to the extent relevant and proportional, a description of:
  - the Company's business relationships and products or services of the Company that likely have an adverse effect on these matters; and
  - how the Company manages the aforementioned risks,

  as required by article 3(1)(c) of the Decree Non-Financial Information, can be found in sections 2.7.1 "*Key risks*" and 3.8.3 "*Culture and values of the Group*"; and
- a description of the Company's non-financial key performance indicators relevant to the Company's activities (such as number of homes passed, Cable/Fiber unique customers, Fixed ARPU, number of mobile subscribers and Mobile ARPU), as required by article 3(1)(d) of the Decree Non-Financial Information, can be found in section 2.5.7 "*Key operating measures*".

## 5 NON-EXECUTIVE REPORT

### 5.1 Introduction

The Company's Non-Executive Board Members are entrusted with supervising the performance by the Board Members of their respective duties. The Board acts as a collegial body and as such the Board discussed the plans and budget for the coming financial year. Also, at least once a year, the Executive Board Members and Non-Executive Board Members formally review and discuss strategy, strategic, operational, compliance and financial risks, as well as the adequacy of the internal risk management and control systems. In addition, the Executive Board Members and Non-Executive Board Members regularly discuss the operation of the Company and its businesses. Each Non-Executive Board Member is "independent" within the meaning of the Code. Information regarding the activities of the Board committees, which are comprised of Non-Executive Board Members, is included below. Ms. Natacha Marty acts as Company secretary.

#### *5.1.1 Non-Executive Board Members*

The following table provides information on the Non-Executive Board Members of the Company as of December 31, 2017.

| | **Jurgen van Breukelen** | **Scott Matlock** | **Jean-Luc Allavena** |
|---|---|---|---|
| **Gender** | Male | Male | Male |
| **Age**(1) | 48 | 52 | 54 |
| **Profession** | Senior Adviser at Permira Advisers LLP<br><br>Senior Adviser to the Investment Bank of Barclays Bank PLC | Partner at PTJ Partners, an independent investment bank | Chairman of Atlantys Investors, an investment fund (in partnership with Apollo Management) |
| **Principal position** | Chairman | Non-Executive Board Member | Non-Executive Board Member |
| **Nationality** | Dutch | American and British | Monegasque |
| **Other positions**(2) | Chairman of the board of Bosal Nederland B.V.<br><br>Advisory board member of Ponooc B.V.<br><br>Member of supervisory board of Alzheimer Nederland<br><br>Director of VGG Holdco B.V. and VGG TopCo 1 S.C.A.<br><br>Advisory board member of the Rotterdam School of Management, Erasmus University Rotterdam | | Honorary chairman of the HEC Alumni Association and the HEC Foundation<br><br>Board member of Banque Pâris Bertrand Sturdza SA<br><br>Board member of Verallia |
| **Date of initial appointment** | August 6, 2015 | August 6, 2015 | August 6, 2015 |
| **Current term of office** | First term of office | Second term of office | Second term of office |

(1) Ages as of December 31, 2017.
(2) Other positions, in so far as they are relevant to the performance of the duties of the Non-Executive Board Member.

#### *5.1.2 Meetings*

The following table shows the attendance at Board meetings of the Non-Executive Board Members.

| Date | Jurgen van Breukelen | Scott Matlock | Jean-Luc Allavena |
|---|---|---|---|
| March 8, 2017 | Present | Present | Present |
| March 30, 2017 | Present | Present | Present |
| May 10, 2017 | Present | Present | Absent |
| May 21, 2017 | Present | Present | Present |
| June 6, 2017 | Present | Present | Absent |
| June 21, 2017 | Present | Present | Present |
| June 25, 2017 | Present | Present | Present |
| July 27, 2017 | Present | Present | Present |
| August 9, 2017 | Present | Present | Present |
| August 27, 2017 | Present | Present | Present |
| September 1, 2017 | Present | Present | Absent |
| November 2, 2017 | Present | Present | Present |
| November 9, 2017 | Present | Present | Present |
| December 4, 2017 | Present | Present | Present |
| December 8, 2017 | Present | Present | Present |
| December 22, 2017 | Present | Present | Present |
| December 30, 2017 | Present | Present | Present |

In addition, the Non-Executive Board Members held some preparatory meetings to discuss the important topics on the agenda of the Board meetings.

#### *5.1.3 Other relevant activities of the Non-Executive Board Members*

The members of the Audit Committee are invited to the 'CFO conferences' which regroup the CFO and the chief executive officers of all Group Companies and relevant members of their respective teams. Mr. van Breukelen attended the last two CFO conferences and at this occasion met all key people in the finance function of the Group.

In addition, Mr. van Breukelen attended certain monthly reviews of business on the ground and attended the Top 100 Management seminar in Lisbon in October 2017, and at this occasion met the top management of the main operating Group Companies.

#### *5.1.4 Independence*

All Non-Executive Board Members of the Company are considered independent within the meaning of best practice provision 2.1.8 of the Code and, in the opinion of the Non-Executive Board Members, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive have been fulfilled.

#### *5.1.5 Board Profile*

The size and composition of the Board, including the number and the selection of Non-Executive Board Members, are established in conformity with the Board Profile, which is made available on the Company's website. The Non-Executive Board Members aim to ensure a diverse composition that contributes to a robust decision-making and proper functioning of the Board. In order to meet the Board's diversity targets, as laid down in its diversity policy, diversity aspects such as nationality, age, education, work experience and listed company experience, shall be considered and be taken into account for recruitment, talent development, appointment to roles, retention of employees, mentoring and coaching programs, succession planning, training and development.

### 5.2 Evaluation

The Non-Executive Board Members held one meeting independent from the Executive Board Members, in March 2018, to:

- conduct a self-assessment regarding their own performance in 2017, including their interaction with the Executive Board Members and the Board;

- evaluate the functioning of the Audit Committee and the Remuneration Committee (including an evaluation of their respective chairmen), the functioning and performance of the entire Board (including an evaluation of the Chairman and the individual Board Members) and the performance of the External Auditor; and

- set objectives for improving the governance and functioning of the Non-Executive Board Members as well as the Board as a whole during the financial year 2018.

These evaluations have been carried out through detailed discussions between the Non-Executive Board Members, and with respect to the self-assessment of the Audit Committee, by filling in an extensive questionnaire and reviewing the results thereof. The conclusions from these self-assessments and evaluations of the Board, the individual Board Members and the committees performed in 2017 will be used for setting up a continuous and constructive dialogue between the Executive Board Members and Non-Executive Board Members on the way to improve the functioning of the Board and the committees in 2018, regarding in particular the scheduling and the preparation of the meetings, the information flow between the management team, the Board and the committees and the follow up of the decisions taken by the Board.

### 5.3 Committees

The Board has two committees: the Remuneration Committee and the Audit Committee. Please see section 3.2.4 "*Board Committees*" for an overview of the duties of the Remuneration Committee and the Audit Committee.

*Remuneration Committee*

The Remuneration Committee consists of not less than two and not more than three Non-Executive Board Members. The members of the Remuneration Committee have the requisite expertise in the area of remuneration policy required to fulfil their role effectively on the Remuneration Committee. At meetings, the Remuneration Committee is chaired by an independent Non-Executive Board Member designated by the Board. Currently, the Remuneration Committee consists of three Board Members: Mr. Jean-Luc Allavena, Mr. Jurgen van Breukelen and Mr. Scott Matlock. Mr. Scott Matlock is the chairman of the Remuneration Committee.

*Audit Committee*

- *Duties*

The Board has appointed an Audit Committee to advise it in relation to the financial reporting process and its other responsibilities and to prepare the Board's decision making in relation thereto.

The Audit Committee presents recommendations and reports upon which the Board may base its decisions and actions. However, all Board Members remain responsible for their decisions, irrespective of whether the issue in question was reviewed by the Audit Committee.

The responsibilities of the Audit Committee are defined in the Audit Committee regulations which have been approved by the Board.

The Audit Committee regularly evaluates its own effectiveness as a collective body and makes recommendations to the Board for the necessary adjustments in its internal regulations. The Audit Committee and the Board review the functioning of the External Auditor annually, and the Audit Committee closely monitored the External Auditor's independence.

- *Composition, number of meetings and main items discussed*

The Audit Committee consists of at least two and no more than three Non-Executive Board Members. At meetings, the Audit Committee is at all times chaired by an independent Non-Executive Board Member designated by the Board. The Audit Committee meets as often as necessary to ensure effectiveness and is required to meet at least four times per year.

On December 31, 2017, the Audit Committee consisted of three Board Members: Mr. Jean-Luc Allavena, Mr. Jurgen van Breukelen and Mr. Scott Matlock, with Mr. Jurgen van Breukelen acting as the chairman. The chairman of the Audit Committee was in regular contact with the CFO in 2017. Ms. Natacha Marty acts as the Audit Committee's secretary since July 2015.

The Audit Committee held 5 meetings in 2017 and reviewed matters including:

- legal compliance and Dutch corporate governance;
- assessment of the Company's operational and financial performance and the results achieved;
- review of the (debt) (re)financing and capital market activities;
- assessment of the effectiveness of financial reporting, internal control, and risk management systems;
- review and approval of quarterly results and earnings releases;
- review and approval of the corporate financial statements and the consolidated financial statements of the Company as at and for the year ended December 31, 2016;
- review and approval of the 2016 Management Report and the comply or explain list;
- review of the quarterly internal audit findings; and
- reports from the External Auditor.

The following table shows the attendance at meetings of the Audit Committee.

| Date | Jurgen van Breukelen | Scott Matlock | Jean-Luc Allavena |
|---|---|---|---|
| March 3, 2017 | Present | Present | Present |
| March 30, 2017 | Present | Present | Present |
| May 5, 2017 | Present | Present | Present |
| July 26, 2017 | Present | Present | Present |
| October 31, 2017 | Present | Present | Present |

The External Auditor was present at each Audit Committee meeting and reported to the Audit Committee each quarter by way of its Audit Committee report, which discussed accounting topics, audit findings, treatment of acquisitions, internal controls and other matters deemed relevant by the External Auditor. The Chairman of the Audit Committee also met separately with the External Auditor on several occasions.

## 5.4 Strategy

In 2017, the Chairman of the Board was in close contact with both the CEO and the President, and was also in contact with senior executives of operating entities of the Group. The Non-Executive Board Members periodically reviewed matters concerning the Company's strategy in 2017, which was based on the following pillars:

- the Group continued to optimize its operations across its footprint, in particular by pursuing the integration of the acquired businesses with its existing businesses, and to realize efficiencies, by focusing on cost optimization and increasing economies of scale and operational synergies across the Group;

- the Group made significant investments for the deployment of fiber in all the geographies in which the Group operates and for the improvement of its mobile network (in particular though the launch of new 4G sites) in the markets in which it offers mobile services;

- the Group was focused on the convergence of fixed and mobile services, as well as the convergence of telecoms, media, content and advertising, to offer more value to its customers and to decrease churn; to that effect, the Group selectively invested in content and media in the core markets in which it operates;

- the Group aimed at making its core strategic, operational and technical capabilities available to the Group Companies in a more centralized manner, so that the Group Companies could benefit even more from the know-how, methodologies, best practices, processes and unique services of the Group's management team in the areas of technical services, customer care, procurement, R&D, etc., while having access to the scale benefits of the Group;

- the Group was committed to the continuous improvement in customer experience and strived to provide the best service across the customer lifecycle from point of sale to installation to customer care. Key aspects of this initiative are (i) to integrate operations and centralize functions in order to optimize processes and (ii) to link sales incentives to churn, NPS and ARPU as opposed to more traditional criteria of new sales, in order to refocus the organization away from churn retention to churn prevention;

- the Group intended to grow its businesses, though the introduction of new services leveraging its best-in-class fiber and mobile networks, and the investment in sales channels and marketing;

- the Group continued to evaluate opportunistic acquisitions, based on a number of criteria, including the quality of the assets, the fit with the Group's existing operations and the opportunity to create value by optimizing operations, accelerating growth and realizing cost efficiencies; however, the Groups does not intend to pursue any new meaningful M&A opportunities at this time; and

- the Group confirmed its plans to de-lever its balance sheet and bring leverage in line with or below its stated targets over time (c.4x net debt to EBITDA at Altice Europe, and 4.5-5.0x net debt to EBITDA at Altice USA); the operational and financial turnaround in France and the return to revenue, profitability and cash flow growth, as well as the disposal of non-core assets within Altice Europe, are central to the Group's de-leveraging plan.

On January 8, 2018, the Company announced that its Board has approved plans for the separation of Altice USA from the Company (which will be renamed "Altice Europe"), in order to create simplified, independent and more focused European and US operations with distinct strategies (please see section 2.2 *"Strategy of the Company – Altice reorganization"* and section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company"*).

## 5.5 Remuneration Report

This report gives an overview of the remuneration of the Board and explains how the remuneration policy was applied in 2017. Such report is also made available on the Company's website.

The Remuneration Committee was appointed to advise the Board and to prepare the decision-making regarding the determination of the remuneration of Board Members. The Remuneration Committee has the following duties:

- making proposals to the Board for the remuneration policy to be pursued;
- making proposals for the remuneration of the individual Board Members, for adoption by the General Meeting, which proposals must be drawn up in accordance with the Remuneration Policy and, in any event, cover:
  - the remuneration structure;
  - the amount of the fixed remuneration and variable remuneration components;
  - the scenario analyses that are carried out, if any; and
  - the pay ratios within the Company and its business;
- preparing the remuneration report.

In exercising its duties, the Remuneration Committee may request the services of a remuneration consultant.

### *5.5.1 Composition, number of meetings and main items discussed*

The Remuneration Committee consists of at least two and no more than three Non-Executive Board Members. The Remuneration Committee is chaired by an independent Non-Executive Board Member designated by the Board. The members of the Remuneration Committee have the requisite remuneration policy expertise to effectively fulfil the Remuneration Committee's role. The Board appoints and may at any time dismiss members of the Remuneration Committee.

On December 31, 2017, the Remuneration Committee consisted of three Board Members: Mr. Jean-Luc Allavena, Mr. Jurgen van Breukelen and Mr. Scott Matlock, with Mr. Scott Matlock acting as the Chairman.

The Remuneration Committee meets as often as is deemed necessary, but is required to meet at least once a year or at the request of one or more of its members. The Remuneration Committee held 12 meetings in 2017 and reviewed, among others, the following matters:

- the implementation of the Remuneration Policy over the last few years;
- the amendment of the Remuneration Policy;
- the amendment of the SOP;
- the adoption of the PSOP;
- the adoption of the 2017 SOP and the 2017 LTIP;
- the granting of stock options under the Stock Option Plans;
- the amendment of the remuneration of Mr. Goei, Mr. Combes and Mr Okhuijsen;

- the determination of the annual cash bonus of the Executive Board Members for the financial year 2016;
- the determination of the remuneration of the Non-Executive Board Members; and
- the determination of the severance package for Mr. Combes as former CEO.

The following table shows the attendance at meetings of the Remuneration Committee.

| Date | Jurgen van Breukelen | Scott Matlock | Jean-Luc Allavena |
|---|---|---|---|
| February 23, 2017 | Present | Present | Present |
| May 5, 2017 | Present | Present | Present |
| May 9, 2017 | Present | Present | Absent |
| May 10, 2017 | Present | Present | Absent |
| July 26, 2017 | Absent | Present | Present |
| October 31, 2017 | Present | Present | Absent |
| November 14, 2017 | Present | Present | Absent |
| November 28, 2017 | Present | Present | Present |
| December 1, 2017 | Present | Present | Present |
| December 4, 2017 | Present | Present | Present |
| December 18, 2017 | Present | Present | Present |
| December 21, 2017 | Present | Present | Present |

### *5.5.2 Remuneration policy*

The remuneration policy was adopted by a resolution of the General Meeting on June 28, 2017 and is made available on the Company's website (the "**Remuneration Policy**"). Pursuant to the Articles of Association, the remuneration of the Executive and Non-Executive Board Members is determined by the General Meeting in accordance with the Remuneration Policy.

*Remuneration philosophy*

The Company's remuneration philosophy and framework apply to Executive Board Members, including in their capacity as employee or service provider to Group Companies and also apply, with certain limitations, to a wider group of employees. The Company's remuneration philosophy for Executive Board Members (and other senior managers) is based on the following principles:

- provide total remuneration that attracts, motivates and retains candidates with the knowledge, expertise and experience required for each specific role;
- provide remuneration firmly geared towards pay-for-performance, with an appropriate proportion of the overall package being delivered through variable remuneration elements linked to performance over the short and long term;
- encourage and reward performance that will lead to long-term value creation; and
- take into account remuneration practices in the markets in which the Company operates and competes for talent and pay-ratios within the Group.

The compensation package for the Executive Board Members consists of the following fixed and variable components which are discussed in more detail below:

- fixed remuneration: fixed annual compensation and benefits;
- short-term incentive: annual cash bonus; and
- long-term incentives: cash and equity-based incentives.

*Remuneration for Non-Executive Board Members*

The compensation of Non-Executive Board Members is currently set at €65,000 per annum per Non-Executive Board Member with further fixed compensation payable to reflect additional responsibilities and time commitment, such as chairmanship of Board committees. The members of the Audit Committee and the Remuneration Committee currently receive additional compensation of €20,000 and €5,000 per annum respectively. The chairmen of the Audit Committee and the Remuneration Committee currently receive additional compensation of €30,000 and €20,000 per annum respectively. The chairman of the Board currently receives additional compensation of €25,000 per annum.

*Remuneration for Executive Board Members*

*Fixed remuneration*

Elements of fixed remuneration, comprising annual fixed compensation and benefits (including retirement benefits), are set at appropriate levels taking into account various factors such as the nature of the role, the experience and performance of the individual, and local and sector market practice amongst peers of a similar size and scope to the Group. Fixed remuneration elements are reviewed by the Remuneration Committee annually to ensure they remain competitive.

- *Annual fixed compensation*

Notwithstanding any additional remuneration payable to the Executive Board Members by certain of the Group Companies under this Remuneration Policy for services rendered to the Group, the following annual fixed compensation are payable by the Company to the Executive Board Members:

| **Executive Board Member** | **Amount (€)** |
|---|---|
| President | 200,000 |
| Vice-President | 150,000 |
| CEO | 180,000 |
| CFO | 160,000 |
| COO | 150,000 |
| Other Executive Board Member | 150,000 |

- *Benefits*

In addition, certain benefits may be provided by the Group to Executive Board Members (and, in certain cases, to other employees). These other benefits can include medical insurance, life assurance and retirement benefits.

The Executive Board Members benefit from collective pension plans implemented by the Group Companies with whom they have entered into an employment or service agreement, in line with local practices. Group Companies may contribute to such collective pension plans a maximum of 15% of the total compensation (both as Executive Board Member and as employee or service provider to Group Companies) of each Executive Board Member benefitting from such plans.

The Company may indemnify an Executive Board Member against all expenses, financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by him in connection with an action, suit or proceeding against him in his capacity as Executive Board Member or as board member, officer, employee or service provider of any Group Company.

*Variable remuneration*

Variable remuneration elements are intended to motivate the Executive Board Members, in their capacity of employee or service provider to Group Companies, (and other senior managers) towards the achievement of Group-wide and personal objectives which ultimately promote delivery of the corporate strategy and the creation of long-term value. The form and structure of variable remuneration elements are reviewed at regular intervals to ensure they continue to support the objectives of the Group and the creation of long-term value. Further details regarding each of the variable remuneration elements currently operated are provided below.

- *Annual cash bonuses*

The Group operates an annual performance-related cash bonus plan for the Executive Board Members, in their capacity of employee or service provider to Group Companies (and other senior managers). Performance-related cash bonuses will be a percentage of an Executive Board Member's aggregate annual base salary (both as Executive Board Member and as employee or service provider to Group Companies) and will be determined by the General Meeting. The Board makes a proposal thereto based upon a recommendation of the Remuneration Committee.

Different percentages may apply depending upon the Executive Board Member's (or senior manager's) seniority. The annual performance-related cash bonuses will be determined based upon the achievement of certain pre-

determined key performance indicators based on Group, regional, divisional and individual performance, as appropriate. The annual performance-related cash bonus will be paid only if certain minimum performance thresholds are met.

In addition to the annual performance related cash bonus, a discretionary annual cash bonus may be granted to the Executive Board Members. Such discretionary annual cash bonus is granted to the Executive Board Members by the General Meeting upon a proposal of the Board based on a recommendation of the Remuneration Committee.

- *Equity incentives*

The Executive Board Members, as reward for their employment with or provision of services to Group Companies, and other employees of the Group are eligible to participate in any equity incentive plan the Group operates. Equity incentives are granted to the Executive Board Members by the General Meeting upon a proposal of the Board based on a recommendation of the Remuneration Committee.

- *Cash incentives*

The Executive Board Members, as reward for their employment with or provision of services to Group Companies, can earn a cash incentive which vests after a certain period of time if certain pre-determined KPIs are achieved. The cash incentive will be determined by the General Meeting upon a proposal of the Board based on a recommendation of the Remuneration Committee.

*Adjustments to variable remuneration*

Pursuant to Dutch law, the variable remuneration of Board Members may be reduced or Board Members may be obliged to repay (part of) their variable remuneration to the Company if certain circumstances apply:

- test of reasonableness – pursuant to Dutch law, any variable remuneration payable to an Executive Board Member (in any capacity whatsoever within the Group) may be adjusted by the Board to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness; and
- claw back – the Board will have the authority under Dutch law to recover from an Executive Board Member (in any capacity whatsoever within the Group) any variable remuneration paid on the basis of incorrect financial or other data.
- deduction of value increase of Shares – in case of a Share price increase due to a public offer on the Shares, Dutch law prescribes to reduce the remuneration of an Executive Board Member (in any capacity whatsoever within the Group) by an amount equal to the value increase of the Common Shares. Only Shares received by means of remuneration are subject to deduction. Shares that the Executive Board Member has purchased are not. Similar provisions apply in the situation of an intended legal merger or demerger, or in other significant transactions (i.e. transactions that fall within the scope of Section 2:107a DCC).

These rules did not apply to Altice S.A. and the Company will accordingly not apply these rules to any variable remuneration, shares and options which were paid or granted to Executive Board Members (in any capacity whatsoever within the Group) prior to the Merger, or Shares or options which were allotted by the Company in exchange for shares or options of Altice S.A. pursuant to the Merger.

*Services agreements*

The Board Members will have a service agreement with the Company. The service agreements with the Company do not contain severance provisions. The Executive Board Members may have an employment or service agreement with a Group Company. Such employment or service agreement may include a severance provision if the Group Company terminates the contract pursuant to which the Executive Board Member is entitled to a maximum severance payment which is limited to 52 weeks of the fixed annual compensation as employee or service provider to a Group Company.

### *5.5.3 Implementation*

The Remuneration Policy was adopted by the General Meeting on June 28, 2017. The principles described in the Remuneration Policy have been applied in 2017.

To ensure that the remuneration of the Executive Board Members is linked to performance, a significant proportion of their remuneration package is variable and dependent on the short and long-term performance of the individual Board Member and the Group (please see section 5.5.8 "*Performance criteria*" for more details on the performance criteria applied). Performance targets must be realistic and sufficiently stretching and – particularly with regard to the variable remuneration components – the Remuneration Committee ensures that the relationship between the chosen performance criteria and the strategic objectives applied, as well as the relationship between remuneration and performance, are properly reviewed and accounted for, both ex-ante and ex-post. The current remuneration package does not encourage Executive Board Members and employees to take unjustified risks and is focused on the Company's long-term development.

The Remuneration Committee regularly reviews whether the Remuneration Policy or the way it is implemented should be adjusted. For example, in 2017, the Remuneration Committee assessed the need for:

- the amendment of the Remuneration Policy to, (i) with respect to Executive Board Members, add a long-term cash incentive, remove the cash compensation plan, clarify the calculation of the annual performance-related cash bonus and add a discretionary annual cash bonus, indemnity and severance payment and (ii) amend of the remuneration of the Non-Executive Board Members;

- the adoption of the 2017 SOP and the 2017 LTIP in order to reinforce the retention effect of the grants of stock options in the future; and

- the adoption of the PSOP, which plan will be used to grant stock options to selected employees of the Group, including Executive Board Members. Under the PSOP, the vesting of options is subject to the achievement of a financial performance target.

In 2018, the Remuneration Committee will continue to assess whether the amount and components of the remuneration package of the Executive Board Members is appropriate and is in the best interests of the Company and its Shareholders on a long-term basis.

Accordingly, the Company has complied with best practice provision 3.4.1 of the Code.

### *5.5.4 Remuneration of the Board*

*Remuneration of the Board in 2017*[9]

The table below provides an overview of the remuneration of each Board Member for the financial year ended December 31, 2017. For every amount specified, the amount includes gross amounts, before the impact of social security or income tax deductions.

| Name | Fixed compensation | Additional compensation for services to the Group(1) | Committee membership | Annual cash bonus(2) | 401(k) Savings Plan / LPP collective plan(3) | Other benefits(4) | Total(5) |
|---|---|---|---|---|---|---|---|
| D. Goei | €200,000 | $490,385(6) | N/A | 2016: $3,000,000(7)<br>2017: $3,000,000 | $11,569 | $696,014<br>CHF6,365 | €6,574,918 |
| M. Combes(8) | €165,000 | € 360,500 | N/A | 2016: €2,847,043 | CHF37,927 | CHF12,259 | €3,417,674 |
| D. Okhuijsen | €160,000 | €190,000 | N/A | 2016: €1,000,000<br>2017: €350,000 | CHF2,784 | CHF45,316 | €1,743,255 |
| A4, S.A.(9) | €150,000 | - | N/A | - | - | N/A | €150,000 |
| J. van Breukelen | €108,900(10) | N/A | €66,550(10) | N/A | N/A | N/A | €175,450(10) |
| S. Matlock | €65,000 | N/A | €45,000 | N/A | N/A | N/A | €110,000 |

[9] Please refer to section 5.5.7 "*Share options*" for a summary of the grants of stock options to the Executive Board Members under the SOP, the LTIP and the PSOP, and the grants of Class C Units and US stock options to Mr. Goei, and to Note 29.1 to the Consolidated Statements for more details on the remuneration of the Board Members in 2017.

| Name | Fixed compensation | Additional compensation for services to the Group(1) | Committee membership | Annual cash bonus(2) | 401(k) Savings Plan / LPP collective plan(3) | Other benefits(4) | Total(5) |
|---|---|---|---|---|---|---|---|
| J.-L. Allavena | €65,000 | N/A | €25,000 | N/A | N/A | N/A | €90,000 |

(1) Payable to the Executive Board Members by Group Companies for services rendered to the Group.
(2) The Group operates an annual performance-related cash bonus plan for the Executive Board Members, in their capacity of employee or service provider to Group Companies. Please refer to section 5.5.2 "*Remuneration policy*". The annual cash bonuses specified here relate to performance both in 2016 and in 2017. The annual cash bonuses which relate to performance in 2016 were paid out in February 2017 as an advance on the annual cash bonuses that the Executive Board Members were entitled to for the financial year 2016. The final amount of such annual bonuses was determined by the General Meeting of June 28, 2017. The annual cash bonuses which relate to performance in 2017 were paid out in December 2017 and, with respect to Mr. Goei, March 2018 (for $1,500,000) as an advance on the annual cash bonuses that the Executive Board Members were entitled to for the financial year 2017. The final amount of such annual bonuses is to be determined by the 2018 AGM.
(3) Please see section 5.5.9 "*Pension schemes / early retirement*".
(4) Other benefits include health and welfare benefit plans (medical, dental, vision, life insurance and disability coverage), aircraft, ground transportation and tax gross-up on imputed income relating to commuting usage.
(5) For calculation purposes, the average exchange rate of U.S. dollars and Swiss Francs into euros for the year ended December 31, 2017 was used ($1.00 = €0.88486; CHF1 = €0.89927).
(6) Mr. Goei's additional compensation for services rendered to the Group in 2017, as approved by the General Meeting of June 28, 2017, is equal to $500,000. The amount of $490,385 reflects 51 weeks of pay due to harmonization of payroll schedules.
(7) The amount in U.S. dollars correspond to the amount in euro (€ 2,847,043) of Mr. Goei's annual cash bonus for 2016 approved by the General Meeting of June 28, 2017.
(8) Mr. Combes stepped down from his position as Executive Board Member and CEO on November 9, 2017. In addition to the fees mentioned, Mr. Combes is due to receive a severance cash payment of a gross amount of EUR 6 million This severance package was recommended by the Remuneration Committee after obtaining advice of both a legal and remuneration counsel and after careful consideration of several elements - including the fixed and variable remuneration to which Mr. Combes would have been entitled during his notice period, the scope of his non-compete provision and the litigation and reputational risk which could have arisen from this resignation -, and is subject to the approval of the 2018 AGM.
(9) The permanent representative of A4 S.A. on the Board is Mr. Jérémie Bonnin. Pursuant to a services agreement entered into between the Company, A4, S.A. and Mr. Bonnin, the fixed remuneration to which A4, S.A. is entitled as Executive Board Member is paid by the Company directly to Mr. Bonnin. Mr. Bonnin receives other compensation from Group Companies for services rendered to the Group.
(10) Including 21% VAT.

### *5.5.5 Scenario analyses*

The Remuneration Committee regularly reviews the framework of the remuneration of the Executive Board Members and its components to determine if any adjustments are required – for example to adapt such remuneration to market developments or if the mix between fixed remuneration, variable remuneration and long-term incentives would no longer be set at an appropriate level given the evolution of the Group – with a view to making recommendations to the Board in that respect. In that context, the Remuneration Committee may conduct pay scenario analysis modelling on an ad hoc basis, which may, for example, assess the pay-out quantum for Executive Board Members under different performance scenarios. This modelling may be undertaken to ensure that the Remuneration Policy links directly to the Company's performance and is therefore in the interest of Shareholders.

Accordingly, the Company has complied with best practice provision 3.4.1 of the Code.

### *5.5.6 Pay ratios*

Based on best practice provision 3.4.1 of the Code, the Company shall disclose the ratios between the remuneration of the Board Members and that of a representative reference group of employees within the Group and, if applicable, comment on any important variation in the pay ratios in comparison with the previous financial year.

*Reference group and average remuneration*

The Company has decided to include in the reference group the entire workforce employed by the Group, expressed in the form of full-time-equivalent employees (FTE). 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. As at December 31, 2017, there were 47,173 FTEs.

The calculation of the pay ratios was based on the average of the remuneration received by the employees of the reference group and was made in accordance with the following rules:

- in the event that an employee of the reference group received remuneration from different companies within the Group, the calculation was based on the global remuneration received by the relevant employee;
- the remuneration of the employees of the reference group taken into account was the remuneration received during the year concerned (i.e. if a bonus was paid in 2017 relating to activities performed in 2016, the bonus was taken into account when calculating the pay ratios of the financial year 2017);
- if all or part of the remuneration was paid in a foreign currency, the exchange rate which was used was the average exchange rate of the relevant currency into euros for the year ended December 31, 2017.

*Type of remuneration*

The Company used both fixed and variable remuneration components when determining the pay ratios for a given year.

*Period of reference*

The pay ratios disclosed by the Company reflect the last financial year.

*Calculated pay ratios*

Based on the above, the calculated pay ratios are as follows:

- the average President- to-worker pay ratio stands at 71.1 to 1;
- the average CFO-to-worker pay ratio stands at 25.81 to 1.

As the calculation of the pay ratio is required for the first time in 2017, the Company aims to comment on changes on these ratios in comparison with the previous financial year in the 2018 Management Report.

Accordingly, the Company has complied with best practice provision 3.4.1 of the Code.

#### *5.5.7 Share options*

*Stock Option Plan*

The Board and the General Meeting approved the establishment of the SOP on August 7, 2015, subject to and with effect as of the effective date of the Merger. The SOP was subsequently amended by the Board on recommendation of the Remuneration Committee on January 11, 2016 and on March 14, 2016, by the General Meeting on June 28, 2016 and by the Board on recommendation of the Remuneration Committee on July 25, 2016, subject to and with effect as from the moment following the EGM 2016, when the proposed amendments to the articles of association of the Company, resolved upon in the EGM 2016, took effect. The SOP was last amended by the Board on March 20, 2017. 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 Board, upon recommendation of the Remuneration Committee, may grant stock options to eligible participants under the conditions set out by the SOP. Employees of the Group and, in exceptional cases, individuals who are not employees of the Group are eligible to participate in the SOP. In addition, the General Meeting may resolve to grant stock options to Executive Board Members under the SOP 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 are not eligible for participation in the SOP.

Options granted under the SOP are subject to vesting conditions, which are time-based. For each participant, 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.

Notwithstanding the foregoing, 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.

No consideration is payable for the allocation of the stock options. The exercise price of stock options granted under the SOP 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 (i) the date of the offer made to and accepted by the employee to join the Group, (ii) the date on which the employee is promoted to a new function within the Group, or (iii) for an existing employee within the Group, the date on which the decision was made to grant him additional or new stock options, as the case may be. The Board, 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 favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

The following table summarizes the stock options granted to Executive Board Members under the SOP[1].

| Name | Grant date | Tranches | Number of options granted | Current status | Exercise price (€) | Value at the grant date (€) | Value at vesting (€) | Vesting[2] |
|---|---|---|---|---|---|---|---|---|
| D. Goei | January 31, 2014 | First (50%) | 5,309,734 | Vested | 7.0625 | 0 | 32,800,882 | January 31, 2016 |
| | | Second (25%) | 2,654,867 | Vested | 7.0625 | 0 | 35,090,705 | January 31, 2017 |
| | | Third (25%) | 2,654,867 | Vested | 7.0625 | 0 | 4,230,530 | January 31, 2018 |
| D. Okhuijsen[3] | January 31, 2015 | First (50%) | 733,810 | Vested | 13.6275 | 3,594,201 | 4,881,671 | January 31, 2017 |
| | | Second (25%) | 366,905 | Vested | 13.6275 | 1,797,100 | 0 | January 31, 2018 |
| | | Third (25%) | 366,905 | Unvested | 13.6275 | 1,797,100 | N/A | January 31, 2019 |
| M. Combes[4] | January 31, 2016 | First (50%) | 1,418,104 | Unvested | 17 | 0 | N/A | Date of the 2018 AGM[4] |
| | | Second (25%) | 709,052 | Cancelled | 17 | 0 | N/A | N/A |
| | | Third (25%) | 709,052 | Cancelled | 17 | 0 | N/A | N/A |

(1) The share option plan of Altice S.A. ("**SOP SA**") came into effect on January 31, 2014. The Company, as surviving entity in the Merger, has adopted a stock option plan which has replaced the SOP SA as of the effective date of the Merger, under (substantially) the same conditions as applicable to the SOP SA. Each option granted under the SOP SA was exchanged for four options, each entitling to one Common Share A in the share capital of the Company, at 25% of the applicable exercise price under the SOP SA.
(2) Vested options can be exercised at any time until the 10th anniversary of the grant date.
(3) On January 30, 2014, the board of directors of Altice S.A. decided to grant to Mr. Okhuijsen €10 million worth of options on the first anniversary, and €10 million worth of options on the second anniversary, of the initial public offering of Altice S.A. In March 2015, the remuneration committee of Altice S.A., based on a recommendation from the management, resolved to grant all €20 million worth of options to Mr. Okhuijsen retroactively on January 31, 2015.
(4) Mr. Combes stepped down from his position as Executive Board Member and CEO on November 9, 2017. As part of his severance package, and subject to the approval of the 2018 AGM, Mr. Combes will be entitled to exercise 50% of the stock options which were granted to him under the SOP for a period of four years following the 2018 AGM.

*2017 SOP*

On November 2, 2017, the Board, upon recommendation of the Remuneration Committee, adopted a new stock option plan (the "**2017 SOP**"), the terms of which are substantially the same as those of the SOP, except for the good leaver / bad leaver provisions applicable when a participant leaves the Group which have been amended to further support retention of the participants. Board Members are not eligible for participation in the 2017 SOP.

*Long-Term Incentive Plan*

The General Meeting approved the establishment of the LTIP on June 28, 2016. The LTIP was subsequently amended by the Board on recommendation of the Remuneration Committee on July 25, 2016, subject to and with effect as from the moment following the EGM 2016, when the proposed amendments to the Articles of

Association, resolved upon in the EGM 2016, took effect. 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.

The Board, upon recommendation of the Remuneration Committee, may grant stock options to eligible participants under the conditions set out by the LTIP. Employees of the Group and in exceptional cases individuals who are not employees of the Group are eligible to participate in the LTIP. In addition, the General Meeting may resolve to grant stock options to Executive Board Members under the LTIP 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 are not eligible for participation in the LTIP.

Options granted under the LTIP are subject to vesting conditions, which are time-based. For each participant, all the stock options will vest on the 3rd anniversary of the start date of the vesting period. Notwithstanding the foregoing, the Board may, upon recommendation of the Remuneration Committee, adjust the start date of the vesting period of any participant, provided that the Board concurrently grants a benefit to such participant.

No consideration is payable for the allocation of the stock options. The exercise price of stock options granted under the LTIP 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 (i) the date on which the decision was made to grant the participant additional or new stock options, or (ii) an alternative date determined by the Board. The Board, 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 favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

The following table summarizes the stock options granted to Executive Board Members under the LTIP.

| Name | Grant date | Number of options granted | Current status | Exercise price (€) | Value at the grant date (€) | Value at vesting (€) | Vesting[(1)] |
|---|---|---|---|---|---|---|---|
| D. Goei | January 31, 2016 | 755,287 | Unvested | 13.24 | 0 | N/A | January 31, 2019 |
| | January 31, 2017 | 516,416 | Unvested | 19.3642 | 472,934 | N/A | January 31, 2020 |
| D. Okhuijsen | January 31, 2017 | 129,104 | Unvested | 19.3642 | 118,233 | N/A | January 31, 2020 |

(1) Vested options can be exercised at any time until the 10th anniversary of the grant date.

*2017 LTIP*

On November 2, 2017, the Board, upon recommendation of the Remuneration Committee, adopted a new long-term incentive plan (the "**2017 LTIP**"), the terms of which are substantially the same as those of the LTIP, except for the good leaver / bad leaver provisions applicable when a participant leaves the Group which have been amended to further support retention of the participants. Board Members are not eligible for participation in the 2017 LTIP.

*PSOP*

On June 28, 2017, the General Meeting 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 "**Target**").

The General Meeting may resolve to grant stock options to Executive Board Members under 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, including the Target, based on a recommendation of the Remuneration Committee. The Board, upon recommendation of the Remuneration Committee, may grant stock options to the other participants under the conditions set out by the PSOP. Any employees of the

Group (including Executive Board Members) is eligible to participate in the PSOP. In addition, at the discretion of the Board, 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, may also be granted options under the PSOP. Non-Executive Board Members are not eligible for participation in the PSOP.

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. No consideration is payable for the allocation of the stock options. The exercise price of stock options granted under the PSOP 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 (i) the date on which the decision was made to grant stock options to the participant, or (ii) an alternative date determined by the Board. The Board, 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 favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

The Target is set at the date of grant and will be achieved if the Adjusted EBITDA – CAPEX of the third full financial year following the date of grant is equal to or superior to the Target. The Board, based on a recommendation of the Remuneration Committee (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 still 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 will forfeit their stock options.

The following table summarizes the stock options granted to Executive Board Members under the PSOP.

| Name | Grant date | Number of options granted | Current status | Exercise price (€) | Value at the grant date (€) | Value at vesting (€) | Vesting[1] |
|---|---|---|---|---|---|---|---|
| D. Okhuijsen | January 31, 2017 | 516,416 | Unvested | 19.3642 | 0 | N/A | 2021 (subject to performance conditions) |
| M. Combes[2] | January 31, 2017 | 1,032,833 | Cancelled | 19.3642 | 0 | N/A | N/A |

(1) Vested options can be exercised at any time until the 10th anniversary of the grant date.
(2) Mr. Combes stepped down from his position as Executive Board Member and CEO on November 9, 2017. His stock options under the PSOP were cancelled on that date, in accordance with the terms and conditions of the PSOP.

*US carried interest plan*

In the US, the Group has implemented a long-term equity incentive plan for certain members of its management team (the "**US Carried Interest Plan**"). The purpose of the US Carried Interest Plan is to provide participants with an opportunity to participate in the long-term growth and financial success of Altice USA, by being granted "profits interest" in the form of units of ownership in a US limited partnership (the "**Class C Units**").

A profits interest gives the participant the right to share in specified future profits and appreciation in value that the investors of the limited partnership may receive, including profits paid upon a sale of the investors' interests. Economically, a profits interest is generally equivalent to a stock option granted on the stock of a corporation, insofar as the holder of a profits interest only realizes value if the limited partnership on which it is granted appreciates in value or has profits after the grant date.

The Class C Units will vest as follows:

- time vesting Class C Units: 50% of the Class C Units will vest on the second anniversary of the grant date; 25% of the Class C Units will vest on the third anniversary of the grant date; and 25% of the Class C Units will vest on the fourth anniversary of the grant date. For the initial grants under the US Carried Interest Plan, the vesting period started on December 21, 2015, i.e. the date of the Suddenlink's acquisition by the Group;

- performance vesting Class C Units: 100% of the Class C Units will vest if certain performance targets, which have been set at the level of Altice USA, have been achieved with respect to financial year 2019.

All unvested Class C Units will automatically vest in case of a change of control of Altice USA.

Holders of vested Class C Units receive Class A common stock of Altice USA. The number of Class A common stock received is calculated using the fair market value of the Class C Units and is based on the then trading price of Class A common stock of Altice USA.

The following table summarizes the Class C Units granted to Mr. Goei under the US Carried Interest Plan.

| Name | Grant date | Tranches | Number of Class C Units granted | Current status | Value (€) | Vesting |
|---|---|---|---|---|---|---|
| D. Goei | July 13, 2016 | First (50%) | 5,650,000 | Redeemed in shares of Altice USA Class A common stock on December 21, 2017 | 5,000,000 | December 21, 2017 |
| | | Second (25%) | 2,825,000 | Unvested | 2,500,000 | December 21, 2018 |
| | | Third (25%) | 2,825,000 | Unvested | 2,500,000 | December 21, 2019 |
| | July 13, 2016 | N/A | 10,000,000 | Unvested | 9,034,200(1) | 2020 (subject to performance conditions) |
| | February 13, 2017 | N/A | 10,600,000 | Unvested | 9,379,516(2) | January 31, 2020 |

(1) $10 million. For calculation purposes, the average exchange rate of U.S. dollars into euros for the year ended December 31, 2016 was used ($1.00 = €0.90342).
(2) $10.6 million. For calculation purposes, the average exchange rate of U.S. dollars into euros for the year ended December 31, 2017 was used ($1.00 = €0.88486).

*Altice USA 2017 Long Term Incentive Plan*

Altice USA adopted a long-term incentive plan in 2017 (the "**AUSA LTIP**") in connection with the Altice USA IPO. Under the AUSA LTIP, Altice USA may grant awards of options, restricted shares, restricted share units, stock appreciation rights, performance stock, performance stock units and other awards, to its and its affiliates respective officers, employees and consultants.

On December 30, 2017, certain members of Altice USA's management, including Mr. Goei, were granted stock options under the AUSA LTIP. The stock options were granted to the executive officers who had previously received Class C Units under the US Carried Interest Plan and whose initial 50% vesting of such Class C Units occurred on December 21, 2017.

The following table summarizes the stock options granted to Mr. Goei under the AUSA LTIP.

| Name | Grant date | Number of US options granted | Current status | Exercise price ($) | Value at the grant date ($) | Value at vesting ($) | Vesting(1) |
|---|---|---|---|---|---|---|---|
| D. Goei | December 30, 2017 | 1,201,208 | Unvested | $19.48 | 23,400,000 | N/A | December 21, 2020 |

(1) Vested options can be exercised at any time until the 10th anniversary of the grant date.

### *5.5.8 Performance criteria*

The performance criteria used to determine the variable remuneration of the Executive Board Members depend on the other duties performed by them within the Group and the Group Company of which they are an employee or a service-provider. As Mr. Goei, in addition to being CEO and an Executive Board Member, is also the chairman and chief executive officer of Altice USA, his variable remuneration is determined in accordance with the rules applicable to the Altice USA executive officers.

*Outside the US*

Outside of the US, the variable remuneration of the members of the senior leadership team of the Group, including the Executive Board Members (other than Mr. Goei), is determined for 2/3 based on financial performance criteria and for 1/3 based on personal performance criteria:

- each individual's personal objectives are determined every year and assessed at the end of each year;
- with respect to the financial performance criteria:
    - for those members of the senior leadership team who exercise corporate functions, such as the Executive Board Members (other than Mr. Goei), the financial performance criteria are assessed at the Group level;
    - for the other members of the senior leadership team, the financial performance criteria are assessed at the Group level for 1/3 and at the level of the Group Company employing them for 1/3;
    - the three indicators which were used in 2017 as financial performance criteria were Revenues, Adjusted EBITDA and Adjusted EBITDA – CAPEX + change in Working Capital (for more details on these indicators, please refer to Note 4.2 to the Consolidated Financial Statements). The target level of each such indicator (the "**Performance Target**") was set based on the Group's annual budget for the financial year 2017, as approved by the Board. Depending on the actual amount of each such indicator, as set forth in the Consolidated Financial Statements, the calculation could either result in the variable remuneration to be nil or exceed the pre-agreed amount:

| Amount of each indicator compared to the Performance Target | Result for such indicator |
|---|---|
| Less than 95% of the Performance Target | 0 |
| 95% of the Performance Target | 50% |
| 100% of the Performance Target | 100% |
| 110% of the Performance Target | 150% |

Between such levels, a linear interpolation is applied. The average of the results of the three indicators constitute the multiplying factor to be applied to the pre-agreed amount of variable remuneration in order to determine the amount of the variable remuneration for the year.

On this basis, the Remuneration Committee compared the amount of the three indicators as set forth in the Consolidated Financial Statements to the Performance Targets and calculated the multiplying factor which, at the Group level, amounts to 23.4% for 2017.

In addition, when determining the amount of the variable remuneration of Mr. Okhuijsen, the Remuneration Committee took into account the results achieved by the senior management team in developing the Group as well as implementing the Group's strategy, and the personal contribution of Mr. Okhuijsen to such results and to the constant changes required by a changing environment in organization and processes in order to implement the Group's strategy. As a result, the Remuneration Committee decided to grant Mr. Okhuijsen a total bonus of €350,000 for 2017. Mr. Okhuijsen's 2017 bonus is subject to the approval of the 2018 AGM.

*In the US*

In the US, the 2017 annual bonuses for Altice USA's executive officers (including Mr. Goei) were comprised of two components: a formula-based award and a discretionary award. The 2017 formula-based award target for Mr. Goei was equal to 300% of annualized base salary (target equal to $1,500,000) with a maximum payout opportunity equal to 450% of annualized base salary (maximum payout of $2,250,000).

The performance metrics used to determine the 2017 formula-based award were expected to be based upon 2017 financial and operational results of Altice USA and the Company, with two-thirds of the target based upon Altice USA's performance and one-third based upon the Company's performance.

Due to the development of Altice USA's business following the Altice USA IPO, Altice USA determined that it would better align the interests of its stockholders and management, as well as more directly reward and motivate its management, to receive bonuses based entirely on Altice USA's performance. When the Altice USA compensation committee determined the 2017 formula-based bonuses for the executive officers (including Mr. Goei), it decided that such formula-based award would be based 100% upon Altice USA's performance metrics. In making this decision, the Altice USA compensation committee did not change the Altice USA performance metrics that were originally set by for 2017, nor did it change the bonus targets and maximums for the executive officers. For 2018 it is expected that the formula-based bonus target of Altice USA's executive officers (including Mr. Goei) will be based solely upon Altice USA's performance.

The formula-based award metrics used to determine the 2017 annual bonuses are based upon 2017 financial and operational results of Altice USA as follows:

| **Performance Area** | **Weight** | **Performance metrics**[1] |
|---|---|---|
| Financial | 10% | Revenue |
| | 20% | Adjusted EBITDA |
| | 20% | Adjusted EBITDA – Capex + Working Capital |
| Operational | 30% | Corporate Expense |
| | 20% | Weighted Average of Non-corporate Business Results |
| **Total** | **100%** | |

(1) Corporate Expense refers to the portion of other Operating Expenses related to certain predefined departments that provide enterprise-wide administrative support to business operations (*e.g.*, executive, legal, human resources, accounting, etc.).

Based upon actual Altice USA's performance, the 2017 formula-based awards for the executive officers were eligible to be paid out at up to 87.8% of target ($1,317,000 for Mr. Goei), subject to negative discretion of the Altice USA compensation committee.

Based on individual performance evaluations, the Altice USA compensation committee decided to award an additional discretionary bonus for 2017 to Mr. Goei of $183,000.

In addition, the Remuneration Committee decided to grant a discretionary bonus for 2017 to Mr. Goei, amounting to $1,500,000, as reward for the responsibilities he assumed and the key role he played in 2017 at the Group level.

Mr. Goei's 2017 bonus is subject to the approval of the 2018 AGM.

### *5.5.9 Pension schemes / early retirement*

The Company operates no pension or retirement schemes for its Board Members or its members of senior management. It, however, makes contributions to mandatory social security schemes in the countries of employment of its Board Members and its members of senior management.

In addition, the Group subscribed to a LPP collective plan (*La Prévoyance Professionnelle*) for all its employees, including Board Members, who are based in Switzerland. The Swiss pension system is based on three pillars: a state pension, an occupational pension and a private pension provision, the aim of which is to maintain the accustomed standard of living for the employee and his family during retirement or in the event of disability or death. The LLP collective plan corresponds to the second pillar, i.e. the occupational pension. It is very common in Switzerland and provides for extra benefits compared to the minimum requirements imposed by Swiss law. It is based on contributions from the Group as well as from the employee. In 2018, the Group decided to terminate its subscription to the LPP collective plan.

In the US, the executive officers of Altice USA (including Mr. Goei) are eligible to participate in Altice USA 401(k) savings plan and may contribute into their plan accounts a percentage of their eligible pay on a before-tax basis and an after tax-basis. Altice USA matches 100% of the first 4% of eligible pay contributed by participating employees and may make an additional discretionary year-end contribution.

## APPENDIX 1: DEFINED TERMS

The following definitions are used in this Management Report.

**2009 Cablevision Senior Notes**

Collectively, the $900 million aggregate principal amount of $8\frac{5}{8}\%$ Senior Notes due 2017 and $8\frac{5}{8}\%$ Series B Senior Notes due 2017 issued by Cablevision under an indenture dated as of September 23, 2009.

**2012 Cequel Senior Notes**

The $1,500 million aggregate principal amount of $6\frac{3}{8}\%$ Senior Notes due 2020 issued by Cequel Communications Escrow Capital Corporation and Cequel Communications Escrow I, LLC (succeeded to by Cequel Communications Holdings I, LLC and Cequel Capital Corporation) pursuant to the 2012 Cequel Senior Notes Indenture, $450 million aggregate principal amount of which were redeemed with a portion of the proceeds of term loans borrowed under the 2015 Cequel Credit Facility Agreement and the remaining $1,050 million aggregate principal amount of which are expected to be redeemed with the proceeds of the 2018 Cequel Senior Notes.

**2012 Cequel Senior Notes Indenture**

The indenture dated as of October 25, 2012, as amended, among, *inter alios*, Cequel Communications Escrow Capital Corporation and Cequel Communications Escrow I, LLC (succeeded to by Cequel Communications Holdings I, LLC and Cequel Capital Corporation), as issuers and the trustee party thereto, governing the 2012 Cequel Senior Notes.

**2013 Altice Financing Revolving Credit Facility Agreement**

The revolving credit facility agreement originally dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, Altice Financing, as borrower, the lenders from time to time party thereto, Citibank International PLC, as facility agent, and Citibank, N.A., London Branch, as security agent.

**2013 Cequel Senior Notes**

The $750 million aggregate principal amount of 5.125% Senior Notes due 2021 issued by Cequel Communications Holdings I, LLC and Cequel Capital Corporation pursuant to the 2013 Cequel Senior Notes Indenture.

**2013 Cequel Senior Notes Indenture**

The indenture dated as of May 16, 2013, as amended, among, *inter alios*, Cequel Communications Holdings I, LLC and Cequel Capital Corporation, as issuers and the trustee party thereto, governing the 2013 Cequel Senior Notes.

**2013 Dollar Senior Notes**

The $400 million aggregate principal amount of $8\frac{1}{8}\%$ Senior Notes due 2024 issued by Altice Finco on December 12, 2013 under the 2013 Dollar Senior Notes Indenture.

**2013 Dollar Senior Notes Indenture**

The indenture dated as of December 12, 2013, as amended, among, inter *alios*, Altice Finco, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2013 Dollar Senior Notes.

**2013 Euro Senior Notes**

The €250 million aggregate principal amount of 9% Senior Notes due 2023 issued by Altice Finco under the 2013 Euro Senior Notes Indenture.

**2013 Euro Senior Notes Indenture**

The indenture dated as of June 14, 2013, as amended, among, *inter alios*, Altice Finco, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2013 Euro Senior Notes.

**2014 Altice Financing Revolving Credit Facility Agreement**

The revolving credit facility agreement originally dated December 9, 2014, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, 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.

**2014 Altice Luxembourg Revolving Credit Facility Agreement**

The €200 million revolving credit facility agreement originally dated May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, Altice S.A. (succeeded to by Altice Luxembourg), as borrower, the Mandated Lead Arrangers (as defined therein), Deutsche Bank AG, London Branch, as facility agent, and Deutsche Bank AG, London Branch, as security agent

**2014 Altice Luxembourg Senior Notes**

Collectively, the $2,900 million 7¾% Senior Notes due 2022 and the €2,075 million 7¼% Senior Notes due 2022 issued by Altice S.A. (succeeded to by Altice Luxembourg) under the 2014 Altice Luxembourg Senior Notes Indenture.

**2014 Altice Luxembourg Senior Notes Indenture**

The indenture dated May 8, 2014, among, *inter alios*, Altice S.A. (succeeded to by Altice Luxembourg), and the trustee and the security agent party thereto, governing the 2014 Altice Luxembourg Senior Notes.

**2014 Cequel Senior Notes**

The $500 million aggregate principal amount of 5.125% Senior Notes due 2021 issued by Cequel Communications Holdings I, LLC and Cequel Capital Corporation pursuant to the 2014 Cequel Senior Notes Indenture.

**2014 Cequel Senior Notes Indenture**

The indenture dated as of September 9, 2014, as amended, among, *inter alios*, Cequel Communications Holdings I, LLC and Cequel Capital Corporation, as issuers and the trustee party thereto, governing the 2014 Cequel Senior Notes.

**2014 SFR Credit Facility Agreement**

The credit facility agreement originally dated May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, between, among, *inter alios*, SFR Group and certain of its subsidiaries, as borrowers, the lenders from time to time party thereto and Deutsche Bank AG, London Branch as facility agent and security agent.

**2014 SFR Revolving Credit Facility Agreement**

The revolving credit facility agreement originally dated May 8, 2014, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, SFR Group and certain of its subsidiaries as borrowers, the lenders from time to time party thereto and the security agent party thereto.

**2014 SFR Senior Secured Notes due 2022**

Collectively, the $4,000 million aggregate principal amount of 6% Senior Secured Notes due 2022 and the €1,000 million aggregate principal amount of 5³/₈% Senior Secured Notes due 2022 issued by SFR Group under the 2014 SFR Senior Secured Notes due 2022 Indenture.

| | |
|---|---|
| **2014 SFR Senior Secured Notes due 2022 Indenture** | The indenture dated as of May 8, 2014, as amended, among, *inter alios*, SFR Group, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2014 SFR Senior Secured Notes due 2022. |
| **2014 SFR Senior Secured Notes due 2024** | Collectively, the $1,375 million aggregate principal amount of $6^{1}/_{4}$% Senior Secured Notes due 2024 and the €1,250 million aggregate principal amount of $5^{5}/_{8}$% Senior Secured Notes due 2024, issued by SFR Group under the 2014 SFR Senior Secured Notes due 2024 Indenture. |
| **2014 SFR Senior Secured Notes due 2024 Indenture** | The indenture dated as of May 8, 2014, as amended, among, *inter alios*, SFR Group, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2014 SFR Senior Secured Notes due 2024. |
| **2015 Altice Financing Credit Facility Agreement** | The credit facility agreement originally dated January 30, 2015, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, Altice Financing as borrower, the lenders from time to time party thereto, Deutsche Bank AG, London Branch as trustee, Deutsche Bank AG, New York Branch as administrative agent and Citibank, N.A., London Branch as security agent. |
| **2015 Altice Financing Revolving Credit Facility Agreement** | The revolving credit facility agreement originally dated January 30, 2015, as amended, restated, supplemented or otherwise modified from time to time among, *inter alios*, 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. |
| **2015 Altice Luxembourg Senior Notes** | Collectively, the $1,480 million $7^{5}/_{8}$% Senior Notes due 2025 and the €750 million $6^{1}/_{4}$% Senior Notes due 2025 issued by Altice S.A. (succeeded to by Altice Luxembourg) under the 2015 Altice Luxembourg Senior Notes Indenture. |
| **2015 Altice Luxembourg Senior Notes Indenture** | The indenture dated February 4, 2015, among, *inter alios*, Altice S.A. (succeeded to by Altice Luxembourg), and the trustee and the security agent party thereto, governing the 2015 Altice Luxembourg Senior Notes. |
| **2015 Cablevision Credit Facility Agreement** | The credit facility agreement originally dated October 9, 2015, as amended, restated, supplemented or otherwise modified from time to time among, *inter alios*, Neptune Finco (succeeded to by CSC Holdings) as borrower, the lenders from time to time party thereto and JP Morgan Chase Bank N.A. as security agent. |
| **2015 Cablevision Revolving Credit Facility** | The $2,300 million revolving credit facility available pursuant to the 2015 Cablevision Credit Facility Agreement. |
| **2015 Cablevision Senior Guaranteed Notes** | The $1,000 million aggregate principal amount of $6^{5}/_{8}$% Senior Guaranteed Notes due 2025 issued by Neptune Finco (succeeded to by CSC Holdings) pursuant to the 2015 Cablevision Senior Guaranteed Notes Indenture. |
| **2015 Cablevision Senior Guaranteed Notes Indenture** | The indenture dated as of October 9, 2015, as amended, among, *inter alios*, Neptune Finco (succeeded to by CSC Holdings), as issuer, the guarantors party thereto and the trustee party thereto, governing the 2015 Cablevision Senior Guaranteed Notes. |

**2015 Cablevision Senior Notes**

The $1,800 million aggregate principal amount of 10⅛% Senior Notes due 2023 and the $2,000 million aggregate principal amount of 10⅞% Senior Notes due 2025, issued by Neptune Finco (succeeded to by CSC Holdings) pursuant to the 2015 Cablevision Senior Notes Indenture, $350 million aggregate principal amount of the latter of which were redeemed using a portion of the proceeds of the Altice USA IPO.

**2015 Cablevision Senior Notes Indenture**

The indenture dated as of October 9, 2015, as amended, among, *inter alios*, Neptune Finco (succeeded to by CSC Holdings), as issuer and the trustee party thereto, governing the 2015 Cablevision Senior Notes.

**2015 Cequel Credit Facility Agreement**

The credit facility agreement dated as of June 12, 2015 among, *inter alios,* Altice US Finance I, certain lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent and security agent.

**2015 Cequel Revolving Credit Facility**

The $350 million revolving credit facility available pursuant to the 2015 Cequel Credit Facility Agreement.

**2015 Cequel Senior Notes**

The $620 million aggregate principal amount of 7¾% Senior Notes due 2025 issued by Altice US Finance II (succeeded to by Cequel Communications Holdings I, LLC and Cequel Capital Corporation) pursuant to the 2015 Cequel Senior Notes Indenture.

**2015 Cequel Senior Notes Indenture**

The indenture dated as of June 12, 2015, as amended, among, *inter alios*, Altice US Finance II (succeeded to by Cequel Communications Holdings I, LLC and Cequel Capital Corporation), as issuer and the trustee party thereto, governing the 2015 Cequel Senior Notes.

**2015 Cequel Senior Secured Notes**

The $1,100 million aggregate principal amount of 5⅜% Senior Secured Notes due 2023 issued by Altice US Finance I pursuant to the 2015 Cequel Senior Secured Notes Indenture.

**2015 Cequel Senior Secured Notes Indenture**

The indenture dated as of June 12, 2015, as amended, among, *inter alios*, Altice US Finance I, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2015 Cequel Senior Secured Notes.

**2015 Senior Notes**

The $385 million aggregate principal amount of 7⅝% Senior Notes due 2025 issued by Altice Finco pursuant to the 2015 Senior Notes Indenture.

**2015 Senior Notes Indenture**

The indenture dated February 4, 2015, among, *inter alios*, Altice Finco, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the 2015 Senior Notes.

**2015 Senior Secured Notes**

Collectively, the $2,060 million aggregate principal amount of 6⅝% Senior Secured Notes due 2023 and the €500 million aggregate principal amount of 5¼% Senior Secured Notes due 2023 issued by Altice Financing pursuant to the 2015 Senior Secured Notes Indenture.

**2015 Senior Secured Notes Indenture**

The indenture dated February 4, 2015, among, *inter alios*, Altice Financing, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the 2015 Senior Secured Notes.

**2016 Cablevision Senior Guaranteed Notes**
The $1,310 million aggregate principal amount of 5½% Senior Guaranteed Notes due 2027 issued by CSC Holdings pursuant to the 2016 Cablevision Senior Guaranteed Notes Indenture.

**2016 Cablevision Senior Guaranteed Notes Indenture**
The indenture dated as of September 23, 2016, as amended, among, *inter alios*, CSC Holding, as issuer, the guarantors party thereto and the trustee party thereto, governing the 2016 Cablevision Senior Guaranteed Notes.

**2016 Cequel Senior Secured Notes**
The $1,500 million aggregate principal amount of 5½% Senior Secured Notes due 2026 issued by Altice US Finance I pursuant to the 2016 Cequel Senior Secured Notes Indenture.

**2016 Cequel Senior Secured Notes Indenture**
The indenture dated as of April 26, 2016, as amended, among, *inter alios*, Altice US Finance I, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2016 Cequel Senior Secured Notes.

**2016 Senior Secured Notes**
The $2,750 million aggregate principal amount of 7½% Senior Secured Notes due 2026 issued by Altice Financing pursuant to the 2016 Senior Secured Notes Indenture.

**2016 Senior Secured Notes Indenture**
The indenture dated May 3, 2016, among, *inter alios*, Altice Financing, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the 2016 Senior Secured Notes.

**2016 SFR Senior Secured Notes**
The $5,190 million aggregate principal amount of 7³/₈% Senior Secured Notes due 2026 issued by SFR Group under the 2016 SFR Senior Secured Notes Indenture.

**2016 SFR Senior Secured Notes Indenture**
The indenture dated as of April 11, 2016, as amended, among, *inter alios*, SFR Group, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2016 SFR Senior Secured Notes.

**2017 Guarantee Facilities**
The guarantee facilities available under the 2017 Guarantee Facility Agreement, consisting of a €15 million Facility A due to mature on June 23, 2022 and a €316 million Facility B due to mature on July 7, 2021.

**2017 Guarantee Facility Agreement**
The €331 million guarantee facility agreement, dated June 23, 2017, as amended, restated, supplemented or otherwise modified from time to time between, *inter alios*, 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.

**2017 LTIP**
The Company's long-term incentive plan dated November 2, 2017.

**2017 Senior Notes**
The €675 million aggregate principal amount of 4¾% Senior Notes due 2028 issued by Altice Finco pursuant to the 2017 Senior Notes Indenture.

| | |
|---|---|
| **2017 Senior Notes Indenture** | The indenture dated October 11, 2017, among, *inter alios*, Altice Finco, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the 2017 Senior Notes. |
| **2017 SOP** | The Company's stock option plan dated November 2, 2017. |
| **2018 AGM** | The annual general meeting of the Company to be held in 2018. |
| **2018 Cablevision Senior Guaranteed Notes** | The $1,000 million aggregate principal amount of 5³/₈% Senior Guaranteed Notes due 2028 issued by CSC Holdings pursuant to the 2018 Cablevision Senior Guaranteed Notes Indenture. |
| **2018 Cablevision Senior Guaranteed Notes Indenture** | The indenture dated as of January 29, 2018, as amended, among, *inter alios*, CSC Holding, as issuer, the guarantors party thereto and the trustee party thereto, governing the 2018 Cablevision Senior Guaranteed Notes. |
| **2018 Cequel Senior Notes** | The $1,050 million aggregate principal amount of 7½% Senior Notes due 2028 to be issued by Cequel Communications Holdings I, LLC and Cequel Capital Corporation on or about April 5, 2018. |
| **Adjusted EBITDA** | Operating income before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and equity-based compensation expenses. |
| **Altice Blue Two** | Altice Blue Two S.A.S., a private limited liability company (*société par actions simplifiée*) organized under the laws of France. |
| **Altice Caribbean** | Altice Caribbean S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized under the laws of the Grand Duchy of Luxembourg. |
| **Altice Connects** | The community and philanthropic program of Altice USA. |
| **Altice Corporate Financing** | Altice Corporate Financing S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg. |
| **Altice Dominicana** | Altice Dominicana S.A., a public limited company (*sociedade anónima*) incorporated under the laws of the Dominican Republic, formerly known as Altice Hispaniola S.A.. |
| **Altice Financing** | Altice Financing S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg. |
| **Altice Finco** | Altice Finco S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg. |
| **Altice France** | Altice France S.A., a public limited liability company (*société anonyme*) incorporated under the laws of France, formerly known as SFR Group S.A. |
| **Altice France Business** | After the Distribution, Altice France (formerly known as SFR Group) and its subsidiaries. |

| | |
|---|---|
| **Altice Hispaniola** | Altice Hispaniola S.A., a public limited company (*sociedade anónima*) incorporated under the laws of the Dominican Republic, which was renamed Altice Dominicana S.A. in November 2017. |
| **Altice International** | Altice International S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg. |
| **Altice Labs** | The Group's state-of-the-art research and development centers that aim to centralize and streamline innovative technological solutions development for the entire Group. |
| **Altice Luxembourg** | Altice Luxembourg S.A., a public limited liability company *(société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg. |
| **Altice Media Group** | Altice Media Group France S.A.S., a private limited liability company *(société par actions simplifiée*) incorporated under the laws of France, which was renamed SFR Presse S.A.S. in October 2016. |
| **Altice Picture** | Altice Picture S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, which is in charge of acquiring content rights (sport rights, films and series), producing or co-producing films or series, and sublicensing these rights to the Content Distribution Division. |
| **Altice S.A.** | Altice S.A., a public limited liability company (*société anonyme*) which was formerly incorporated under the laws of the Grand Duchy of Luxembourg and which was succeeded to by the Company pursuant to the Merger. |
| **Altice USA** | Altice USA, Inc. (formerly known as Neptune Holding US Corporation), a corporation incorporated under the laws of Delaware, which is the US parent company of Cablevision and Suddenlink, or, where the context so requires, collectively, Altice USA, Inc., Cablevision, Suddenlink and their respective subsidiaries. |
| **Altice USA IPO** | The public offering of 71,724,139 shares of its Class A common stock at an initial public offering price of $30.00 per share by Altice USA. |
| **Altice US Finance I** | Altice US Finance I Corporation, a corporation incorporated under the laws of Delaware. |
| **Altice US Finance II** | Altice US Finance II Corporation, a corporation which was formerly incorporated under the laws of Delaware and which was succeeded to by Cequel Communications Holdings I, LLC pursuant to a merger on December 21, 2015. |
| **Annual Accounts** | The annual accounts of the Company. |
| **Anti-Corruption Policy** | The anti-corruption policy of the Company adopted on August 9, 2015. |

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|---|---|
| **ANV Shareholders** | Dexter Goei (through More ATC LLC), Dennis Okhuijsen, Jérémie Bonnin (through Hamaja S.à r.l.), Patrice Giami, Jean-Michel Hegesippe (through OTR S.à r.l. and JMH Gestion & Participations Limited), Jean-Luc Berrebi (through Lynor's S.à r.l.) and Nicolas Rotkoff (through Belem Capital S.à r.l.) collectively. |
| **Articles of Association** | The articles of association of the Company. |
| **Audit Committee** | The audit committee of the Board. |
| **AUSA LTIP** | The long-term incentive plan adopted by Altice USA in 2017 in connection with the Altice USA IPO. |
| **Bank Guarantee Agreement** | The Bank Guarantee Agreement, dated as of July 21, 2017, between, among others, Altice Corporate Financing as the Additional Borrower, the Company as Parent Guarantor, Altice Group Lux S. à r. l. as the Additional Guarantor, J.P. Morgan Limited and BNP Paribas as mandated lead arrangers, J.P. Morgan Securities PLC and BNP Paribas as issuing banks, BNP Paribas as security agent and J.P. Morgan Europe Limited as facility agent. |
| **Board** | The board of the Company. |
| **Board Member** | Any member of the Board of the Company. |
| **Board Profile** | The profile of the Board's scope and composition taking into account the nature of the business and activities of the Group, and the desired expertise, experience, diversity and independence of the Board members. |
| **Board Rules** | The rules regarding the Board's functioning and internal organization. |
| **Cablevision** or **Optimum** | Cablevision Systems Corporation, a corporation incorporated under the laws of Delaware. |
| **CEO** | The chief executive officer of the Company. |
| **CFO** | The chief financial officer of the Company. |
| **Chairman** | The chairman of the Board. |
| **CHF** | The lawful currency of Switzerland. |
| **Class C Units** | Units designated as Class C units in the US limited partnership which was set up for the purpose of the implementation of the US Carried Interest Plan. |
| **Code** | The Dutch corporate governance code as revised on December 8, 2016, which became effective per the financial year beginning on or after January 1, 2017. |
| **Code of Conduct** | The code of business conduct of the Company adopted on August 9, 2015. |

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| **Coditel Belgium** | Coditel Brabant S.P.R.L., a private limited liability company (*société privée à responsabilité limitée*) organized under the laws of Belgium. |
| **Coditel Luxembourg** | Coditel S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized under the laws of the Grand Duchy of Luxembourg. |
| **Committee** | The Corporate Governance Monitoring Committee. |
| **Common Share** | Each Common Share A and each Common Share B. |
| **Common Share A** | A common share A in the capital of the Company, with one voting right and with a nominal value of €0.01. |
| **Common Share B** | A common share B in the capital of the Company, with twenty-five voting rights and with a nominal value of €0.25. |
| **Company** | Altice N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. |
| **Consolidated Financial Statements** | The consolidated financial statements of the Company as of and for the year ended December 31, 2017. |
| **Content Distribution Division** | Ma Chaîne Sport S.A.S., a private limited liability company (*société par actions simplifiée*) incorporated under the laws of France, and Altice Entertainment News & Sport S.A., a public limited liability company *(société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, which are in charge of (i) purchasing channels from premium providers, creating channels dedicated to sport and lifestyle, and broadcasting such channels, as well as of (ii) the SVOD service of the Group (SFR Play). |
| **Controlled** | With respect to a legal entity: (i) the ownership of legal and/or beneficial title to voting securities that represent more than 50% of the votes in the general meeting of such legal entity; and/or (ii) being empowered to appoint, suspend or dismiss or cause the appointment, suspension or dismissal of at least a majority of the members of the management board, supervisory board or any similar governing body of such legal entity, whether through the exercise of voting rights, by contract or otherwise; and/or (iii) the power to direct or cause the direction of the management and policies of such entity, whether through the exercise of voting rights, by contract or otherwise. |
| **Controller** | (i) Patrick Drahi individually or (if applicable) together with any of his children who indirectly hold Common Shares or (ii) Patrick Drahi's heirs jointly. |
| **Conversion Notice** | A written notice from a holder of Common Shares B requesting the Company to convert one or more of its Common Shares B into Common Shares A in the ratio of twenty-five (25) Common Shares A for one (1) Common Share B. |
| **COO** | The chief operating officer of the Company. |
| **CPPIB** | Canada Pension Plan Investment Board. |

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| **CSC Holdings** | CSC Holdings, LLC, a limited liability company incorporated under the laws of Delaware. |
| **CVC 1** | CVC 1 B.V., a private company with limited liability (*besloten vennootschap*) incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. |
| **CVC 2** | CVC 2 B.V., a private company with limited liability (*besloten vennootschap*) incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, the Netherlands. |
| **DCC** | Dutch Civil Code. |
| **Decree** | Decree laying down additional requirements for management reports (*Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag*). |
| **Decree Non-Financial Information** | Decree on disclosure of non-financial information (*Besluit bekendmaking niet-financiële informatie*). |
| **Distributable Equity** | The part of the Company's equity which exceeds the sum of (i) the paid-in and called-up share capital and (ii) the reserves which are required to be maintained by Dutch law or by the Articles of Association. |
| **Distribution** | The distribution in kind by the Company to its Shareholders of its 67.2% interest in Altice USA. |
| **DOP** | The Dominican Peso, the lawful currency of the Dominican Republic. |
| **EGM 2016** | The extraordinary general meeting of the Company that was held on September 6, 2016. |
| **euro** or **€** | The lawful currency of the European Economic and Monetary Union. |
| **Euronext Amsterdam** | Euronext in Amsterdam, a regulated market of Euronext Amsterdam N.V. |
| **Executive Board Member** | An executive member of the Board. |
| **Exercise Event** | An event whereby the shareholding of any holder of Common Shares, other than Next Alt (or the shareholding of any holder of Common Shares, other than Next Alt, when aggregated with the shareholding(s) of any Shareholder(s) with whom such Shareholder is acting in concert) is at least equal to twenty percent (20%) of the aggregate nominal value of the Common Shares. |
| **Exercise Price** | The cash consideration of at least one quarter of the nominal value of each Warrant Share in euro, to be paid upon the subscription by Next Alt for Warrant Shares |
| **External Auditor** | The auditor of the Company as referred to in Section 2:393 DCC. |
| **French Overseas Territories** | Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte. |

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| **General Meeting** | General meeting of Shareholders of the Company, being the corporate body, or where the context so requires, the physical meeting of Shareholders. |
| **Group** | The Company and its Group Companies. |
| **Group Advisory Council** | The group advisory council of the Company. |
| **Group Companies** | The Company's subsidiaries within the meaning of Section 2:24b DCC. |
| **HOT** | HOT Telecommunication Systems Ltd., a corporation incorporated under the laws of Israel, and its subsidiaries. |
| **HOT Mobile** | HOT Mobile Ltd., a corporation incorporated under the laws of Israel. |
| **IAS** | International Accounting Standards. |
| **IASB** | International Accounting Standards Board. |
| **IFRS** | The International Financial Reporting Standards as adopted by the European Union. |
| **ISL** | The Israeli Shekel, the lawful currency of Israel. |
| **Indentures** | The 2013 Dollar Senior Notes Indenture, the 2013 Euro Senior Notes Indenture, the 2015 Senior Notes Indenture, the 2015 Senior Secured Notes Indenture, the 2016 Senior Secured Notes Indenture, the 2014 Altice Luxembourg Senior Notes Indenture, the 2015 Altice Luxembourg Senior Notes Indenture, the 2014 SFR Senior Secured Notes Indenture due 2022, the 2014 SFR Senior Secured Notes Indenture due 2024, the 2016 SFR Senior Secured Notes Indenture, the 2012 Cequel Senior Notes Indenture, the 2013 Cequel Senior Notes Indenture, the 2014 Cequel Senior Notes Indenture, the 2015 Cequel Senior Notes Indenture, the 2015 Cequel Senior Secured Notes Indenture, the 2016 Cequel Senior Secured Notes Indenture, the 2015 Cablevision Senior Notes Indenture, the 2015 Cablevision Senior Guaranteed Notes Indenture, the 2016 Cablevision Senior Guaranteed Notes Indenture, the 2017 Senior Notes Indenture and the 2018 Cablevision Senior Guaranteed Notes Indenture. |
| **Intelcia Group** | Intelcia Group S.A., a limited liability company incorporated under the laws of Morocco, and its subsidiaries. |
| **Large Company** | Dutch public limited liability companies, Dutch private limited liability companies and Dutch foundations that, on two successive balance sheet dates without subsequent interruption, meet at least two of the three criteria referred to in Section 2:397(1) DCC, which criteria are: (i) the value of the company's/foundation's assets according to its balance sheet, on the basis of the purchase price or manufacturing costs exceeds €20 million, (ii) its net turnover in the applicable year exceeds €40 million, and (iii) its average number of employees in the applicable year is 250 or more. |
| **LTIP** | The Company's long-term incentive plan dated June 28, 2016, as amended on September 6, 2016. |

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| **Management Report** | The management report of the Company, drawn up by the Board, as referred to in Section 2:391 DCC. |
| **Media Capital** | Media Capital SGPS S.A., a public limited liability company (*sociedade anónima*) organized under the laws of Portugal. |
| **MEO** | MEO - Servicios de Telecommunicacões SGPS, S.A., a public limited liability company (*sociedade anónima*) organized under the laws of Portugal. |
| **Merger** | The cross-border merger between the Company (as the acquiring company) and Altice S.A. (as the disappearing company) which became effective on August 9, 2015. |
| **Neptune Finco** | Neptune Finco Corp., a corporation which was formerly incorporated under the laws of Delaware and which was succeeded to by CSC Holdings pursuant to a merger on June 21, 2016. |
| **Neptune Holding US LP** | A limited partnership controlled by the Company which owns approximately 6.3% of the share capital of Altice USA as at December 31, 2017 (3.4% being attributable to the Company and the balance to Altice USA's management, assuming a reference share price of $21.23 as of December 31, 2017 for Altice USA). |
| **Next Alt** | Next Alt S.à r.l., a limited liability company (*société à responsabilité limitée*) governed by Luxembourg law, having its official seat in Luxembourg, Grand Duchy of Luxembourg, and its registered office at 5 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg trade and companies register under number B 194.978. |
| **NextRadioTV** | NextRadioTV S.A., a public limited liability company (*société anonyme*) incorporated under the laws of France. |
| **NGENA** | Next Generation Enterprise Network Alliance. |
| **Nominating Shareholder** | Next Alt, provided that Next Alt (a) holds a direct interest of at least thirty percent (30%) of the aggregate nominal value of the issued and outstanding Common Shares and (b) is Controlled by the Controller, or (ii) when Next Alt does not hold a direct interest of at least thirty percent (30%) of the aggregate nominal value of the issued and outstanding Common Shares and/or is no longer Controlled by the Controller, any other legal entity which (x) holds a direct interest of at least thirty percent (30%) of the aggregate nominal value of the issued and outstanding Common Shares and (y) is Controlled by the Controller. |
| **Non-Executive Board Member** | A non-executive member of the Board. |
| **NPS** | Net Promoter Score. An index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand. |

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| **Operation GigaSpeed** | Suddenlink's Internet program aimed at improving Internet service which includes expenditures to upgrade data network headend equipment, the replacing of any remaining deployed DOCSIS 2.0 customer premises equipment with DOCSIS 3.0 equipment, and the completion of the Group's all-digital video conversion. |
| **Parilis** | Parilis S.A., a public limited liability company *(société anonyme)* incorporated under the laws of the Grand Duchy of Luxembourg, which was renamed Altice Technical Services S.A. in November 2016, and its subsidiaries. |
| **PPE** | Property, Plant and Equipment. |
| **Preference Share A** | A preference share A in the capital of the Company, with four voting rights and with a nominal value of €0.04. |
| **Preference Share B** | A preference share B in the capital of the Company, with one voting right and with a nominal value of €0.01. |
| **President** | The president of the Board. |
| **PSOP** | The Company's performance stock option plan dated June 28, 2017. |
| **PT Portugal** | PT Portugal S.G.P.S., S.A., a public limited company (*sociedade anónima*) incorporated under the laws of Portugal. |
| **Remuneration Committee** | The remuneration committee of the Board. |
| **Remuneration Policy** | The remuneration policy adopted by a resolution of the General Meeting with effect from June 28, 2017. |
| **Revolving Credit Facility Agreements** | Each of the 2013 Altice Financing Revolving Credit Facility Agreement, the 2014 Altice Financing Revolving Credit Facility Agreement, the 2015 Altice Financing Revolving Credit Facility Agreement, the 2014 Altice Luxembourg Revolving Credit Facility Agreement, the 2014 SFR Revolving Credit Facility Agreement, the 2015 Cequel Credit Facility Agreement and the 2015 Cablevision Credit Facility Agreement. |
| **SFR** | Société Française du Radiotéléphone-SFR S.A., a public limited liability company (*société anonyme*) incorporated under the laws of France. |
| **SFR Group** | SFR Group S.A., a public limited liability company (*société anonyme*) incorporated under the laws of France, which was renamed Altice France S.A. in February 2018. |
| **SFR Group Business** | SFR Group (which was renamed Altice France in February 2018) and its subsidiaries. |
| **SFR Presse** | SFR Presse S.A.S., a private limited liability company *(société par actions simplifiée)* incorporated under the laws of France, formerly known as Altice Media Group France S.A.S. |
| **Share** | A share in the capital of the Company; unless the contrary is apparent, this includes each Common Share A, Common Share B, Preference Share A and Preference Share B. |

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| **Shareholder** | A holder of one or more Shares. |
| **SOP** | The Company's stock option plan dated August 9, 2015, as amended on January 11, 2016, March 14, 2016, June 28, 2016, September 6, 2016 and March 20, 2017. |
| **SOP SA** | The share option plan of Altice S.A. |
| **SRR** | SRR S.C.S., a limited partnership (*société en commandite simple*) incorporated under the laws of France and a subsidiary of SFR. |
| **Stock Option Plans** | The SOP, the LTIP, the PSOP, the 2017 SOP and the 2017 LTIP. |
| **Suddenlink** | Cequel Communications, LLC, a limited liability company incorporated under the laws of Delaware and a subsidiary of Cequel Corporation, doing business under the brand 'Suddenlink' in the United States. |
| **Teads** | Teads S.A., a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, and its subsidiaries. |
| **Term Loans** | The term loan facilities available under the 2014 SFR Credit Facility Agreement, the 2015 Altice Financing Credit Facility Agreement, the 2015 Cequel Credit Facility Agreement and the 2015 Cablevision Credit Facility Agreement. |
| **The Netherlands** | The part of the Kingdom of the Netherlands located in Europe. |
| **Tricom** | Tricom S.A., a public limited company (*sociedade anónima*) incorporated under the laws of the Dominican Republic, which was merged into Altice Dominicana on January 1, 2018, and its subsidiary Global Interlink. |
| **US** or **United States** | United States of America. |
| **US Carried Interest Plan** | The long-term equity incentive plan implemented by the Group in the US for certain members of its management team. |
| **U.S. dollar** or **$** | The U.S. Dollar, the lawful currency in the US. |
| **Vice-President** | The vice-president of the Board. |
| **Warrant** | The warrant issued by the Company which, under specific circumstances, entitles Next Alt to subscribe for Preference Shares A. |
| **Warrant Shares** | The Preference Shares A in the capital of the Company to be issued upon exercise of the Warrant. |
| **Wft** | The Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht)*. |

## APPENDIX 2: GLOSSARY

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| **3G** | The third generation of mobile communications standards, which is based on the UMTS universal standard. 3G is referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology. |
| **4G** | The fourth generation of mobile communications standards, which is based on the LTE universal standard. 4G is referred to in the industry as IMT-Advanced with a nominal data rate of 100 Mbps/s while the client physically moves at high speeds relative to the station, and 1 Gbps/s while client and station are in relatively fixed positions. Expected to provide a comprehensive and secure all-IP based mobile broadband solution to laptop computer wireless modems, smartphones, and other mobile devices. Facilities such as ultra-broadband Internet access, IP telephony, gaming services, and streamed multimedia may be provided to users, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities. |
| **4K** | Ultra HD resolution for more real-life picture. |
| **ADSL** | Asymmetrical DSL. ADSL is an Internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line. |
| **ARPU** | Average Revenue Per User. ARPU is an average monthly measure that the Group uses to evaluate how effectively the Group is realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. This definition may be different for other companies, including SFR. |
| **B2B** | Business-to-business. |
| **B2C** | Business-to-consumers. |
| **bandwidth** | The width of a communications channel. In other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information. |
| **broadband** | Any circuit that can transfer data significantly faster than a dial-up phone line. Within broadband circuits, distinction can be made between high-speed and very-high speed lines. |
| **churn** | The number of RGUs for a given service that have been disconnected (either at the customer's request or due to termination of the subscription by the Group) during the period divided by the average number of RGUs for such service during such period, excluding transfers between the Group's services (other than a transfer between its cable services and its mobile services). |

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| **Cloud DVR** | Virtualized TV content in the cloud instead of using the limited physical capacity on a set top box. |
| **DBS** | Direct Broadcast Satellite. |
| **DOCSIS** | Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system. Compared to DOCSIS 2.0, DOCSIS 3.0 has enhanced transmission bandwidth and support for Internet Protocol version 6. The DOCSIS 3.1 standard enables higher spectral efficiency support and is expected to work on existing HFC plant and be compatible with previous DOCSIS standards. |
| **DSL** | Digital Subscriber Line. DSL is a technology that provides high-speed Internet access over traditional telephone lines. |
| **DTH** | Direct-to-home television. |
| **DTT** | Digital terrestrial television. |
| **DVR** | Digital video recorder. |
| **FSC** | Forest Stewardship Council. An international non-profit organization established in 1993 to promote responsible management of the world's forests. |
| **FTTB** | Fiber-to-the-building network. |
| **FTTH** | Fiber-to-the-home network. |
| **Gbps** | Gigabit per second. |
| **GPON** | Gigabit passive optical networks. A high-bandwidth optical fiber network using point-to-multipoint architecture. |
| **GSM** | Global System for Mobile Communications. A standard to describe the protocols for second-generation (2G) digital cellular networks. |
| **HD** | High definition. |
| **HDTV** | High definition Television. |
| **HFC** | Hybrid fiber coaxial. |
| **IaaS** | Infrastructure as a Service. A form of cloud computing which provides virtualized computing resources over the Internet. |
| **iDEN** | Integrated Digital Enhanced Network, a wireless technology developed by Motorola that combines the capabilities of a digital cellular telephone (mobile phone), two-way radio (RT), alphanumeric pager (pocket pager) and data/fax modem (fax) into a single network. iDEN is designed to give the user quick access to information without having to carry around several devices that provide only one of the above-listed services/communication methods each. |
| **Internet** | A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP communications protocol. |

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| **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. |
| **IPTV** | Internet Protocol television. |
| **ISP** | Internet Service Provider. |
| **IT** | Information technology, a general term referring to the use of various software and hardware components when used in a business. |
| **LTE** | Long term evolution technology being a standard in mobile network technology. |
| **M2M** | Machine-to-machine. |
| **Mbps** | Megabits per second. Each megabit is one million bits. |
| **MMS** | Multimedia message service. |
| **multi-play** | The bundling of different telecommunications services (e.g., digital cable television, broadband Internet and fixed telephony services, by one provider). |
| **MVNO** | Mobile virtual network operator. Refers to a company that provides mobile services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services. |
| **network** | An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections. |
| **NVoD** | Near-VoD. |
| **OTT** | Over-the-top. 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 or IPTV. |
| **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 IP technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications. |
| **PEFC** | Program for the Endorsement of Forest Certification. An international, non-profit, non-governmental organization which promotes sustainable forest management through independent third party certification. |
| **quad-play** | Triple-play with the addition of mobile service. |

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| **RAN sharing** | A way for multiple mobile telephone network operators to share radio access network infrastructure. |
| **RGU** | Revenue Generating Unit. RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet infrastructure access are counted on a per source service basis and RGUs for fixed line telephony are counted on a per line basis. Mobile RGUs is equal to the net number of lines or SIM cards that have been activated on the Group's mobile network. |
| **SIM card** | Subscriber Identity Modules are smart cards that store data for GSM cellular telephone subscribers. |
| **SmartWi-Fi** | Wi-Fi extension solution which ensures Wi-Fi coverage across the room. |
| **SMS** | Short Message Service. |
| **triple-play** | Where a customer has subscribed to a combination of three products, digital cable television, broadband Internet and fixed telephony services. |
| **UMTS** | Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards. |
| **VDSL** or **VDSL2** | Very-high-speed DSL. A high-speed variant of ADSL. VDSL2 is the latest and most advanced technology for DSL broadband Internet wireless communications. |
| **VoD** | Video on demand. VoD is a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming. |
| **VoIP** | Voice over Internet Protocol. VoIP is a telephone service via Internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem. |
| **VPN** | Virtual private network, a business service enabling users to obtain remote access to network functionality. |
| **Wi-Fi** | A wireless network technology. |
| **xDSL** | xDSL refers collectively to all types of DSL connections, including VDSL and ADSL. |

**FINANCIAL STATEMENTS**

**I. CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

**II. STANDALONE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

**III. OTHER INFORMATION**

**3.1 External Auditor’s report on financial statements**

**3.2 Statutory provisions concerning appropriation of result**

**3.3 Appropriation of result for the year**

**3.4 Subsequent events**

## I. CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

# Altice N.V.

## ALTICE N.V.
## CONSOLIDATED
## FINANCIAL STATEMENTS

## AS OF AND FOR THE YEAR ENDED
## DECEMBER 31, 2017

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## ALTICE N.V. Consolidated Financial Statements

| Consolidated Statement of Income<br>(€m) | Notes | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| **Revenues** | 4 | **23,499.8** | **20,755.7** |
| Purchasing and subcontracting costs | 4 | (7,391.5) | (6,534.7) |
| Other operating expenses | 4 | (4,267.8) | (3,932.9) |
| Staff costs and employee benefits | 4 | (2,709.7) | (2,287.3) |
| Depreciation, amortization and impairment | 4 | (6,961.2) | (5,576.9) |
| Other expenses and income | 4 | (1,221.1) | (802.9) |
| **Operating profit** | 4 | **948.5** | **1,621.0** |
| Interest relative to gross financial debt | 27 | (3,688.0) | (3,251.3) |
| Other financial expenses | 27 | (450.3) | (357.1) |
| Finance income | 27 | 487.3 | 184.7 |
| Net result on extinguishment of a financial liability | 27 | (199.4) | (338.6) |
| **Finance costs, net** | | **(3,850.4)** | **(3,762.3)** |
| Net result on disposal of business | 3.2 | - | 104.6 |
| Share of earnings of associates | | (23.1) | (2.5) |
| **Loss before income tax** | | **(2,925.0)** | **(2,039.2)** |
| Income tax benefit | 23 | 2,730.2 | 177.7 |
| **Loss for the year** | | **(194.8)** | **(1,861.5)** |
| *Attributable to equity holders of the parent* | | (546.0) | (1,557.6) |
| *Attributable to non-controlling interests* | | 351.1 | (303.9) |
| Earnings per share (basic and diluted) | 14 | (0.46) | (1.42) |

| Consolidated Statement of Other Comprehensive Income<br>(€m) | Notes | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| **Loss for the period** | | **(194.8)** | **(1,861.5)** |
| **Other comprehensive income/(loss)** | | | |
| **Items that are reclassified to profit or loss** | | | |
| Exchange differences on translating foreign operations | | (477.5) | 180.9 |
| Revaluation of available for sale financial assets, net of taxes | | 0.7 | 0.5 |
| Gain/(loss) on cash flow hedge, net of taxes | 13.4 | 136.3 | (498.0) |
| **Item that is not reclassified to profit or loss** | | | |
| Actuarial gain/(loss), net of taxes | | (23.6) | (40.6) |
| **Total other comprehensive income** | | **(364.1)** | **(357.2)** |
| **Total comprehensive loss for the period** | | **(559.0)** | **(2,218.7)** |
| *Attributable to equity holders of the parent* | | (788.9) | (1,906.5) |
| *Attributable to non-controlling interests* | | 230.0 | (312.2) |

*The accompanying notes from page 131 to 243 form an integral part of these consolidated financial statements.*

## ALTICE N.V. Consolidated Financial Statements

| Consolidated Statement of Financial Position (€m) | Notes | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 5 | 22,302.4 | 23,045.7 |
| Intangible assets | 6 | 24,502.3 | 29,412.1 |
| Property, plant & equipment | 7 | 15,161.4 | 16,256.8 |
| Investment in associates | 8 | 49.4 | 65.7 |
| Financial assets | 9.1 | 2,545.5 | 3,615.8 |
| Deferred tax assets | 23 | 157.3 | 113.6 |
| Other non-current assets | 9.2 | 466.9 | 182.4 |
| **Total non-current assets** | | **65,185.2** | **72,692.1** |
| **Current assets** | | | |
| Inventories | 10 | 461.4 | 394.8 |
| Trade and other receivables | 11 | 4,870.6 | 4,600.5 |
| Current tax assets | 23 | 235.0 | 179.2 |
| Financial assets | 9.1 | 93.4 | 758.6 |
| Cash and cash equivalents | 12 | 1,239.0 | 1,109.1 |
| Restricted cash | 12 | 168.1 | 202.0 |
| **Total current assets** | | **7,067.5** | **7,244.2** |
| *Assets classified as held for sale* | *3.4* | 184.3 | 476.0 |
| **Total assets** | | **72,437.0** | **80,412.3** |
| | | | |
| Issued capital | 13.1 | 76.5 | 76.5 |
| Treasury shares | 13.2 | (370.1) | - |
| Additional paid in capital | 13.3 | 2,572.8 | 738.0 |
| Other reserves | 13.4 | (807.7) | (564.8) |
| Accumulated losses | | (3,296.7) | (2,779.5) |
| **Equity attributable to owners of the Company** | | **(1,825.2)** | **(2,529.8)** |
| Non-controlling interests | 3.2 | 1,244.2 | 190.2 |
| **Total equity** | | **(581.0)** | **(2,339.6)** |
| **Non-current liabilities** | | | |
| Long term borrowings, financial liabilities and related hedging instruments | 17 | 50,059.4 | 52,826.3 |
| Other financial liabilities | 17 | 1,963.1 | 4,480.0 |
| Provisions | 15 | 1,484.0 | 1,876.2 |
| Deferred tax liabilities | 23 | 4,355.2 | 8,074.3 |
| Other non-current liabilities | 22 | 637.7 | 878.4 |
| **Total non-current liabilities** | | **58,499.4** | **68,135.2** |
| **Current liabilities** | | | |
| Short-term borrowings, financial liabilities | 17 | 1,792.9 | 1,342.3 |
| Other financial liabilities | 17 | 2,394.0 | 3,491.9 |
| Trade and other payables | 21 | 8,368.8 | 7,713.4 |
| Current tax liabilities | 23 | 205.4 | 298.4 |
| Provisions | 15 | 542.4 | 658.8 |
| Other current liabilities | 22 | 1,110.4 | 1,022.7 |
| **Total current liabilities** | | **14,413.9** | **14,527.5** |
| *Liabilities directly associated with assets classified as held for sale* | *3.4* | 104.7 | 89.2 |
| **Total liabilities** | | **73,018.0** | **82,751.9** |
| **Total equity and liabilities** | | **72,437.0** | **80,412.3** |

*The accompanying notes from page 131 to 243 form an integral part of these consolidated financial statements.*

## ALTICE N.V. Consolidated Financial Statements

| Consolidated Statement Changes in Equity | Number of shares on issue Class A | Class B | Share capital | Treasury Shares | Additional paid in capital | Accumulated losses | Currency translation reserve | Cash Flow hedge reserve | Available for sale | Employee Benefits | Total equity attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at January 1, 2016** | **841,244,925** | **272,280,241** | **76.5** | **-** | **2,379.5** | **(1,287.0)** | **3.3** | **(217.6)** | **2.4** | **(4.0)** | **953.1** | **916.7** | **1,869.8** |
| Loss for the period | | | - | - | - | (1,557.6) | - | - | - | - | **(1,557.6)** | (303.9) | **(1,861.5)** |
| Other comprehensive profit/(loss) | | | - | - | - | - | 145.5 | (454.2) | 0.5 | (40.6) | **(348.9)** | (8.3) | **(357.2)** |
| **Comprehensive profit/(loss)** | | | **-** | **-** | **-** | **(1,557.6)** | **145.5** | **(454.2)** | **0.5** | **(40.6)** | **(1,906.5)** | **(312.2)** | **(2,218.7)** |
| Conversion common shares B to common shares A | 131,118,125 | (5,244,725) | - | - | - | - | - | - | - | - | **-** | - | **-** |
| Dividends | | | - | - | 0.3 | - | - | - | - | - | **0.3** | (131.4) | **(131.1)** |
| Share based payments | | | - | - | - | 65.1 | - | - | - | - | **65.1** | 19.9 | **85.1** |
| Transactions with non-controlling interests | | | - | - | (1,545.7) | - | - | - | - | - | **(1,545.7)** | (248.2) | **(1,793.8)** |
| Other | | | - | - | (96.0) | | - | - | - | - | **(96.0)** | (54.7) | **(150.8)** |
| **Equity at December 31, 2016** | **972,363,050** | **267,035,516** | **76.5** | **-** | **738.1** | **(2,779.5)** | **148.8** | **(671.8)** | **2.9** | **(44.6)** | **(2,529.8)** | **190.2** | **(2,339.6)** |

| Consolidated Statement Changes in Equity | Number of shares on issue Class A | Class B | Share capital | Treasury Shares | Additional paid in capital | Accumulated losses | Currency translation reserve | Cash Flow hedge reserve | Available for sale | Employee Benefits | Total equity attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at January 1, 2017** | **972,363,050** | **267,035,516** | **76.5** | **-** | **738.1** | **(2,779.5)** | **148.8** | **(671.8)** | **2.9** | **(44.6)** | **(2,529.8)** | **190.2** | **(2,339.6)** |
| Loss for the period | | | **-** | **-** | **-** | (546.0) | - | - | - | - | **(546.0)** | 351.1 | **(194.8)** |
| Other comprehensive profit/(loss) | | | - | - | - | - | (360.9) | 136.3 | 0.7 | (19.1) | **(242.9)** | (121.2) | **(364.1)** |
| **Comprehensive profit/(loss)** | | | **-** | **-** | **-** | **(546.0)** | **(360.9)** | **136.3** | **0.7** | **(19.1)** | **(788.9)** | **230.0** | **(559.0)** |
| Conversion common shares B to common shares A | 599,989,175 | (23,999,567) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Share based payments | | | **-** | **-** | - | 28.8 | **-** | **-** | **-** | **-** | **28.8** | 13.9 | **42.7** |
| Transactions with non-controlling interests | | | **-** | - | 1,801.0 | | **-** | **-** | **-** | **-** | **1,801.0** | 1,148.8 | **2,949.8** |
| Share repurchase | | | **-** | (370.1) | - | - | - | **-** | **-** | **-** | **(370.1)** | - | **(370.1)** |
| Dividends | | | **-** | - | - | - | - | **-** | **-** | **-** | **-** | (259.8) | **(259.8)** |
| Other | | | **-** | - | 33.7 | - | **-** | **-** | **-** | **-** | **33.7** | (78.8) | **(45.1)** |
| **Equity at December 31, 2017** | **1,572,352,225** | **243,035,949** | **76.5** | **(370.1)** | **2,572.8** | **(3,296.7)** | **(212.1)** | **(535.6)** | **3.6** | **(63.7)** | **(1,825.2)** | **1,244.2** | **(581.0)** |

*The accompanying notes from page 131 to 243 form an integral part of these consolidated financial statements.*

## ALTICE N.V. Consolidated Financial Statements

| Consolidated Statement of Cash Flows<br>(€m) | Notes | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| **Net (loss) including non-controlling interests** | | **(194.8)** | **(1,861.5)** |
| Adjustments for: | | | |
| Depreciation, amortization and impairment | 26 | 6,961.2 | 5,576.9 |
| Share in income of associates | | 23.1 | 2.5 |
| Gains and losses on disposals | 3 | - | (104.6) |
| Expenses related to share-based payment | 4 | 282.2 | 85.1 |
| Other non-cash operating (losses)/gains, net[1] | | (122.1) | 372.4 |
| Pension liability payments | 16 | (129.1) | (131.2) |
| Finance costs recognized in the statement of income | 27 | 3,850.4 | 3,762.3 |
| Income tax credit recognized in the statement of income | 23 | (2,730.2) | (177.7) |
| Income tax paid | 23 | (330.6) | (144.2) |
| Changes in working capital | | 455.2 | (376.9) |
| **Net cash provided by operating activities** | | **8,065.4** | **7,003.0** |
| Payments to acquire tangible and intangible assets | 4 | (4,474.9) | (4,149.3) |
| Prepayments for content rights | | (70.5) | - |
| Payments to acquire financial assets | | (135.9) | (43.6) |
| Proceeds from disposal of businesses | 3 | 345.1 | 150.0 |
| Proceeds from disposal of tangible, intangible and financial assets | | 24.9 | 47.9 |
| Use of restricted cash to acquire subsidiaries | | - | 7,558.8 |
| Payments to acquires interests in associates | 3 | (34.9) | (359.8) |
| Payment to acquire subsidiaries, net | 3 | (331.1) | (8,195.2) |
| **Net cash used in investing activities** | | **(4,677.4)** | **(4,991.1)** |
| Proceeds from issue of equity instruments by a subsidiary | 3 | 327.8 | - |
| Proceeds from issuance of debts | 17 | 14,777.4 | 19,327.2 |
| Transaction with non-controlling interests | | (882.4) | 704.1 |
| Payments to redeem debt instruments | 17 | (13,260.5) | (19,117.2) |
| Payments to acquire own shares | 13 | (371.0) | - |
| Payments to redeem outstanding debts on acquisition of subsidiaries | | - | (2,224.2) |
| Transfers from/(to) restricted cash | | (18.8) | - |
| Dividends paid | | (259.8) | - |
| Interest paid | 17 | (3,627.7) | (2,762.1) |
| Other cash provided by financing activities[2] | | 16.5 | 614.9 |
| **Net cash (used)/generated in financing activities** | | **(3,298.7)** | **(3,457.3)** |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 40.6 | 27.4 |
| **Net change in cash and cash equivalents** | | **129.9** | **(1,417.9)** |
| Cash and cash equivalents at beginning of period | 12 | 1,109.1 | 2,527.0 |
| **Cash and cash equivalents at end of the period** | 12 | **1,239.0** | **1,109.1** |

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 131 to 243 form an integral part of these consolidated financial statements.*

## 1. About Altice

Altice N.V. (the "Company") is a public limited liability company ("*Naamloze vennootschap*") incorporated in the Netherlands and is headquartered at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company is the parent entity of the Altice N.V. consolidated group (the "Group" or "Altice"). The Company is ultimately controlled by Patrick Drahi (via Next Alt S.à r.l., "Next Alt"). As of December 31, 2017, Next Alt held 60.31% of the share capital of the Company.

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 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 3, 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") and with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code (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)

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

## 1.2. Significant accounting judgments and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

These judgments and estimates relate principally to the provisions for legal claim, the post-employments benefits, revenue recognition, fair value of financial instruments, deferred taxes, impairment of goodwill, useful lives of intangible assets and property, plant and equipment and trade receivables and other receivables. These estimates and assumptions are described in the note 2.26 to the consolidated financial statements for the year ended December 31, 2017.

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

### *1.3.1. Standards applicable for the reporting period*

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

- Amendments to IAS 7 *Statement of Cash Flows* Disclosure Initiative. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows (please refer to note 17.7),
- 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 17.7.

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

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

- IFRS 15 *Revenue from Contracts with Customers*, effective on January 1, 2018;
- IFRS 9 *Financial Instruments*, effective on January 1, 2018;
- IFRS 16 *Leases,* effective on January 1, 2019;
- Amendments to IFRS 2: *Classification and Measurement of Share Based Payment Transactions,* applicable on or after January 1, 2018;
- IFRIC 22*: Foreign Currency Transactions and Advance Consideration*. The interpretation is applicable for annual periods beginning on or after January 1, 2018 with earlier application permitted;
- Annual improvements cycle 2014-2016, effective on or after January 1, 2018;
- Annual improvements cycle 2015-2017, effective on or after January 1, 2019;
- IFRIC 23: *Uncertainty over Income Tax Treatments*, applicable for annual periods beginning on or after January 1, 2019;
- Amendments to IFRS 9: *Prepayments features with Negative Compensation*, effective on or after January 1, 2019;
- Amendments to IAS 28: *Long-term interests in Associates and Joint Ventures*, effective on or after January 1, 2019;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*, effective on or after January 1, 2019.

The effects of implementing the new standards, and amendments to standards, are being analysed by the Group. Details on IFRS 9, IFRS 15 and IFRS 16 are provided below.

### *1.3.3. IFRS 15 Revenue from Contracts with Customers*

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

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

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

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

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

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

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

*Mobile activities*

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

*Fixed activities*

In most cases, the service and the equipment will not be considered as distinct performance obligations. Other identified topics relate to connection fees, related costs and capitalization of commissions. Related estimates include the determination of capitalized assets depreciation period based on contract period and additional periods related to anticipated contract that the Group can specifically identify.

The quantitative impact is detailed below:

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

### *1.3.4. IFRS 9 Financial Instruments*

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

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

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

### *1.3.5. IFRS 16 Leases*

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

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

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

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

The Board of Directors anticipate that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, especially given the different operating lease arrangements of the Group (please refer to note 20). The effects are analysed as part of a Group-wide project for implementing this new standard. The assessment phase is under progress and it is not yet practicable to provide a reasonable estimate of the quantitative effects until the projects have been completed.

## 2. Significant accounting policies

### 2.1. Basis of consolidation

#### *2.1.1. Subsidiaries*

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

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

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

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

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

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

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

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

#### *2.1.2. Joint ventures*

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

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

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

#### *2.1.3. Associates*

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

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

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

### 2.2. Foreign currencies

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

#### *2.2.1. Monetary transactions*

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

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

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

The exchange rates of the main currencies were as follows:

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

### 2.3. Revenue recognition

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

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

*2.3.1. Revenues from the sale of equipment*

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

*2.3.2. Revenues on separable components of bundle packages*

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

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

*2.3.3. Revenue from service*

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

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

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

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

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

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

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

*2.3.4. Access to telecommunications infrastructures*

The Group provides its operator clients with access to its telecommunications infrastructures by means of different types of contracts: rental, hosting contracts or concessions of Indefeasible Rights of Use (''IRU''). The IRU contracts grant the

use of an asset (ducting, fiber optic or bandwidth) for a specified— period. The Group remains the owner of the asset. Proceeds generated by rental contracts, hosting contracts in Netcenters, and infrastructure IRUs are recognized over the duration of the corresponding contracts, except where these are defined as a finance lease, in which case the equipment is considered as having been sold on credit.

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

#### *2.3.5. Sales of infrastructure*

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

#### *2.3.6. Advertising revenues*

Advertising revenues are recognized when commercials are aired.

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

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

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

#### *2.3.7. Income from credit arrangements*

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

#### *2.3.8. Gross Versus Net Revenue Recognition*

In the normal course of business, the Company is assessed on non-income related taxes by governmental authorities, including franchising authorities (generally under multi-year agreements), and collects such taxes from its customers. The Company’s policy is that, in instances where the tax is being assessed directly on the Company, amounts paid to the governmental authorities and amounts received from the customers are recorded on a gross basis. That is, amounts paid to the governmental authorities are recorded as technical and operating expenses and amounts received from the customer are recorded as revenues.

### 2.4. Finance costs, net

Finance costs, net primarily comprise:

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

### 2.5. Taxation

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

#### *2.5.1. Current tax*

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

#### *2.5.2. Deferred tax*

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

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

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

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

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

### 2.6. Site dismantling and restoration

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

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

### 2.7. Goodwill and business combinations

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

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

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

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

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

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

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

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

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

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

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

#### *2.7.1. Acquisition under common control*

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

Acquisition under common control uses the following methods and principles:

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

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

### 2.8. Intangible assets

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

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

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

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 30. Payments made to acquire broadcasting rights in advance of the legal right to broadcast the programmes are classified as prepayments in the caption "other financial assets" in the statement of financial position. Broadcasting rights are initially recognised at cost and are amortised from the point at which they are available for use, on a straight-line basis over the broadcasting period. The amortisation charge is recorded in the caption "depreciation and amortisation" in the consolidated statement of income. The costs of exclusive in-house content and external content are recognised as an intangible asset. The cost of the rights is recognized at the cost of production of the shows and is amortized based on the actual screenings. The amortisation charge is recorded in the caption "depreciation and amortisation" in the income statement.

### 2.9. Impairment of tangible and intangible assets

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

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

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

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

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

### 2.10. Property, plant and equipment

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

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

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

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

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

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

### 2.11. Leasing

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

### *2.11.1. The Group as lessor*

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

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

### *2.11.2. The Group as lessee*

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

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

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

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

## 2.12. Borrowing costs

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

## 2.13. Government grants

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

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

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

## 2.14. Financial assets

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

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

### *2.14.1. Available-for-sale financial assets*

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

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

When there are 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 decreases in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through income statement.

### *2.14.2. Loans and receivables*

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

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

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

### *2.14.3. Held-to-maturity financial assets*

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

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

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

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

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

### 2.15. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Cost of inventories is determined using the weighted average cost method. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

### 2.16. Cash and cash equivalents

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

### 2.17. Restricted cash

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

### 2.18. Derivatives

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

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

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

### 2.19. Hedge accounting

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

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

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

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

## 2.20. Classification as debt or equity

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

### *2.20.1. Equity instruments*

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

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

## 2.21. Financial liabilities

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

### *2.21.1. Financial liabilities at amortized cost*

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

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

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

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

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

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

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair

value is determined using valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

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

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries. These options give the holders the right to sell part or all of their investment in these subsidiaries.
At inception, in accordance with IAS 32 *Financial Instruments: Presentation*, when non-controlling interests hold put options enabling them to sell their investment in the Group, a financial liability is recognized for an amount corresponding to the present value of liability assumed and the counterpart of the liability arising from these obligations is:

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

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

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

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

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

### 2.22. Provisions

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

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

#### *2.22.1. Claims*

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

#### *2.22.2. Onerous contracts*

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

#### *2.22.3. Restructuring*

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

### 2.23. Liabilities for employment benefits

#### *2.23.1. Retirement benefit costs and termination benefits*

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

Defined benefit costs are categorised as follows:

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

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

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

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

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

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

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

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

## 2.24. Share based payments

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

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

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

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

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

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

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

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

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

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

Pursuant to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets and liabilities of affiliates that are held for sale are presented separately on the face of the statement of financial position. Depreciation of assets ceases

from the date of classification in "Non-current assets held for sale". Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

## 2.26. Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *2.26.1. Claims*

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

### *2.26.2. Post-employment benefits*

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

### *2.26.3. Revenue recognition*

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

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

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

### *2.26.5. Deferred tax assets*

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

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

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

#### *2.26.7. Impairment of intangible assets*

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

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

#### *2.26.8. Trade receivables and other receivables*

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

## 3. Scope of consolidation

A full list of subsidiaries is included in note 35.

### 3.1. Variations in non-controlling interests

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

| Variations in non-controlling interests (€m) | Altice USA | SFR Group[1] | Altice Technical Services | Other | Group |
|---|---|---|---|---|---|
| **Opening balance at January 1, 2016** | (72.2) | 944.6 | - | 44.3 | **916.7** |
| Net income | (234.2) | (56.1) | 4.0 | (17.5) | **(303.9)** |
| Other comprehensive income | 35.2 | (45.4) | 0.8 | 1.1 | **(8.3)** |
| Dividends | (131.4) | - | - | - | **(131.4)** |
| Acquisition | 79.9 | (59.0) | 45.1 | (27.4) | **38.5** |
| SFR share transfers | - | (285.0) | - | - | **(285.0)** |
| Put options | (11.0) | - | - | (14.2) | **(25.2)** |
| Other | (12.6) | 12.2 | - | (11.0) | **(11.3)** |
| **Closing at December 31, 2016** | **(346.3)** | **511.3** | **49.8** | **(24.7)** | **190.2** |
| Net income | 426.9 | (60.6) | (7.7) | (7.5) | **351.1** |
| Other comprehensive income | (118.3) | - | (2.2) | (0.6) | **(121.2)** |
| Dividends | (246.9) | (6.9) | (6.0) | - | **(259.8)** |
| US IPO | 1,517.2 | - | - | - | **1,517.2** |
| SFR share transfers and squeeze out | - | (510.8) | - | - | **(510.8)** |
| Variation in minority interest put | - | 93.2 | - | - | **93.2** |
| Other | 8.0 | (16.6) | (8.9) | 1.9 | **(15.6)** |
| **Closing at December 31, 2017** | **1,240.4** | **9.7** | **24.9** | **(30.8)** | **1,244.2** |

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

#### *3.1.1. Net income*

The share of profit for the year ended December 31, 2017 allocated to non-controlling interests was €351.1 million, which was mainly due to the profit attributable in Altice USA following a change in tax legislation in the United States leading to a large tax credit in 2017 (please refer to note 23 for further details). The loss allocated to equity holders of the Group for the year ended December 31, 2017 was €546.0 million.

*3.1.2. SFR Group S.A.*

The financial interest held by non-controlling interests as of December 31, 2017 was nil (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 the Group obtained 100% interest in SFR Group as of October 9, 2017, thereby reducing non-controlling interest by €510.8 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 USA*

The financial interest held by non-controlling interests as of December 31, 2017 was 29.8% (2016: 30.4%). The main variations during the year ended December 31, 2017 were related to:

- the impact of Altice USA's IPO on June 22, 2017 which resulted in an increase of €1,517.2 million in non-controlling interests (please refer to note 3.2.1. below);
- dividend payment, leading to a decrease of €246.9 million;
- foreign exchange impacts recognized in other comprehensive income which reduced non-controlling interests by €113.8 million.

*3.1.4. 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, 2017 was 49.0% (2016: 49.0%). Main variations during the year ended December 31, 2017 were related to dividend payments of €6.0 million.

*3.1.5. Summarized financial information on subsidiary with material non-controlling interests*

As of December 31, 2017, the only subsidiary with material non-controlling interests was Altice USA. The table below provides financial information of Altice USA before intra-group eliminations.

| **For the year ended December 31, 2017**<br>**€m** | **Altice USA** |
|---|---|
| Non-current assets | 28,216.4 |
| Current assets | 710.0 |
| Net equity | 4,763.9 |
| Non-current liabilities | 22,088.8 |
| Current liabilities | 2,073.7 |
| | |
| Revenue | 8,252.7 |
| Net income | 1,346.4 |
| Comprehensive income | 1,335.8 |
| | |
| Net cash flows from operating activities | 1,771.3 |
| Net cash flows from investing activities | (1,001.9) |
| Net cash flows from financing activities | (972.5) |

## 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. Altice USA IPO*

In June 2017, Altice USA closed on its IPO of 71,724,139 shares of its Class A common stock (12,068,966 newly issued shares sold by Altice USA and 59,655,173 shares sold by affiliates of BC Partners and CPPIB, together, the "Sponsors") at a price to the public of $30 per share. After the IPO, the Group retained ownership of approximately 70.2% of issued and outstanding common stock of Altice USA, which represents approximately 98.2% of the voting rights. The Class A common stock began trading on June 22, 2017 on the New York Stock Exchange under the symbol "ATUS".

In connection with the sale of its Class A common stock, Altice USA received proceeds of approximately $350 million (€323 million). The proceeds were used to redeem a portion of the principal amount outstanding of the 10.875% Senior Notes due 2025 ("CSC 2025 Senior Notes") issued by CSC Holdings. The redemption occurred on July 10, 2017.

On June 21, 2017, Altice USA converted the loan from the Sponsors of $525 million into shares of Altice USA Class A common stock at the IPO price.

Following the IPO, the Group's total equity increased by $0.9 billion, including the direct share capital increase through the IPO ($350 million) and the capitalization of the loan previously held by the Sponsors.

In addition, the put and call instruments held by the Sponsors were cancelled. The put instrument entitled the Sponsors the option to sell Altice their shares, which Altice was obligated to purchase. At December 31, 2016, this option was valued at €2,812.3 million and recorded as a financial liability, with a corresponding reduction in equity. On cancellation, the liability was released through equity.

### *3.2.2. Acquisitions and disposals during the year*

#### 3.2.2.1. *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.

#### 3.2.2.2. *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.

#### 3.2.2.3. *Acquisition of Audience Partners*

On March 2, 2017, Altice USA acquired Audience Partners, a leading provider of data-driven, audience-based digital advertising solutions worldwide. Altice USA has a successful TV data and addressable advertising track record in the New York designated market area, and this will expand to include the digital capabilities of Audience Partners to deliver seamless multiscreen addressable solutions.

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

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

#### 3.2.2.5. *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.

#### 3.2.2.6. *Acquisition of SFR Group S.A. shares*

During the year, 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 were previously held 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.

#### 3.2.2.7. *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.

### *3.2.3. Transactions completed in the prior period*

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

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

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

#### 3.2.3.2. *Disposal of Cabovisão and ONI*

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

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

#### 3.2.3.3. *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.

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

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

## 3.3. Acquisitions of businesses

The two main acquisitions in the year ended December 31, 2017 were Teads (note 3.2.2.5) and Audience Partners (note 3.2.2.3). The table below presents the major classes of assets and liabilities acquired by the Group for the respective acquisitions.

| **Acquisitions of businesses (€m)** | **Teads** | **Audience Partners** | **Total** |
|---|---|---|---|
| Consideration transferred | **302.3** | **70.5** | **372.8** |
| Allocation to minority interests | - | | - |
| ***ASSETS*** | | | - |
| Intangible assets | 76.8 | 77.9 | 154.7 |
| Property, plant and equipment | 2.2 | 0.3 | 2.6 |
| Non-current financial assets | 1.5 | - | 1.5 |
| Deferred tax assets | 1.4 | - | 1.4 |
| Investments in associates | - | - | - |
| Other non-current assets | - | 0.1 | 0.1 |
| Inventories | - | 0.2 | 0.2 |
| Trade receivables and others | 67.6 | 3.6 | 71.2 |
| Tax receivables | 1.8 | - | 1.8 |
| Cash and cash equivalents | 39.7 | 1.5 | 41.2 |
| Other current assets | 0.1 | - | 0.1 |
| Total assets | **191.1** | **83.7** | **274.8** |
| ***EQUITY AND LIABILITIES*** | | | - |
| Non-current liabilities | 17.3 | - | 17.3 |
| Current liabilities | 73.1 | 31.8 | 104.9 |
| Total liabilities | **90.5** | **31.8** | **122.3** |
| **Net assets** | 100.6 | 51.9 | 152.5 |
| Residual goodwill | **201.7** | **18.6** | **220.3** |

Total goodwill recognised from business combinations during the year ended December 31, 2017 was €291.8 million (please refer to note 5 for a breakdown by segments). 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 3.2.2.7 and 5.2.3). In addition, several smaller acquisitions were completed across the Group, totaling €20.7 million of goodwill.

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

| Profit or loss before acquisition by the Group (€m) | Teads | Audience Partners | Total |
|---|---|---|---|
| **Revenues** | **117.0** | **2.7** | **119.7** |
| Purchases and subcontracting services | - | (1.8) | (1.8) |
| Other operating expenses | (70.5) | (0.5) | (71.0) |
| Staff costs and employee benefits | (42.5) | (1.2) | (43.7) |
| Depreciation and amortization | (0.5) | (0.2) | (0.7) |
| Other expenses and income | (0.4) | - | (0.4) |
| **Operating profit** | **3.1** | **(0.9)** | **2.2** |
| **Profit for the period** | **(1.7)** | **(1.1)** | **(2.9)** |

Had the acquisitions above been completed on January 1, 2017, the Group would have earned, on a pro-forma basis, total revenues of €23,619.5 million (unaudited) for the year ended December 31, 2017, including intercompany eliminations of €1,521.4 million.

### 3.4. Assets held for sale

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

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

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

In the prior year, Coditel was classified as held for sale, as discussed in note 3.2.2.1.

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

| Disposal groups held for sale | December 31, 2017 | | | | December 31, 2016 |
|---|---|---|---|---|---|
| (€m) | Green | Wholesale Market | Other | Total | Coditel |
| Goodwill | 18.2 | - | - | 18.2 | 295.5 |
| Tangible and intangible assets | 113.2 | - | - | 113.2 | 99.9 |
| Other non-current assets | 0.4 | - | - | 0.4 | - |
| Investment in associates | | | 4.4 | 4.4 | - |
| Current assets | 13.6 | 34.4 | - | 48.0 | 21.2 |
| **Total assets held for sale** | **145.4** | **34.4** | **4.4** | **184.3** | **416.6** |
| Non-current liabilities | (54.2) | - | - | (54.2) | (5.5) |
| Current liabilities | (25.0) | (25.4) | - | (50.4) | (37.4) |
| **Total liabilities related to asset held for sale** | **(79.2)** | **(25.4)** | **-** | **(104.7)** | **(42.9)** |

## 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
- **United States ("US")**: Altice USA provides fixed services to B2C, B2B and wholesale clients in the United States. The Group has a DOCSIS 3.1 compliant network in several states in the Southwestern US with the Suddenlink brand and has a dominant position in the New York, New Jersey and Connecticut markets with the Optimum and Lightpath brands.
- **Portugal:** Altice owns Portugal Telecom ("PT Portugal"), the largest telecom operator in Portugal. PT Portugal caters to fixed and mobile B2C, B2B and wholesale clients using the MEO brand.
- **Israel:** Fixed and mobile services are provided using the HOT and HOT Mobile brands to B2C, B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network.
- **Dominican Republic**: The Group provides fixed and mobile services to B2C, B2B and wholesale clients using the Tricom (cable network) brand.
- **Others**: This segment includes the operations in the French Overseas Territories, Belgium and Luxembourg (until June 2017), Switzerland, as well as the Content, Technical Service and Customer Service business, and all corporate entities. The Board of Directors believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under "Other".

### 4.2. Financial Key Performance Indicators ("KPIs")

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

The financial KPIs tracked by the Board of Directors are:

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

#### *4.2.1. Non-GAAP measures*

Adjusted EBITDA, EBIT, Capex and OpFCF are non-GAAP measures. These measures are useful to readers of Altice's financial statements as they provide a measure of operating results excluding certain items that Altice's management believe are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in the Group's operating results and cash flow generation to be more easily observable. The non-GAAP measures

are used by the Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in the same industry as the Group and thus are a basis for comparability between the Group and its peers. Moreover, the debt covenants of the Group are based on the Adjusted EBITDA and other associated metrics.

#### 4.2.1.1. *Adjusted EBITDA*

Adjusted EBITDA is defined as operating income before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and equity-based compensation expenses. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating profit as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the consolidated financial statements in accordance with IAS 1 *Presentation of Financial Statements*.

#### 4.2.1.2. *Capex*

The Group's Capex profile varies greatly between activities:

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

#### 4.2.1.3. *Operating free cash flow*

OpFCF is defined as Adjusted EBITDA less Capex. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating cash flow as presented in the consolidated statement of cash flows in accordance with IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of Cash Flows*.

#### 4.2.1.4. *Revenues*

Additional information on the revenue split is presented as follows:

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

Intersegment revenues represented 6.1% of total revenues for the year ended December 31, 2017, an increase compared to 1.9% of total revenues for the year ended December 31, 2016 (€1,521.4 million vs. €390.1 million). Intersegment revenues mainly relate to services rendered by certain centralised group functions (relating primarily to content production, technical services and customer service) to the operational segments of the Group. Such transactions are eliminated in these consolidated financial statements.

## 4.3. Operating profit per geographical segment

| For the year ended December 31, 2017 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **10,915.8** | **8,252.7** | **2,249.4** | **1,036.1** | **692.7** | **1,874.4** | **(1,521.4)** | **23,499.8** |
| Purchasing and subcontracting costs | (4,026.4) | (2,686.1) | (574.7) | (272.4) | (152.7) | (613.5) | 934.3 | **(7,391.5)** |
| Other operating expenses | (2,300.2) | (1,148.0) | (390.4) | (228.8) | (163.8) | (427.0) | 390.5 | **(4,267.8)** |
| Staff costs and employee benefits | (876.8) | (1,079.0) | (275.8) | (63.7) | (26.7) | (489.6) | 101.8 | **(2,709.7)** |
| **Total** | **3,712.4** | **3,339.6** | **1,008.6** | **471.2** | **349.5** | **344.4** | **(94.9)** | **9,130.8** |
| Stock option expense | 2.0 | 251.6 | - | - | - | 28.6 | - | **282.2** |
| **Adjusted EBITDA** | **3,714.4** | **3,591.2** | **1,008.6** | **471.2** | **349.5** | **373.0** | **(94.9)** | **9,413.0** |
| Depreciation, amortisation and impairment | (2,817.2) | (2,599.2) | (825.7) | (333.5) | (131.9) | (253.7) | - | **(6,961.2)** |
| Stock option expense | (2.0) | (251.6) | - | - | - | (28.6) | - | **(282.2)** |
| Other expenses and income | (976.8) | (161.4) | (116.6) | (15.6) | (28.1) | 77.4 | - | **(1,221.1)** |
| **Operating profit/(loss)** | **(81.6)** | **579.0** | **66.2** | **122.1** | **189.4** | **168.2** | **(94.9)** | **948.5** |

| For the year ended December 31, 2016 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **10,990.5** | **5,436.1** | **2,311.5** | **955.5** | **717.5** | **734.7** | **(390.1)** | **20,755.7** |
| Purchasing and subcontracting costs | (3,956.0) | (1,716.5) | (526.0) | (234.5) | (146.9) | (191.3) | 236.3 | **(6,534.7)** |
| Other operating expenses | (2,328.1) | (745.9) | (413.0) | (223.3) | (164.6) | (186.3) | 128.2 | **(3,932.9)** |
| Staff costs and employee benefits | (945.0) | (827.9) | (284.1) | (66.9) | (30.0) | (135.9) | 2.4 | **(2,287.3)** |
| **Total** | **3,761.4** | **2,145.8** | **1,088.4** | **430.8** | **376.0** | **221.2** | **(23.2)** | **8,000.8** |
| Stock option expense | 4.0 | 62.3 | - | - | - | 18.7 | - | **85.1** |
| **Adjusted EBITDA** | **3,765.4** | **2,208.1** | **1,088.4** | **430.8** | **376.0** | **239.9** | **(23.2)** | **8,085.9** |
| Depreciation, amortisation and impairment | (2,565.1) | (1,539.8) | (770.5) | (331.2) | (165.1) | (205.3) | **-** | **(5,576.9)** |
| Stock option expense | (4.0) | (62.3) | - | - | - | (18.7) | **-** | **(85.1)** |
| Other expenses and income | (539.7) | (254.3) | (152.4) | (37.0) | (37.2) | 217.7 | **-** | **(802.9)** |
| **Operating profit/(loss)** | **656.6** | **351.7** | **165.5** | **62.6** | **173.7** | **233.6** | **(23.2)** | **1,621.0** |

## 4.4. Other expenses and income

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

| Other expenses and income (€m) | Notes | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| Stock option expense | 4.4.1 | 282.2 | 85.1 |
| **Items excluded from adjusted EBITDA** | | **282.2** | **85.1** |
| Restructuring costs | 4.4.2 | 853.8 | 428.9 |
| Onerous contracts | 4.4.3 | 131.5 | 12.8 |
| Loss on disposals of assets | 4.4.4 | 118.9 | 56.0 |
| Disputes and litigation | 31, 4.4.5 | 32.9 | 128.2 |
| Penalties | 4.4.5 | - | 95.0 |
| Gain on sale of consolidated entities | 4.4.6 | (11.0) | - |
| Deal fees | | 13.5 | 35.9 |
| Other expenses and income (net) | | 81.5 | 46.1 |
| **Other expenses and income** | | **1,221.1** | **802.9** |

### *4.4.1. Stock option expense*

The Group has several stock option plans across its various entities, please refer to note 25 for full details on each of these plans and the amounts recorded as expenses in 2017.

### *4.4.2. Restructuring costs*

#### 4.4.2.1. *France*

On August 4, 2016, the Group signed a restructuring agreement with some representative unions of SFR Group's Telecom division to allow it to better adapt to the demands of the telecom market by building a more competitive and efficient

organization. The restructuring agreement reaffirmed the commitments made at the time of the SFR acquisition to maintain jobs until July 1, 2017. It also defined the internal assistance guarantees and the conditions for voluntary departures. Ultimately, the Group made a commitment that the SFR Telecom division would have at least 10,000 employees following the restructuring plan. There were three main steps to the restructuring plan:

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

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

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

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

As of December 31, 2017, the majority of the provisions had been reclassified to trade payables. Provisions totaling €45.9 million remain outstanding as of December 31, 2017 reflecting elements of the plan that are still not certain, while trade payables amount to €442 million. Please refer to note 15.1.4. for further details about the provision and changes from the previous period.

#### 4.4.2.2. *United States*

In the fourth quarter of 2016, Altice USA initiated a voluntary retirement plan ("VRP"), under the conditions of which certain employees were eligible to participate and terminate their employment. Management had the right to reject application of any employee that applied to participate in the VRP. An expense of €132.7 million was recorded for the year ended December 31, 2017 reflecting the additional employees accepted to the VRP (2016: €194.9 million). The remaining provision at year end December 31, 2017 was €102.4 million.

### *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 23.4.1.2).

#### *4.4.6. Penalties*

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. 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 3.2.2.4. These gains were partially offset by the loss on sale of the Belux business (€24.0 million) as detailed in note 3.2.2.1.

### 4.5. Revenue by activity

| For the year ended December 31, 2017 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|
| Revenue Fixed - B2C | 2,805.1 | 6,727.1 | 658.4 | 657.6 | 108.9 | 95.1 | **11,052.2** |
| Revenue Mobile - B2C | 4,448.7 | - | 570.0 | 242.3 | 398.9 | 87.3 | **5,747.3** |
| B2B and wholesale | 3,145.7 | 1,149.3 | 887.6 | 136.2 | 164.1 | 30.6 | **5,513.4** |
| Other revenue | 516.4 | 376.3 | 133.4 | - | 20.8 | 1,661.4 | **2,708.3** |
| **Total standalone revenues** | **10,915.8** | **8,252.7** | **2,249.4** | **1,036.1** | **692.7** | **1,874.4** | **25,021.2** |
| Intersegment eliminations | (114.1) | (1.0) | (61.7) | (1.2) | (12.6) | (1,330.8) | **(1,521.4)** |
| **Total consolidated revenues** | **10,801.8** | **8,251.7** | **2,187.8** | **1,034.9** | **680.0** | **543.6** | **23,499.8** |

| For the year ended December 31, 2016 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|
| Fixed - B2C | 2,839.9 | 4,376.5 | 684.4 | 642.5 | 109.6 | 136.2 | **8,789.1** |
| Mobile - B2C | 4,513.8 | - | 584.9 | 185.5 | 425.3 | 83.0 | **5,792.6** |
| B2B and wholesale | 3,336.1 | 796.5 | 925.7 | 127.5 | 160.7 | 58.5 | **5,405.0** |
| Other | 300.7 | 263.1 | 116.4 | - | 21.9 | 457.0 | **1,159.2** |
| **Total standalone revenues** | **10,990.5** | **5,436.1** | **2,311.5** | **955.5** | **717.5** | **734.7** | **21,145.8** |
| Intersegment eliminations | (44.6) | - | (35.5) | (0.4) | (5.3) | (304.3) | **(390.1)** |
| **Total consolidated revenues** | **10,945.9** | **5,436.1** | **2,276.0** | **955.0** | **712.2** | **430.5** | **20,755.7** |

### 4.6. Capital expenditure

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

| For the year ended December 31, 2017 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Capital expenditure (accrued) | 2,368.0 | 940.4 | 469.4 | 262.5 | 116.6 | 127.4 | (91.0) | **4,193.3** |
| Capital expenditure - working capital items | 227.2 | (14.1) | (16.1) | (7.1) | (5.5) | 97.3 | - | **281.6** |
| **Payments to acquire tangible and intangible assets** | **2,595.2** | **926.3** | **453.3** | **255.3** | **111.1** | **224.7** | **(91.0)** | **4,474.9** |

| For the year ended December 31, 2016 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Capital expenditure (accrued) | 2,312.0 | 642.0 | 443.3 | 314.0 | 123.1 | 585.0 | (23.2) | **4,396.3** |
| Capital expenditure - working capital items | 214.7 | (129.9) | (56.1) | 1.9 | 12.3 | (289.9) | - | **(247.0)** |
| **Payments to acquire tangible and intangible assets** | **2,526.7** | **512.1** | **387.3** | **315.9** | **135.5** | **295.1** | **(23.2)** | **4,149.3** |

### *4.6.1. Adjusted EBITDA less accrued Capex*

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

| For the year ended December 31, 2017 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA | 3,714.4 | 3,591.2 | 1,008.6 | 471.2 | 349.5 | 373.0 | (94.9) | **9,413.0** |
| Capital expenditure (accrued) | (2,368.0) | (940.4) | (469.4) | (262.5) | (116.6) | (127.4) | 91.0 | **(4,193.3)** |
| **Operating free cash flow (OpFCF)** | **1,346.4** | **2,650.8** | **539.1** | **208.7** | **232.9** | **245.6** | **(3.9)** | **5,219.7** |

| For the year ended December 31, 2016 €m | France | United States | Portugal | Israel | Dominican Republic | Others | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA | 3,765.4 | 2,208.1 | 1,088.4 | 430.8 | 376.0 | 239.9 | (23.2) | **8,085.5** |
| Capital expenditure (accrued) | (2,312.0) | (642.0) | (443.3) | (314.0) | (123.1) | (585.0) | 23.2 | **(4,396.3)** |
| **Operating free cash flow (OpFCF)** | **1,453.4** | **1,566.1** | **645.1** | **116.7** | **252.9** | **(345.0)** | **-** | **3,689.2** |

## 5. Goodwill

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

| Goodwill (€m) | January 1, 2017 | Recognized on business combination | Changes in foreign currency translation | Held for sale | December 31, 2017 |
|---|---|---|---|---|---|
| France | 12,157.1 | 53.4 | - | - | 12,210.5 |
| United States | 7,246.6 | 27.5 | (895.2) | - | 6,378.9 |
| 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 | (18.1) | 664.9 |
| **Gross value** | **23,201.7** | **291.8** | **(1,017.7)** | **(18.1)** | **22,457.6** |
| France | - | - | - | - | - |
| United States | - | - | - | - | - |
| Portugal | - | - | - | - | - |
| Israel | (151.3) | - | 4.7 | - | (146.7) |
| Dominican Republic | - | - | - | - | - |
| Others | (4.6) | - | (4.0) | - | (8.6) |
| **Cumulative impairment** | **(155.9)** | **-** | **0.7** | **-** | **(155.3)** |
| France | 12,157.1 | 53.4 | - | - | 12,210.5 |
| United States | 7,246.6 | 27.5 | (895.2) | - | 6,378.9 |
| Portugal | 1,706.2 | - | - | - | 1,706.2 |
| Israel | 581.0 | - | (17.0) | - | 564.0 |
| Dominican Republic | 890.9 | - | (104.5) | - | 786.4 |
| Others | 464.0 | 210.8 | (0.3) | (18.1) | 656.4 |
| **Net book value** | **23,045.7** | **291.8** | **(1,016.9)** | **(18.1)** | **22,302.4** |

| Goodwill<br>(€m) | January 1, 2016 | Recognized on business combination | Changes in foreign currency translation | Held for sale | December 31, 2016 |
|---|---|---|---|---|---|
| France | 11,565.5 | 591.6 | - | - | 12,157.1 |
| United States | 1,936.7 | 5,079.2 | 230.7 | - | 7,246.6 |
| Portugal | 1,706.2 | - | - | - | 1,706.2 |
| Israel | 697.8 | - | 34.5 | - | 732.3 |
| Dominican Republic | 858.9 | - | 32.0 | - | 890.9 |
| Others | 594.9 | 169.2 | - | (295.5) | 468.6 |
| **Gross value** | **17,360.0** | **5,840.1** | **297.3** | **(295.5)** | **23,201.7** |
| France | - | - | - | - | - |
| United States | - | - | - | - | - |
| Portugal | - | - | - | - | - |
| Israel | (144.1) | - | (7.2) | - | (151.3) |
| Dominican Republic | - | - | - | - | - |
| Others | (4.6) | - | - | - | (4.6) |
| **Cumulative impairment** | **(148.7)** | **-** | **(7.2)** | **-** | **(155.9)** |
| France | 11,565.5 | 591.6 | - | - | 12,157.1 |
| United States | 1,936.7 | 5,079.2 | 230.7 | - | 7,246.6 |
| Portugal | 1,706.2 | - | - | - | 1,706.2 |
| Israel | 553.7 | - | 27.3 | - | 581.0 |
| Dominican Republic | 858.9 | - | 32.0 | - | 890.9 |
| Others | 590.3 | 169.2 | - | (295.5) | 464.0 |
| **Net book value** | **17,211.3** | **5,840.1** | **290.1** | **(295.5)** | **23,045.7** |

## 5.1. Impairment of goodwill

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

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

### *5.1.1. Key assumptions used in impairment testing*

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

#### 5.1.1.1. *Cash flows*

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

#### 5.1.1.2. *Discount rates*

Discount rates have been estimated using post-tax rates, which reflect current market rates for investments of similar risk. The discount rate for the GCGUs was estimated using the weighted average cost of capital ("WACC") of companies that operate a portfolio of assets similar to the Group's. The WACC across the Group ranges from 6.4% 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 | United States | Portugal | Israel | Dominican Republic | Others |
|---|---|---|---|---|---|---|
| **At December 31, 2017** | | | | | | |
| Average perpetuity growth rate (%) | 0.8% | 2.0% | 1.0% | 1.6% | 2.0% | 1.0 - 2.0% |
| 5 year average EBIT margin (%) | 19.5% | 34.5% | 22.1% | 26.6% | 41.0% | 11.0 - 19.9% |
| Post tax weighted average cost of capital (%) | 7.3% | 6.4% | 8.2% | 10.0 - 10.7% | 9.2% | 8.5 - 14.2% |
| **At December 31, 2016** | | | | | | |
| Quoted share price[1] (€) | 26.83 | n/a | n/a | n/a | n/a | n/a |
| Average perpetuity growth rate (%) | n/a | 1.6% | 1.0% | 1.8% | 2.0% | 1.5% |
| 5 year average EBIT margin (%) | n/a | 33.6% | 29.7% | 13.3% | 37.1% | 14.6% |
| Post tax weighted average cost of capital (%) | n/a | 5.6 - 6.3% | 8.1% | 10.0 - 11.0% | 9.6% | 4.9 - 6.7% |

1 Quoted share price is not used in 2017 as part of the key assumptions due to the delisting of Altice France.

### *5.1.2. Sensitivity analysis*

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

| Sensitivity to changes in key inputs in the value in use calculation (€m) | France | United States | Portugal | Israel | Dominican Republic | Others |
|---|---|---|---|---|---|---|
| 0.5% increase in the discount rate | (1,886.2) | (6,322.4) | (469.7) | (98.5) | (180.9) | (123.5) |
| 1.0% decrease in the perpetual growth rate | (3,186.6) | (10,319.5) | (742.6) | (167.8) | (286.6) | (172.6) |

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

## 5.2. Business combinations

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

#### 5.2.1.1. *Groupe News Participations (NextRadioTV)*

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

#### 5.2.1.2. *Optimum*

On June 21, 2016, the Group completed the acquisition of a controlling stake in Optimum, a leading cable operator in the New York area in the United States. The consideration transferred amounted to €8,025.4 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.

- Customer relationships: determined for each operating segment, namely Fixed B2C and B2B and Wholesale customers. The fair value was evaluated using the excess earnings method and the useful life reflects the economic life of the asset for a total amount of €4,286.3 million.
- Brand: the Optimum and Lightpath brands were measured using the relief from royalty method using a useful life between 12 and 14 years and amounted to a total of €892.7 million.
- Franchise rights: concessions awarded by local municipalities to conduct business in its areas of operation, measured at fair value of €7,185.1 million. The franchises were valued using the greenfield method.
- Property, plant and equipment: evaluated at a fair value of €4,288.3 million.

Following the purchase price allocation, a summary of the final allocation between the different classes of assets and liabilities is provided below. There is no change compared to 2016.

| | €m |
|---|---|
| Total consideration transferred | 8,025.4 |
| Fair value of identifiable assets, liabilities and contingent liabilities | 2,946.2 |
| Goodwill | 5,079.2 |

5.2.1.3. *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 |

5.2.1.4. *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 |

5.2.1.5. *Audience Partners*

On March 2, 2017, the Group acquired 100% of the share capital of Audience Partners. Total consideration to be transferred to the vendors amounts to $75.4 million (€70.5 million).

The Group identified the following assets and liabilities, and 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:

- Customer relationships were evaluated using the excess earnings method and using a useful life of 10 years, resulting in a fair value of $45.0 million.
- Technology: a fair value of $9.1 million was attributed to technology acquired.
- The brand was measured using the relief from royalty method using a useful life of 5 years, resulting in a fair value of $0.3 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 | 70.5 |
| Fair value of identifiable assets, liabilities and contingent liabilities | 51.9 |
| Goodwill | 18.6 |

### *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. Management determines that the earn-out will be met, therefore in determining the goodwill, the purchase price includes 100% of the deferred acquisition price.

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

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

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

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

### *5.2.3. Other variations in goodwill (France)*

On July 26, 2017, SFR Group obtained approval for the take-over of Pho Holding (owner of the Numero 23 channel) by NextRadioTV. Following the take-over, the consolidation method changed as of September 30, 2017 (from equity accounted to full consolidation) and resulted in the recognition of an additional €53.4 million of goodwill.

## 6. Intangible assets

| **Intangible assets December 31, 2017 (€m)** | **January 1, 2017** | **Additions** | **Disposals** | **Business Combinations** | **Changes in foreign currency** | **Held for sale** | **Other[1]** | **December 31, 2017** |
|---|---|---|---|---|---|---|---|---|
| Software | 2,754.7 | 530.3 | (48.9) | 0.3 | (91.9) | (5.6) | 165.3 | 3,304.1 |
| Brand name | 2,549.7 | 0.4 | (1.4) | 28.7 | (129.3) | (17.7) | 0.8 | 2,431.4 |
| Customer relations | 10,513.5 | 26.8 | - | 45.8 | (743.0) | (41.6) | 6.6 | 9,808.1 |
| Licenses and franchises | 15,509.4 | 44.6 | (0.0) | 0.7 | (1,553.4) | - | 15.5 | 14,016.7 |
| R&D costs acquisitions | 26.1 | 1.6 | - | 0.3 | (0.2) | - | 4.7 | 32.6 |
| Subscriber acquisition costs | 794.4 | 168.5 | - | 0.1 | (12.3) | - | (5.2) | 945.5 |
| Intangible assets under construction | 270.1 | 106.2 | (1.7) | 3.2 | (2.4) | - | (202.9) | 172.6 |
| IRU & other concessions | 864.5 | 22.3 | (18.5) | - | (0.0) | - | 21.2 | 889.4 |
| Content rights | 110.0 | 43.5 | (4.3) | - | (0.0) | - | (1.9) | 147.2 |
| Other intangible assets | 1,842.1 | 342.6 | (58.1) | 59.9 | (24.0) | (23.0) | 28.9 | 2,168.4 |
| **Gross value** | **35,234.5** | **1,286.8** | **(132.9)** | **139.0** | **(2,556.5)** | **(87.9)** | **33.0** | **33,916.0** |
| Software | (1,191.3) | (687.7) | 46.7 | - | 45.8 | 3.5 | (9.3) | (1,792.2) |
| Brand name | (410.8) | (1,025.5) | 0.0 | - | 40.3 | 17.6 | (1.2) | (1,379.7) |
| Customer relations | (1,983.9) | (1,345.8) | - | - | 146.6 | 19.6 | (0.6) | (3,164.2) |
| Licenses and franchises | (609.0) | (310.2) | 0.0 | - | 9.9 | - | (2.7) | (911.9) |
| R&D costs acquisitions | (9.3) | (10.1) | - | - | 0.0 | - | 2.0 | (17.5) |
| Subscriber acquisition costs | (649.7) | (151.7) | 1.1 | - | 11.7 | - | 0.1 | (788.5) |
| Intangible assets under construction | - | (0.2) | - | - | - | - | - | (0.2) |
| IRU & others concessions | (349.9) | (103.3) | 16.3 | - | 0.0 | - | 11.5 | (425.4) |
| Content rights | (52.9) | (32.8) | 4.5 | - | 0.0 | - | 1.1 | (80.1) |
| Other intangible assets | (565.7) | (350.5) | 41.5 | - | 14.5 | 19.2 | (13.1) | (854.1) |
| **Cumulative amortization** | **(5,822.5)** | **(4,017.8)** | **110.1** | **-** | **268.8** | **59.9** | **(12.2)** | **(9,413.8)** |
| Software | 1,563.4 | (157.4) | (2.2) | 0.3 | (46.1) | (2.1) | 156.0 | 1,511.9 |
| Brand name | 2,138.9 | (1,025.1) | (1.4) | 28.7 | (89.0) | (0.0) | (0.4) | 1,051.7 |
| Customer relations | 8,529.7 | (1,319.0) | - | 45.8 | (596.5) | (22.0) | 6.0 | 6,644.0 |
| Licenses and franchises | 14,900.4 | (265.6) | - | 0.7 | (1,543.5) | - | 12.8 | 13,104.8 |
| R&D costs acquisitions | 16.8 | (8.5) | - | 0.3 | (0.2) | - | 6.7 | 15.1 |
| Subscriber acquisition costs | 144.7 | 16.8 | 1.1 | 0.1 | (0.6) | - | (5.1) | 157.0 |
| Intangible assets under construction | 270.1 | 106.0 | (1.7) | 3.2 | (2.4) | - | (202.9) | 172.4 |
| IRU & others concessions | 514.6 | (81.0) | (2.2) | - | (0.0) | - | 32.7 | 464.0 |
| Content rights | 57.1 | 10.6 | 0.1 | - | - | - | (0.7) | 67.1 |
| Other intangible assets | 1,276.5 | (7.9) | (16.6) | 59.9 | (9.6) | (3.8) | 15.8 | 1,314.3 |
| **Net book value** | **29,412.1** | **(2,731.1)** | **(22.9)** | **139.0** | **(2,287.9)** | **(27.9)** | **20.9** | **24,502.3** |

| **Intangible assets December 31, 2016 (€m)** | **January 1, 2016** | **Additions** | **Disposals** | **Business Combinations** | **Changes in foreign currency** | **Held for sale** | **Other** | **December 31, 2016** |
|---|---|---|---|---|---|---|---|---|
| Software | 1,905.0 | 416.9 | (47.9) | 222.6 | 30.5 | (3.6) | 231.2 | 2,754.7 |
| Brand name | 1,523.9 | 0.0 | - | 1,069.5 | 34.1 | (34.6) | (43.3) | 2,549.7 |
| Customer relations | 5,874.7 | 20.3 | - | 4,454.9 | 197.9 | (36.4) | 2.2 | 10,513.5 |
| Licenses and franchises | 7,162.5 | 422.0 | (0.6) | 7,556.7 | 396.1 | (19.9) | (7.6) | 15,509.4 |
| R&D costs acquisitions | 15.5 | 1.8 | - | 5.4 | - | - | 3.3 | 26.1 |
| Subscriber acquisition costs | 618.2 | 158.8 | - | - | 17.6 | - | (0.3) | 794.4 |
| Intangible assets under construction | 212.1 | 177.1 | (2.5) | 36.5 | (0.3) | (0.0) | (152.7) | 270.1 |
| 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 | 1,735.0 | 397.0 | (109.0) | 60.6 | 18.2 | (25.3) | (234.3) | 1,842.1 |
| **Gross value** | **19,862.6** | **1,641.0** | **(162.1)** | **13,564.0** | **694.0** | **(120.0)** | **(244.9)** | **35,234.6** |
| Software | (655.1) | (598.1) | 47.6 | - | (14.7) | 2.2 | 26.9 | (1,191.3) |
| Brand name | (185.2) | (229.5) | - | - | (4.8) | 7.7 | 1.0 | (410.8) |
| Customer relations | (814.2) | (1,164.6) | - | - | (38.8) | 33.3 | 0.5 | (1,983.9) |
| Licenses and franchises | (385.7) | (245.0) | 1.8 | - | (1.4) | 9.7 | 11.7 | (609.0) |
| R&D costs acquisitions | (1.1) | (8.1) | - | - | - | - | (0.1) | (9.3) |
| Subscriber acquisition costs | (511.9) | (120.7) | - | - | (17.0) | - | - | (649.7) |
| Intangible assets under construction | - | (1.0) | 4.0 | - | - | - | (3.0) | - |
| 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) | (330.4) | 100.8 | 61.2 | (9.5) | 16.5 | 101.7 | (565.7) |
| **Cumulative amortization** | **(3,331.6)** | **(2,821.2)** | **156.3** | **-** | **(86.3)** | **69.5** | **190.9** | **(5,822.4)** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Software | 1,249.9 | (181.2) | (0.3) | 222.6 | 15.8 | (1.4) | 258.0 | 1,563.4 |
| Brand name | 1,338.7 | (229.4) | - | 1,069.5 | 29.3 | (26.9) | (42.4) | 2,138.9 |
| Customer relations | 5,060.4 | (1,144.3) | - | 4,454.9 | 159.0 | (3.0) | 2.6 | 8,529.7 |
| Licenses and franchises | 6,776.8 | 177.0 | 1.2 | 7,556.7 | 394.7 | (10.1) | 4.1 | 14,900.4 |
| R&D costs acquisitions | 14.4 | (6.3) | - | 5.4 | - | - | 3.2 | 16.8 |
| Subscriber acquisition costs | 106.3 | 38.1 | - | - | 0.6 | - | (0.3) | 144.7 |
| Intangible assets under construction | 212.1 | 176.1 | 1.5 | 36.5 | (0.3) | (0.0) | (155.7) | 270.1 |
| 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 | 1,229.1 | 66.6 | (8.2) | 121.8 | 8.6 | (8.9) | (132.7) | 1,276.5 |
| **Net book value** | **16,531.0** | **(1,180.2)** | **(5.8)** | **13,564.0** | **607.7** | **(50.5)** | **(54.0)** | **29,412.1** |

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

The decrease in gross value of intangible assets compared to 2016 was caused mainly by foreign currency impact due to the depreciation of the US dollar against the euro.

The total amortization expense for the year ended December 31, 2017 and 2016 was €4,007.5 million and €2,821.2 million, respectively, please refer to note 26 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 (please refer to note 26 for more details), as well as the full year impact of Optimum in 2017, compared to only 6 months and 9 days included in the same period of 2016.

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) US: €3,810.1 million (ii) France: €1,858.1 million, (iii) Portugal: €829.2 million, (iv) Israel: €122.5 million (v) Others: €24.3 million.
- Brand name: the carrying amounts of the Group's main brand names includes: (i) SFR in France: €517.9 million, (ii) Optimum in the US: €398.0 million, (iii) Meo in Portugal: €100.2 million, (iv) HOT in Israel: €9.7 million, (v) Teads: €23.6 million and (vi) Others: €1.8 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) and franchise rights of Altice USA (€10,848.2 million).
- Content rights: during 2016, the 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 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 recorded for the year ended December 31, 2017 were €135.5 million for Sport (useful life is 3-6 years) and €3.6 million for Fiction (useful life is 2-3 years).

## 7. Property, plant and equipment

| Property, plant and equipment December 31, 2017 (€m) | January 1, 2017 | Additions | Disposals | Business Combinations | Changes in foreign currency | Held for sale | Other[1] | December 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| Land | 341.3 | 0.4 | (0.3) | - | (9.2) | - | (0.7) | 331.4 |
| Buildings | 2,740.0 | 157.8 | (108.4) | - | (73.2) | (31.0) | 2.8 | 2,687.9 |
| Technical and other equipment | 16,155.6 | 1,727.7 | (756.2) | 0.5 | (1,060.4) | (77.5) | 250.5 | 16,240.2 |
| Assets under construction | 724.6 | 675.6 | (16.4) | - | (33.5) | (1.5) | (413.4) | 935.3 |
| Other tangible assets | 1,669.2 | 462.6 | (154.2) | 2.1 | (13.7) | (27.7) | (101.8) | 1,836.5 |
| **Gross value** | **21,630.7** | **3,024.1** | **(1,035.6)** | **2.6** | **(1,190.1)** | **(137.7)** | **(262.6)** | **22,031.4** |
| Land | - | - | - | - | - | - | - | - |
| Buildings | (345.3) | (232.7) | 88.6 | - | 15.5 | 4.2 | 18.8 | (451.0) |
| Technical and other equipment | (4,354.4) | (2,340.9) | 586.5 | - | 366.5 | 43.1 | 172.7 | (5,526.6) |
| Assets under construction | - | - | - | - | - | - | - | - |
| Other tangible assets | (674.1) | (369.8) | 125.1 | - | 4.4 | 5.2 | 17.0 | (892.4) |
| **Cumulative depreciation** | **(5,373.9)** | **(2,943.5)** | **800.2** | **-** | **386.4** | **52.4** | **208.4** | **(6,870.0)** |
| Land | 341.3 | 0.4 | (0.3) | - | (9.2) | - | (0.7) | 331.4 |
| Buildings | 2,394.6 | (75.0) | (19.8) | - | (57.7) | (26.8) | 21.6 | 2,236.9 |
| Technical and other equipment | 11,801.2 | (613.2) | (169.7) | 0.5 | (694.0) | (34.4) | 423.2 | 10,713.6 |
| Assets under construction | 731.6 | 675.6 | (16.4) | - | (33.5) | (1.5) | (413.4) | 942.4 |
| Other tangible assets | 988.0 | 92.8 | (29.2) | 2.1 | (9.3) | (22.6) | (84.8) | 937.1 |
| **Net book value** | **16,256.8** | **80.6** | **(235.4)** | **2.6** | **(803.7)** | **(85.3)** | **(54.2)** | **15,161.4** |

| Property, plant and equipment December 31, 2016 (€m) | January 1, 2016 | Additions | Disposals | Business Combinations | Changes in foreign currency | Held for sale | Other | December 31, 2016 |
|---|---|---|---|---|---|---|---|---|
| Land | 326.6 | 1.4 | (1.6) | 18.7 | 1.6 | (0.1) | (5.4) | 341.3 |
| Buildings | 2,273.8 | 140.6 | (100.2) | 371.3 | 19.9 | (3.3) | 37.9 | 2,740.0 |
| Technical and other equipment | 11,024.8 | 1,671.3 | (444.5) | 3,806.2 | 362.1 | (134.7) | (129.6) | 16,155.6 |
| Assets under construction | 492.5 | 539.9 | (12.1) | 53.2 | 3.8 | - | (352.8) | 724.6 |
| Other tangible assets | 1,301.3 | 380.9 | (146.6) | 17.2 | 5.5 | (1.5) | 112.3 | 1,669.2 |
| **Gross value** | **15,418.9** | **2,734.2** | **(705.0)** | **4,266.6** | **392.9** | **(139.5)** | **(337.5)** | **21,630.7** |
| Land | - | - | - | - | - | - | - | - |
| Buildings | (206.6) | (216.2) | 80.7 | - | (4.7) | 0.1 | 1.4 | (345.3) |
| Technical and other equipment | (2,607.0) | (2,180.9) | 379.4 | - | (161.7) | 41.8 | 174.1 | (4,354.4) |
| Assets under construction | 1.3 | 5.8 | - | - | (0.0) | - | - | 7.0 |
| Other tangible assets | (413.0) | (362.8) | 127.5 | - | (2.6) | 0.8 | (31.0) | (681.2) |
| **Cumulative depreciation** | **(3,225.4)** | **(2,754.1)** | **587.6** | **-** | **(169.0)** | **42.6** | **144.4** | **(5,373.9)** |
| Land | 326.6 | 1.4 | (1.6) | 18.7 | 1.6 | (0.1) | (5.4) | 341.3 |
| Buildings | 2,067.2 | (75.6) | (19.6) | 371.3 | 15.2 | (3.2) | 39.3 | 2,394.6 |
| Technical and other equipment | 8,417.7 | (509.6) | (65.0) | 3,806.2 | 200.4 | (93.0) | 44.5 | 11,801.2 |
| Assets under construction | 493.8 | 545.7 | (12.1) | 53.2 | 3.8 | - | (352.8) | 731.6 |
| Other tangible assets | 888.3 | 18.1 | (19.1) | 17.2 | 2.9 | (0.7) | 81.3 | 988.0 |
| **Net book value** | **12,193.6** | **(20.0)** | **(117.3)** | **4,266.6** | **223.9** | **(96.9)** | **(193.1)** | **16,256.8** |

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

The decrease in the property, plant and equipment of the Group was largely attributed to changes in foreign currency.

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 USA.

## 8. Investment in associates

| Investments in associates<br>(€m) | Year ended<br>December 31, 2017 | Year ended<br>December 31, 2016 |
|---|---|---|
| Associates of SFR Group | 23.0 | 46.3 |
| Associates of PT-Portugal | 26.1 | 13.7 |
| Other | 0.2 | 5.7 |
| **Total** | **49.4** | **65.7** |

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

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

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

### 8.1. Investment in associates of SFR Group

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

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

In addition, on April 1, 2016, the company NextRadioTV acquired 39% of the company PHO Holding that owns itself 100% of shares of the company Diversité TV France, which issues the free TNT HD channel “Numéro 23. During the third quarter 2017, NextRadioTV took control of the company PHO Holding. Therefore, the company Diversité TV France is now fully consolidated. Please refer to notes 3.2.2.7 and 5.2.6. 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 hold 30,6%. Siresp is a network management company.
- *Janela Digital* (€4.5 million): in 2000, PT Portugal and Netholding created Janela Digital, held at 50% both. This subsidiary is responsible for the development IT solutions in the real estate market.

## 9. Financial assets and other non-current assets

### 9.1. Financial assets

| **Financial assets (€m)** | **Note** | **Year ended December 31, 2017** | **Year ended December 31, 2016** |
|---|---|---|---|
| Investment in Comcast | 9.1 | 1,431.0 | 1,406.9 |
| Derivative financial assets | 9.2 | 973.7 | 2,601.7 |
| Loans and receivables | 9.3 | 149.8 | 305.5 |
| Call options with non-controlling interests | 9.4 | 50.6 | 28.4 |
| Investments held as available for sale | | 8.0 | 12.0 |
| Other financial assets | | 25.8 | 19.8 |
| **Total** | | **2,638.8** | **4,374.4** |
| Current | | 93.4 | 758.6 |
| Non-current | | 2,545.5 | 3,615.8 |

#### *9.1.1. Investment in common shares of Comcast Corporation*

The investment in Comcast shares is held by Altice USA, it is classified as held for trading and measured at fair value of €1,431.0 million (2016: €1,406.9 million). The change in the fair value of the investments is recognised directly in profit or loss. For the year ended December 31, 2017, a net gain of €210.0 million was recorded in the consolidated statement of income as other financial income (2016: €127.8 million).

Altice USA entered into various transactions to limit the exposure against equity price risk on its shares of Comcast Corporation ("Comcast") common stock. These transactions included the monetizing of its stock holdings in Comcast through the execution of prepaid forward contracts, collateralized by an equivalent amount of the respective underlying stock. At maturity, the contracts provide for the option to deliver cash or shares of Comcast stock with a value determined by reference to the applicable stock price at maturity. These contracts, at maturity, are expected to offset declines in the fair value of these securities below the hedge price per share while retaining upside appreciation from the hedge price per share to the relevant cap price. The cash proceeds received upon execution of the prepaid forward contracts discussed above were reflected as collateralized indebtedness in the consolidated balance sheet. These forward contracts have not been designated as hedges for accounting purposes. These derivatives are recorded at their fair value at balance sheet date as an asset or liability with the corresponding change in fair value recognised directly in the consolidated statement of income. For the year ended December 31, 2017, the change in fair value of the related forward contracts was recorded as another financial expense of €122.9 million (2016: €48.5 million). Please refer to note 19 for details on fair value measurement.

#### *9.1.2. 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 17.3 and 18 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 €973.7 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.

#### *9.1.3. Loans and receivables*

The Group's main loans and receivables were:

- Convertible notes in Wananchi: the notes are convertible at the discretion of the holder. The investment amounts to €43.0 million and bears interest at a rate of 11% per annum (or 13% on default) payable in kind and matures in October 2021 (2016: €45.2 million bearing 11% interest). The decrease compared to 2016 was due to depreciation of US Dollar against Euro during 2017.
- SFR Group loans and receivables totalling €75.2 million (2016: €233.9 million) comprising mainly loans and deposits with related parties (please refer to note 29 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 23.4.1.2 and 27.2 for further details).
- Loans granted by PT Portugal to its associates for an aggregate amount of €13.8 million (2016: €13.8 million).

#### *9.1.4. 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 19.1.2.

### 9.2. Other non-current assets

| **Other non-current assets (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---:|---:|
| Pension assets | 4.3 | 2.3 |
| Income tax receivables | 0.3 | 33.9 |
| Prepaid expenses | 273.3 | 26.2 |
| Other receivables | 188.9 | 120.0 |
| **Total** | **466.9** | **182.4** |

Other non-current assets increased by €284.5 million compared to 2016 to €466.9 million, due to:

- decrease in income tax receivables in Altice Picture (nil in 2017 vs €32.7 million in 2016),
- increase in non-current prepaid expenses in Altice Picture related to prepayment made in 2017 for UEFA (€70.2 million) and in SFR Group related to prepayment of RAN-sharing services (€164.5 million), and
- increase in other receivable non-current, mainly in PT Portugal due to reclassification from current to non-current other receivables related to universal service of €85 million (please refer to note 11.2.3.).

## 10. Inventories

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

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

| **Inventories (€m)** | **Year ended December 31, 2017** | **Year ended December 31, 2016** |
|---|---|---|
| Raw materials and consumables | 443.9 | 399.9 |
| Work in progress | 75.9 | 57.8 |
| **Gross value** | **519.8** | **457.7** |
| Raw materials and consumables | (55.8) | (60.3) |
| Work in progress | (2.6) | (2.6) |
| **Allowance for obsolescence** | **(58.4)** | **(62.9)** |
| Raw materials and consumables | 388.1 | 339.6 |
| Work in progress | 73.3 | 55.2 |
| **Total carrying amount** | **461.4** | **394.8** |

## 10.1. Inventory obsolescence

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

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

# 11. Trade and other receivables

| **Trade and other receivables (€m)** | **Year ended December 31, 2017** | **Year ended December 31, 2016** |
|---|---|---|
| Trade receivables | 3,701.4 | 3,267.2 |
| Other receivables | 1,169.2 | 1,333.3 |
| **Total** | **4,870.6** | **4,600.5** |

## 11.1. Trade receivables

| **Trade receivables (€m)** | **Gross trade receivables** | **Allowance for doubtful debts** | **Total** |
|---|---|---|---|
| **Opening balance: January 1,2017** | **4,055.3** | **(788.1)** | **3,267.2** |
| Recognised through business combinations | 81.4 | (2.9) | 78.5 |
| Net increase | 520.3 | (87.5) | 432.7 |
| Held for sale | (41.3) | 0.4 | (40.9) |
| Other changes | (39.6) | 3.5 | (36.1) |
| **Closing balance: December 31, 2017** | **4,576.0** | **(874.5)** | **3,701.4** |

| **Trade receivables (€m)** | **Gross trade receivables** | **Allowance for doubtful debts** | **Total** |
|---|---|---|---|
| **Opening balance: January 1,2016** | **3,676.3** | **(743.0)** | **2,933.3** |
| Recognised through business combinations | 585.5 | (17.1) | 568.5 |
| Net decrease | (224.9) | (21.2) | (246.1) |
| Held for sale | (33.3) | 5.3 | (28.0) |
| Other changes | 51.7 | (12.2) | 39.5 |
| **Closing balance: December 31, 2016** | **4,055.3** | **(788.2)** | **3,267.2** |

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 which is offset by roaming

expenses 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 and Audience Partners during the year increased trade receivables by €78.5 million compared to 2016. The amount reported as held for sale comprises of trade receivables of operations in Switzerland (€6.4 million as at December 31, 2017) and the wholesale business (€34.5 million as at December 31, 2017).

### *11.1.1. Aging of trade receivables*

| **Age of trade receivables (€m)** | **Year ended December 31, 2017** | **Year ended December 31, 2016** |
|---|---:|---:|
| Not yet due | 3,108.0 | 2,654.9 |
| 30 - 90 days | 378.8 | 400.9 |
| 91 - 120 days | 214.6 | 211.4 |
| **Total** | **3,701.4** | **3,267.2** |

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

## 11.2. Other receivables

| **Other receivables (€m)** | **Year ended December 31, 2017** | **Year ended December 31, 2016** |
|---|---:|---:|
| Prepaid expenses | 251.8 | 311.2 |
| Business taxes receivable (e.g. VAT) | 766.3 | 753.5 |
| Other | 151.1 | 268.6 |
| **Total** | **1,169.2** | **1,333.3** |

### *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). The decrease compared to 2016 was mainly due to higher prepaid expenses in SFR Group related to the cost of sharing of radio access network.

### *11.2.2. Business taxes receivable*

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

### *11.2.3. Other*

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

## 12. Cash and cash equivalents and restricted cash

| Cash balances (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Term deposits | 90.8 | 185.3 |
| Bank balances | 1,148.2 | 923.8 |
| **Cash and cash equivalents** | **1,239.0** | **1,109.1** |
| Restricted cash | 168.1 | 202.0 |
| **Total** | **1,407.1** | **1,311.1** |

The restricted cash balance at December 31, 2017 included:

- €131.5 million for debt financing obligations,
- €33.5 million related to the Teads acquisition held in an escrow account to be released in June 2018.

## 13. Shareholders' equity

The Group's equity was comprised as follows:

| Equity attributable to owners of the Company (€m) | Notes | As of December 31, 2017 | As of December 31, 2016 |
|---|---|---|---|
| Issued capital | 13.1 | 76.5 | 76.5 |
| Treasury shares | 13.2 | (370.1) | - |
| Additional paid in capital | 13.3 | 2,572.8 | 738.0 |
| Other reserves | 13.4 | (807.7) | (564.8) |
| Accumulated losses | | (3,296.7) | (2,779.5) |
| **Total** | | **(1,825.2)** | **(2,529.8)** |

### 13.1. Issued capital

| Share capital<br>December 31, 2017 | Total shares authorized (number) | Total capital authorized (€m) | Number of shares issued (number) | Value per share (cents) | Total capital issued (€m) |
|---|---|---|---|---|---|
| Common shares A | 8,899,142,150 | 89.0 | 1,572,352,225 | 0.01 | 15.7 |
| Common shares B | 269,884,872 | 67.5 | 243,035,949 | 0.25 | 60.8 |
| Preference shares A | 4,700,000,000 | 188.0 | - | 0.04 | - |
| Preference shares B | 150,000,000 | 1.5 | - | 0.01 | - |
| **Total** | **14,019,027,022** | **346.0** | **1,815,388,174** | | **76.5** |

| Share capital<br>December 31, 2016 | Total shares authorized (number) | Total capital authorized (€m) | Number of shares issued (number) | Value per share (cents) | Total capital issued (€m) |
|---|---|---|---|---|---|
| Common shares A | 8,299,152,975 | 83.0 | 972,363,050 | 0.01 | 9.7 |
| Common shares B | 293,884,439 | 73.5 | 267,035,516 | 0.25 | 66.8 |
| Preference shares A | 4,700,000,000 | 188.0 | - | 0.04 | - |
| Preference shares B | 150,000,000 | 1.5 | - | 0.01 | - |
| **Total** | **13,443,037,414** | **346.0** | **1,239,398,566** | | **76.5** |

### 13.2. Treasury shares

| Reconciliation of treasury shares | Note | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| **Opening** | | **107,324,976** | **25,400,064** |
| Conversions | 13.2.1 | 575,989,608 | 125,873,400 |
| Shares utilised in share exchange | 13.2.2 | (80,230,333) | (43,948,488) |
| Share buybacks | 13.2.3 | 22,300,978 | - |
| **Closing** | | **625,385,229** | **107,324,976** |

#### *13.2.1. Share conversions*

For the year ended December 31, 2017, the Company received and executed conversion orders amounting to a total of 23,999,567 common shares B. Common shares B are converted to 25 common shares A; 1 common share A is retained

by the shareholder while 24 common shares A are acquired by the Company for nil consideration and retained as treasury shares.

#### *13.2.2. Shares utilized in share exchange*

The Company acquired an aggregate number of 53,574,173 SFR Group shares in private off-market transactions during the year (please also refer to note 3.2.2.6). In consideration for the SFR Group shares acquired, the Company delivered 80,230,333 common shares A that it had previously held as treasury shares.

#### *13.2.3. Share buybacks*

On June 28, 2017, the general meeting of shareholders authorised the Company to acquire shares in its own capital for a period of 18 months up to a maximum of 10% of the issued share capital at a price between the nominal value of the shares and 110% of the opening price at Euronext Amsterdam at the date of the acquisition.

On August 28, 2017, the Company announced that it commenced a share repurchase programme with the intention to purchase common shares A and common shares B on Euronext Amsterdam in open periods for an aggregate market value equivalent to up to €1.0 billion. On October 16, 2017, the Company announced that its existing share repurchase programme was suspended and that a new safe harbor programme to repurchase shares also in closed periods would commence on October 16, 2017 and continue until November 2, 2017 (inclusive).

On November 3, 2017, the Company resumed its discretionary share repurchase activity. As of December 31, 2017, the Company had acquired 20,993,262 common shares A and 1,307,716 common shares B for an aggregate amount of €371.3 million (comprising €369.9 million for shares and €1.4 million of associated expenses), recognised as a reduction in the Company's share premium. As of December 31, 2017, all the repurchased shares were retained as treasury shares.

#### *13.2.4. Cancellation of treasury shares*

On December 4, 2017, the Board resolved to cancel 416,000,000 common shares A and 1,307,716 common shares B held as treasury shares. The cancellation of these shares was not effective as of December 31, 2017. It became effective on February 10, 2018. Had the cancellations been effective prior to the balance sheet date, the Company would have held 208,077,513 common shares A and zero common shares B as treasury shares as of December 31, 2017.

On January 26, 2018, following share conversions in December 2017 and January 2018 which increased the number of common shares A held as treasury shares, the Board resolved to cancel 370,000,000 additional common shares A (please also refer to note 34.4).

### 13.3. Additional paid in capital

| **Changes in additional paid in capital (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Opening balance | 738.0 | 2,379.6 |
| Exchange of Altice N.V. shares for SFR Group shares | (65.2) | 284.0 |
| Recognition of put option for minority investors in Teads | (154.6) | - |
| Transactions with non-controlling interests of SFR Group | (186.1) | (141.2) |
| Transactions with non-controlling interests of Altice USA | 2,234.1 | (1,747.5) |
| Other | 6.6 | (36.9) |
| **Total** | **2,572.8** | **738.0** |

Changes in additional paid in capital were mainly related to:

- transactions with non-controlling interests in Altice USA: the increase was mainly related to the cancellation of the put option of €2,812.3 million, as discussed in note 3.1.3.
- transactions with the non-controlling interests in SFR Group: the decrease was caused by recognition of the put options related to the NextRadioTV buy out.
- recognition of put option for minority investors in Teads which resulted in a decrease of €154.6 million.

## 13.4. 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 (€m) | December 31, 2017 Pre-tax amount | Tax effect | Net amount | December 31, 2016 Pre-tax amount | Tax effect | Net amount |
|---|---|---|---|---|---|---|
| Actuarial gains and losses | (89.1) | 25.4 | (63.7) | (59.7) | 15.1 | (44.6) |
| **Items not reclassified to profit or loss** | **(89.1)** | **25.4** | **(63.7)** | **(59.7)** | **15.1** | **(44.6)** |
| Available for sale reserve | 3.6 | - | 3.6 | 2.9 | - | 2.9 |
| Currency translation reserve | (212.1) | - | (212.1) | 148.8 | - | 148.8 |
| Cash flow hedge reserve | (793.7) | 258.2 | (535.6) | (985.5) | 313.6 | (671.8) |
| **Items potentially reclassified to profit or loss** | **(1,002.2)** | **258.2** | **(744.0)** | **(833.8)** | **313.6** | **(520.2)** |
| **Total** | **(1,091.3)** | **283.6** | **(807.7)** | **(893.5)** | **328.8** | **(564.8)** |

## 14. Earnings per share

| Earnings per share (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| **Loss for the period attributable to equity holders of the Parent** | **(546.0)** | **(1,557.6)** |
| **Earnings per share (basic and diluted)** | | |
| Weighted average number of ordinary shares (millions) | 1,175.3 | 1,096.5 |
| *Earnings per ordinary share (in €)* | *(0.46)* | *(1.42)* |

As both common shares A and common shares B have the same economic rights, basic earnings per share is calculated using the aggregate number of shares in circulation, excluding treasury shares held by the Company. Basic and diluted earnings per share are the same due to the Group recording a loss for the year ended December 31, 2017 and 2016; the potential dilutive shares upon creation would have led to a decrease in losses per share.

## 15. Provisions

| Provisions (€m) | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Provisions | 15 | 1,048.3 | 1,409.3 |
| Employee benefit provisions | 16 | 973.8 | 1,125.7 |
| **Total** | | **2,022.2** | **2,534.9** |
| Current | | 542.4 | 658.8 |
| Non-current | | 1,484.0 | 1,876.2 |

## 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:

| Provisions December 31, 2017 (€m) | January 1, 2017 | Business Combinations | Additions | Utilization | Held for sale | Other[1] | December 31, 2017 |
|---|---|---|---|---|---|---|---|
| Litigations | 651.9 | 0.2 | 116.0 | (141.8) | (1.2) | (207.0) | 418.0 |
| 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 | 238.2 | - | 877.3 | (875.6) | (9.4) | (81.7) | 148.8 |
| Provisions for other expenses | 337.4 | - | 85.8 | (90.1) | (1.8) | (47.3) | 284.0 |
| **Total** | **1,406.9** | **0.2** | **1,135.9** | **(1,132.1)** | **(12.3)** | **(350.2)** | **1,048.3** |

| Provisions December 31, 2016 (€m) | January 1, 2016 | Business Combinations | Additions | Utilization | Held for sale | Other | December 31, 2016 |
|---|---|---|---|---|---|---|---|
| Litigations | 513.9 | 12.0 | 252.5 | (91.4) | (0.4) | (34.7) | 651.9 |
| 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 | 26.6 | 287.3 | (134.7) | (0.1) | 4.4 | 238.2 |
| Provisions for other expenses | 299.8 | 43.3 | 58.4 | (11.4) | (1.4) | (51.3) | 337.4 |
| **Total Gross Value** | **1,057.1** | **81.9** | **607.6** | **(254.5)** | **(1.9)** | **(83.3)** | **1,406.9** |

1 In 2017, the column Other includes mainly the reversal of the provision VTI in France (see note 23.4.1.2) for €241 million (€124 million in the line Litigation and €117 million in the line Provisions for other expenses)

### *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, 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 31 (Litigation) and note 23 (Taxation). All litigation pending against the Group is either being heard or appealed as of December 31, 2017.

### *15.1.2. 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.

### *15.1.3. 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.

### *15.1.4. Restructuring*

During 2017 the Group announced further details of the restructuring plans in France and the US, 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 €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.

| Restructuring provisions (€m) | December 31, 2016 | Additions | Utilization | Other | December 31, 2017 |
|---|---|---|---|---|---|
| USA | 88.7 | 132.7 | (106.5) | (12.5) | **102.4** |
| France | 145.6 | 746.2 | (765.7) | (80.2) | **45.9** |
| Other | 3.9 | (1.6) | (3.4) | 1.6 | **0.5** |
| | **238.2** | **877.3** | **(875.6)** | **(91.1)** | **148.8** |

### *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:

| Defined benefit plan (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Present value of defined benefit obligation | 1,297.9 | 1,565.8 |
| Fair value of plan assets | (324.1) | (440.0) |
| **Unfunded status** | **973.8** | **1,125.8** |

## 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 eligible relatives. In addition, PT and other subsidiaries of PT Portugal are also responsible for the payment of salaries to suspend and pre-retired employees until retirement age. A detailed nature of these benefits is presented below:

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

### *16.1.2. United States*

The subsidiaries of the Group in the US sponsor a non-contributory qualified defined benefit cash balance retirement plan (the "Pension Plan") for the benefit of non-union employees, as well as certain employees covered by a collective bargaining agreement in Brooklyn. The subsidiaries in the US maintain an unfunded non-contributory non-qualified defined benefit excess cash balance plan ("Excess Cash Balance Plan") covering certain current and former employees who participate in the Pension Plan, as well as an additional unfunded non-contributory, non-qualified defined benefit plan ("CSC Supplemental Benefit Plan") for the benefit of certain former officers and former employees, which provides that, upon retiring on or after normal retirement age, a participant receives a benefit equal to a specified percentage of the participant's average compensation, as defined. The benefits related to the CSC Supplemental Plan were paid to participants in January 2017 and the plan was terminated. The Pension Plan and the Excess Cash Balance Plan were amended to freeze participation and future benefit accruals effective December 31, 2013 for all employees except those covered by a collective bargaining agreement in Brooklyn. Effective April 1, 2015, participation was frozen and future benefit accruals ceased for employees covered by a collective bargaining agreement in Brooklyn. Therefore, after April 1, 2015, no employee who was not already a participant could participate in the plans and no further annual Pay Credits (a certain percentage of employees' eligible pay) were made. Existing account balances under the plans continue to be credited with monthly interest in accordance with the terms of the plans.

### *16.1.3. 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.

### *16.1.4. 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.

## 16.2. Defined benefit obligations and fair value of plan assets

### *16.2.1. Movements in the present value of the defined benefit obligation*

| **Defined benefit obligations (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| **Opening balance at January 1** | **1,565.8** | **1,237.8** |
| Business combinations[1] | 0.4 | 468.0 |
| Interest expense | 22.1 | 21.3 |
| Current service cost | 20.0 | 17.7 |
| Participant contribution | - | 0.4 |
| Benefits paid | (275.9) | (175.5) |
| Settlement | - | - |
| Curtailment | (20.3) | 11.2 |
| Net actuarial gain/(loss) in other comprehensive income | 40.7 | 56.0 |
| Held for sale | (13.6) | (6.0) |
| Other (including currency translation adjustment) | (41.3) | (65.1) |
| **Closing balance at December 31** | **1,297.9** | **1,565.8** |
| *including commitments not financed* | 675.7 | 804.9 |
| *including commitments totally financed or partially financed* | 621.9 | 760.9 |

1 The business combination line includes the effect of the acquisition of Optimum in 2016.

### *16.2.2. Fair value of plan assets*

| **Fair value of plan assets (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| **Opening balance at January 1** | **440.0** | **186.1** |
| Business combinations[1] | **-** | 345.4 |
| Interest income | 10.3 | 8.5 |
| Participant contribution | 2.5 | (14.0) |
| Benefits paid | (117.4) | (26.1) |
| Settlement | - | - |
| Curtailement | - | - |
| Deposits paid by employer into the plan | 25.8 | 2.2 |
| Net actuarial gain/(loss) in other comprehensive income | 1.3 | (2.6) |
| Held for sale | (9.4) | (10.9) |
| Other (including currency translation adjustment) | (29.0) | (48.5) |
| **Closing balance at December 31** | **324.2** | **440.1** |

1 The business combination line includes the effect of the acquisition of Optimum in 2016.

| Fair value of plan assets (€m) | December 31, 2017 Amount | % | December 31, 2016 Amount | % |
|---|---|---|---|---|
| Shares | 23.7 | 7.3% | 23.7 | 5.4% |
| Bonds | 156.1 | 48.2% | 196.3 | 44.6% |
| Real estate | 1.5 | 0.5% | 2.1 | 0.5% |
| Other[1] | 142.9 | 44.1% | 218.2 | 49.6% |
| **Closing balance at December 31** | **324.2** | **100.0%** | **440.1** | **100.0%** |

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

### *16.2.3. Amounts recognized in comprehensive income*

| Defined benefit plan: amounts recognised in comprehensive income (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Current service cost | 20.0 | 17.7 |
| Net interest expense | 11.8 | 12.8 |
| Settlement | - | - |
| Curtailment | (20.3) | 11.2 |
| **Expenses recognised in profit or loss** | **11.5** | **41.8** |
| Net actuarial gain/(loss): | | |
| Differences arising from experience | (1.4) | 29.7 |
| Differences arising from changes in assumptions | 42.1 | 26.5 |
| Return on plan assets (excluding interest income) | (1.3) | 2.6 |
| **Expenses recognised in other comprehensive income** | **39.4** | **58.7** |
| **Total expenses recorded in comprehensive income** | **50.9** | **100.5** |

### *16.2.4. Defined benefit plan valuation assumptions*

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

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

| Assumptions used in actuarial valuation: United States (%) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Expected rate of salary increase | 0% | 0% |
| Discount rate - pension | 3.50% | 3.80% |
| Inflation rate | - | - |

| Assumptions used in actuarial valuation: Rest of world (%) | 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% |

### *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:

| Sensitivity to a change in discount rate (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Discount rate decreases 0.25% | 35.4 | 39.7 |
| Discount rate increases 0.25% | (24.6) | (33.6) |

## 17. Borrowings and other financial liabilities

| Borrowings and other financial liabilities (€m) | Notes | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **Long term borrowings, financial liabilities and related hedging instruments** | | **50,059.4** | **52,826.3** |
| *- Debentures* | *17.1* | *35,251.6* | *42,517.9* |
| *- Loans from financial institutions* | *17.1* | *12,959.8* | *9,867.5* |
| *- Derivative financial instruments* | *17.3* | *1,848.0* | *440.9* |
| **Other non-current financial liabilities** | *17.6* | **1,963.1** | **4,480.0** |
| *- Finance leases* | | *95.3* | *130.6* |
| *- Other financial liabilities* | | *1,867.8* | *4,349.3* |
| **Non-current liabilities** | | **52,022.5** | **57,306.3** |
| **Short term borrowing, financial liabilities and related hedge instruments** | | **1,792.9** | **1,342.3** |
| *- Debentures* | *17.1* | *1,499.1* | *909.6* |
| *- Loans from financial institutions* | *17.1* | *230.2* | *420.2* |
| *- Derivative financial instruments* | *17.3* | *63.6* | *12.5* |
| **Other financial liabilities** | *17.6* | **2,394.0** | **3,491.9** |
| *- Other financial liabilities* | | *1,255.0* | *1,994.9* |
| *- Bank overdraft* | | *80.3* | *59.6* |
| *- Accrued interests* | | *1,001.9* | *1,358.2* |
| *- Finance leases* | | *56.8* | *79.1* |
| **Current liabilities** | | **4,186.9** | **4,834.2** |
| **Total** | | **56,209.4** | **62,140.5** |

### 17.1. Debentures and loans from financial institutions

| Debentures and loans from financial institutions (€m) | Notes | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Debentures | 17.1.1 | 36,750.7 | 43,427.5 |
| Loans from financial institutions | 17.1.2 | 13,190.0 | 10,287.7 |
| **Total** | | **49,940.7** | **53,715.2** |

#### *17.1.1. Debentures*

| Maturity of debentures (€m) | Less than one year | One year or more | December 31, 2017 | December 31, 2016 |
|---|---|---|---|---|
| SFR Group | - | 10,956.3 | 10,956.3 | 12,197.3 |
| Altice USA | 1,300.1 | 11,892.8 | 13,192.9 | 16,620.5 |
| Altice Luxembourg | - | 6,385.1 | 6,385.1 | 6,881.8 |
| Altice Financing | - | 4,454.7 | 4,454.7 | 6,109.2 |
| Altice Finco | - | 1,562.6 | 1,562.6 | 1,382.9 |
| HOT Telecom | 199.0 | - | 199.0 | 235.9 |
| **Total** | **1,499.1** | **35,251.6** | **36,750.7** | **43,427.5** |

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 |
| Suddenlink | Senior secured notes | BA3/BB- | n/a |
| Suddenlink | Senior notes | CAA1/B- | n/a |
| Optimum | Senior secured notes | BA1/BB- | n/a |
| Optimum | Senior notes | B2/B- | n/a |
| 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** |
| Senior notes[1] | CSC Holdings LLC | $900 million | 8.63% | 2017 | - | - | 888.0 | 853.8 |
| Debentures | HOT Telecom Ltd. | ILS 957 million | 6.90% | 2018 | 195.1 | 195.1 | 253.3 | 236.6 |
| Senior notes | CSC Holdings LLC | $300 million | 7.88% | 2018 | 251.1 | 249.5 | 300.3 | 284.6 |
| Senior notes | CSC Holdings LLC | $500 million | 7.63% | 2018 | 425.8 | 415.9 | 505.2 | 474.3 |
| Senior notes | CSC Holdings LLC | $750 million | 7.75% | 2018 | 631.7 | 623.9 | 748.9 | 711.5 |
| Senior notes | CSC Holdings LLC | $526 million | 8.63% | 2019 | 461.6 | 437.5 | 552.0 | 499.0 |
| Senior notes[1] | Cequel Communications Holdings I LLC | $1,050 million | 6.38% | 2020 | 885.4 | 873.4 | 1,463.9 | 1,423.0 |
| Senior notes | Cablevision Systems Corp | $500 million | 8.00% | 2020 | 447.1 | 415.9 | 518.8 | 474.3 |
| Senior notes | Cequel Communications Holdings I LLC | $1,250 million | 5.13% | 2021 | 1,038.5 | 1,039.8 | 1,192.1 | 1,185.9 |
| Senior notes | CSC Holdings LLC | $1,000 million | 6.75% | 2021 | 894.2 | 831.8 | 1,023.4 | 948.7 |
| 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 | Cablevision Systems Corp | $650 million | 5.88% | 2022 | 528.4 | 539.9 | 600.3 | 615.7 |
| 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 secured notes | Cequel Communications Holdings I LLC | $1,100 million | 5.38% | 2023 | 933.3 | 915.0 | 1,082.7 | 1,043.5 |
| Senior notes | CSC Holdings LLC | $1,800 million | 10.13% | 2023 | 1,688.2 | 1,497.3 | 1,980.8 | 1,707.6 |
| 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 | CSC Holdings LLC | $750 million | 5.25% | 2024 | 612.2 | 623.9 | 691.1 | 711.5 |
| Senior secured notes[1] | CSC Holdings LLC | $1,684 million | 10.88% | 2025 | 1,663.4 | 1,401.0 | 2,248.4 | 1,897.4 |
| 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 notes | Cequel Communications Holdings I LLC | $620 million | 7.75% | 2025 | 551.9 | 515.7 | 645.5 | 588.2 |
| Senior secured notes | CSC Holdings LLC | $1,000 million | 6.63% | 2025 | 899.4 | 831.8 | 1,034.1 | 948.7 |
| Senior secured notes | Altice US Finance I Corp | $1,500 million | 5.50% | 2026 | 1,268.0 | 1,247.7 | 1,453.3 | 1,423.0 |
| 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 | CSC Holdings LLC | $1,310 million | 5.50% | 2027 | 1,106.0 | 1,089.7 | 1,249.0 | 1,242.8 |
| 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[2] | Altice Finco S.A. | €675 million | 4.75% | 2028 | 644.0 | 675.0 | - | - |
| Senior notes[3] | Altice Finco S.A. | $425 million | 9.88% | 2020 | - | - | 425.4 | 403.2 |
| Senior secured notes[4] | Altice Financing S.A. | €300 million | 6.50% | 2022 | - | - | 315.0 | 300.0 |
| Senior secured notes[4] | Altice Financing S.A. | $900 million | 6.50% | 2022 | - | - | 890.1 | 853.8 |
| *Fair value adjustments[5]* | | | | | - | (150.0) | - | (205.3) |
| *Transaction costs* | | | | | - | (429.3) | - | (505.3) |
| **Total value of bonds** | | | | | **38,430.7** | **36,750.7** | **46,370.7** | **43,427.5** |
| *Of which due within one year* | | | | | *1,503.6* | *1,499.1* | *919.1* | *909.6* |
| *Of which due after one year* | | | | | *36,927.1* | *35,251.6* | *45,451.6* | *42,517.9* |

1 These notes were partially repaid during 2017 as part of refinancing activities in the US, please refer to note 17.1.3.1 below.
   a. $500 million was repaid during the year with the remainder fully repaid on maturity.
   b. $450 million was repaid, reducing the face value from $1,500 million to $1,050 million
   c. $315 million was repaid, reducing the face value from $2,000 million to $1,684 million.

2 The proceeds of the €675 million notes issued during the year were used to repay drawn revolving credit facilities, please refer to note 17.1.3.3.

3 These notes were refinanced during the year, please refer to note 17.1.3.2.

4 These two notes were refinanced during the year and replaced with term loans of equivalent amounts, please refer to note 17.1.3.3.

5 The fair value adjustments mainly relate to certain debts at Altice USA that were not refinanced at closing of the acquisition and hence included as identifiable liabilities as per the requirements of IFRS 3 *Business Combinations*.

### *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, 2017, and included in the figures below, please refer to note 17.5.

| Maturity of loans from financial institutions (€m) | Less than one year | One year or more | December 31, 2017 | December 31, 2016 |
|---|---|---|---|---|
| SFR Group (including RCF) | 56.4 | 4,980.0 | 5,036.4 | 4,804.7 |
| Altice USA (including RCF) | 35.5 | 3,827.1 | 3,862.5 | 3,268.0 |
| Altice Corporate Financing | - | 2,353.0 | 2,353.0 | 1,403.0 |
| Altice Financing (including RCF) | 135.1 | 1,776.8 | 1,911.8 | 748.7 |
| Others | 3.3 | 23.0 | 26.3 | 63.4 |
| **Total** | **230.2** | **12,959.8** | **13,190.0** | **10,287.7** |

| Term loans and revolving credit facilities | | | | | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|---|---|---|---|
| Type | Borrower | Currency | Note ref | Year of maturity | Face value (currency) | Carrying amount (€) | Face value (currency) | Carrying amount (€) |
| RCF | CSC Holdings LLC | USD | 17.5 | 2021 | 450.0 | 353.9 | 175.3 | 137.6 |
| Term loan | CSC Holdings LLC | USD | 17.1.3.1 | 2025 | 2,985.0 | 2,468.7 | 2,500.0 | 2,359.2 |
| Term loan | Altice US Finance I Corp | USD | 17.1.3.1 | 2025 | 1,258.7 | 1,039.9 | 815.0 | 771.2 |
| Term loan | SFR Group S.A. | USD | 17.1.3.1 | 2025 | 1,412.9 | 1,133.9 | 1,425.0 | 1,297.6 |
| Term loan | SFR Group S.A. | EUR | 17.1.3.2 | 2023 | 840.8 | 815.6 | 850.0 | 818.6 |
| Term loan | SFR Group S.A. | EUR | 17.1.3.2 | 2023 | 298.5 | 295.4 | 300.0 | 339.5 |
| Term loan | Altice Financing S.A. | USD | 17.1.4.2 | 2025 | 910.0 | 748.3 | 445.5 | 438.2 |
| Term loan | SFR Group S.A. | USD | 17.1.3.3 | 2026 | 2,150.0 | 1,791.6 | 1,790.0 | 1,661.6 |
| Term loan | SFR Group S.A. | EUR | 17.1.3.3 | 2025 | 1,000.0 | 1,000.0 | 700.0 | 687.4 |
| Term loan | Altice Financing S.A. | USD | 17.1.3.3 | 2025 | 900.0 | 745.0 | - | - |
| Term loan | Altice Financing S.A. | EUR | 17.1.4.3 | 2025 | 300.0 | 298.6 | - | - |
| Facility | Altice Financing S.A. | EUR | 17.5 | 2021 | 120.0 | 120.0 | 310.5 | 310.5 |
| Term loan | Green.CH | CHF | 3.4 | 2026 | - | - | 34.3 | 34.3 |
| Term loan | Altice Corporate Financing | EUR | 17.1.3.4 | 2020/2021 | 2,353.0 | 2,349.7 | 1,403.0 | 1,403.0 |
| Term loan | Other loans | EUR | | various | 29.5 | 29.5 | 29.1 | 29.1 |
| | | | | | | **13,190.0** | | **10,287.7** |

### *17.1.3. Refinancing*

#### 17.1.3.1.*Refinancing of a portion of the existing debt in the US*

On March 15, 2017, the Group successfully priced two new term loans with institutional investors as follows:

- $3,000 million of 8.25-year senior secured term loans at CSC Holdings LLC (Optimum), and
- $1,265 million of 8.25-year senior secured term loans at Altice US Finance I Corp (Suddenlink).

The new term loans closed on April 17 and April 26, 2017, respectively. They both have a margin of 225 basis points (2.25%) over Libor. The proceeds from executing these terms loans were used to refinance:

At Optimum:

- the entire $2,500 million loans under the existing Term Loan Facility maturing in October 2024,
- $500 million of the 8.625% Senior Notes due September 2017,

At Suddenlink:

- the $815 million loans under the existing Term Loan Facility maturing in January 2025, and
- $450 million of the 6.375% Senior Notes due September 2020.

At the time of the refinancing, the average maturity of the debt in the Cablevision silo was extended from 6.1 to 6.5 years and the weighted average cost of debt was reduced from 7.3% to 7.0%, while at Suddenlink the average maturity of debt increased from 6.6 to 6.9 years and the weighted average cost of its debt reduced from 5.6% to 5.3%.

On July 10, 2017, a portion ($315 million) of the $2 billion aggregate principal amount outstanding of the CSC 2025 Senior Notes issued by CSC Holdings was redeemed.

A loss on extinguishment of debt of €65.7 million was recognized in the consolidated income statement related to these transactions.

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

On March 23, 2017, the Group successfully priced:

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

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

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

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

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

#### 17.1.3.3. *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.

#### 17.1.3.4. *Increase in bank facility at Altice Corporate Financing*

On August 2, 2017, Altice Corporate Financing successfully obtained an increase in its existing facility of €950 million. €800 million was set aside to fund the squeeze out on SFR Group, as discussed in note 3.2.2.6; the total cash payments were €649.4 million. The remaining €304 million of the facility was used for general corporate purposes and the prefunding of interest payments for Altice Corporate Financing to finance the share buyback transactions, please refer to note 13.2.3. None of the terms or conditions of the facility were amended.

### 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 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,
- Cequel corporation and all its restricted subsidiaries and
- Optimum, Cablevision Corporation and all its subsidiaries.

Other than the HOT debentures and the revolving credit facilities, described below, such debt issued by the Group's subsidiaries is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the relevant restricted group's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to shareholders or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to several important exceptions and qualifications.

To be able to incur additional debt under an applicable debt instrument, the relevant restricted group must either meet the ratio test described below (on a pro forma basis for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

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

- Senior Secured debt of Altice International is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Debt) and Senior Debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Debt),
- Secured Debt of SFR Group is subject to an incurrence test of 3.25:1 (Adjusted EBITDA to Net Debt),
- Senior Secured and senior debt of Suddenlink is subject to an incurrence test of 5.5:1 (Adjusted EBITDA to Net Debt),
- Senior Secured Debt and Senior Debt of Optimum at the level of CSC Holdings LLC is subject to an incurrence test of 5.5:1 (Adjusted EBITDA to Net Debt) and Senior Secured Debt and Senior Debt at the level of Cablevision Systems Corp is subject to an incurrence test of 9.9:1 (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 17.5), which are subject to maintenance covenants. The terms of these facilities are no more restrictive than the incurrence covenants contained in other debt instruments.

The covenants for the credit facilities that had been drawn on for the year ended December 31, 2017 are given below:

| Facility | Amount (€m) | Financial covenant |
|---|---|---|
| Altice International | 911.0 | Consolidated net leverage ratio greater than or equal to 5.25:1 |
| Optimum | 2,204.3 | Consolidated net senior secured leverage ratio 5:1 |

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

## 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*.

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

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

2 In July 2017, the Group monetized a part of the latent gains in these derivatives through re-pricing and extending the maturity of these financial instruments. An aggregate nominal amount of $2,150.5 million initially priced at 1.3827 (EUR/USD) was re-priced to an average rate of 1.223 (EUR/USD), and the maturity was extended from 2022 to 2025. Because of the operation, the Group received €203.1 million and recorded financial income of the same amount (refer to note 27.2). Following the operation, the re-priced swaps re-qualified for hedge accounting (except for one swap).

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

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

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the full year ended December 31, 2017. Before the impact of taxes, losses of €191.7 million were recorded in other comprehensive income, €136.3 million net of taxes (2016: €734.4 million in OCI and €498.0 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 and maturity | Notional amount due from counterparty (millions) | Notional amount due to counterparty (millions) | Interest rate due from counterparty | Interest rate due to counterparty | Accounting treatment |
|---|---|---|---|---|---|
| **SFR Group S.A.** | | | | | |
| January 2023 | EUR 4,000 | EUR 4,000 | 3m EURIBOR | -0.12% | FVPL |
| **Altice Financing S.A.** | | | | | |
| May 2026 | USD 720 | USD 720 | 1.81% | 6m LIBOR | FVPL |
| January 2023 | EUR 750 | EUR 750 | 3m EURIBOR | -0.13% | FVPL |
| **Altice US Finance I Corporation** | | | | | |
| May 2026 | USD 1,500 | USD 1,500 | 1.67% | 6m LIBOR | 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 (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Debentures and loans from financial institutions** | **49,940.7** | **53,715.2** |
| Transaction costs | 546.9 | 676.4 |
| Fair value adjustments | 150.0 | 205.3 |
| **Total (excluding transaction costs and fair value adjustments)** | **50,637.6** | **54,596.9** |
| Conversion of debentures and loans in foreign currency (at closing spot rate) | (25,971.6) | (22,300.4) |
| Conversion of debentures and loans in foreign currency (at hedged rates) | 25,470.7 | 18,886.6 |
| **Total swap adjusted value** | **50,136.7** | **51,183.2** |

## 17.5. Available credit facilities

| Available credit facilities (€m) | Total facility | Drawn |
|---|---|---|
| Optimum | 2,204.3 | 374.3 |
| SFR Group S.A. | 1,125.0 | - |
| Altice Financing S.A. | 911.0 | 120.0 |
| Altice Luxembourg S.A. | 200.0 | - |
| **Revolving credit facilities** | **4,440.3** | **494.3** |

Optimum has an aggregate of €108.1 million (2016: €101.7 million) in letter of credit, these instruments reduce the amount available to be drawn against the revolving credit facilities.

The drawn revolving credit facility of Optimum is classified as long term borrowing as final maturity is after 12 months.

## 17.6. Other financial liabilities

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

| Other financial liabilities | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| **(€m)** | **Current** | **Non-current** | **Total** | **Current** | **Non-current** | **Total** |
| Collateralised debt - Comcast | - | 1,122.5 | 1,122.5 | 590.1 | 629.6 | 1,219.7 |
| Reverse factoring and securitisation | 1,032.7 | - | 1,032.7 | 802.0 | - | 802.0 |
| Accrued interest | 1,001.9 | - | 1,001.9 | 1,358.2 | - | 1,358.2 |
| Put options with non-controlling interests | - | 301.6 | 301.6 | - | 2,913.1 | 2,913.1 |
| Deposits received (SFR) | 52.0 | 148.0 | 200.0 | 38.0 | 150.0 | 188.0 |
| Carried unit plan - Altice USA | - | 193.2 | 193.2 | - | - | - |
| Finance leases | 56.8 | 95.3 | 152.1 | 79.1 | 130.6 | 209.7 |
| Bank overdraft | 80.3 | - | 80.3 | 59.6 | - | 59.6 |
| Commercial paper | 34.0 | - | 34.0 | 249.0 | - | 249.0 |
| Loans from non-controlling interests | - | - | - | 320.4 | 498.1 | 818.5 |
| Other | 136.3 | 102.4 | 238.7 | (4.6) | 158.5 | 154.0 |
| **Total** | **2,394.0** | **1,963.1** | **4,357.1** | **3,491.9** | **4,480.0** | **7,972.0** |

The current portion of €2,394.0 million decreased by €1,097.8 million compared to December 31, 2016 while the non-current portion decreased by €2,516.9 compared to December 31, 2016 to €1,963.0 million. Details of the main items within the caption, and the movements from the prior period, are detailed below.

### *17.6.1. 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 19.1.2 for further information). The reduction in the fair value of these instruments from the prior year is largely owing to the cancellation of the put options with the non-controlling interests in Altice USA following the IPO (€2,812.3 million). This reduction was partially offset by 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). Altice intends to exercise the call option in the second quarter of 2018.

### *17.6.2. Collateralized debt – Comcast*

This indebtedness in Altice USA is collateralized by the investment in the listed stock of Comcast (please refer to note 9.1). During the year ended December 31, 2017, the contracts relating to the indebtedness were modified and as a result the liability is now all presented as non-current, whereas there was a current portion in the prior period.

### *17.6.3. Loans from non-controlling interests*

In the prior year, there were several loans associated with the non-controlling interests in Altice USA. Prior to the IPO of Altice USA, all these loans were redeemed, the details were as follows:

- The $525 million Sponsors loan, issued by the non-controlling interests in Altice USA, was redeemed via a capital contribution (€498.1 million) and resulted in an increase in equity for the Group.
- The short-term loans held by CVC 1 B.V. (an aggregate of €220.5 million, including accrued interest as of December 31, 2016) were repaid with the dividend distributions made from Altice USA.

In addition, 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.

### *17.6.4. Carried unit plan*

The carried unit plan (please refer to note 25.1.2 for further details) in the US was remeasured to its fair value at December 31, 2017, of €193.2 million.

### *17.6.5. 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.

### *17.6.6. 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.

### *17.6.7. Commercial paper*

During the year SFR Group used the proceeds from its refinancing (please refer to note 17.1.3.3) to repay borrowings made under its commercial paper programme.

## 17.7. Reconciliation of change in borrowings and other financial liabilities

Total borrowings and other financial liabilities decreased by €5,931.1 million compared to the prior year largely as a result of the refinance activities (as explained in note 17.1.3) and cancellation of the put option with non-controlling interest in the US following the IPO of Altice USA. The table below provides a full reconciliation of the movement in the balance sheet and a reconciliation to the cash payments as presented in the financing section of the cash flow statement.

| Reconciliation of debt movements (€m) | December 31, 2016 | Net cash flows | Non-cash transactions | Change in fair value | Change in foreign exchange | Other non-cash movements | December 31, 2017 |
|---|---|---|---|---|---|---|---|
| Senior notes and term loans | 43,427.5 | (3,002.2) | 675.0 | - | (4,480.9) | 131.3 | 36,750.7 |
| Term loans | 10,287.7 | 4,756.1 | (675.0) | - | (1,178.9) | - | 13,190.0 |
| Derivative financial instruments | 453.4 | 734.3 | - | 124.9 | (20.4) | 619.3 | 1,911.6 |
| Other financial liabilities | 7,971.9 | (301.9) | (3,329.1) | 315.6 | - | (299.4) | 4,357.1 |
| **Total** | **62,140.5** | **2,186.4** | **(3,329.1)** | **440.5** | **(5,680.1)** | **451.2** | **56,209.4** |

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

| Reconciliation to financing cash flow | (€m) |
|---|---|
| Net cash flow (as above) | 2,186.4 |
| *Consisting of:* | |
| Proceeds from issuance of debts | 14,777.4 |
| Payments to redeem debt instruments | (13,260.5) |
| Net cash flows on derivatives | 734.3 |
| Net cash flows on commercial paper | (214.6) |
| Net cash flows from factoring/securitization | 149.9 |

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

| Maturity of financial liabilities (€m) | Less than 1 year | Between 1 and 5 years | More than 5 years | December 31, 2017 |
|---|---|---|---|---|
| Loans, debentures and related hedging instruments | 1,792.9 | 13,140.6 | 36,918.8 | 51,852.3 |
| Finance leases | 56.8 | 78.8 | 16.6 | 152.2 |
| Accrued interest | 1,001.9 | - | - | 1,001.9 |
| Bank overdraft | 80.3 | - | - | 80.3 |
| Other financial liabilities | 1,255.0 | 1,656.2 | 211.6 | 3,122.8 |
| **Nominal value of borrowings** | **4,186.9** | **14,875.6** | **37,147.0** | **56,209.5** |

| Maturity of financial liabilities (€m) | Less than 1 year | Between 1 and 5 years | More than 5 years | December 31, 2016 |
|---|---|---|---|---|
| Loans, debentures and related hedging instruments | 1,342.3 | 16,237.2 | 36,589.2 | 54,168.7 |
| Finance leases | 79.1 | 102.7 | 27.9 | 209.7 |
| Accrued interest | 1,358.2 | - | - | 1,358.2 |
| Bank overdraft | 59.6 | - | - | 59.6 |
| Other financial liabilities | 1,994.9 | 918.7 | 3,430.6 | 6,344.2 |
| **Nominal value of borrowings** | **4,834.2** | **17,258.6** | **40,047.7** | **62,140.5** |

## 17.9. Currency of borrowings

| Currency of borrowings (€m) | Euro | US Dollar | Israeli Shekel | Others | December 31, 2017 |
|---|---|---|---|---|---|
| Loans, debentures and related hedging instruments | 14,934.0 | 36,697.7 | 199.0 | 21.6 | 51,852.3 |
| Finance leases | 119.6 | 19.5 | 6.7 | 6.3 | 152.1 |
| Accrued interest | 265.9 | 733.4 | 2.6 | - | 1,001.9 |
| Bank overdraft | 79.8 | - | - | 0.5 | 80.3 |
| Other financial liabilities | 1,570.6 | 1,453.2 | 98.4 | 0.6 | 3,122.8 |
| **Nominal value of borrowings** | **16,969.9** | **38,903.8** | **306.8** | **29.0** | **56,209.4** |

| Currency of borrowings (€m) | Euro | US Dollar | Israeli Shekel | Others | December 31, 2016 |
|---|---|---|---|---|---|
| Loans, debentures and related hedging instruments | 10,601.6 | 43,268.9 | 235.9 | 62.2 | 54,168.7 |
| Finance leases | 140.5 | 28.9 | 7.0 | 33.2 | 209.7 |
| Accrued interest | 297.2 | 1,057.9 | 3.2 | - | 1,358.2 |
| Bank overdraft | 52.8 | - | - | 6.8 | 59.6 |
| Other financial liabilities | 1,655.9 | 4,601.7 | 86.3 | 0.3 | 6,344.2 |
| **Nominal value of borrowings** | **12,748.0** | **48,957.4** | **332.5** | **102.6** | **62,140.5** |

## 17.10. Nature of interest rate

| Nature of interest rate | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| (€m) | Fixed | Floating | Total | Fixed | Floating | Total |
| Loans, debentures and related hedging instruments | 36,357.3 | 15,495.0 | 51,852.3 | 44,126.2 | 10,042.5 | 54,168.7 |
| Finance leases | 145.2 | 6.9 | 152.1 | 209.7 | - | 209.7 |
| Accrued interest | 1,001.9 | - | 1,001.9 | 1,329.5 | 28.8 | 1,358.2 |
| Bank overdraft | 80.3 | - | 80.3 | 59.6 | - | 59.6 |
| Other financial liabilities | 3,037.0 | 85.7 | 3,122.8 | 5,727.9 | 616.4 | 6,344.3 |
| **Nominal value of borrowings** | **40,621.7** | **15,587.7** | **56,209.4** | **51,452.9** | **10,687.7** | **62,140.5** |

# 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 Europe (France and Portugal), the United States, 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.

## 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.

Additionally, the Group has access to undrawn revolving credit facilities for an aggregate amount of €3,837.8 million (after having drawn €494.3 million as of December 31, 2017, and €108.1 million was issued in letters of credit in the US, further reducing the amount able to be drawn) to cover any 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.

| **Interest structure of non-current financial debt (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---:|---:|
| Financial debt at fixed rates | 40,621.7 | 51,452.9 |
| Financial debt at variable rates | 15,587.7 | 10,687.7 |
| **Total** | **56,209.4** | **62,140.6** |

The Group's proportion of variable rate debt increased from 17% for the year ended December 31, 2016 to 28% 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 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 €83 million.

### *18.3.2. 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).

### *18.3.3. Foreign currency risk*

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

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

| **Sensitivity to variations in exchange rates** | **December 31, 2017** | | | | | |
|---|---|---|---|---|---|---|
| **(€m)** | **US Dollar** | **Israeli Shekel** | **Swiss Franc** | **Dominican Peso** | **Moroccan Dirham** | **Total** |
| **Profit for the year** | | | | | | |
| Increase of 10% in exchange rate | 151.0 | (7.7) | 0.7 | - | 1.1 | **145.1** |
| Decrease of 10% in exchange rate | (151.0) | 7.7 | (0.7) | - | (1.1) | **(145.1)** |
| **Equity** | | | | | | |
| Increase of 10% in exchange rate | 45.8 | (171.1) | (2.4) | (57.7) | 7.4 | **(178.0)** |
| Decrease of 10% in exchange rate | (45.8) | 171.1 | 2.4 | 57.7 | (7.4) | **178.0** |

| **Sensitivity to variations in exchange rates** | **December 31, 2016** | | | | | |
|---|---|---|---|---|---|---|
| **(€m)** | **US Dollar** | **Israeli Shekel** | **Swiss Franc** | **Dominican Peso** | **Moroccan Dirham** | **Total** |
| **Profit for the year** | | | | | | |
| Increase of 10% in exchange rate | (64.1) | (9.0) | 0.6 | (4.9) | - | **(77.4)** |
| Decrease of 10% in exchange rate | 64.1 | 9.0 | (0.6) | 4.9 | - | **77.4** |
| **Equity** | | | | | | |
| Increase of 10% in exchange rate | (120.5) | (35.8) | (1.0) | (19.9) | - | **(177.2)** |
| Decrease of 10% in exchange rate | 120.5 | 35.8 | 1.0 | 19.9 | - | **177.2** |

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 nil in 2017 (2016: net loss of €11.5 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 17.

#### *18.3.4. 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 €1,439.0 million (€1,418.9 million as of December 31, 2016).

The investments mainly relate to the Comcast shares held by Altice USA, which are classified as held for trading and measured at fair value of €1,431.0 million (2016: €1,406.9 million). For further details please also refer to section 9.1.1. *Investment in common shares of Comcast Corporation.*

## 19. Fair value of financial assets and liabilities

### 19.1. Fair value of assets and liabilities

| **Fair values of assets and liabilities (€m)** | **Note** | **December 31, 2017** | | **December 31, 2016** | |
|---|---|---|---|---|---|
| | | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| Cash and cash equivalents | 12 | 1,239.0 | 1,239.0 | 1,109.1 | 1,109.1 |
| Restricted cash | 12 | 168.1 | 168.1 | 202.0 | 202.0 |
| Derivatives | 9 | 88.8 | 88.8 | 61.3 | 61.3 |
| Investment in Comcast | 9 | - | - | 695.4 | 695.4 |
| Other financial assets | | 4.5 | 4.5 | 1.9 | 1.9 |
| **Current assets** | | **1,500.5** | **1,500.5** | **2,069.7** | **2,069.7** |
| Investment in Comcast | 9 | 1,431.0 | 1,431.0 | 711.5 | 711.5 |
| Derivatives | 9 | 884.8 | 884.8 | 2,540.4 | 2,568.8 |
| Call options held by non-controlling interests | 9 | 50.6 | 50.6 | 28.4 | 28.4 |
| Other financial assets | 9 | 179.0 | 179.0 | 335.5 | 335.5 |
| **Non-current assets** | | **2,545.5** | **2,545.5** | **3,615.8** | **3,615.8** |
| Short term borrowings and financial liabilities | 17.1 | 1,729.3 | 1,729.3 | 1,329.8 | 1,329.8 |
| Derivatives | 17.5 | 63.6 | 63.6 | 12.5 | 12.5 |
| Collateralised debt - Comcast | 17.6 | - | - | 629.6 | 629.6 |
| Other financial liabilities | 17.6 | 2,394.0 | 2,394.0 | 2,862.3 | 2,862.3 |
| **Current liabilities** | | **4,186.9** | **4,186.9** | **4,834.2** | **4,834.2** |
| Long term borrowings and financial liabilities | 17.1 | 48,211.4 | 48,544.0 | 52,385.4 | 54,887.6 |
| Collateralised debt - Comcast | 17.6 | 1,122.5 | 1,122.5 | 629.6 | 629.6 |
| Put options with non-controlling interests | 17.6 | 301.6 | 301.6 | 2,913.1 | 2,913.1 |
| Derivatives | 17.5 | 1,848.0 | 1,848.0 | 440.9 | 440.9 |
| Other financial liabilities | 17.6 | 539.0 | 539.0 | 937.3 | 937.3 |
| **Non-current liabilities** | | **52,022.5** | **52,355.2** | **57,306.3** | **59,808.6** |

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.

#### *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 (€m) | Fair value hierarchy | Valuation technique | December 31, 2017 | December 31, 2016 |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Derivative financial instruments | Level 2 | Discounted cash flows | 1,911.6 | 440.9 |
| Minority Put Option - CVC 1 | Level 3 | Multiples method | - | 2,812.3 |
| Minority Put Option - Teads | Level 3 | Multiples method | 160.4 | - |
| Minority Put Option - Intelcia | Level 3 | Multiples method | 41.2 | 39.0 |
| Minority Put Option - GNP | Level 3 | Multiples method | 100.0 | 61.8 |
| **Financial Assets** | | | | |
| Derivative financial instruments | Level 2 | Discounted cash flows | 973.7 | 2,601.7 |
| Investment in Comcast shares | Level 1 | Quoted share price | 1,431.0 | 1,406.9 |
| Minority Call options - CVC 1 | Level 3 | Black and Scholes model | - | 1.7 |
| 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 - Partner Co. Ltd. | Level 1 | Quoted share price | 6.7 | 5.9 |

### *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 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.

#### 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 (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.

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

## 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.

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

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

| Change in fair value of level 3 instruments (€m) | Minority put options | Minority call options | December 31, 2017 |
|---|---|---|---|
| **Opening balance** | **(2,913.1)** | **28.4** | **(2,884.7)** |
| Additions | (160.4) | 10.6 | (149.8) |
| US put and call options cancelled | 2,812.3 | (1.7) | 2,810.6 |
| Change in value of minority put options recorded in equity | (40.4) | - | (40.4) |
| Gains or losses recognised in profit or loss | - | 13.3 | 13.3 |
| **Closing balance** | **(301.7)** | **50.6** | **(251.1)** |

| Change in fair value of level 3 instruments (€m) | Minority put options | Minority call options | December 31, 2016 |
|---|---|---|---|
| **Opening balance** | **(748.0)** | **31.0** | **(717.0)** |
| Additions | (746.6) | 26.8 | (719.9) |
| Settlement of NCI put | 9.2 | - | 9.2 |
| Re-measurement (variation) | (1,427.7) | - | (1,427.7) |
| Gains or losses recognised in profit or loss | - | (29.4) | (29.4) |
| **Closing balance** | **(2,913.1)** | **28.4** | **(2,884.7)** |

## 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, 2017** | | **December 31, 2016** | |
|---|---|---|---|---|
| **(€m)** | **Operating leases** | **Finance leases** | **Operating leases** | **Finance leases** |
| Less than one year | 443.2 | 62.7 | 548.0 | 83.7 |
| Between one and two years | 350.6 | 51.5 | 371.4 | 44.9 |
| Between two and three years | 305.5 | 17.6 | 331.3 | 22.4 |
| Between three and four years | 267.1 | 6.2 | 287.7 | 19.3 |
| Five years and beyond | 1,110.7 | 20.7 | 1,056.4 | 47.0 |
| **Total minimum payments** | **2,477.0** | **158.5** | **2,594.7** | **217.3** |
| Less: future finance expenses | | (6.4) | - | (7.6) |
| **Nominal value of contracts** | | **152.1** | | **209.7** |
| Included in the consolidated financial statements as: | | | | |
| *- Current borrowings (note 17)* | | 56.8 | | 79.1 |
| *- Non-current borrowings (note 17)* | | 95.3 | | 130.6 |

The total rental expense recognised in the Consolidated Statement of Income was €547.2 million (2016: €535.5 million). All rental expenses were related to minimum lease payments.

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

## 21. Trade and other payables

| **Trade and other payables (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Trade payables | 5,224.3 | 4,953.3 |
| Fixed asset payables | 1,198.4 | 1,209.2 |
| Corporate and social security contributions | 1,034.4 | 716.8 |
| Indirect tax payables | 906.6 | 828.3 |
| Other payables | 5.1 | 5.8 |
| **Total** | **8,368.8** | **7,713.4** |

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).

## 22. Other liabilities

| **Other liabilities (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Deferred revenue | 805.4 | 812.8 |
| Other | 305.0 | 209.9 |
| **Current liabilities** | **1,110.4** | **1,022.7** |
| Fixed asset payables | 74.0 | 332.6 |
| Deferred revenue | 471.9 | 393.9 |
| Other | 91.8 | 151.8 |
| **Non-current liabilities** | **637.7** | **878.3** |
| **Total** | **1,748.1** | **1,901.0** |

### 22.1. 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. Current deferred revenue decreased by €7.4 million compared to 2016, due to lower pre-paid revenue generated in Dominican Republic entity, depreciation of US Dollar against Euro which are offset by higher recognition in network sharing revenues in SFR Group.

## 22.2. 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, as well as payments made by SFR Group.

## 22.3. Other

The increase in other current liabilities was mainly attributed to the acquisition of Teads (€109.1 million as at December 31, 2017).

# 23. Taxation

| **Taxation (€m)** | **Note** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|---|
| *Tax benefit recognised in the Statement of Income* | | | |
| Current tax | | (144.8) | (327.5) |
| Deferred tax | | 2,875.0 | 505.2 |
| **Income tax benefit** | 23.1 | **2,730.2** | **177.7** |
| *Deferred tax balances recognised in the Statement of Financial Position* | | | |
| Deferred tax assets | | 157.3 | 113.6 |
| Deferred tax liabilities | | (4,355.2) | (8,074.3) |
| **Deferred tax** | 23.2 | **(4,198.0)** | **(7,960.7)** |

## 23.1. Reconciliation to effective tax rate

| **Reconciliation between effective tax rate and theoretical tax rate (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| **Loss for the year** | **(194.8)** | **(1,861.4)** |
| Share of loss in associates | (23.1) | (2.5) |
| Tax charge income | 2,730.2 | 177.7 |
| **Loss before income tax and associates** | **(2,901.9)** | **(2,036.7)** |
| Statutory tax rate in the Netherlands | 25.0% | 25.0% |
| Income tax calculated on theoretical tax | 725.5 | 509.2 |
| **Impact of:** | | |
| Differences between Parent company and foreign income tax rates | 265.9 | 201.6 |
| Effect of permanent differences[1] | (166.7) | (170.4) |
| Effect of US tax reform[2] | 2,070.6 | - |
| Recognition of tax losses and variation in related allowances[3] | (126.6) | (264.9) |
| French business tax | (48.7) | (49.0) |
| Effect of change in tax rate[4] | (82.8) | (19.7) |
| Other current tax adjustement[5] | 78.0 | (47.9) |
| Other deferred tax adjustement | 14.9 | 18.8 |
| **Income tax (expense)/income** | **2,730.1** | **177.7** |
| Effective tax rate | 94.1% | 8.7% |

1 Permanent differences are mainly due to financial interests that are non-deductible, penalties and other non-deductible expenses.
2 Effect of US tax reform (please refer to note 23.1.1)
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:
  a. in the US, a non-cash deferred tax charge resulting from an increase in the applicable tax rate used to measure the deferred taxes of Suddenlink pursuant to joining Optimum in its consolidated tax group.
  b. in France, 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. For the financial statements as of December 31, 2016, the rate used to calculate deferred taxes decreased from 38% to 34.43%.
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 23.4.1.2

### *23.1.1. Effect of US tax reform*

Pursuant to the enactment of the Tax Cuts and Jobs Act (H.R.1) (“Tax Reform Bill”) on December 22, 2017, Altice USA recorded a noncash deferred tax benefit of €2,070.6 million to remeasure the net deferred tax liability to adjust for the

reduction in the corporate income tax rate from 35% to 21% which is effective on January 1, 2018. This adjustment results primarily from a decrease in the deferred tax liabilities regarding fixed assets and intangibles, partially offset by a decrease in the deferred tax asset for the federal net operating loss carry forward ("NOL").

The Tax Reform Bill is expected to have a favorable impact on Altice USA income tax profile. Additional first-year depreciation deductions represent a significant timing benefit. Since the Tax Reform Bill only limits the deduction for NOLs arising in years beginning after December 31, 2017, the timing of Altice USA deductions regarding its existing NOLs is largely unaffected. Altice USA will be subject to the Tax Reform Bill's limitation on interest deductibility which is based on a limit calculated without regard to depreciation or amortization through 2021. The resulting interest deduction that is deferred, and can be carried forward indefinitely, is expected to fully reverse. However, as is the case with any future deductible temporary difference, management will evaluate the extent to which it can be realized and determine whether a valuation allowance is required. Management does not expect that a valuation allowance will be required based on its preliminary estimate of the current facts and circumstances.

## 23.2. Deferred tax

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

| Components of deferred tax balances (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Employee benefits | 361.3 | 410.4 |
| Other temporary non-deductible provisions | 229.2 | 201.0 |
| Fair value adjustment (derivative) | 256.2 | 124.3 |
| Difference between tax and accounting depreciation[1] | (6,214.9) | (10,180.4) |
| Other temporary tax deductions | 237.2 | 96.9 |
| Net operating losses and tax carry forwards | 2,590.9 | 3,113.6 |
| Valuation allowance on tax losses and tax carry forwards | (1,432.6) | (1,459.7) |
| Valuation allowance on defered tax asset | (225.4) | (266.6) |
| **Total** | **(4,198.0)** | **(7,960.7)** |
| ***Comprising:*** | | |
| Deferred tax assets | 157.3 | 113.6 |
| Deferred tax liabilities | (4,355.2) | (8,074.3) |

1 In 2017, the decrease in the line 'Difference between tax and accounting depreciation' is mainly related to the effect of the US tax reform as described above.

| Variation in deferred tax balances (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Opening balance** | **(7,960.7)** | **(2,440.2)** |
| Deferred tax on income | 2,875.0 | 505.2 |
| Deferred tax on shareholder's equity | 189.7 | 199.8 |
| Change in consolidation scope | (18.5) | (5,873.0) |
| Currency translation adjustment | 716.6 | (352.4) |
| **Closing balance** | **(4,198.0)** | **(7,960.7)** |

## 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:

| Variation in deferred tax balances (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Within one year | 0.2 | 2.5 |
| Between two and five years | 42.2 | 9.7 |
| More than five years | 801.3 | 1,455.6 |
| Unlimited | 1,747.2 | 1,645.8 |
| **Net operating losses and tax carry forward, gross** | **2,590.9** | **3,113.6** |
| Valuation allowance | (1,432.6) | (1,459.7) |
| **Net operating losses and tax carry forward, net** | **1,158.3** | **1,653.8** |

Net operating losses and tax carry forward were related mainly to holding companies as well as SFR Group, PT Portugal and the subsidiaries in the US. The decrease in net operating losses and tax carry forward was largely related to the effect of the US tax reform as described above. The Group does not believe that the unrecognized deferred tax losses can be used

given the Group's current structure, but the Group will continue exploring opportunities to offset these against any future profits that the Company or its subsidiaries may generate.

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

## 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, 2017 and that have had or that may have a significant effect on the financial position of the Group.

### *23.4.1. SFR Group*

#### 23.4.1.1. *NC Numericable*

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

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

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

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

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

#### 23.4.1.2. *SFR*

In a proposed adjustment received on December 23, 2014, the tax authorities had contested the merger of Vivendi Telecom International (VTI) and SFR dated December 12, 2011 and therefore intended to challenge SFR's inclusion in the Vivendi tax consolidation group for fiscal year 2011. The tax authorities thus intended to tax SFR separately from the Vivendi tax consolidation group, leading to a corporate tax of €711 million (principal) plus late interest and surcharges amounting to €663 million, for a total adjustment of €1,374 million. In November 2017, the proposed tax adjustment has been dropped by the tax authorities and therefore the provision has been reversed (see note 23.1).

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.

#### *23.4.2. Dominican Republic*

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

#### *23.4.3. 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.

## 24. Other operating expenses

| **Operating expenses (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Technical and maintenance costs | (1,451.4) | (1,344.4) |
| Customer services | (738.4) | (826.6) |
| Business Taxes | (314.7) | (308.6) |
| Sales and marketing expenses | (1,149.6) | (942.2) |
| General and administrative expenses | (613.7) | (511.1) |
| **Total** | **(4,267.8)** | **(3,932.9)** |

## 25. Equity based compensation

For the year ended December 31, 2017, the Group recorded €282.2 million as expenses related to stock options in the line item "staff costs and employee benefits" (2016: €85.1 million):

- €251.6 million at Altice USA (2016: €62.3 million)
- €28.6 million at Altice N.V (2016: €18.8 million),
- €2.0 million at SFR Group (2016: €4.0 million).

Increase in stock compensation expense is mainly due to Altice USA, as a result of the significant increase in fair value due to the Altice USA IPO, increase vesting of options and in 2017 a full year of stock compensation is included versus 6 months of compensation expense in 2016.

Details of the plans across the 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 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 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.

#### 25.1.1.1. *Grants of options under the stock option plans*

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

In addition, the General Meeting 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.

Non-Executive Board Members 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.

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 may, upon recommendation of the Remuneration Committee, 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, based on a recommendation of the Remuneration Committee (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.

#### 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:

| | **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, 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 favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

### *25.1.2. Altice USA carried unit plan*

In 2016 and 2017, certain employees of Altice USA and its affiliates received awards of units in a Carried Unit Plan of an entity which has an ownership interest in Altice USA.

The awards generally will vest as follows:

- 50% on the second anniversary of June 21, 2016 for Cablevision employees and December 21, 2015 for Cequel employees ("Base Date"),

- 25% on the third anniversary of the Base Date, and
- 25% on the fourth anniversary of the Base Date.

Prior to the fourth anniversary, Altice USA has the right to repurchase vested awards held by employees upon their termination. Beginning on the fourth anniversary of the Base Date, the holders of carry units have an annual opportunity to sell vested units back to Altice USA.

As the employees have the option to sell the shares back to Altice USA in exchange for cash proceeds, the plan is accounted for as a cash settled equity plan and hence recorded as a liability on the balance sheet at its fair value. The fair value is revised at each reporting period and the difference in fair value is reported as an expense/income in the consolidated statement of profit and loss.

The carry unit plan has 259,442,785 units authorized for issuance, of which 211,670,834 have been issued to employees of Altice USA and 11,300,000 have been issued to employees of the Group as of December 31, 2017.

The weighted average fair value per unit was $1.76 and $2.50 as of December 31, 2016 and December 31, 2017, respectively. For the years ended December 31, 2017 and 2016, Altice USA recognized an expense of $57.4 million and $14.4 million respectively, related to the push down of share-based compensation related to the carry unit plan.

#### *25.1.3. Altice USA Long Term Incentive Plan*

In connection with Altice USA's IPO, Altice USA adopted the Altice USA 2017 Long Term Incentive Plan (the " Altice USA 2017 LTIP"). Under the Altice USA 2017 LTIP, Altice USA may grant awards of options, restricted shares, restricted share units, stock appreciation rights, performance stock, performance stock units and other awards. Under the Altice USA 2017 LTIP, awards may be granted to officers, employees and consultants of Altice USA or any of its affiliates. The Altice USA 2017 LTIP will be administered by the Altice USA's Board of Directors (the "Altice USA Board"). The Altice USA Board has delegated its authority to the Altice USA's Compensation Committee. The Compensation Committee has the full power and authority to, among other things, select eligible participants, to grant awards in accordance with the Altice USA 2017 LTIP, to determine the number of shares subject to each award or the cash amount payable in connection with an award and determine the terms and conditions of each award. The maximum aggregate number of shares that may be issued under the Altice USA 2017 LTIP is 9,879,291. The Altice USA Board has the authority to amend, suspend, or terminate the Altice USA 2017 LTIP. No amendment, suspension or termination will be effective without the approval of the Altice USA's stockholders if such approval is required under applicable laws, rules and regulations.

On December 30, 2017, Altice USA granted 5,110,747 non-qualified stock options under the Altice USA 2017 LTIP. The stock options were granted with an exercise price of $19.48, equal to the 30-day volume weighted average of the closing price of Altice USA Class A common stock as of the grant date. Certain non-qualified stock options (2,730,949 awards) will vest 100% on December 21, 2020 and 2,379,798 awards will vest 50% on the second anniversary, 25% on the third anniversary and 25% on the fourth anniversary of the date of grant, generally subject to continued employment with Altice USA or any of its affiliates and expire ten years from the date of grant. As the employees have the option to sell the shares back to Altice USA in exchange for cash proceeds, the plan is accounted for as a cash settled equity plan and hence recorded as a liability on the balance sheet at its fair value. The fair value is revised at each reporting period and the difference in fair value is reported as an expense/income in the consolidated statement of profit and loss.

In light of Mr. Drahi's significant and ongoing direct contributions to the development and implementation of the Altice USA strategic vision, on December 30, 2017, nonqualified options to purchase 600,604 shares of Altice USA Class A common stock were granted under the Altice USA 2017 LTIP to a personal holding company that is wholly owned and controlled by Mr. Drahi. The options have a grant date fair value of $5.3 million.

#### *25.1.4. 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 Group's various stock option plans are provided in the following tables:

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

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

| Altice USA - carried unit plan | Number granted (m) | Weighted average exercise price (€) |
|---|---|---|
| **Options outstanding as at January 1, 2016** | **202.8** | **0.4** |
| Granted | - | - |
| Exercised | - | - |
| Cancelled, lapsed | - | - |
| **Options outstanding as at December 31, 2017** | **202.8** | **0.4** |
| Granted | 28.0 | 3.1 |
| Exercised | (44.4) | 0.4 |
| Cancelled, lapsed | (7.9) | 0.4 |
| **Options outstanding as at December 31, 2017** | **178.5** | **0.7** |

| Altice USA - 2017 LTIP | Number granted (m) | Weighted average exercise price ($) |
|---|---|---|
| **Options outstanding as at December 31, 2016** | **-** | **-** |
| Granted | 5.1 | 19.48 |
| Exercised | - | - |
| Cancelled, lapsed | - | - |
| **Options outstanding as at December 31, 2017** | **5.1** | **19.48** |

### 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 for which changes in these assumptions could

materially affect the fair value of the options outstanding. In addition to the fair value on grant date, the carry unit plan in Altice USA is remeasured to its fair value at each reporting period.

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

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

| Altice USA | December, 2017 |
|---|---|
| Units granted (million) | 5.11 |
| Expiry date | December 2027 |
| Unit fair value at the grant date ($) | 8.77 |
| Share price at the grant date ($) | 21.23 |
| Exercise price of the option ($) | 19.48 |
| Anticipated volatility (weighted average) | 34% |
| Anticipated dividends | n/a |
| Risk free interest rate (governments bonds) | 2.30% |

| Altice USA | July, 2016 | September, 2016 |
|---|---|---|
| Units granted (million) | 198.55 | 4.25 |
| Expiry date | July, 2020 | September, 2020 |
| Unit fair value at the grant date ($) | 0.37 | 0.52 |
| Share price at the grant date ($) | n/a | n/a |
| Exercise price of the option ($) | n/a | n/a |
| Anticipated volatility (weighted average) | 60.00% | 60.00% |
| Anticipated dividends | n/a | n/a |
| Risk free interest rate (governments bonds) | 0.74% | 0.74% |

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.

## 26. Depreciation, amortization and impairment losses

| Depreciation, amortization and impairment losses (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Amortization of intangible assets | (4,007.5) | (2,821.2) |
| Depreciation of tangible assets | (2,945.1) | (2,754.1) |
| Impairments | (8.7) | (1.6) |
| **Depreciation, amortization and impairment** | **(6,961.3)** | **(5,576.9)** |

The main increase in depreciation and amortization expenses is related to the accelerated amortization of brand name and customer relations (€881.8 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. 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.

In addition to accelerated amortization on the brand names, the results of 2017 include a full year of expenses for Cablevision (now a subsidiary of Altice USA); the full year results include an additional €733.2 million recorded in 2017 compared to the prior year.

## 27. Net finance costs

| **Net finance costs (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Interests charges on borrowings | (3,387.4) | (3,136.6) |
| Mark-to-market effect on borrowings | (300.6) | (114.7) |
| **Interest relative to gross financial debt** | **(3,688.0)** | **(3,251.3)** |
| Other financial expenses | (450.3) | (343.1) |
| Net foreign exchange gains/(losses) | - | (11.5) |
| Impairment of available for sale financial assets | - | (2.5) |
| **Other financial expenses** | **(450.3)** | **(357.1)** |
| Interest income | 16.7 | 16.0 |
| Other financial income | 470.6 | 168.7 |
| **Finance income** | **487.3** | **184.7** |
| **Net result on extinguishment of financial liabilities** | **(199.4)** | **(338.6)** |
| **Finance costs, net** | **(3,850.4)** | **(3,762.3)** |

### 27.1. 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 interest expense of Altice USA of €154.5 million, primarily due to the inclusion of the full twelve months of interest for Cablevision which was partially offset by the depreciation of the US dollar against euro,
- 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)
- an increase in the facility at Altice Corporate Financing of €150.0 million, leading to an increase in interest expense of €35.3 million.

As of December 31, 2017, the pre-tax weighted average cost of debt of the Group was 5.9% (2016: 6.0%).

### 27.2. Other financial expenses

The significant contributors to other financial expenses in 2017 were:

- Altice USA recorded a net loss of €277.7 million, largely related to:
  - the change in fair value of the derivatives associated with the Comcast shares (€122.9 million, please also refer to note 9.1.1),
  - €86.2 million related the change in fair value of synthetic derivatives, where during 2016, no synthetic instruments existed, and
  - realized losses on derivative contracts of €86.2 million.
- 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

### 27.3. Financial income

The significant contributors to other financial income in 2017 were:

- Altice USA recorded a net gain of €219.0 million, largely related to change in fair value of Comcast shares (refer to note 9.1.1). The gain in 2016 was €127.6 million.
- 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).

### 27.4. Net result on extinguishment of financial liabilities

As discussed in note 17.1.3 there were several refinancing transactions completed during the year ended December 31, 2017. In total, a loss on extinguishment of debt of €199.4 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:

- €65.7 million for the US refinancing (refer to note 17.1.3.1)
- €36.2 million was recognized in relation to the Altice Financing refinancing in March (refer to note 17.1.3.2)
- €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 17.1.3.3).

## 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.

| Average workforce | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Managers | 12,493 | 12,375 |
| Technicians | 8,765 | 10,223 |
| Employees | 25,885 | 27,134 |
| **Total** | **47,143** | **49,732** |

The decrease in average workforce (FTE) compared to 2016 was mainly due to 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.

In addition, further reduction in average workforce (FTE) was caused by restructuring in Altice USA (please refer to note 4.4.2.2.) and Altice Portugal.

## 29. Related party transactions and balances

Transactions with related parties are mainly related to transactions with non-controlling interests in Altice USA (2016 related), transactions with associates of the various operating entities of the Group, such as SFR Group, 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,
- significant debt transactions with minority shareholders in Altice USA and other transactions with the controlling shareholder of the Group (discussed in more detail later in this note),
- 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.

In addition to the transactions mentioned above, certain managers and executives have acquired equity in Altice USA as part of the management investment plan that Altice USA established.

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 25). In light of Mr. Drahi's significant and ongoing direct contributions to the development and implementation of the Altice USA strategic vision, on December 30, 2017, nonqualified options to purchase 600,604 shares of Altice USA Class A common stock were granted under the Altice USA 2017 LTIP to a personal holding company that is wholly owned and controlled by Mr. Drahi. The options have a grant date fair value of $5.3 million. Stock compensation expense for these options were zero as the grant date was on December 30, 2017. A total operating expense with its equity holder of €53.1 million and €41.3 million was recognised in the consolidated statement of income for the year ended December 31, 2017 and December 31, 2016, respectively.

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

| **Related party transactions - income and expense** | **December 31, 2017** | | | | |
|---|---|---|---|---|---|
| **(€m)** | **Revenue** | **Operating expenses** | **Financial expenses** | **Financial income** | **Capex** |
| Equity holders | - | 53.1 | - | - | - |
| Executive managers | - | - | - | - | - |
| Associate companies and non-controlling interests | 142.0 | 137.5 | 29.0 | 1.0 | 14.3 |
| **Total** | **142.0** | **190.7** | **29.0** | **1.0** | **14.3** |

| **Related party transactions - income and expense** | **December 31, 2016** | | | | |
|---|---|---|---|---|---|
| **(€m)** | **Revenue** | **Operating expenses** | **Financial expenses** | **Financial income** | **Capex** |
| Equity holders | - | 41.3 | - | - | - |
| Executive managers | - | - | - | - | - |
| Associate companies and non-controlling interests | 130.3 | 104.5 | 31.9 | - | - |
| **Total** | **130.3** | **145.8** | **31.9** | **-** | **-** |

| **Related party balances - assets** | **December 31, 2017** | | | **December 31, 2016** | | |
|---|---|---|---|---|---|---|
| **(€m)** | **Loans and receivables** | **Trade receivables and other** | **Current accounts** | **Loans and receivables** | **Trade receivables and other** | **Current accounts** |
| Equity holders | 11.3 | - | - | - | - | - |
| Executive managers | - | - | - | - | - | - |
| Associate companies and non-controlling interests | 72.6 | 44.5 | 11.4 | 121.2 | 36.9 | - |
| **Total** | **83.9** | **44.5** | **11.4** | **121.2** | **36.9** | **-** |

| **Related party balances - liabilities** | **December 31, 2017** | | | **December 31, 2016** | | |
|---|---|---|---|---|---|---|
| **(€m)** | **Other financial liabilities** | **Trade payables and other** | **Current accounts** | **Other financial liabilities** | **Trade payables and other** | **Current accounts** |
| Equity holders | - | 4.0 | - | - | 12.0 | - |
| Executive managers | - | - | - | - | - | - |
| Associate companies and non-controlling interests | - | 70.3 | 0.4 | 3,805.2 | 5.9 | - |
| **Total** | **-** | **74.3** | **0.4** | **3,805.2** | **17.9** | **-** |

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

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

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

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

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

In addition to this, for the year ended December 31, 2017, the Group recorded an operating expense of €52.8 million related to management fees invoiced and stock compensation expense by its controlling shareholder, Next Alt, as part of a brand license and services agreement enter into in 2016. 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 financial expense of €29.0 million mainly relates to interest on the loan with BC Partners and CPPIB amounting to €24.0 million for both BC Partners and CPPIB for the first six months of 2017, as the loan was settled as part of the Altice USA IPO.

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.

During 2016 there was a transaction with an entity controlled by the controlling shareholder to sell a €9.0 million stake ($10 million equivalent) in CVC 1 B.V. The transaction was completed on July 1, 2016 and the amount was recorded as a current receivable as of December 31, 2016. During 2017 this receivable was repaid as part of the Altice USA IPO.

The decrease in other financial liabilities is mainly related to:

- capitalization of the debt issued by Neptune Holding Corporation and subscribed by the non-controlling interests in CVC 2 B.V. for an amount of €498.1 million ($525 million equivalent) as part of the Altice USA IPO in 2017;
- unwinding of the put with minority shareholders in CVC 2 B.V. valued at €2.8 billion as of December 31, 2016;
- repayment of CVC 1 B.V. note including accrued interest of €220.5 million with dividends received from the Altice USA IPO; and

- 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.

The total amount of transactions with the controlling shareholder of the Group amounted to €558.1 million as per December 31, 2017 (including future operating leases in France with Quadrans).

## 29.1. Compensation of key management personnel and Board members

### *29.1.1. Board members*

Compensation paid to members of the Board of Directors of the Company is listed below. As per the guidelines of remuneration policy of the Company, compensation paid to executive members of the Board has a fixed and variable component that is determined and approved by the general meeting of the Company, upon a proposal of the Board based on a recommendation of the remuneration committee. Board members receive compensation from the Company for their roles on the Board, as follows:

| Board Member | Amount (€) |
|---|---|
| President | 200,000 |
| Vice-President | 150,000 |
| CEO | 180,000 |
| CFO | 160,000 |
| Other Executive Board Member | 150,000 |

The compensation of Non-Executive Board Members is set at €65,000 per annum per Non-Executive Board Member with further fixed fees payable to reflect additional responsibilities and time commitment, such as chairmanship of Board committees. The members of the Audit Committee and the Remuneration Committee currently receive additional fees of €20,000 and €5,000 per annum respectively. The chairmen of the Audit Committee and the Remuneration Committee currently receive additional fees of €30,000 and €20,000 per annum respectively. The chairman of the Board currently receives additional compensation of €25,000 per annum.

Details of amounts paid to directors for the year ended December 31, 2017 are provided in the following table:

| Directors' remuneration | Period on the Board | Fixed fee | Additional fee for services to the Group | Annual cash bonus | Other benefits & LPP collective plan | Committee fees | Equity based compensation | Total |
|---|---|---|---|---|---|---|---|---|
| Dexter Goei | January 1 - December 31 | 200,000 | 433,931 | 5,309,265 | 631,848 | - | 45,683,340 | 52,258,383 |
| Dennis Okhuijsen | January 1 - December 31 | 160,000 | 190,000 | 1,350,000 | 43,255 | - | 305,008 | 2,048,263 |
| A4 S.A. | January 1 - December 31 | 150,000 | - | - | - | - | - | 150,000 |
| Jurgen van Breukelen | January 1 - December 31 | 108,900 | - | - | - | 66,550 | - | 175,450 |
| Scott Matlock | January 1 - December 31 | 65,000 | - | - | - | 45,000 | - | 110,000 |
| Jean-Luc Allavena | January 1 - December 31 | 65,000 | - | - | - | 25,000 | - | 90,000 |
| Michel Combes | January 1 - November 9 | 165,000 | 360,500 | 2,847,043 | 45,131 | - | 3,229,824 | 6,647,498 |
| **Closing balance** | | **913,900** | **984,431** | **9,506,308** | **720,235** | **136,550** | **49,218,172** | **61,479,595** |

Mr. Combes stepped down from his position as Executive Board Member and CEO of the Company on November 9, 2017. In addition to the fees mentioned, Mr. Combes is due to receive a severance cash payment of a gross amount of €6 million, subject to the approval of the Company's general meeting to be held in 2018.

### *29.1.2. Key management personnel*

Key management personnel include the executive directors of the Company and certain other members of the executive management team. The remuneration of key management personnel during the year was as follows:

| Key management personnel (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Short-term benefits[1] | 14.5 | 14.8 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Share-based payments | 60.1 | 14.3 |
| Termination benefits | - | - |
| **Total[2]** | **74.6** | **29.1** |

1 Includes an amount of €3.9 million paid during 2016 that related to the 2015 financial year.

2 In addition to the Company's executive directors, the Group considers Mr. Jérémie Bonnin, Mr. Michel Combes (until departure), Mr. Patrick Drahi and Mr. Alain Weill as key management personnel.

### *29.1.3. Equity based compensation*

The following tables summarizes the stock options granted to Executive Board Members under the different option plans (see note 25.1 for a description of the different stock option plans):

*SOP* [(1)].

| Name | Grant date | Tranches | Number of options granted | Current status | Exercise price (€) | Value at the grant date (€) | Value at vesting (€) | Vesting[2] |
|---|---|---|---|---|---|---|---|---|
| | | First (50%) | 5,309,734 | Vested | 7.1 | 0 | 32,800,882 | January 31, 2016 |
| D. Goei | January 31, 2014 | Second (25%) | 2,654,867 | Vested | 7.1 | 0 | 35,090,705 | January 31, 2017 |
| | | Third (25%) | 2,654,867 | Vested | 7.1 | 0 | 4,230,530 | January 31, 2018 |
| | | First (50%) | 733,810 | Vested | 13.6 | 3,594,201 | 4,881,671 | January 31, 2017 |
| D. Okhuijsen[3] | January 31, 2015 | Second (25%) | 366,905 | Vested | 13.6 | 1,797,100 | 0 | January 31, 2018 |
| | | Third (25%) | 366,905 | Unvested | 13.6 | 1,797,100 | N/A | January 31, 2019 |
| | | First (50%) | 1,418,104 | Unvested | 17.0 | 0 | N/A | Date of the 2018 AGM[(4)] |
| M. Combes[4] | January 31, 2016 | Second (25%) | 709,052 | Cancelled | 17.0 | 0 | N/A | N/A |
| | | Third (25%) | 709,052 | Cancelled | 17.0 | 0 | N/A | N/A |

1 The share option plan of Altice S.A. ("SOP SA") came into effect on January 31, 2014. The Company, as surviving entity in the Merger, has adopted a stock option plan which has replaced the SOP SA as of the effective date of the Merger, under (substantially) the same conditions as applicable to the SOP SA. Each option granted under the SOP SA was exchanged for four options, each entitling to one Common Share A in the share capital of the Company, at 25% of the applicable exercise price under the SOP SA.

2 Vested options can be exercised at any time until the 10th anniversary of the grant date.

3 On January 30, 2014, the board of directors of Altice S.A. decided to grant to Mr. Okhuijsen €10 million worth of options on the first anniversary, and €10 million worth of options on the second anniversary, of the initial public offering of Altice S.A. In March 2015, the remuneration committee of Altice S.A., based on a recommendation from the management, resolved to grant all €20 million worth of options to Mr. Okhuijsen retroactively on January 31, 2015.

4 Mr. Combes stepped down from his position as Executive Board Member and CEO on November 9, 2017. As part of his severance package, and subject to the approval of the 2018 AGM, Mr. Combes will be entitled to exercise 50% of the stock options which were granted to him under the SOP for a period of four years following the 2018 AGM.

### *2017 SOP*

On November 2, 2017, the Board, upon recommendation of the Remuneration Committee, adopted the 2017 SOP. Board Members are not eligible for participation in the 2017 SOP.

### *Long-Term Incentive Plan*

| Name | Grant date | Number of options granted | Current status | Exercise price (€) | Value at the grant date (€) | Value at vesting (€) | Vesting[1] |
|---|---|---|---|---|---|---|---|
| D. Goei | January 31, 2016 | 755,287 | Unvested | 13.2 | 0 | N/A | January 31, 2019 |
| | January 31, 2017 | 516,416 | Unvested | 19.4 | 472,934 | N/A | January 31, 2020 |
| D. Okhuijsen | January 31, 2017 | 129,104 | Unvested | 19.4 | 118,233 | N/A | January 31, 2020 |

1 Vested options can be exercised at any time until the 10th anniversary of the grant date.

*2017 LTIP*

On November 2, 2017, the Board, upon recommendation of the Remuneration Committee, adopted the 2017 LTIP. Board Members are not eligible for participation in the 2017 LTIP.

*PSOP*

| Name | Grant date | Number of options granted | Current status | Exercise price (€) | Value at the grant date (€) | Value at vesting (€) | Vesting[1] |
|---|---|---|---|---|---|---|---|
| D. Okhuijsen | January 31, 2017 | 516,416 | Unvested | 19.4 | 0 | N/A | 2021 (subject to performance conditions) |
| M. Combes[2] | January 31, 2017 | 1,032,833 | Cancelled | 19.4 | 0 | N/A | N/A |

1 Vested options can be exercised at any time until the 10th anniversary of the grant date.
2 Mr. Combes stepped down from his position as Executive Board Member and CEO on November 9, 2017. His stock options under the PSOP were cancelled on that date, in accordance with the terms and conditions of the PSOP.

*US carried interest plan*

The following table summarizes the Class C Units granted to Mr. Goei under the US Carried Interest Plan.

| Name | Grant date | Tranches | Number of Class C Units granted | Current status | Value (€) | Vesting |
|---|---|---|---|---|---|---|
| D. Goei | July 13, 2016 | First (50%) | 5,650,000 | Redeemed in shares of Altice USA Class A common stock on December 21, 2017 | 5,000,000 | December 21, 2017 |
| | | Second (25%) | 2,825,000 | Unvested | 2,500,000 | December 21, 2018 |
| | | Third (25%) | 2,825,000 | Unvested | 2,500,000 | December 21, 2019 |
| | July 13, 2016 | N/A | 10,000,000 | Unvested | 9,034,200 [1] | 2020 (subject to performance conditions) |
| | February 13, 2017 | N/A | 10,600,000 | Unvested | 9,379,516 [2] | January 31, 2020 |

1 $10 million. For calculation purposes, the average exchange rate of U.S. dollars into euros for the year ended December 31, 2016 was used ($1.00 = €0.90342).
2 $10.6 million. For calculation purposes, the average exchange rate of U.S. dollars into euros for the year ended December 31, 2017 was used ($1.00 = €0.88486).

*Altice USA 2017 Long Term Incentive Plan*

Altice USA adopted the Altice USA 2017 long-term incentive plan in 2017 in connection with the Altice USA IPO. The following table summarizes the stock options granted to Mr. Goei under the AUSA LTIP.

| Name | Grant date | Number of US options granted | Current status | Exercise price ($) | Value at the grant date ($) | Value at vesting ($) | Vesting(1) |
|---|---|---|---|---|---|---|---|
| D. Goei | December 30, 2017 | 1,201,208 | Unvested | $19.48 | 23,400,000 | N/A | December 21, 2020 |

1 Vested options can be exercised at any time until the 10th anniversary of the grant date

## 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).

| 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 | 3,129.0 | 2,323.7 | 2,915.3 | 586.3 | **8,954.3** |
| Investment commitments | 750.6 | 416.1 | 656.2 | 256.3 | **2,079.2** |
| Guarantees given to suppliers/customers | 51.1 | 14.1 | 33.6 | 68.0 | **166.8** |
| Guarantees given to financial institutions | 10.9 | 18.1 | 97.3 | 44.6 | **170.9** |
| Guarantees given to government agencies | 41.4 | 1.9 | 13.0 | 67.0 | **123.3** |
| Indemnities related to sales of businesses | - | - | - | - | **-** |
| Other commitments | 54.5 | 2.1 | 3.3 | 71.9 | **131.8** |
| **Total** | **4,037.5** | **2,776.0** | **3,718.7** | **1,094.1** | **11,626.3** |

| Unrecognised contractual commitments December 31, 2016 | < 1 year | Between 1 and 2 years | Between 2 and 4 years | Five years or more | Total |
|---|---|---|---|---|---|
| Goods and service purchase commitments | 2,704.3 | 2,074.8 | 2,815.9 | 1,061.0 | **8,656.0** |
| Investment commitments | 628.0 | 52.1 | 36.4 | 106.6 | **823.1** |
| Guarantees given to suppliers/customers | 4.9 | .5 | 2.5 | 64.8 | **72.7** |
| Guarantees given to financial institutions | 25.3 | .8 | 17.2 | 142.0 | **185.3** |
| Guarantees given to government agencies | 24.0 | 20.5 | 27.4 | 72.4 | **144.3** |
| Indemnities related to sales of businesses | - | - | - | - | **-** |
| Other commitments | 57.4 | 6.7 | 8.5 | 30.9 | **103.5** |
| **Total** | **3,443.9** | **2,155.4** | **2,907.9** | **1,477.7** | **9,984.9** |

### 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:

- Altice USA: commitments primarily include contractual commitments, for an amount of €7,006.9 million, with various programming vendors to provide video service to Altice USA customers. Amounts reflected relate to programming agreements and are based on the number of subscribers receiving the programming as of December 31, 2017 multiplied by the per subscriber rates or the stated annual fee, as applicable, contained in executed agreements in effect as of December 31, 2017.
- 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.

### 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).

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

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

### 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 €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.) and letters of commitments given by Altice USA to insurance and financial institutions for €97.3 million.

### 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. At Altice USA, guarantees were given to government agencies for an amount of €39.0 million.

### 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 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.

#### *30.7.2. 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).

## 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 shall incur expenses, and the magnitude of these expenses can be reliably estimated. Where the Group is not able to reliably measure the financial effect, the litigation is disclosed as a contingent liability.

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

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

This note details the Group's significant ongoing legal disputes as at December 31, 2017. Tax disputes as at December 31, 2017 are described in note 23.

## 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. As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, Omea Telecom and EI Telecom (NRJ Mobile) brought suit against SFR in the Commercial Court for damages. In accordance with the transaction between SFR and Bouygues Telecom in June 2014, the closing hearing of the conciliation proceedings was held on December 5, 2014. The motion for discontinuance granted on September 11, 2014 ended the legal action between the two companies. With respect to the claim by Omea Telecom (€67.9 million) and EI Telecom (€28.6 million), SFR applied for stay on a ruling pending the decision of the Paris Court of Appeal and obtained it. Omea withdrew on May 24, 2016. EI Telecom decided to recommence its legal proceedings and updated its loss to €28.4 million. The procedure is pending.

### *31.1.2. 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.

### *31.1.3. 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.

### *31.1.4. Complaint by Orange Réunion and Orange Mayotte against SRR and SFR*

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

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

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

31.1.4.2.*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.

31.1.4.3.*Compensation disputes*

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

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

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

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

### *31.1.5. 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.

### *31.1.6. 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.

#### *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. 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.

#### *31.1.9. 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.

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

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

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

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

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

*31.1.11. 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.

*31.1.12. 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.

*31.1.13. 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.

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

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

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

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

*31.1.15. 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.

*31.1.16. 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.

### *31.1.17. 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.

### *31.1.18. 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 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.
- Inform, within 90 days following the date of the judgment notification, each client having subscribed to SFR or NC to an offer including the term « fibre » (excluding FFTH offers) that they benefit from a possibility of immediate termination to default of previous information about the exact characteristics of the offer.
- €0.1 million as article 700.

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

### *31.1.19. Familles Rurales against SFR*

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

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

### *31.1.20. Tracetel and Intermobility against SFR: Velib*

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

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

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

### *31.1.22. 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.

### *31.1.23. 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.

### *31.1.24. Litigation between Sequalum and CG 92 regarding DSP 92*

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

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

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

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

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

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

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

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

*31.1.25. 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.

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

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

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

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

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

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

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

*31.1.27. 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.

## 31.2. United States

### *31.2.1. Cable Consumer litigation*

Following expiration of the affiliation agreements for carriage of certain Fox broadcast stations and cable networks on October 16, 2010, News Corporation terminated delivery of the programming feeds to Cablevision, and as a result, those stations and networks were unavailable on Cablevision's cable television systems. On October 30, 2010, Cablevision and Fox reached an agreement on new affiliation agreements for these stations and networks, and carriage was restored. Several purported class action lawsuits alleging breach of contract, unjust enrichment, and consumer fraud and seeking unspecified compensatory damages, punitive damages and attorneys' fees were subsequently filed on behalf of Cablevision's customers seeking recovery for the lack of Fox programming. Those lawsuits were consolidated in an action before the U. S. District Court for the Eastern District of New York, and a consolidated complaint was filed in that court on February 22, 2011. On March 28, 2012, in ruling on Cablevision's motion to dismiss, the Court dismissed all of plaintiffs' claims, except for breach of contract. On March 30, 2014, the Court granted plaintiffs'motion for class certification. The parties have entered into a settlement agreement. The Court granted preliminary approval of the settlement agreement on January 8, 2018 and set a hearing for final approval on May 17, 2018. As of December 31, 2016, the Company had an estimated liability associated with a potential settlement totaling $5.2 million. During the year ended December 31, 2017, Altice USA recorded an additional liability of $0.8 million. The amount ultimately paid in connection with the proposed settlement could exceed the amount recorded.

In October 2015, the New York Attorney General began an investigation into whether the major Internet Service Providers in New York State deliver advertised Internet speeds. The Company is cooperating with this investigation and is currently in discussions with the New York Attorney General about resolving the investigation as to the Company, which resolution may involve operational and/or financial components. While the Company is unable to predict the outcome of the investigation or these discussions, at this time it does not expect that the outcome will have a material adverse effect on its operations, financial conditions or cash flows.

The Company receives notices from third parties and, in some cases, is named as a defendant in certain lawsuits claiming infringement of various patents relating to various aspects of the Company's businesses. In certain of these cases other industry participants are also defendants. In certain of these cases the Company expects that any potential liability would be the responsibility of the Company's equipment vendors pursuant to applicable contractual indemnification provisions. The Company believes that the claims are without merit and intends to defend the actions vigorously but is unable to predict the outcome of these matters or reasonably estimate a range of possible loss.

In addition to the matters discussed above, the Company is party to various lawsuits, some involving claims for substantial damages. Although the outcome of these other matters cannot be predicted and the impact of the final resolution of these other matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not believe that the resolution of these other lawsuits will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

## 31.3. Portugal

### *31.3.1. European Commission's Investigation*

After having approved the acquisition of PT Portugal by the Group on April 20, 2015, the European Commission initiated an investigation into infringement by the Group of the obligation of prior notification of concentrations under Article 4(1) of the Merger Regulation and/or of the stand-still obligation laid down in Article 7(1) of the Merger Regulation. The European Commission issued a statement of objections on May 18, 2017, informing the Group of the objections raised against it. The issuance of a statement of objections does not prejudge the outcome of the investigation and does not affect the approval granted by the European Commission for the acquisition of PT Portugal by the Group.

The Group disagrees with the European Commission's preliminary conclusions and submitted on August 18, 2017 its answer to the statement of objections, in which it challenged each of the Commission's claims. A hearing took place in Brussels on September 21, 2017. In the absence of any guidelines regarding the methodology applicable to the settings of fines with respect to gun jumping infringements and in the absence of any gun jumping precedent at European Union level, it is not possible at this early stage to provide any estimate of financial penalty, if any. No provision was recorded as of December 31, 2017.

### *31.3.2. 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 was not yet informed on whether the Constitutional Court Conference will accept and analyse the appeal.

### *31.3.3. TV Tel - Restricted access to the telecommunication ducts*

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

### *31.3.4. 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.

#### *31.3.5. 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.

#### *31.3.6. 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.

#### *31.3.7. Municipal taxes and rights-of-way*

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

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

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

#### *31.3.8. Invesfundo II - Disposal of plots of land*

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

## 32. Going concern

As of December 31, 2017, the Group had net current liability position of €7,346.4 million (mainly due to trade payables amounting to €8,368.8 million) and a negative working capital of €3,036.8 million. During the year ended December 31, 2017, the Group registered a net loss of €194.8 million and generated cash flows from operations of €8,065.4 million.

As of December 31, 2017, the Group had a negative equity position of €581.0 million compared to a negative equity positions of €2,339.6 million as at December 31, 2016. The negative equity position improved from the prior period due to the cancellation of the put options of €2,812.3 million held by the minority investors in the US.

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;

€4,870.6 million compared to €8,368.8 million for the twelve-month period ended December 31, 2017, as compared to €4,600.5 million and €7,713.4 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 Altice USA €1,300.1 million and HOT Telecom €199.0 million due within the next twelve months. In January 2018, CSC Holdings entered into a new $1,500 million incremental term loan facility, which will mature on January 25, 2026. Of the net proceeds from the incremental term loan, $900 million will be used to repay the CSC Holdings' debentures maturing later in 2018. For additional information, please also refer to section 34.2 *"Events after the reporting period - Issuance of Cablevision's $1,500 million incremental term loans.* 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, the revolving credit facilities at Altice USA and Altice Financing were drawn in an aggregate of €494.3 million. A listing of available credit facilities by silo is provided in note 17 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 €9,413.0 million, an increase of 16.4% compared to the same period last year. This increase in Adjusted EBITDA is mainly due to the integration of newly acquired entities (please refer to note 3 in the Consolidated Financial Statements).
  - Operating cash flows for the twelve-month period ended December 31, 2017 were €8,065.4 million, an increase of 15.2% compared to the twelve-month period ended December 31, 2016 (€7,003.0 million).
- The Group had healthy unrestricted cash reserves €1,239.0 million as of December 31, 2017, compared to €1,109.1 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
  - United States: €228 million
  - Altice International: €253 million
- The Group will use part of the proceeds from the expected cash dividend of $1,008 million to be received from Altice USA for the repayment of a portion of outstanding borrowings under the Bank Guarantee Agreement (The "Bank Guarantee Agreement", dated as of July 21, 2017, between, among others, Altice Corporate Financing as the Additional Borrower, the Company as Parent Guarantor, Altice Group Lux S. à r. l. as the Additional Guarantor, J.P. Morgan Limited and BNP Paribas as mandated lead arrangers, J.P. Morgan Securities PLC and BNP Paribas as issuing banks, BNP Paribas as security agent and J.P. Morgan Europe Limited as facility agent). For further details please also refer to section 34.1 *"Separation of Altice USA from its controlling stockholder, Altice N.V.*" below.
- Additionally, as of December 31, 2017, the Group had access to revolving credit and guarantee facilities of up to €4,440.3 million (of which €494.3 million was drawn as of December 31, 2017) and has access to an equity market where it can issue additional equity.

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

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

*Separation of Altice USA from the Company*

On January 8, 2018, the Company announced that its Board of Directors has approved plans for the separation of Altice USA from the Company (which will be renamed "Altice Europe"). The separation is to be affected by a spin-off of the Company's 67.2% interest in Altice USA through a distribution in kind to the Company's shareholders. Simultaneously, the Board of Directors of Altice USA, acting through its independent directors, approved in principle the payment of a $1.5 billion cash dividend to all shareholders immediately prior to completion of the separation. The Company will use €625 million of its $1,008 million of proceeds received in the Altice USA dividend to repay a portion of outstanding borrowings under the Bank Guarantee Agreement and will retain approximately €275 million on balance sheet to provide funding for the Altice TV division. For further information, please also refer to section 34.1 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, Altice N.V."*.

At the core of Altice Europe's strategy is a return to revenue, profitability and cash flow growth and, as a result, deleveraging. Altice Europe 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 Europe 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 the French and Portuguese Towers is underway, with the signing of an agreement expected during the first half year of 2018.

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

- the 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
- 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 Europe'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.

## 33. Auditors' remuneration

Audit fees paid to the Group's auditors (Deloitte) were:

| **Audit fees (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---:|---:|
| Audit services | 5.5 | 5.1 |
| Other assurance services | 0.2 | 1.0 |
| Non-audit services | 3.3 | 2.6 |
| **Total** | **9.0** | **8.7** |

## 34. Events after the reporting period

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

On January 8, 2018, the Company 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. The Company aims to complete the proposed transaction by the end of the second quarter 2018 following regulatory and the General Meeting’s approvals.

The separation is to be affected by a spin-off of the Company’s 67.2% interest in Altice USA (the distribution will exclude the shares of Altice USA indirectly owned by the Company through Neptune Holding US LP) through a distribution in kind to the Company’s shareholders. Following this proposed transaction, the two companies will be led by separate management teams. Mr. Drahi, founder of Altice, will retain control of both companies through Next Alt S.à r.l. (“Next Alt”) and is committed to long-term ownership. Post-separation, Mr. Drahi will serve as President of the Board of Altice Europe and Chairman of the Board of Altice USA.

Simultaneously, the Board of Directors of Altice USA, acting through its independent directors, approved in principle the payment of a $1.5 billion cash dividend to all shareholders immediately prior to completion of the separation (the “Pre-Distribution Dividend”). Formal approval of the Pre-Distribution Dividend and setting of a record date are expected to occur in the second quarter of 2018. The Company will use €625 million of the approximately $1,008 million of proceeds received from the Pre-Distribution Dividend to prepay a portion of outstanding borrowings under the Bank Guarantee Agreement and will retain approximately €275 million as cash on balance sheet. In addition, the Board of Directors of Altice USA has authorized a share repurchase program of $2 billion, effective following completion of the separation.

In the spirit of enhanced accountability and transparency, the Company will reorganize its structure comprising Altice France (including the French Overseas Territories), Altice International and a newly formed Altice TV subsidiary. This will include integrating the Group’s support services businesses into their respective markets and bundling Altice Europe’s premium content activities into one separately funded operating unit with its own P&L. The Company’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.

### 34.2. Issuance of Cablevision’s $1,500 million incremental term loans

On January 12, 2018, CSC Holdings successfully priced, for the Cablevision credit pool, $1,500 million of 8-year incremental term loans under the 2015 Cablevision credit facility agreement. The term loans were issued at OID of 99.50 and are due to mature in January 2026. The term loans may be comprised of eurodollar borrowings or alternate base rate borrowings, and will bear interest at a rate per annum equal to the adjusted LIBO rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 1.50% per annum and (ii) with respect to any eurodollar loan, 2.50% per annum. The term loans were drawn on January 25, 2018. The proceeds of the term loans were used, together with proceeds from CSC Holdings’ offering of new 2018 Cablevision

senior guaranteed notes, borrowings under the 2015 Cablevision revolving credit facility and cash on balance sheet, to (i) refinance all of CSC Holdings' 7⅞% senior debentures due 2018, (ii) make a dividend to Cablevision, the direct parent of CSC Holdings, which used the proceeds to refinance all of Cablevision's 7¾% senior notes due 2018, (iii) temporarily repay approximately $450.0 million of outstanding borrowings under the 2015 Cablevision revolving credit facility, (iv) fund a dividend of $1,500 million to Cablevision and (v) pay fees, costs and expenses associated with these transactions. Cablevision will use the proceeds referred to in (iv) above to fund a dividend to its parent, Altice USA, which will in turn use such proceeds to fund the Pre-Distribution Dividend.

### 34.3. Issuance of Cablevision's $1,000 million Senior Guaranteed Notes due 2028

On January 12, 2018, CSC Holdings successfully priced $1,000 million in aggregate principal amount of senior guaranteed notes due 2028. The 2018 Cablevision senior guaranteed notes bear interest at a rate of 5.375% and are due to mature on February 1, 2028. The offering closed on January 29, 2018. The proceeds of the 2018 Cablevision senior guaranteed notes will be used, together with proceeds from the $1,500 million of incremental term loans borrowed under the 2015 Cablevision credit facility agreement (as described above) to (i) refinance all of CSC Holdings' 7⅞% senior debentures due 2018, (ii) make a dividend to Cablevision, the direct parent of CSC Holdings, which used the proceeds to refinance all of Cablevision's 7¾% senior notes due 2018, (iii) temporarily repay approximately $450.0 million of outstanding borrowings under the 2015 Cablevision revolving credit facility, (iv) fund a dividend of $1,500 million to Cablevision and (v) pay fees, costs and expenses associated with these transactions.

### 34.4. Cancellation of treasury shares of Altice N.V.

On January 26, 2018, the Board of Altice NV resolved to cancel 370,000,000 common shares A held by the Company, in addition to the 416,000,000 common shares A and 1,307,716 common shares B that it resolved to cancel on December 4, 2017.

### 34.5. 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.

### 34.6. 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.

### 34.7. Issuance of $1,050 million Senior Notes due 2018

On March 22, 2018, Cequel Communications Holdings I, LLC and Cequel Capital Corporation successfully priced $1,050 million in aggregate principal amount of senior notes due 2028. The Notes will bear interest at a rate of 7.500% and are due to mature on April 1, 2028. The offering is expected to close on or about April 5, 2018, subject to customary closing conditions. The proceeds from the offering, together with cash on hand, are expected to be used to redeem the $1,050 million aggregate principal amount outstanding of the co-issuers existing 6.375% senior notes due 2020 and to pay fees, costs and expenses in connection therewith.

## 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 N.V. | Netherlands | Parent entity | Parent entity |
| 1111 Stewart Corporation | USA | FC | 70.2% |

| Name of subsidiary | Country of incorporation | Method of consolidation | Economic Interest |
|---|---|---|---|
| 2 SIP S.A.S. | France | FC | 100.0% |
| 4connections LLC | USA | FC | 70.2% |
| A Nous Paris S.A.S | France | FC | 100.0% |
| A R H, Ltd. | USA | FC | 70.2% |
| Alsace Connexia S.A.S. | France | FC | 70.0% |
| Altice Africa S.à r.l | Luxembourg | FC | 100.0% |
| Altice B2B France S.A.S. | France | FC | 100.0% |
| 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 | 76.0% |
| Altice Content S.à r.l | Luxembourg | FC | 100.0% |
| Altice Corporate Financing S.à r.l | Luxembourg | FC | 100.0% |
| Altice Customer Services S.à r.l | Luxembourg | FC | 65.0% |
| Altice Dominicana, S.A. | Dominican Republic | FC | 100.0% |
| 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 Group Lux S.à r.l | Luxembourg | 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 Luxembourg S.A | Luxembourg | FC | 100.0% |
| Altice Management Americas Corporation | USA | FC | 100.0% |
| Altice Management International S.A. | Switzerland | FC | 100.0% |
| Altice Media Events S.A.S. | France | FC | 100.0% |
| Altice Media Publicite S.A.S. | France | FC | 100.0% |
| Altice Media Solutions Corporation | USA | FC | 70.2% |
| 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 B.V. | Netherlands | FC | 70.0% |
| Altice Technical Services Corporation | USA | FC | 70.0% |
| Altice Technical Services S.A. | Luxembourg | FC | 51.0% |
| Altice US Cable Holdings S.à r.l | Luxembourg | FC | 100.0% |
| Altice US Finance I Corporation | USA | FC | 70.2% |
| Altice US Finance S.A. | Luxembourg | FC | 100.0% |
| Altice USA Employee Disaster Relief Fund | USA | FC | 70.2% |
| Altice USA Wireless, Inc. | USA | FC | 70.2% |
| Altice USA, Inc. | USA | FC | 70.2% |
| Altice West Europe S.à r.l. | Luxembourg | FC | 100.0% |
| A-R Cable Services - NY Inc. | USA | FC | 70.2% |
| Ariège Telecom S.A.S. | France | FC | 100.0% |
| Atento Maroc S.A. | Morocco | FC | 65.0% |
| ATS Home Security Installers, LLC | USA | FC | 70.2% |
| Auberimmo S.A.S. | France | FC | 100.0% |
| Audience Partners Canada, Inc. | Canada | FC | 70.2% |
| Audience Partners, LLC | USA | FC | 70.2% |
| Audience Partners Worldwide LLC | USA | FC | 70.2% |
| Audience Square S.A.S. | France | EM | 17.8% |
| Auto Venda Já, S.A. | Portugal | EM | 50.0% |
| B3G International B.V. | Netherlands | FC | 100.0% |
| BFM Business TV SASU | France | FC | 37.0% |
| BFM Paris SASU | France | FC | 37.0% |
| BFM Sport SASU | France | FC | 37.0% |
| BFMTV SASU | France | FC | 37.0% |
| BRTLC Holding S.A (previously Portugal Telecom Brasil, S.A.) | Portugal | FC | 100.0% |
| BRTLC Media, Ltda. (previously Pt Multimédia.Com Brasil, Ltda.) | Portugal | FC | 100.0% |
| Business FM SASU | France | FC | 37.0% |
| Buyster S.A. | France | EM | 25.2% |

| Name of subsidiary | Country of incorporation | Method of consolidation | Economic Interest |
|---|---|---|---|
| Buzzeff Holding | Luxembourg | FC | 16.5% |
| Cable Systems, Inc. | USA | FC | 70.2% |
| Cablevision Lightpath CT LLC | USA | FC | 70.2% |
| Cablevision Lightpath NJ LLC | USA | FC | 70.2% |
| Cablevision Lightpath, Inc. | USA | FC | 70.2% |
| Cablevision NYI L.L.C. | USA | FC | 70.2% |
| Cablevision Of Brookhaven, Inc. | USA | FC | 70.2% |
| Cablevision Of Hudson County, LLC | USA | FC | 70.2% |
| Cablevision Of Litchfield, Inc. | USA | FC | 70.2% |
| Cablevision Of Monmouth, LLC | USA | FC | 70.2% |
| Cablevision Of New Jersey, LLC | USA | FC | 70.2% |
| Cablevision Of Newark | USA | FC | 70.2% |
| Cablevision Of Oakland, LLC | USA | FC | 70.2% |
| Cablevision Of Ossining Limited Partnership | USA | FC | 70.2% |
| Cablevision Of Paterson, LLC | USA | FC | 70.2% |
| Cablevision Of Rockland/Ramapo, LLC | USA | FC | 70.2% |
| Cablevision Of Southern Westchester, Inc. | USA | FC | 70.2% |
| Cablevision Of Wappingers Falls, Inc. | USA | FC | 70.2% |
| Cablevision Of Warwick, LLC | USA | FC | 70.2% |
| Cablevision Real Estate Corporation | USA | FC | 70.2% |
| Cablevision Systems Brookline Corporation | USA | FC | 70.2% |
| Cablevision Systems Corporation | USA | FC | 70.2% |
| Cablevision Systems Dutchess Corporation | USA | FC | 70.2% |
| Cablevision Systems East Hampton Corporation | USA | FC | 70.2% |
| Cablevision Systems Great Neck Corporation | USA | FC | 70.2% |
| Cablevision Systems Huntington Corporation | USA | FC | 70.2% |
| Cablevision Systems Islip Corporation | USA | FC | 70.2% |
| Cablevision Systems Long Island Corporation | USA | FC | 70.2% |
| Cablevision Systems New York City Corporation | USA | FC | 70.2% |
| Cablevision Systems Suffolk Corporation | USA | FC | 70.2% |
| Cablevision Systems Westchester Corporation | USA | FC | 70.2% |
| Cap Connexion S.A.S. | France | FC | 100.0% |
| Cebridge Acquisition, L.P. | USA | FC | 70.2% |
| Cebridge Acquisition, LLC | USA | FC | 70.2% |
| Cebridge Connections Finance Corp. | USA | FC | 70.2% |
| Cebridge Connections, Inc. | USA | FC | 70.2% |
| Cebridge Corporation | USA | FC | 70.2% |
| Cebridge General, LLC | USA | FC | 70.2% |
| Cebridge Limited, LLC | USA | FC | 70.2% |
| Cebridge Telecom CA, LLC | USA | FC | 70.2% |
| Cebridge Telecom General, LLC | USA | FC | 70.2% |
| Cebridge Telecom ID, LLC | USA | FC | 70.2% |
| Cebridge Telecom IN, LLC | USA | FC | 70.2% |
| Cebridge Telecom KS, LLC | USA | FC | 70.2% |
| Cebridge Telecom KY, LLC | USA | FC | 70.2% |
| Cebridge Telecom LA, LLC | USA | FC | 70.2% |
| Cebridge Telecom Limited, LLC | USA | FC | 70.2% |
| Cebridge Telecom MO, LLC | USA | FC | 70.2% |
| Cebridge Telecom MS, LLC | USA | FC | 70.2% |
| Cebridge Telecom NC, LLC | USA | FC | 70.2% |
| Cebridge Telecom NM, LLC | USA | FC | 70.2% |
| Cebridge Telecom OH, LLC | USA | FC | 70.2% |
| Cebridge Telecom OK, LLC | USA | FC | 70.2% |
| Cebridge Telecom TX, L.P. | USA | FC | 70.2% |
| Cebridge Telecom VA, LLC | USA | FC | 70.2% |
| Cebridge Telecom WV, LLC | USA | FC | 70.2% |
| Cequel Capital Corporation | USA | FC | 70.2% |
| Cequel Communications Access Services, LLC | USA | FC | 70.2% |
| Cequel Communications Holdco, LLC | USA | FC | 70.2% |
| Cequel Communications Holdings I, LLC | USA | FC | 70.2% |
| Cequel Communications Holdings II, LLC | USA | FC | 70.2% |
| Cequel Communications Holdings, LLC | USA | FC | 70.2% |
| Cequel Communications II, LLC | USA | FC | 70.2% |

| Name of subsidiary | Country of incorporation | Method of consolidation | Economic Interest |
|---|---|---|---|
| Cequel Communications III, LLC | USA | FC | 70.2% |
| Cequel Communications, LLC | USA | FC | 70.2% |
| Cequel Corporation | USA | FC | 70.2% |
| Cequel III Communications I, LLC | USA | FC | 70.2% |
| Cequel III Communications II, LLC | USA | FC | 70.2% |
| CID S.A. | France | FC | 100.0% |
| City Call Ltd | Mauritius | FC | 98.0% |
| Classic Cable Of Lousiana, L.L.C. | USA | FC | 70.2% |
| Classic Cable Of Oklahoma, Inc. | USA | FC | 70.2% |
| Classic Cable, Inc. | USA | FC | 70.2% |
| Classic Communications, Inc. | USA | FC | 70.2% |
| Coalition Group SAS | France | EM | 25.0% |
| 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 | 100.0% |
| Comstell S.A.S. | France | FC | 50.0% |
| Contact Cabo Verde - Telemarketing E Serviços De Informação, S.A. | Portugal | FC | 100.0% |
| Cool Holdings Limited S.A. | Israel | FC | 100.0% |
| Coram Route 112 Corporation | USA | FC | 70.2% |
| CPA Lux S.à r.l. | Luxembourg | FC | 100.0% |
| CSC Acquisition Corporation | USA | FC | 70.2% |
| CSC Acquisition-Ma, Inc. | USA | FC | 70.2% |
| CSC Acquisition-Ny, Inc. | USA | FC | 70.2% |
| CSC Gateway, LLC | USA | FC | 70.2% |
| CSC Holdings, LLC | USA | FC | 70.2% |
| CSC Investments LLC | USA | FC | 70.2% |
| CSC Mvdds LLC | USA | FC | 70.2% |
| CSC Nassau II, LLC | USA | FC | 70.2% |
| CSC Optimum Holdings, LLC | USA | FC | 70.2% |
| CSC T Holdings I, Inc. | USA | FC | 70.2% |
| CSC T Holdings II, Inc. | USA | FC | 70.2% |
| CSC T Holdings III, Inc. | USA | FC | 70.2% |
| CSC T Holdings IV, Inc. | USA | FC | 70.2% |
| CSC Technology, LLC | USA | FC | 70.2% |
| CSC TKR, LLC | USA | FC | 70.2% |
| CSC Transport II, Inc. | USA | FC | 70.2% |
| CSC Transport III, Inc. | USA | FC | 70.2% |
| CSC Transport, Inc. | USA | FC | 70.2% |
| CSC VT, Inc. | USA | FC | 70.2% |
| CVC 1 B.V. | Netherlands | FC | 100.0% |
| CVC 2 B.V. | Netherlands | FC | 100.0% |
| CVC 3 B.V. | Netherlands | FC | 100.0% |
| Debitex Telecom S.A.S. | France | FC | 100.0% |
| Decovery S.A.S | France | FC | 100.0% |
| Deficom Telecom S.à r.l. | Luxembourg | FC | 74.0% |
| Diversite TV France S.A.S. | France | FC | 19.0% |
| DTV Norwich LLC | USA | FC | 70.2% |
| 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 | 100.0% |
| Excell Communications, Inc. | USA | FC | 70.2% |
| Fischer Telecom S.A.S. | France | EM | 34.0% |
| FOD SND | France | FC | 100.0% |
| Foncière Rimbaud 1 S.A.S. | France | EM | 50.0% |
| Foncière Rimbaud 2 S.A.S. | France | EM | 50.0% |
| Foncière Rimbaud 3 S.A.S. | France | EM | 50.0% |
| Foncière Rimbaud 4 S.A.S. | France | EM | 50.0% |

| Name of subsidiary | Country of incorporation | Method of consolidation | Economic Interest |
|---|---|---|---|
| Foncière Velizy Sci | France | FC | 100.0% |
| Forum De L'investissement S.A. | France | FC | 100.0% |
| Friendship Cable Of Arkansas, Inc. | USA | FC | 70.2% |
| Friendship Cable Of Texas, Inc. | USA | FC | 70.2% |
| Frowein Road Corporation | USA | FC | 70.2% |
| Futur Telecom S.A.S. | France | FC | 100.0% |
| Global Interlink, LTD. | Bahamas | FC | 100.0% |
| Gravelines Network S.A.S. | France | FC | 100.0% |
| 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 | 100.0% |
| Groupe News Participations S.A.S. | France | FC | 37.2% |
| Groupe Outremer Telecom | France | FC | 98.0% |
| Groupe Tests Holding SASU | France | FC | 37.0% |
| H. Hadaros 2012 Ltd | Israel | FC | 100.0% |
| Haut-Rhin Telecom S.A.S. | France | FC | 100.0% |
| Holco A S.A.S. | France | FC | 100.0% |
| Holco B S.A.S. | France | FC | 100.0% |
| Hornell Television Services, Inc. | USA | FC | 70.2% |
| Hot Eidan Israel Cable System 1987 Ltd | Israel | FC | 100.0% |
| Hot Mobile Ltd | Israel | FC | 100.0% |
| Hot Net Internet Services Ltd | Israel | FC | 100.0% |
| Hot Telecom Ltd | Israel | FC | 100.0% |
| Hot Telecom Ltd Partnership | Israel | FC | 100.0% |
| Hot Telecommunications Systems Ltd | Israel | FC | 100.0% |
| Hungaro Digitel Kft (Hdt) | Portugal | EM | 44.6% |
| I24 News B.V. | Netherlands | FC | 100.0% |
| I24 News France | France | FC | 100.0% |
| I24 News S.à r.l. | Luxembourg | FC | 100.0% |
| I24 News US Corporation | USA | FC | 100.0% |
| I24 US, LLC | USA | FC | 75.0% |
| 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 | 60.0% |
| 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 | 70.0% |
| Irisé S.A.S. | France | FC | 25.0% |
| Isère fibre SASU | France | FC | 100.0% |
| Isracable Ltd | Israel | FC | 100.0% |
| Janela Digital-Informática E Telecomunicações, Lda | Portugal | EM | 50.0% |
| Kingwood Holdings, LLC | USA | FC | 70.2% |
| Kingwood Security Services, LLC | USA | FC | 70.2% |
| La Banque Audiovisuelle S.A.S. | France | FC | 37.0% |
| La Poste Telecom S.A.S. | France | EM | 49.0% |
| LD Communications Italie Srl | Italy | FC | 100.0% |
| LD Communications Suisse SA | Switzerland | FC | 100.0% |
| L'express Ventures S.A.S. | France | FC | 68.5% |
| Liberation Medias SARL | France | FC | 100.0% |
| Liberation SARL | France | FC | 100.0% |
| Lightpath Voip, LLC | USA | FC | 70.2% |
| Loiret Thd S.A.S. | France | FC | 100.0% |
| Ltbr S.A. | France | FC | 100.0% |
| Macs Thd S.A.S. | France | FC | 100.0% |
| Manche Telecom S.A.S. | France | FC | 70.0% |
| Martinique TV Cable SA | France | FC | 100.0% |
| MCS S.A.S. | France | FC | 100.0% |
| Medi@Lys S.A.S. | France | FC | 70.0% |

| Name of subsidiary | Country of incorporation | Method of consolidation | Economic Interest |
|---|---|---|---|
| Media Consumer Group S.A. | France | FC | 100.0% |
| Meo-Serviços De Comunicações E Multimédia, S.A. | Portugal | FC | 100.0% |
| Mercury Voice And Data, LLC | USA | FC | 70.2% |
| Middle East News Ltd | Israel | FC | 100.0% |
| Milibris S.A. | France | FC | 100.0% |
| Mobius S.A.S. | France | FC | 100.0% |
| Moselle Telecom Part. S.A.S. | France | FC | 56.0% |
| Moselle Telecom S.A.S. | France | FC | 39.0% |
| Msgvn LLC | USA | FC | 70.2% |
| Multicert - Serviços De Certificação Electrónica, S.A. | Portugal | EM | 20.0% |
| N12n LLC | USA | FC | 70.2% |
| NC Numericable S.A.S. | France | FC | 100.0% |
| 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 | 37.0% |
| Newco C SASU | France | FC | 37.0% |
| Newco E SASU | France | FC | 37.0% |
| Newco G SASU | France | FC | 37.0% |
| News 12 Company | USA | FC | 70.2% |
| News 12 Connecticut LLC | USA | FC | 70.2% |
| News 12 Networks LLC | USA | FC | 70.2% |
| News 12 New Jersey Holding LLC | USA | FC | 70.2% |
| News 12 New Jersey II Holding LLC | USA | FC | 70.2% |
| News 12 New Jersey LLC | USA | FC | 70.2% |
| News 12 The Bronx Holding LLC | USA | FC | 70.2% |
| News 12 The Bronx, LLC | USA | FC | 70.2% |
| News 12 Traffic And Weather LLC | USA | FC | 70.2% |
| News 12 Varsity Network LLC | USA | FC | 70.2% |
| News 12 Westchester LLC | USA | FC | 70.2% |
| Newsco Mag S.A.S | France | FC | 100.0% |
| Newsday Holdings LLC | USA | FC | 70.2% |
| Newsday LLC | USA | EM | 17.6% |
| Next Pictures SASU | France | FC | 37.0% |
| Next Radio TV SA | France | FC | 37.0% |
| Nextdev SASU | France | FC | 37.0% |
| Nextinteractive SASU | France | FC | 37.0% |
| Nextprod S.A.S. | France | FC | 37.0% |
| Nextrégie SASU | France | FC | 37.0% |
| NMG Holdings, Inc. | USA | FC | 70.2% |
| NPG Cable, LLC | USA | FC | 70.2% |
| NPG Digital Phone, LLC | USA | FC | 70.2% |
| ntelligis Holdings, LLC | USA | FC | 70.2% |
| Ntelligis, LLC | USA | FC | 70.2% |
| Numergy S.A.S. | France | FC | 100.0% |
| Numericable US LLC | USA | FC | 100.0% |
| Numericable US S.A.S. | France | FC | 100.0% |
| Ny Ov LLC | USA | FC | 70.2% |
| Ocealis S.A.S. | France | EM | 25.0% |
| Oise Numérique S.A.S. | France | FC | 100.0% |
| Omer Telecom Ltd | UK | FC | 100.0% |
| 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 | 100.0% |
| 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 SA (Brazil) (previously Portugal Telecom Inovação Brasil, S.A.) | Portugal | FC | 100.0% |
| OPS S.A.S. | France | FC | 98.0% |
| Orbis1, LLC | USA | FC | 70.2% |
| Outremer Télécom SAS | France | FC | 98.0% |
| Outremer-Telecom Ltée | Mauritius | FC | 98.0% |

| Name of subsidiary | Country of incorporation | Method of consolidation | Economic Interest |
|---|---|---|---|
| Outremer-Telecom Madagascar | Madagascar | FC | 98.0% |
| Ov LLC | USA | FC | 70.2% |
| Pays Voironnois Network SAS | France | FC | 100.0% |
| Petra Cablevision Corp. | USA | FC | 70.2% |
| Phi | Israel | EM | 50.0% |
| Pho Holding SASU | France | FC | 19.0% |
| PMP Holding S.A.S. | France | FC | 100.0% |
| Portugal Telecom Data Center, S.A. | Portugal | FC | 100.0% |
| Prélude et Fugue SAS | France | FC | 100.0% |
| Presse Media Participations S.A.S. | France | FC | 100.0% |
| Previsão-Sociedade Gestora De Fundos De Pensões, Sa | Portugal | FC | 82.1% |
| Princeton Video Image Israel, Ltd. | Israel | FC | 70.2% |
| 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% |
| Redgreen S.A. | Luxembourg | FC | 100.0% |
| Rennes Métropole Telecom S.A.S. | France | FC | 100.0% |
| Rhon'telecom S.A.S. | France | FC | 30.6% |
| Rimbaud Gestion B Sci | France | FC | 100.0% |
| RMC - BFM Production SASU | France | FC | 37.0% |
| RMC BFM Edition SASU | France | FC | 37.0% |
| RMC Découverte S.A.S. | France | FC | 37.0% |
| RMC S.A. Monegasque | France | FC | 37.0% |
| RMC Sport SASU | France | FC | 37.0% |
| S.G.P.I.C.E., S.A. (previously Yunit Serviços, S.A.) | Portugal | EM | 33.3% |
| Sadotel S.A.S. | Dominican Republic | FC | 30.6% |
| Samson Cablevision Corp. | USA | FC | 70.2% |
| Sequalum Participation S.A.S. | France | FC | 95.0% |
| Sequalum S.A.S. | France | FC | 100.0% |
| SFCM S.A. | France | FC | 100.0% |
| SFR Business Distribution (Ex. Cinq Sur Cinq SA) | France | FC | 100.0% |
| SFR Business Morocco S.A. (Ex. Telindus Morocco Sa) | Morocco | FC | 100.0% |
| SFR Collectivités S.A. | France | FC | 99.9% |
| SFR Développement S.A.S. | France | FC | 100.0% |
| SFR Distribution (Ex. SFD S.A.) | France | FC | 100.0% |
| SFR Group S.A. (now Altice France S.A.) | France | FC | 100.0% |
| SFR Participation SAS | France | FC | 100.0% |
| SFR Presse Distribution SAS | France | FC | 100.0% |
| SFR Presse SAS | France | FC | 100.0% |
| SFR S.A. | France | FC | 100.0% |
| SFR Service Client S.A. | France | FC | 65.0% |
| SHD S.A. | France | FC | 100.0% |
| SIG 50 S.A. | France | FC | 100.0% |
| Siresp, Gestão Redes Digitais Segurança E Emergência,S.A. | Portugal | EM | 30.6% |
| SL3TV, LLC | USA | FC | 70.2% |
| Smartshore SARL | Morocco | FC | 65.0% |
| SNC Les Manguiers | France | FC | 100.0% |
| SNTC | France | FC | 99.9% |
| Sofialys S.A.S. | France | EM | 23.8% |
| 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 | 37.0% |
| SRR SCS | France | FC | 100.0% |
| Sud Partner SARL | France | EM | 24.0% |
| Sudtel S.A. | Portugal | FC | 35.7% |

| Name of subsidiary | Country of incorporation | Method of consolidation | Economic Interest |
|---|---|---|---|
| Suffolk Cable Corporation | USA | FC | 70.2% |
| Suffolk Cable Of Shelter Island, Inc. | USA | FC | 70.2% |
| Suffolk Cable Of Smithtown, Inc. | USA | FC | 70.2% |
| Synerail Construction S.A.S. | France | EM | 40.0% |
| Synerail Exploitation S.A.S. | France | FC | 60.0% |
| Synerail S.A.S. | France | EM | 30.0% |
| TAT S.à r.l | Israel | FC | 26.0% |
| TCA Communications, LLC | USA | FC | 70.2% |
| 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 | 100.0% |
| Telerama, Inc. | USA | FC | 70.2% |
| Teloise S.A.S. | France | FC | 70.0% |
| The Marketing Group S.A.S. | France | FC | 65.0% |
| The New York Interconnect LLC | USA | FC | 70.2% |
| TME France S.A. | France | FC | 100.0% |
| Tnord S.A. | Portugal | FC | 30.6% |
| TRC Belgium Sprl | Belgium | FC | 28.5% |
| Tricom, S.A. | Dominican Republic | FC | 100.0% |
| Tristate Digital Group LLC | USA | FC | 70.2% |
| TWW S.A. | Morocco | FC | 65.0% |
| Universal Cable Holdings, Inc. | USA | FC | 70.2% |
| Valofibre S.A.S. | France | FC | 100.0% |
| Vod Factory S.A.S. | France | EM | 40.0% |
| W.K. Communications, Inc. | USA | FC | 70.2% |
| 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 | 37.0% |
| World Satellite Guadeloupe S.A. | France | FC | 100.0% |
| Ypso Finance S.à r.l. | Luxembourg | FC | 100.0% |
| Ypso France S.A.S. | France | FC | 100.0% |
| Zira Ltd. | Israel | EM | 20.0% |

## II. STANDALONE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

# Altice N.V.

# Company-only annual accounts for the year ended December 31, 2017

Altice N.V.
Prins Bernhardplein 200
1097JB Amsterdam
The Netherlands
Chamber of Commerce: 63329743

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## 1. Balance sheet

| Balance sheet (after appropriation of the result)<br>As at December 31, 2017<br>(€m) | Notes | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **Financial fixed assets** | | | |
| Participations in group companies | 4.1 | 10,766.0 | 9,206.4 |
| **Total financial fixed assets** | | **10,766.0** | **9,206.4** |
| **Current assets** | | | |
| Amounts due from group companies | 4.2 | 157.6 | 65.1 |
| Current tax assets | | - | 0.1 |
| Other receivables | | 0.1 | 0.1 |
| Cash | 4.3 | 200.9 | 1.7 |
| **Total current assets** | | **358.5** | **67.0** |
| **Total assets** | | **11,124.6** | **9,273.4** |
| **Shareholders' equity** | | | |
| Share capital: paid up and called up | 4.4 | 76.5 | 76.5 |
| Additional paid in capital | 4.5 | 10,379.9 | 9,118.7 |
| Other reserves | 4.6 | 78.5 | 49.9 |
| Retained earnings | 4.7 | 241.2 | (28.7) |
| **Total shareholders' equity** | | **10,776.1** | **9,216.4** |
| **Short-term liabilities** | | | |
| Amounts due to group companies | 4.9 | 331.6 | 41.7 |
| Accrued liabilities | 4.10 | 8.9 | 13.2 |
| Trade creditors | | 7.6 | 2.1 |
| Current tax liabilities | 4.11 | 0.4 | - |
| **Total short-term liabilities** | | **348.5** | **57.0** |
| **Total equity and liabilities** | | **11,124.6** | **9,273.4** |

## 2. Profit and loss account

| Profit and loss account<br>For the year ended December 31, 2017<br>(€m) | Notes | Year ended<br>December 31, 2017 | Year ended<br>December 31, 2016 |
|---|---|---|---|
| Net turnover | 5.1 | 52.7 | 60.2 |
| **Total operating income** | | **52.7** | **60.2** |
| Wages and salaries | 5.2 | (31.9) | (21.2) |
| Other operating expenses | 5.3 | (45.4) | (64.2) |
| **Total operating expenses** | | **(77.3)** | **(85.4)** |
| Interest expense and simialr charges | | (4.9) | (69.1) |
| Interest income and similar income | | 299.3 | 4.1 |
| **Finance income, net** | 5.4 | **294.4** | **(65.0)** |
| **Result before taxation** | | **269.8** | **(90.2)** |
| Taxation | | - | - |
| **Net result** | | **269.8** | **(90.2)** |

## 3. Notes to the Company-only annual accounts

**General accounting principles for the preparation of the annual accounts**

The company-only annual accounts have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. Altice N.V. (the “Company”) is the parent entity of the Altice N.V. consolidated group (the “Group”). The Group’s consolidated financial statements are prepared using IFRS. The annual accounts of the Company are prepared under Title 9, without using the option to apply the accounting principles the Company applied for preparation of its consolidated financial statements (combination 2).

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise.

Income and expenses are accounted for on accrual basis. Profit is only included when realised on the balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the annual accounts.

### 3.1 About the Company

The Company is a public limited liability company (“*Naamloze Vennootschap*”) incorporated in the Netherlands on May 18, 2015. The registered office of the Company is at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands, and its registered number with the Chamber of Commerce is 63329743. The objectives of the Company are to act as a holding company. The ultimate majority controlling shareholder of the Company is Patrick Drahi (via Next Alt S.à r.l., “Next Alt”); as of December 31, 2017, Next Alt held 60.31% of the share capital of the Company.

On November 9, 2017, the Group announced the reorganization of its management and governance structure, following the resignation of Michel Combes as the Company’s CEO, a Company’s Director, Altice USA Director and SFR Group Chairman and CEO. The management and governance structure as at 31 December 2017 was designed to better implement Altice's strategy, create clearer accountability amongst management and improve the operational and financial performance of the business. Please refer to note 6.2 for information on the new management and governance structure implemented in the 2018 financial year.

### 3.2 Financial instruments

Financial instruments include the primary financial instruments (such as receivables and debts). All financial instruments are recorded in the balance sheet. The notes to the annual accounts disclose the fair value of the related instrument if this deviates from the carrying amount.

For the principles of primary financial instruments, reference is made to the recognition per the line item of the balance sheet as per the ‘Principles for the valuation of assets and liabilities’.

### 3.3 Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing as of December 31, 2017 (the “balance sheet date”).

Transactions in foreign currency during the financial year are recognised in the annual accounts at the exchange rates prevailing at transaction date. Balances held in foreign currencies are translated at the closing rate on balance date. Exchange differences resulting from the translation of foreign currency amounts are recognised in profit or loss in net finance income.

### 3.4 Share-based payments

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 Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company 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 "other reserves".

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.

### 3.5 Estimates

The preparation of the annual accounts requires Management to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

### 3.6 Principles of valuation of assets and liabilities

#### 3.6.1 Financial fixed assets

*Participations in Group companies*

The Company has made use of article 389.9, Book 2 Civil code, which enables departure from valuing subsidiaries at equity value if the company forms part of an internationally entangled group that values its direct and indirect subsidiaries at cost less impairment.

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or diminution in value. 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).

The Company recognises dividends received in profit and loss, as a direct result of measuring its subsidiaries at cost less impairment. If the investment in subsidiaries where measured using the net asset value method, the dividends received would have been recognised in the balance sheet, reducing the cost price of the investment. Additional investment in subsidiaries measured at cost price are capitalized to the cost price of the investment.

Dividends received are recognised on the payment date and measured at the face value of the amount received.

#### 3.6.2. Receivables

Upon initial recognition the receivables are valued at fair value and subsequently measured at amortised cost. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Fair value is determined by reference to the market price at the end of the period, when the data is available. There are no instruments measured at fair value at the balance sheet date in these financial statements; all items are subsequently measured at amortized cost.

### 3.6.3 Cash

Cash is measured at face value. If cash is not freely disposable, this has been taken into account upon measurement.

### 3.6.4 Liabilities

Upon initial recognition, the loans and liabilities recorded are measured at their fair value and are subsequently measured at amortised cost.

## 3.7 Principles for the determination of the result

### 3.7.1 Net turnover

Net turnover represents amounts invoiced for services supplied during the financial year reported on, net of discounts and value added taxes.
Revenues from services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to December 31, 2017, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.

### 3.7.2 Wages and salaries

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.

### 3.7.3 Taxation

Corporate income tax is calculated at the applicable rate (2017: 25%; 2016: 25%) on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes. Deferred tax assets (if applicable) are recognised only to the extent that realisation is probable.

# 4. Notes to the balance sheet

## 4.1 Participations in Group companies

| Name of group company | Place of business | Note | Economic interest | Investment December 31, 2017 (€) | Investment December 31, 2016 (€) |
|---|---|---|---|---|---|
| Altice Group Lux S.à r.l. | Luxembourg, Luxembourg | 4.1.1 | 100.0% | 5,676.5 | 6,881.2 |
| CVC 1 B.V. | Amsterdam, the Netherlands | 4.1.2 | 100.0% | 3,863.2 | 1,679.8 |
| SFR Group S.A. | Paris, France | 4.1.3 | 100.0% | 1,216.2 | 645.3 |
| i24News B.V. | Amsterdam, the Netherlands | 4.1.4 | 100.0% | 10.0 | - |
| Altice Technical Services B.V. | Amsterdam, the Netherlands | 4.1.5 | 70.0% | 0.1 | 0.1 |
| Altice Management Americas Corporation | Wilmington, Delaware, United State: | 4.1.6 | 100.0% | - | - |
| | | | | **10,766.0** | **9,206.4** |

The movements in participations held in Group companies are as follows:

### 4.1.1 Altice Group Lux S.à r.l.

| *Altice Group Lux S.à.r.l., Luxembourg, Luxembourg* (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Opening balance | 6,881.2 | 5,985.4 |
| Contributions | - | 895.8 |
| Contribution of SFR Group S.A. shares | 1,099.4 | - |
| Share premium reduction | (1,232.8) | - |
| Repayment of capital | (1,071.4) | - |
| Closing balance | **5,676.5** | **6,881.2** |

The contribution of SFR Group S.A. shares relates to the contribution of 40 million shares as described in note 4.1.3. The share premium reduction and repayment of capital are related to the initial public offering (IPO) of Altice USA and internal restructuring pre-IPO.

### 4.1.2 CVC 1 B.V.

| *CVC 1 B.V., Amsterdam, The Netherlands* (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Opening balance | 1,679.8 | 950.6 |
| Contributions | 2,183.4 | 729.2 |
| Closing balance | **3,863.2** | **1,679.8** |

The Company's investment in CVC 1 B.V. increased by €2,183.4 million, as a result of the IPO of Altice USA in June 2017, partially as a result of internal transfers of Altice USA shares prior to the IPO and an intercompany loan provided to Altice USA.

### 4.1.3 SFR Group S.A.

| *SFR Group S.A., Paris, France* (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Opening balance | 645.3 | - |
| Acquisition shares | 1,670.3 | 645.3 |
| Contribution of shares to Altice Group Lux S.à.r.l. | (1,099.4) | - |
| Closing balance | **1,216.2** | **645.3** |

During the year ended December 31, 2017, the Company acquired an aggregate number of 53,574,173 (2016: 27,760,805) SFR Group shares in private off-market transactions. In consideration for these acquisitions, the Company delivered common shares A which it previously held as treasury shares. From April through June 2017, the Company contributed a total of 40,000,000 shares to Altice Group Lux S.à r.l. by an increase in share premium in Altice Group Lux S.à r.l.; these shares were subsequently contributed to Altice France.

As the Group held more than 95% of the share capital and voting rights of SFR Group, the Group filed a buyout offer with the French financial market authority, followed by a squeeze-out for the remaining SFR Group shares for a price of €34.50 per share, which was completed in October 2017. As of December 31, 2017, the Company held a total of 41,334,978 shares, which corresponds to 9.32% of the share capital and 9.23% of voting rights in SFR Group, while the Company and its subsidiaries own 100% of SFR Group shares and voting rights.

### 4.1.4 i24News B.V.

| *i24News B.V., Amsterdam, The Netherlands* (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Opening balance | - | - |
| Contributions | 10.0 | - |
| Closing balance | **10.0** | **-** |

During the year ended December 31, 2017, the Company contributed share premium of €10 million in cash to i24News B.V.

### 4.1.5 Altice Technical Services B.V.

| *Altice Technical Services B.V., Amsterdam, The Netherlands* (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Opening balance | 0.1 | - |
| Incorporation | - | 0.1 |
| Closing balance | **0.1** | **0.1** |

### 4.1.6 Altice Management Americas Corporation

| *Altice Management Americas Corporation, Delaware, United States* (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Opening balance | 0.0 | - |
| Contributions | - | 0.0 |
| Closing balance | **0.0** | **0.0** |

The Company has a $1 (US dollar) investment in Altice Management Americas Corporation. There were no changes during the year.

The management of the Company is of the opinion that no impairment is required on these investments.

### 4.2 Amounts due from Group companies

| **Amounts due from group companies** (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Altice Management International S.A. | 92.8 | 60.1 |
| Altice Technical Services B.V. | 41.7 | - |
| Redgreen S.A. | - | 4.6 |
| Altice Luxembourg S.A. | 0.4 | 0.2 |
| Altice Group Lux S.A. | 20.1 | 0.1 |
| Altice USA | 1.1 | - |
| SFR Group S.A. | 0.9 | - |
| Others | 0.6 | - |
| **Total** | **157.6** | **65.1** |

The amounts due from Group companies are all due from entities within the Company's control. None of these receivables are long-term in nature nor do they accrue any interest.

### 4.3 Cash

| Cash (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Current accounts | 200.9 | 1.7 |
| **Total** | **200.9** | **1.7** |

The current accounts are freely available to the Company.

### 4.4 Share capital paid up and called up

| Share capital paid up and called up December 31, 2017 | Total shares authorised (number) | Total capital authorised (€m) | Number of shares issued (number) | Value per share (cents) | Total capital issued (€m) |
|---|---|---|---|---|---|
| Common A shares | 8,899,142,150 | 89.0 | 1,572,352,225 | 0.01 | 15.7 |
| Common B shares | 269,884,872 | 67.5 | 243,035,949 | 0.25 | 60.8 |
| Preference A shares | 4,700,000,000 | 188.0 | - | 0.04 | - |
| Preference B shares | 150,000,000 | 1.5 | - | 0.01 | - |
| **Total** | **14,019,027,022** | **346.0** | **1,815,388,174** | | **76.5** |

| Share capital paid up and called up December 31, 2016 | Total shares authorised (number) | Total capital authorised (€m) | Number of shares issued | Value per share | Total capital issued (€) |
|---|---|---|---|---|---|
| Common A shares | 8,299,152,975 | 83.0 | 972,363,050 | 0.01 | 9.7 |
| Common B shares | 293,884,439 | 73.5 | 267,035,516 | 0.25 | 66.8 |
| Preference A shares | 4,700,000,000 | 188.0 | - | 0.04 | - |
| Preference B shares | 150,000,000 | 1.5 | - | 0.01 | - |
| **Total** | **13,443,037,414** | **346.0** | **1,239,398,566** | | **76.5** |

As of December 31, 2017, the Company's authorized capital is €345,962,639.50, divided into the following shares:

- 8,899,142,150 Common Shares A, each with a nominal value of €0.01;
- 269,884,872 Common Shares B, each with a nominal value of €0.25;
- 4,700,000,000 Preference Shares A, each with a nominal value of €0.04; and
- 150,000,000 Preference Shares B, each with a nominal value of €0.01.

As of December 31, 2017, the Company's issued share capital consists of €76,482,509.50, divided into:

- 1,572,352,225 Common Shares A, of which 624,077,513 are held by the Company as treasury shares; and
- 243,035,949 Common Shares B, of which 1,307,716 are held by the Company as treasury shares.

As of December 31, 2017, no Preference Shares A or Preference Shares B have been issued.

*Common Shares A and Common Shares B*

One Common Share A has one vote and one Common Share B has 25 votes. Common Shares A and Common Shares B must be paid up in full upon issuance and are equally entitled to dividends.

*Preference Shares A*

Each Preference A Share has four votes on all matters on which all voting shares have voting rights and, other than matters that require a class vote, form a single class with other voting shares in the capital of the Company for such purposes.

Pursuant to the Articles of Association, Preference Shares A may be issued against payment in cash of at least one quarter of their nominal value.

*Preference Shares B*

Each Preference Share B has one vote on all matters on which all voting shares have voting rights and, other than with respect to matters that require a class vote, form a single class with the other voting shares in the capital of the Company for such purposes.

Preference Shares B must be paid up in full upon issuance. Pursuant to the Articles of Association, the Board may at all times convert one or more Preference Shares B into one or more Common Shares A in accordance with the conversion ratio and other conditions as determined by the Board.

*Issuance of Shares*

Shares are issued pursuant to a resolution of the General Meeting or pursuant to a resolution of the Board, to the extent so authorized by the General Meeting for a specific period not exceeding five years. The General Meeting will, for as long as any such designation of the Board for this purpose is in force, remain authorized to resolve upon the issuance of Shares. Unless otherwise stipulated at its grant, the authorization cannot be withdrawn.

The Board is irrevocably authorized in the Articles of Association to issue Shares and to grant rights to subscribe for Shares up to the amount of the Company's authorized capital for a period of five years from August 8, 2015. This authorization of the Board will expire on August 8, 2020. After that period, Shares may be issued pursuant to (i) a resolution of the General Meeting, or (ii) a resolution of the Board, if so authorized by the General Meeting.

### 4.4.1 Treasury shares

The table below provides a reconciliation of treasury shares held by the Company and the movement for each period.

| Reconciliation of treasury shares | Note | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| **Opening** | | **107,324,976** | **25,400,064** |
| Share conversions | 4.4.1.1 | 575,989,608 | 125,873,400 |
| Shares exchanges | 4.4.1.2 | (80,230,333) | (43,948,488) |
| Share buybacks | 4.4.1.3 | 22,300,978 | - |
| **Closing** | | **625,385,229** | **107,324,976** |

*4.4.1.1 Share conversions*

For the year ended December 31, 2017, the Company received and executed conversion orders amounting to a total of 23,999,567 common shares B. Common shares B are converted to 25 common shares A; 1 common share A is retained by the shareholder while 24 common shares A are acquired by the Company for nil consideration and retained as treasury shares.

*4.4.1.2 Share exchanges*

The Company acquired an aggregate number of 53,574,173 SFR Group shares in private off-market transactions during the year. In consideration for the SFR Group shares acquired, the Company delivered 80,230,333 common shares A that it had previously held as treasury shares. The SFR Group shares were recognised at the price on acquisition, of which the total increase in the investment was €1,632.5 million for the year ended December 31, 2017 (refer to note 4.1.3).

*4.4.1.3 Share buybacks*

On June 28, 2017, the general meeting of shareholders authorised the Company to acquire shares in its own capital for a period of 18 months up to a maximum of 10% of the issued share capital at a price between the nominal value of the shares and 110% of the opening price at Euronext Amsterdam at the date of the acquisition.

On August 28, 2017, the Company announced that it commenced a share repurchase programme with the intention to purchase common shares A and common shares B on Euronext Amsterdam in open periods for an aggregate market value up to €1.0 billion.

On October 16, 2017, the Company announced that its existing share repurchase programme was suspended and that a new safe harbor programme to repurchase shares also in closed periods would commence on October 16, 2017 and continue until November 2, 2017 (inclusive). On November 3, 2017, the Company resumed its discretionary share repurchase activity.

As of December 31, 2017, the Company had acquired 20,993,262 common shares A and 1,307,716 common shares B for an aggregate amount of €371.3 million (comprising €369.9 million for shares and €1.4 million of associated expenses), recognised as a reduction in the Company's additional paid in capital (an average of €16.65 per share). As of December 31, 2017, all the repurchased shares were retained as treasury shares. The share repurchase programme forms part of the Company's strategy to create superior, long-term value for all of its shareholders. The total number of shares repurchased during the year amounts to 0.7% of the total share capital.

*Cancellation of treasury shares*

On December 4, 2017, the Board resolved to cancel 416,000,000 common shares A and 1,307,716 common shares B held as treasury shares. The cancellation of these shares was not effective as of December 31, 2017. It became effective on February 10, 2018. Had the cancellation been effective prior to the balance sheet date, the Company would have held 208,077,513 common shares A and zero common shares B as treasury shares as of December 31, 2017. Further, following share conversions in December 2017 and January 2018, which have the effect of increasing the number of treasury common shares A, on January 26, 2018, the Board resolved to cancel 370,000,000 additional common shares A.

## 4.5 Additional paid in capital

| **Additional paid in capital (€m)** | **Note** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|---|
| Opening balance | | 9,118.7 | 8,473.4 |
| Share buy back from share premium | 4.4.1.3 | (371.3) | - |
| Additional investments | 4.4.1.2 | 1,632.5 | 645.3 |
| **Total** | | **10,379.9** | **9,118.7** |

## 4.6 Other reserves

| **Other reserves (€m)** | **Note** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|---|
| Opening balance | | 49.9 | 31.2 |
| Stock option expense | 5.2 | 28.6 | 18.7 |
| **Total** | | **78.5** | **49.9** |

## 4.7 Retained earnings

| **Retained earnings (€m)** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Opening balance | (28.7) | 61.5 |
| Result for the period | 269.8 | (90.2) |
| **Total** | **241.2** | **(28.7)** |

The Board of Directors proposes to the general meeting that the result for the 2017 financial year amounting to €269,813,193 be transferred fully to other reserves and that no dividend be paid. This proposal has already been reflected in these financial statements.

## 4.8 Reconciliations to the consolidated financial statements

The difference between equity and net result according to the Company's annual accounts and those of the consolidated Group are due to the net asset value of entities consolidated into the Group's consolidated financial statements. No declaration of liability or other securities have been provided for the Company.

| | | *Reconciling items between consolidated equity and standalone equity* | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reconciliation of Group equity to Company-only equity** | **Group equity** | **Equity of group companies at date of merger** | **Merger with Altice S.A.** | **Transactions with non-controlling interests** | **Consolidated currency translation reserve** | **Consolidated cash Flow hedge reserve** | **Consolidated stock option plan** | **Consolidated available for sale reserve** | **Consolidated employee benefits reserve** | **Accumulated losses of Group companies** | **Dividends paid by Group companies** | **Other movements in equity** | **Total** | **Standalone equity** |
| Opening | (2,339.5) | (5,224.1) | 6,934.0 | 6,466.2 | (192.2) | 625.4 | (113.0) | (0.9) | 40.8 | 2,133.9 | 686.6 | 199.2 | 11,555.9 | 9,216.4 |
| Consolidated loss for the period | (194.8) | - | - | - | - | - | - | - | - | 464.6 | - | - | 464.6 | 269.8 |
| Transactions recorded in comprehensive income in consolidated accounts[1] | (364.1) | - | - | - | 477.5 | (136.3) | - | (0.7) | 23.6 | - | - | - | 364.1 | - |
| Share based payment | 42.7 | - | - | - | - | - | (14.1) | - | - | - | - | - | (14.1) | 28.6 |
| Dividends[2] | (259.8) | - | - | - | - | - | - | - | - | - | 259.8 | - | 259.8 | - |
| Transaction with non-controlling interests[3] | 2,949.9 | - | - | (1,317.3) | - | - | - | - | - | - | - | - | (1,317.3) | 1,632.5 |
| Other | (44.5) | - | - | - | - | - | - | - | - | - | - | 44.5 | 44.5 | - |
| Treasury shares | (370.1) | - | - | (1.2) | - | - | - | - | - | - | - | - | (1.2) | (371.3) |
| **Total closing** | **(580.3)** | **(5,224.1)** | **6,934.0** | **5,147.7** | **285.3** | **489.2** | **(127.2)** | **(1.7)** | **64.4** | **2,598.6** | **946.4** | **243.7** | **11,356.3** | **10,776.1** |

1. These transactions are recorded in other comprehensive income in the Group's consolidated financial statements, there are no such transactions in the Company.
2. Dividends paid by Group companies during the period, no dividends were paid by the Company.
3. The Company's transactions with non-controlling interests are mainly the SFR Group share exchange, as described in note 4.4.1.2

### 4.9 Amounts due to Group companies

| Amounts due to group companies (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Due to Altice Corporate Financing S.A. | 220.2 | 39.7 |
| Due to Altice Luxembourg SA | 68.1 | - |
| Due to Altice US Holding I S.C.A. | - | 1.0 |
| Due to Altice US Holding II S.à r.l | - | 1.0 |
| Due to Altice Technical Services B.V. | 41.7 | - |
| Due to Altice Management International S.A. | 1.6 | - |
| **Total** | **331.6** | **41.7** |

These liabilities all related to companies in which the Group has control. None of the payables were long-term in nature, they are repayable on demand and they do not bear interest.

### 4.10 Accrued liabilities

| Accrued liabilities (€m) | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Accruals | 8.7 | 12.0 |
| Other employee benefits | 0.2 | 1.2 |
| **Total** | **8.9** | **13.2** |

The current year accruals mainly relate to the expected final invoices of Redgreen S.A., following the cancellation of this project (also refer to note 5.3.1). None of these liabilities were long-term in nature.

During the 2016 financial year, accruals of €12.0m were recognized for the remainder of the fee to be paid under the brand license and services agreement (refer to note 5.3). The agreement was amended in 2017 and gave rise to the granting of stock options, refer to note 5.2. for details of the new grant.

### 4.11 Current tax liabilities

The current tax liabilities mainly consist of the VAT payable.

### 4.12 Non-recognised assets and liabilities and contingent assets and liabilities

***Fiscal unity for corporate income tax***
As of April 1, 2016, the Company is head of a fiscal unity with CVC 1 B.V. for corporate income tax purposes.
The Company is charged as if it were liable for corporate income tax, unless the corporate income tax payable for the fiscal unity does not result in a payable position. The Company is charged as if it were liable for all liabilities of the fiscal unity as a whole. In case CVC 1 B.V. cannot pay its income tax position, the Dutch Tax Authorities will charge the Company for this.

## 5. Notes to the profit and loss account

### 5.1 Net turnover

| Net turnover (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Recharge: Stock option plan | 28.6 | 18.7 |
| Recharge: Next Alt fees | 4.0 | 41.3 |
| Management fees | 20.1 | 0.2 |
| **Total** | **52.7** | **60.2** |

The Company receives revenues from companies across the Group, largely based in Switzerland and Luxembourg. The main contributors to revenue were the:

- recharge of the expense associated with the Company's stock option plan, which is provided to employees across the Group. The expense is recharged to the associated subsidiaries that benefit from these stock option plans (refer to note 5.2).
- recharge of expenses charged by Next Alt. In 2016, the Company was charged a flat fee for the use of the brand and services from Next Alt and the Company recharged this expense to its subsidiaries that benefited from the brand license and services agreement. Please note that this fee was replaced with the grant of stock options in 2017 (included in the first line, Recharge: Stock option plan, per table above; also refer to note 5.3.2).
- management fees for a variety of services that the Company provides. These services are primarily connected with general management services in relation to the Group's long-term strategy, acquisitions and divestments of investments and consulting services related to corporate development and general organization matters for the Group. During 2017, the agreement was amended from a flat fee to cost-plus, to better recoup the Company's operating costs given the increase in the scope of its activities as the Group grows.

### 5.2 Wages and salaries

| Wages and salaries (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Stock option plan expenses[1] | 28.6 | 18.7 |
| Salaries[2] | 1.0 | 1.2 |
| Directors fee | 2.3 | 1.3 |
| **Total** | **31.9** | **21.2** |

1 For the year ended December 31, 2017, the Company recorded €28.6 million (2016: €18.7 million) as equity-based compensation related to the stock option plans. This expense was recharged to Altice Management International S.A., as was the case in the prior year, because the expense relates to employees across the Group, albeit the stock plan is administered by the Company.

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

2 Salaries includes €45,281 for social security costs.

During the year the Company employed 4 employees (2016: 1) in the Netherlands in the Finance sector. The Company has three executive directors and three non-executive directors, refer to page 20 for the names of directors.

### Overview of the stock option plans

The Company had two existing stock option plans as of 1 January 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 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.

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

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

In addition, the General Meeting 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.

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

***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 2$^{nd}$ 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 may, upon recommendation of the Remuneration Committee, 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, based on a recommendation of the Remuneration Committee (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.

***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:

| | **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, 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 favorable way for the participants, unless such an adjustment would have the effect of creating a material detriment to the Shareholders.

### *Grants of awards*

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

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

### *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. In addition to the fair value on grant date, the carry unit plan in Altice USA is remeasured to its fair value at each reporting period.

| Altice N.V. | January 31, 2017 | January 31, 2017 | January 31, 2017 | January 31, 2017 | Summary 33 grants during 2017 |
|---|---|---|---|---|---|
| Units granted (m) | 2.84 | 10.00 | 10.00 | 10.00 | 1.67 |
| Expiry date | January 31, 2027 | January 31, 2027 | January 31, 2027 | January 31, 2027 | Nov 2026 - Dec 2027 |
| Unit fair value at the grant date (€)[1] | 2.77 | 2.47 | 0.71 | 0.54 | 0.22 – 3.41 |
| Share price at the grant date (€) | 20.28 | 20.28 | 20.28 | 20.28 | 8.18 – 22.50 |
| Exercise price of the option (€) | 19.36 | 19.36 | 19.36 | 19.36 | 13.45- 20.67 |
| Anticipated volatility (weighted average)[2] | 24.73% | 24.73% | 24.73% | 24.73% | 24.31% |
| Anticipated dividends[2] | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Risk free interest rate (governments bonds) | 0.44% | 0.44% | 0.44% | 0.44% | 0.21% - 0.47% |

| Altice N.V. | January 11, 2016 | May 13, 2016 | July 8, 2016 | November 11, 2016 |
|---|---|---|---|---|
| Units granted (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 (€)[1] | 1.24 | 1.09 | 1.68 | 1.57 |
| Share price at the grant date (€) | 14.17 | 14.03 | 12.75 | 16.19 |
| Exercise price of the option (€) | 17 | 13.48 | 13.74 | 16.45 |
| Anticipated volatility (weighted average)[2] | 24% | 24% | 30% | 23% |
| Anticipated dividends[3] | 2.50% | 2.50% | 2.50% | 2.50% |
| Risk free interest rate (governments bonds) | 0.54% | 0.12% | 0.00% | 0.31% |

1 The expected life of the options used in determining the fair value of the stock options is assumed to be the same as the expiry date (10 years).

2 The anticipated volatility is based on the average volatility of a select peer group given that the Company's shares have 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 on the basis of its review of the opportunity set for acquisitions or development projects.

## 5.3 Other operating expenses

| Other operating expenses (€m) | Note | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| Impairment of group company receivable | 5.3.1 | 23.8 | - |
| Termination of project fees | 5.3.1 | 8.0 | - |
| Brand license and services agreement | 5.3.2 | 4.0 | 41.3 |
| Transaction fees | 5.3.3 | - | 14.3 |
| Insurance fees | 5.3.4 | 2.6 | 1.0 |
| Other | 5.3.5 | 7.1 | 7.6 |
| **Total** | | **45.4** | **64.2** |

### *5.3.1 Impairment of Group company receivable*

During the 2017 financial year the Group company receivable amounting to €23,8 million from Redgreen S.A. was fully impaired as a result of discontinuing the Redgreen project. The final invoices up to and including the liquidation fees related to the Redgreen project amount to approximately €8m.

### *5.3.2 Brand license and services agreement*

This agreement with Next Alt was established in 2016 and provided the Company and its subsidiaries the exclusive right to use the Altice brand for corporate identification purposes and commercial purposes in the telecommunications, content and media sectors. The fee was calculated at 0.2% of total revenues of the Group. During 2017 the agreement was modified, and the fee was replaced with the issuance of stock options, (please refer to note 5.2 for further details). As Next Alt is the ultimate controlling shareholder of the Company, all transactions with Next Alt are disclosed as related party transactions in the Group's consolidated financial statements.

### *5.3.3 Transactions fees*

The transaction fees incurred during 2016 were in relation to the acquisition of subsidiaries of the Group in the United States.

### *5.3.4 Insurance*

The insurance fees relate to the directors and officer's liability insurance.

### *5.3.5 Other*

Other fees include audit expenses the Company incurred with its principal auditor Deloitte amounting to a total of €337,103, legal and advisory fees totaling €927,422 and general administration fees amounting to €4,790,467.

## 5.4 Net finance income

| Net financial income (€m) | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|
| Interest received | - | 4.1 |
| Dividend income | 299.3 | - |
| Loss on foreign exchange transactions | (4.9) | (69.1) |
| **Total** | **294.4** | **(65.0)** |

The dividend income related to the dividend received from the Company's subsidiary CVC 1 B.V.

The foreign exchange translation is related to balances held in US dollar at the bank at balance sheet date.

## 6. Events after the reporting period

### 6.1. Cancellation of treasury shares

On June 28, 2017, the general meeting of the Company granted authority to the Board to cancel common shares A and common shares B in the share capital of the Company held by the Company. Further, following share conversions in December 2017 and January 2018, which have the effect of increasing the number of treasury common shares A, on January 26, 2018, the Board of Altice N.V resolved to cancel 370,000,000 common shares A held by the Company, in addition to the 416,000,000 common shares A and 1,307,716 common shares B that it resolved to cancel on December 4, 2017. The cancellation of such shares will become effective in accordance with the provisions of Dutch law.

### 6.2. Group reorganization, Altice USA spin-off and new Altice Europe structure

On January 8, 2018, the Company announced that its Board of Directors 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. The Company aims to complete the proposed transaction by the end of the second quarter 2018 following regulatory and shareholder approvals.

The separation is to be effected by a spin-off of the Company's 67.2% indirect interest in Altice USA through a distribution in kind to Altice N.V. shareholders. Following this proposed transaction, the two companies will be led by separate management teams. Patrick Drahi, founder of Altice, will retain control of both companies through Next Alt and is committed to long-term ownership. Post-separation, Mr. Drahi will serve as President of the Board of Altice Europe and Chairman of the Board of Altice USA.

Simultaneously, the Board of Directors of Altice USA, acting through its independent directors, approved in principle the payment of a $1.5 billion cash dividend to all shareholders immediately prior to completion of the separation. Formal approval of the dividend and setting of a record date are expected to occur in the second quarter of 2018. The payment of the dividend will be funded with available Optimum revolving facility capacity and a new financing at Optimum. The Group will use €625 million of its €900 million of proceeds received in the Altice USA dividend to prepay a portion of the Altice Corporate Financing facility and will retain €275 million on balance sheet.

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

Other than the above, there were no events subsequent to the balance sheet date that had an impact on these annual accounts.

**Directors**

The Company has three executive directors and three non-executive directors.

***Executive directors***

D.G. Goei

D.L. Okhuijsen

A4 S.A.

***Non-executive directors***

J.J.H. van Breukelen

S.W. Matlock

J.L. Allavena

**Amsterdam, April 3, 2018**

## III. OTHER INFORMATION

### 3.1 External Auditor's report on financial statements

# Independent auditor's report

To the Shareholders and the Board of Directors of Altice N.V.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL ACCOUNTS

### Our opinion

We have audited the accompanying financial statements 2017 of Altice N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Altice N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Altice N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2017.

2. The following statements for 2017: the consolidated statement of income, the consolidated statements of other comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2017.

2. The company profit and loss account for 2017.

3. The notes comprising a summary of the accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Altice N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Materiality**

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 230.000.000. After consideration of different benchmarks, we decided to calculate the materiality based on 2,5% of Operating Income before depreciation, amortization, impairment and other expenses & income. Materiality increase compared to prior year mostly is linked to the consolidation for the full year of Cablevision, a component of Altice USA, which was acquired in June 2016. The percentage is consistent with the one used as of December 31, 2017.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audit of the group entities (components) were performed using materiality levels determined by the judgement of the group audit team, taking into account the materiality of the financial statements as a whole and the relative contribution of each component to the group financial statements. Component materiality did not exceed EUR 135.000.000.

We agreed with the Audit Committee that misstatements in excess of EUR 11.500.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

**Scope of the group audit**

Altice N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Altice N.V..

Our group audit mainly focused on significant operating entities being Altice France S.A. (Formerly SFR Group S.A.), Altice USA Inc (which is the parent company of Cablevision Systems Corporation and Suddenlink Corporation), and Portugal Telecom SGPS SA.

The following entities were subject to a full scope audit:

| Entity | Segment | Entity | Segment |
|---|---|---|---|
| Altice N.V. | Other | Altice France S.A. (formerly SFR Group S.A.) | France |
| Altice USA Inc | USA | Portugal Telecom SGPS S.A. | Portugal |

Other entities have been scoped in for audit of specific account balances, class of transaction or disclosures, namely the financing entities of the group for which audit procedures were performed on borrowings, related interests and derivatives. Additional entities have been scoped in for audit of specific account balances, class of transaction or disclosures according to their overall contribution to such account balance, class of transaction or disclosures.

In addition

We have:

- Performed audit procedures at group entities on Altice Financing S.A., Altice Luxembourg S.A. and Altice Corporate Financing S.à r.l..
- Used the work of other auditors when auditing Altice France S.A. (Formerly SFR Group S.A.), Altice USA Inc and Portugal Telecom SGPS SA..
- Performed review procedures or specific audit procedures at other group entities.

The group audit team, being the auditor of Altice N.V., provided detailed instructions to all component auditors that covered significant audit areas including the relevant risks of material misstatement, and set out the information required to be reported back to the group audit team. We also allocated specific materiality to the component auditors based on the size of the activity of the local entities and the significant risks identified for these entities. Senior members of each component audit team attended a kick off meeting hosted by the group audit team covering, understanding of the Group, its business, risks and its core strategy, presentation by Altice head of internal audit and head of reporting & consolidation, a discussion of the significant risks and workshops on our planned audit approach.

Senior members of the group engagement team visited component auditors and performed file reviews for all locations that were subject to an audit of the complete set of financial statement. Conference calls and physical planning meetings were held with all the component auditors. During these visits and calls, the findings and observations reported to the group audit team were discussed in detail. Any further work deemed necessary by the group audit team was subsequently performed.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

**Our key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the previous year “Acquisition of Cablevision Systems Corporation and Completion of Purchase Price Allocation of Suddenlink & Portugal Telecom” has been identified as a key audit matter. Since Altice N.V. substantially finalized these Purchase Price Allocations in 2016 and we completed our audit thereon, this is no longer a key audit matter. Also in the prevous year “Taxation” had been identified as a key audit matter. Given the change of strategy of the Altice N.V. group, the intercompany transactions have been reduced.

| Key audit matter | How the key audit matter was addressed in the audit |
|---|---|
| ***Sensitivities in valuation of goodwill and intangible assets*** | |
| At December 31, 2017, Goodwill balance amounts to EUR 22,302.4 million while Intangible assets balance amounts to EUR 24,502.3 million.<br><br>Under IFRS as adopted in the EU, the group is required to test annually for impairment Goodwill and Intangible assets with indefinite useful lives. This annual impairment testing is significant to our audit because the assessment process is complex and judgemental. Such test is based on assumptions that are affected by expected market or economic conditions.<br><br>The key assumptions used in the preparation of forecasts (see note 5 to the consolidated financial statements) are:<br>- perpetuity growth rates<br>- EBITDA margin<br>- (country specific) discount rate<br><br>We have also considered capital expenditures and annual growth rate. | Although we applied a substantive audit approach described below, we obtained an understanding of controls surrounding the business plan preparation and Impairment testing.<br>We challenged management’s assumptions with reference to historical data and, where applicable, external benchmarks noting the assumptions used fell within a reasonable range.<br>We tested the accuracy and completeness of models with the assistance of internal specialists.<br>We have reconciled the data used to the business plan approved by the Board of Directors.<br>We carried out sensitivity analysis on the key inputs of the impairment model to understand the impact that reasonable decrease of growth rate, EBITDA margin or increase of discount rate or capital expenditures rate would have on the carrying value.<br><br>We considered the appropriateness of the related disclosures provided in the consolidated Financial<br>Statements. In particular, we considered the completeness of the disclosures regarding those Cash Generating Units or Group of Cash Generating Units with material goodwill balances and where a reasonably possible change in certain variables could lead to impairment. |
| | |
| ***Restructuring in France and in the United States*** | |
| As disclosed in note 4.4 to the consolidated financial statements, the Group has launched:<br>- voluntary departure plan launched in July 2017 with possiblity to suspend employment from Q4 2016 (France) | Although we applied a substantive audit approach described below, we obtained an understanding of controls surrounding accounting for restructuring.<br><br>We discussed with component auditors to understand the legal requirements in each country. |

| | |
|---|---|
| - a voluntary retirement plan open to certain employees during the year ended December 31, 2017 at Altice USA.<br><br>In addition, the restructuring plan regarding the SFR distribution network was finalized.<br><br>An amount of EUR 853.8 million has been added to provision during the year. The amount remaining as of December 31, 2017, is EUR 148.8 million.<br><br>Judgement was required during the year to:<br>- Assess the amount of provision to be recognized related to the voluntary departure plan in France.<br>- Asssess the assumptions related to the voluntary departure plan in France and United States.<br>- Assess timing of the recognition of the provision. | We read relevant signed agreements required by local law and regulations, minutes of meeting with employee representative and unions, board minutes.<br>We evaluated management's position paper on how IFRSs (IAS 19 and IAS 37 in particular) have been applied for these voluntary departure plan.<br>We obtained and audited the management computation of the provision as of December 31, 2017 to ensure that the provision are complete and accurate in accordance with the standards mentioned above.<br><br>We evaluated whether the related disclosures included relevant and appropriate information.<br><br>We inquired with management regarding the existence of additional voluntary retirement plans or voluntary departure plans within the group. |
| | |
| ***Sensitivities in accounting for claims from third parties*** | |
| A number of claims have been brought against the Group. Management judgement regarding the timing or amount at stake has a significant impact on the amount of the provision (see note 31 to the consolidated financial statements).<br><br>In particular, the Group is under investigation from European Competition Authority for infringement of the obligation of prior notification of concentrations regarding the acquisition of Portugal Telecom in 2015. The European Commission issued a statement of objections during the year 2017 and is yet to release its decision.<br><br>During the year ended December 31, 2017 the group was fined a total of EUR 40 million penalties by Competition Authority in France (already recognized as of December 31, 2016).<br>In addition, a net total of EUR 32.9 million for provision for litigation was recorded in the consolidated financial statements (note 4). | Although we applied a substantive audit approach described below, we obtained an understanding of controls surrounding monitoring of litigation and provision valuation process<br><br>We reviewed management's position papers in respect of the provisions and supporting evidence. We also sent confirmation letters to the different lawyers to corroborate management's assessment of the validity of the provisions, and the risk of economic outflow.<br>In the different jurisdictions when deemed necessary, we involved experts to read the communication exchanged between the parties and assess the exposure for the Altice group and compared it with management assessment.<br><br>In particular, we have involved an anti-trust expert regarding investigation from European Commission.<br><br>We have considered the advice and opinions provided to management by external and internal councels.<br>We have challenged management estimates regarding the the amount recorded as provisions with the assistance of internal expert.<br><br>We considered the disclosures in respect of claims from third parties. |

| | |
|---|---|
| ***Revenue recognition – accuracy of revenues recorded given complexity of systems*** | |
| There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changes in pricing models to revenue recognition (Discounts, incentives, bundles, etc.).<br><br>The application of revenue recognition accounting standards is complex and involves a number of estimates and key judgements. | We obtained an understanding of controls surrounding revenue recognition considering the various streams of revenues.<br><br>We evaluated the relevant IT systems (including billing systems), design of controls, and tested operating effectiveness of controls with the assistance of information technology specialist. Testing included capture and recording of revenues arrangement, management of rate changes around billing systems with a view to rely on controls for our audit approach.<br><br>We tested reconciliation between billing systems and accounting records<br><br>We perfored test of details on sample of customer bills and traced these to cash received.<br><br>We performed analytical procedures based on historical revenues adjusted by changes in market condition and other information obtained during the audit.<br><br>In one location, proof of cash was performed on the majority of the revenue balance.<br><br>We ensured that allocation of revenues to the various segments was appropriate.<br><br>We have assessed the appropriateness of the disclosures in note 4.3 and 4.5. |

## REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Management Board's Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Letter from the Chairman.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Engagement**

We were engaged by Board of Directors as auditor of Altice N.V. on August 7, 2015, as of the audit for the year December 31, 2015 and have operated as statutory auditor ever since that financial year.

**No prohibited non-audit services**

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

**Responsibilities of management and the Board of Directors for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the company's financial reporting process.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- Obtaining 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 company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 4, 2018

Deloitte Accountants B.V.

Orginally signed by Eddy R. Termaten

### 3.2 Statutory provisions concerning appropriation of result

According to article 30 of the Articles of Association:

- Out of the profits accrued in a financial year, first a preferred amount of 0.01% per annum of the paid up part of the aggregate nominal value of the issued Preference Shares A is added to the retained earnings reserve exclusively for the benefit of the holders of Preference Shares A, and subsequently an amount equal to 0.01% per annum of the aggregate nominal value of the issued Preference Shares B is added to the retained earnings reserve exclusively for the benefit of the holders of Preference Shares B. If, in a financial year, no profit is made or the profits are insufficient to allow the addition to the retained earnings reserve for the Preference Shares A, the deficit shall be added from profits earned in following financial years (Article 30.1).

- Each year the Board may determine which part of the profits after application of Article 30.1 shall be reserved (Article 30.2).

- The General Meeting may resolve to distribute any part of the profits remaining after reservation in accordance with Article 30.2, provided that out of such profits (i) no further additions shall be made to the retained earnings reserve for Preference Shares A and/or Preference Shares B and (ii) no distributions shall be made on the Preference Shares A and Preference Shares B. If the General Meeting does not resolve to distribute these profits in whole or in part, such profits (or any profits remaining after distribution) shall also be reserved.

- Distributions may be made only up to an amount which does not exceed the amount of the Distributable Equity.

### 3.3 Appropriation of result for the year

The Board proposes to allocate the profit for the year, amounting to €269,813,193, to the other reserves and that no dividend be paid other than the special distribution out of the Company's share premium reserve as further explained in section 2.5.13 *"Events after the reporting period - Separation of Altice USA from its controlling stockholder, the Company"*.

### 3.4 Subsequent events

Events that occurred subsequent to the balance sheet date are detailed in Note 34 to the Consolidated Financial Statements.