# ALTICE N.V.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2017

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| **Consolidated Statement of Income** (€m) | **Notes** | **Three months ended March 31, 2017** | **Three months ended March 31, 2016 (revised*)** |
|---|---|---|---|
| Revenues | 4 | 5,948.6 | 4,259.7 |
| Purchasing and subcontracting costs | 4 | (1,864.7) | (1,298.2) |
| Other operating expenses | 4 | (1,122.3) | (943.6) |
| Staff costs and employee benefits | 4 | (744.6) | (409.3) |
| Depreciation, amortization and impairment | 4 | (1,496.4) | (1,169.7) |
| Other expenses and income | 4 | (158.3) | (63.2) |
| **Operating profit** | 4 | **562.3** | **375.7** |
| Interest relative to gross financial debt | | (903.8) | (807.0) |
| Other financial expenses | | (92.7) | (67.3) |
| Finance income | | 192.3 | 17.8 |
| **Finance costs, net** | | **(804.2)** | **(856.5)** |
| Net result on disposal of businesses | 3 | - | 107.5 |
| Share of profit of associates | | (1.5) | (0.4) |
| **Loss before income tax** | | **(243.4)** | **(373.7)** |
| Income tax credit | 11 | 62.4 | 41.2 |
| **Loss for the period** | | **(181.0)** | **(332.5)** |
| *Attributable to equity holders of the parent* | | (138.3) | (261.6) |
| *Attributable to non-controlling interests* | | (42.7) | (70.8) |
| Earnings per share (Basic) | 8 | (0.12) | (0.24) |
| Earnings per share (Diluted) | 8 | (0.12) | (0.23) |

| **Consolidated Statement of Other Comprehensive Income** (€m) | **Notes** | **Three months ended March 31, 2017** | **Three months ended March 31, 2016 (revised*)** |
|---|---|---|---|
| **Loss for the period** | | **(181.0)** | **(332.5)** |
| **Other comprehensive income/(loss)** | | | |
| Exchange differences on translating foreign operations | | (47.1) | (48.6) |
| Revaluation of available for sale financial assets, net of taxes | | 0.3 | 0.5 |
| Gain/(loss) on cash flow hedge, net of taxes | 9.3.1 | 103.2 | (30.2) |
| Actuarial gain/(loss), net of taxes | | 12.0 | (11.2) |
| **Total other comprehensive income/(loss)** | | **68.3** | **(89.5)** |
| **Total comprehensive loss for the period** | | **(112.7)** | **(422.0)** |
| *Attributable to equity holders of the parent* | | (77.3) | (324.9) |
| *Attributable to non-controlling interests* | | (35.4) | (97.1) |

(*) Previously published information has been revised for the impact of the purchase price allocations of Group entities acquired during the 2015 and 2016 financial years. For the details of the revision see note 17.

*The accompanying notes on pages 6 to 29 form an integral part of these condensed interim consolidated financial statements.*

| **Consolidated Statement of Financial Position (€m)** | **Notes** | **As of March 31, 2017** | **As of December 31, 2016** |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 5 | 23,033.4 | 23,045.7 |
| Intangible assets | | 28,656.7 | 29,412.1 |
| Property, plant & equipment | | 15,996.0 | 16,256.8 |
| Investment in associates | 3 | 78.7 | 65.7 |
| Financial assets | 10 | 3,743.1 | 3,615.8 |
| Deferred tax assets | | 124.4 | 113.6 |
| Other non-current assets | | 153.2 | 182.4 |
| **Total non-current assets** | | **71,785.5** | **72,692.1** |
| **Current assets** | | | |
| Inventories | | 412.2 | 394.8 |
| Trade and other receivables | | 4,858.7 | 4,600.5 |
| Current tax assets | | 195.2 | 179.2 |
| Financial assets | 10 | 610.0 | 758.6 |
| Cash and cash equivalents | 6 | 1,049.4 | 1,109.1 |
| Restricted cash | 6 | 86.5 | 202.0 |
| **Total current assets** | | **7,212.0** | **7,244.2** |
| *Assets classified as held for sale* | *3* | 480.0 | 476.0 |
| **Total assets** | | **79,477.5** | **80,412.3** |
| Issued capital | 7.1 | 76.5 | 76.5 |
| Additional paid in capital | 7.3 | 676.6 | 738.0 |
| Other reserves | 7.4 | (503.7) | (564.8) |
| Accumulated losses | | (2,959.0) | (2,779.5) |
| **Equity attributable to owners of the Company** | | **(2,709.6)** | **(2,529.8)** |
| Non-controlling interests | 3.4 | 84.7 | 190.2 |
| **Total equity** | | **(2,624.9)** | **(2,339.6)** |
| **Non-current liabilities** | | | |
| Long term borrowings, financial liabilities and related hedging instruments | 9 | 52,564.9 | 52,826.3 |
| Other financial liabilities | 9 | 4,934.7 | 4,480.0 |
| Provisions | | 1,791.8 | 1,876.2 |
| Deferred tax liabilities | | 7,908.2 | 8,074.3 |
| Other non-current liabilities | | 913.0 | 878.4 |
| **Total non-current liabilities** | | **68,112.6** | **68,135.2** |
| **Current liabilities** | | | |
| Short-term borrowings, financial liabilities | 9 | 1,207.5 | 1,342.3 |
| Other financial liabilities | 9 | 3,339.6 | 3,491.9 |
| Trade and other payables | | 7,290.9 | 7,713.4 |
| Current tax liabilities | | 311.1 | 298.4 |
| Provisions | | 626.0 | 658.8 |
| Other current liabilities | | 1,124.9 | 1,022.7 |
| **Total current liabilities** | | **13,900.0** | **14,527.5** |
| *Liabilities directly associated with assets classified as held for sale* | *3* | 89.8 | 89.2 |
| **Total liabilities** | | **82,102.4** | **82,751.9** |
| **Total equity and liabilities** | | **79,477.5** | **80,412.3** |

*The accompanying notes on pages 6 to 29 form an integral part of these condensed interim consolidated financial statements.*

| **Consolidated Statement of Changes in Equity** | **Number of shares on issue** | | **Share capital** | **Additional paid in capital** | **Accumulated losses** | **Currency translation reserve** | **Cash Flow hedge reserve** | **Available for sale** | **Employee Benefits** | **Total equity attributable to equity holders of the parent** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Class A* | *Class B* | | | | | | | | | | |
| **Equity at January 1, 2017** | **972,363,050** | **267,035,516** | **76.5** | **738.0** | **(2,779.5)** | **148.8** | **(671.8)** | **2.9** | **(44.6)** | **(2,529.7)** | **190.2** | **(2,339.5)** |
| Loss for the period | | | - | - | (138.3) | - | - | - | - | **(138.3)** | (42.7) | **(181.0)** |
| Other comprehensive profit/(loss) | | | - | - | - | (39.5) | 88.1 | 0.3 | 12.2 | **61.0** | 7.2 | **68.3** |
| **Comprehensive profit/(loss)** | | | - | - | **(138.3)** | **(39.5)** | **88.1** | **0.3** | **12.2** | **(77.3)** | **(35.4)** | **(112.7)** |
| Conversion common shares B to common shares A | 151,214,950 | (6,048,598) | - | - | - | - | - | - | - | - | - | - |
| Share based payment | | | - | - | (41.3) | - | - | - | - | **(41.3)** | (20.1) | **(61.4)** |
| Transaction with non-controlling interests | | | - | (70.1) | - | - | - | - | - | **(70.1)** | (41.0) | **(111.1)** |
| Other | | | - | 8.6 | - | - | - | - | - | **8.6** | (8.9) | **(0.2)** |
| **Equity at March 31, 2017** | **1,123,578,000** | **260,986,918** | **76.5** | **676.6** | **(2,959.0)** | **109.3** | **(583.7)** | **3.1** | **(32.4)** | **(2,709.6)** | **84.7** | **(2,624.9)** |

| **Consolidated Statement of Changes in Equity** | **Number of shares on issue** | | **Share capital** | **Additional paid in capital** | **Accumulated losses** | **Currency translation reserve** | **Cash Flow hedge reserve** | **Available for sale** | **Employee Benefits** | **Total equity attributable to equity holders of the parent** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Class A* | *Class B* | | | | | | | | | | |
| **Equity at January 1, 2016 (revised *)** | **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 | | | - | - | (261.6) | - | - | - | - | **(261.6)** | (70.8) | **(332.5)** |
| Other comprehensive profit/(loss) | | | - | - | - | (26.0) | (26.6) | 0.5 | (11.2) | **(63.3)** | (26.2) | **(89.5)** |
| **Comprehensive profit/(loss)** | | | - | - | **(261.6)** | **(26.0)** | **(26.6)** | **0.5** | **(11.2)** | **(324.9)** | **(97.0)** | **(421.9)** |
| Conversion of class B shares in class A shares | 27,525 | (1,101) | - | - | - | - | - | - | - | - | - | - |
| Share based payments | | | - | - | 5.3 | - | - | - | - | **5.3** | 0.4 | **5.7** |
| Transaction with non-controlling interests | | | - | (121.2) | - | - | - | - | - | **(121.2)** | (52.1) | **(173.3)** |
| Other | | | - | 2.7 | | - | - | - | - | **2.7** | (1.2) | **1.5** |
| **Equity at March 31, 2016** | **841,272,450** | **272,279,140** | **76.5** | **2,261.0** | **(1,543.3)** | **(22.7)** | **(244.2)** | **2.9** | **(15.2)** | **514.9** | **766.7** | **1,281.7** |

(*) Previously published information has been revised for the impact of the purchase price allocations of Group entities acquired during the 2015 and 2016 financial years. For the details of the revision see note 17.

*The accompanying notes on pages 6 to 29 form an integral part of these condensed interim consolidated financial statements.*

| **Consolidated Statement of Cash Flows**<br>**(€m)** | **Notes** | **Three months ended March 31, 2017** | **Three months ended March 31, 2016 (revised*)** |
|---|---|---|---|
| **Net (loss)/profit, including non-controlling interests** | | **(181.0)** | (332.5) |
| Adjustments for: | | | |
| Depreciation, amortization and impairment | | 1,496.4 | 1,169.7 |
| Share in income of associates | | 1.5 | 0.4 |
| Gains and losses on disposals | | - | (107.5) |
| Expenses related to share based payment | | 37.6 | 5.7 |
| Other non-cash operating gains, net[1] | | 109.1 | (36.0) |
| Pension liability payments | | (32.5) | (25.6) |
| Finance costs recognized in the statement of income | | 804.2 | 856.5 |
| Income tax credit recognized in the statement of income | | (62.4) | (41.2) |
| Income tax paid | | (33.3) | (4.8) |
| Changes in working capital | | (392.0) | (240.7) |
| **Net cash provided by operating activities** | | **1,747.6** | **1,244.0** |
| Payments to acquire tangible and intangible assets | | (1,106.7) | (959.8) |
| Payments to acquire financial assets | | (2.9) | (11.6) |
| Proceeds from disposal of businesses | 2 | - | 140.6 |
| Proceeds from disposal of tangible, intangible and financial assets | | 21.0 | 10.0 |
| Payments to acquires interests in associates | | (12.3) | (313.9) |
| Payment to acquire subsidiaries, net | 2 | (67.3) | 15.6 |
| **Net cash used in investing activities** | | **(1,168.1)** | **(1,119.1)** |
| Proceeds from issuance of debts | 9 | 496.4 | 1,145.0 |
| Transaction with non-controlling interests | | - | 26.1 |
| Payments to redeem debt instruments | 9 | (440.9) | (752.8) |
| Transfers from/(to) restricted cash | | 19.5 | (76.3) |
| Interest paid | 9 | (1,231.8) | (529.3) |
| Other cash provided by financing activities[2] | | 520.5 | 192.0 |
| **Net cash (used)/generated in financing activities** | | **(636.3)** | **4.7** |
| Classification of cash as held for sale | | (0.9) | - |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (2.1) | (7.0) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(59.8)** | **122.6** |
| Cash and cash equivalents at beginning of period | 6 | 1,109.1 | 2,527.0 |
| **Cash and cash equivalents at end of the period** | 6 | **1,049.3** | **2,649.6** |

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 Cash provided by other financing activities includes cash received on vendor financing and securitisation for an aggregate amount of €520.5 million.

(*) Previously published information has been revised for the impact of the purchase price allocations of Group entities acquired during the 2015 and 2016 financial years. For the details of the revision see note 17.

*The accompanying notes on pages 6 to 29 form an integral part of these condensed interim 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 March 31, 2017, Next Alt held 59.37% of the share capital.

Altice is a multinational cable, fiber, telecommunications, content and media group with presence in several regions – Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), the United States, Israel, the French Overseas Territories and the Dominican Republic. Altice operates high speed fixed based services (high quality pay television, fast broadband Internet and fixed line telephony) and in certain countries, mobile telephony services to residential and corporate customers. Altice is also active in the media industry with a portfolio of channels as well as acting as a provider of premium contents on nonlinear platforms. It also produces its own original contents (Series, Movies etc.).

## 2. Accounting policies

### 2.1. Basis of preparation

These condensed interim consolidated financial statements of Group as of March 31, 2017 and for the three months then ended were approved by the Board of Directors and authorized for issue on May 16, 2017.

These interim consolidated financial statements of the Group as of March 31, 2017 and for the three month period then ended, are presented in millions of Euros, except as otherwise stated, and have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. They should be read in conjunction with the annual consolidated financial statements of the Group and the notes thereto as of and for the year ended December 31, 2016 which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS") (the "annual consolidated financial statements").

The accounting policies applied for the interim consolidated financial statements as of March 31, 2017 do not differ from those applied in the annual consolidated financial statements as of and for the year ended December 31, 2016.

#### *2.1.1. Standards applicable for the reporting period*

The following standards have mandatory application for periods beginning on or after January 1, 2017 as described in note 1.3 to the annual consolidated financial statements.

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

These standards and interpretations are under the process of endorsement of the European Union. The application of these amendments had no impact on the amounts recognised in the annual consolidated financial statements and also had no impact on the disclosures in these condensed interim consolidated financial statements.

#### *2.1.2. Standards not applicable as of reporting date*

The Group has not anticipated 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 or after January 1, 2018;
- IFRS 9 Financial instruments, effective on or after January 1, 2018;
- IFRS 16 Lease, effective on or after January 1, 2019;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;

- Interpretation 22—Foreign Currency Transactions and Advance Consideration. The interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted;
- Annual improvements cycle 2014-2016, effective on or after January 1, 2018;

The effects of implementing the new standards, and amendments to standards, are currently being analysed as part of Group-wide projects. It is not practicable to provide a reasonable estimate of the quantitative effects until the projects have been completed

#### *2.1.3. Significant accounting judgments and estimates*

In the application of the Group's accounting policies, the Board of Directors of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

These key areas of judgments and estimates, as disclosed in the annual consolidated financial statements are:
- Estimations of provisions for claims
- Measurement of post-employments benefits
- Revenue recognition
- Fair value measurement of financial instruments
- Measurement of deferred taxes
- Impairment of goodwill
- Estimation of useful lives of intangible assets and property, plant and equipment, and
- Estimation of impairment losses for trade and other receivables.

As of March 31, 2017, there were no changes in the key areas of judgements and estimates.

#### *2.1.4. Revised information*

The comparative information as of March 31, 2016 has been revised to reflect the impact of the finalization of the purchase price allocation of Suddenlink and GNP, acquired during the course of the years ended December 31, 2015 and 2016 respectively. Please refer to note 17 for reconciliations to previously published results.

## 3. Scope of consolidation

The following changes occurred during the three months ended March 31, 2017, which impacted the scope of consolidation compared to that presented in the annual consolidated financial statements.

### 3.1. Acquisitions during the period

#### *3.1.1. Acquisition of a stake in Sport TV*

On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12.3 million. SPORT TV is a sports broadcaster based in Portugal. Following this investment, SPORT TV shareholders are PT, 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 of the operators access to the sports content considered essential in fair and non-discriminatory market conditions. The investment is recognized as an investment in an associate company.

#### *3.1.2. 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. Transactions in progress as of March 31, 2017

*3.2.1. 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 transaction, which is subject to the clearance of the Belgian competition authorities, valued the Group's Belgian and Luxembourg telecommunication businesses at an enterprise value of €400 million.

As a result, Coditel is classified as a disposal group held for sale, in accordance with IFRS 5 – *Non-current assets held for sale*. The Belux business, part of the "Others" segment, was classified under two separate lines in the statement of financial position which are "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale". The Board of Directors has not identified any material indicator of impairment as of March 31, 2017.

*3.2.2. Acquisition of Teads*

On March 21, 2017, Altice announced it has entered into an agreement to acquire Teads, 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. The acquisition values Teads at an enterprise value of up to €285 million on a cash and debt free basis. The acquisition purchase price is subject to Teads achieving certain revenue targets in 2017. 75% of the acquisition purchase price will be due at closing, which is expected to close in mid-2017. The remaining 25% earn-out is subject to Teads' 2017 revenue performance and will become payable in early 2018.

### 3.3. Transactions completed in the prior period

*3.3.1. Disposal of Cabovisao and ONI*

The net result on disposal of businesses recognised in the income statements for the three months to March 31, 2016 of €107.5 million related to the sale of Cabovisão and its subsidiaries to Apax France, which was completed in January 2016. 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.

### 3.4. Controlled subsidiaries with material non-controlling interests

| **Non-controlling interests** | | **Financial interests held by non-controlling interests** | | **Result allocated to non-controlling interests** | | **Accumulated non-controlling interests** | |
|---|---|---|---|---|---|---|---|
| **Name of subsidiary** | **Place of incorporation** | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** | **March 31, 2017** | **December 31, 2016** |
| SFR Group S.A. | France | 16.00% | 16.00% | (11.4) | (56.1) | 515.1 | 511.3 |
| Deficom Telecom S.à r.l. [1] | Luxembourg | 26.02% | 26.02% | (1.5) | (8.1) | (27.9) | (26.3) |
| CVC 2 B.V.[2] | Netherlands | 30.37% | 30.37% | (29.9) | (234.2) | (442.2) | (346.3) |
| Altice Technical Services S.A. | Luxembourg | 49.00% | 49.00% | (0.2) | 4.0 | 40.9 | 49.8 |
| Others | Various | | | 0.4 | (9.4) | (1.3) | 1.6 |
| **Total** | | | | **(42.7)** | **(303.9)** | **84.7** | **190.2** |

1 Deficom Telecom is the holding company through which the Group invests in Belgium and Luxembourg.
2 CVC 2 B.V is the holding company through which the Group invests in the US.

### 3.5. Variations in non-controlling interests

| **Variations in non-controlling interests (€m)** | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| **Balance at beginning of the period/year** | **190.2** | **916.7** |
| Share of loss for the period/year | (42.7) | (303.9) |
| Other comprehensive income | 7.2 | (8.3) |
| Transactions with non-controlling interests in SFR Group S.A. | 0.1 | (375.7) |
| Transactions with non-controlling interests in CVC 2 B.V. | (61.2) | (75.3) |
| Transactions with non-controlling interests in Altice Technical Services S.A. | (9.0) | 45.1 |
| Other variations | 0.1 | (8.4) |
| **Balance at end of the period/year** | **84.7** | **190.2** |

The main change in the equity attributable to non-controlling interests was a result of transactions with the non-controlling interest in CVC 2 B.V., most notably the variation in the put option. Refer to note 9.7 for further details about this instrument.

## 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 chief operating decision maker analyses the Group's results across geographies, and certain key areas by activity. The presentation of the segments here is consistent with the reporting used internally by the senior management team to track the Group's operational and financial performance. The reporting segments presented are consistent with the ones presented in the annual consolidated financial statements. The businesses that the Group owns and operates do not show significant seasonality, with the exception of the mobile B2C and B2B segments, which can show significant changes in sales at the year end and at the end of the summer season (the "back to school" period). The fixed B2B segment in the US also shows significant seasonality at the end of the school period (May-June) and the back to school period. The B2B business is also impacted by the timing of preparation of the annual budgets of public and private sector companies. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The segments that are presented are detailed below:

- **France:** Through its largest segment the Group provides mobile and high speed internet services using the SFR and associated brands. 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.
- **United States ("US")**: The companies in the US provide fixed services to B2C, B2B and wholesale clients in the United States. Different brands are used by the Group in the U.S: Suddenlink, Optimum (B2C) and Lightpath (B2B). Suddenlink operates a DOCSIS 3.1 compliant network in several states in the Southwestern United States, whereas Cablevision has a dominant position in the New York, New Jersey and Connecticut markets.
- **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) and Orange (under licence) brands.
- **Others**: This segment includes the operations in the French Overseas Territories, Belgium, Luxembourg and Switzerland, as well as the Content, Technical Service and Customer Service business, and all corporate entities. The Board of Directors believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under "Other".

The Group is evaluating the adoption of a global brand, which, if adopted, could reduce the remaining useful lives of brands (intangible assets) acquired in previous acquisitions, which could lead to a change in useful lives of the assets, and therefore a resulting increase in amortization expense. If adopted, the brand strategy will be implemented by amending trademark license agreements across the Group, or establishing new agreements.

### 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.

#### *4.2.1. Non-GAAP measures*

Adjusted EBITDA and capex 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 income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the consolidated financial statements in accordance with IAS 1 - *Presentation of Financial Statements.*

##### *4.2.1.2. Capital expenditure ("Capex")*

Capex is an important indicator to follow, as the profile varies greatly between activities:

- The fixed business has fixed capex requirements that are mainly discretionary (network, platforms, general), and variable capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).
- Mobile capex are mainly driven by investment in new mobile sites, upgrade to new mobile technology and licenses to operate. Once capex are engaged and operational, there are limited capex requirement.
- Other capex: Mainly related to capex incurred to purchase content rights

#### *4.2.2. Revenues*

Additional information on the revenue split is presented as follows:

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

Intersegment revenues represented 5.2% of total revenues for the three months ended March 31, 2017, compared to 0.5% of total revenues for the three months ended March 31, 2016 (€306.5 million vs. €20.9 million). Intersegment revenues mainly relate to services rendered by certain centralised group functions (relating to content production, customer service) to the operational segments of the Group.

## 4.3. Segment results

### *4.3.1. Operating profit by segment*

| **For the three months ended March 31, 2017 (€m)** | **France** | **United States** | **Portugal** | **Israel** | **Dominican Republic** | **Others** | **Inter-segment elimination** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **2,705.4** | **2,166.0** | **572.7** | **261.9** | **182.6** | **366.4** | (306.5) | **5,948.6** |
| Purchasing and subcontracting costs | (986.0) | (712.4) | (139.0) | (67.8) | (39.8) | (142.9) | 223.1 | **(1,864.7)** |
| Other operating expenses | (658.6) | (261.4) | (100.8) | (60.3) | (39.3) | (58.4) | 56.5 | **(1,122.3)** |
| Staff costs and employee benefit expenses | (241.6) | (329.8) | (70.2) | (16.9) | (7.5) | (78.8) | 0.1 | **(744.6)** |
| **Total** | **819.2** | **862.4** | **262.8** | **117.0** | **95.9** | **86.5** | **(26.8)** | **2,216.9** |
| Stock option expense | 0.4 | 33.8 | - | - | - | 3.4 | - | **37.6** |
| **Adjusted EBITDA** | **819.6** | **896.2** | **262.8** | **117.0** | **95.9** | **89.9** | **(26.8)** | **2,254.5** |
| Depreciation, amortisation and impairment | (574.1) | (572.9) | (167.0) | (85.9) | (37.6) | (58.9) | - | **(1,496.4)** |
| Stock option expense | (0.4) | (33.8) | - | - | - | (3.4) | - | **(37.6)** |
| Other expenses and income | (230.8) | (80.2) | (20.7) | (7.3) | (9.7) | 190.4 | - | **(158.3)** |
| **Operating profit** | **14.3** | **209.3** | **75.0** | **23.8** | **48.6** | **217.9** | **(26.8)** | **562.3** |

| **For the three months ended March 31, 2016 (revised*) (€m)** | **France** | **United States** | **Portugal** | **Israel** | **Dominican Republic** | **Others** | **Inter-segment elimination** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **2,573.2** | **569.5** | **571.9** | **231.3** | **177.3** | **157.4** | (20.9) | **4,259.7** |
| Purchasing and subcontracting costs | (912.4) | (169.6) | (116.8) | (57.3) | (31.8) | (32.4) | 22.1 | **(1,298.2)** |
| Other operating expenses | (614.4) | (86.4) | (103.3) | (51.4) | (42.7) | (44.3) | (1.1) | **(943.5)** |
| Staff costs and employee benefit expenses | (193.1) | (72.1) | (74.8) | (17.7) | (7.4) | (44.0) | - | **(409.3)** |
| **Total** | **853.4** | **241.4** | **277.0** | **105.0** | **95.3** | **36.7** | **-** | **1,608.7** |
| Stock option expense | 1.8 | - | - | - | - | 3.9 | - | **5.7** |
| **Adjusted EBITDA** | **855.1** | **241.4** | **277.0** | **105.0** | **95.3** | **40.6** | **-** | **1,614.4** |
| Depreciation, amortisation and impairment | (610.6) | (172.5) | (218.9) | (82.3) | (39.2) | (46.1) | - | **(1,169.7)** |
| Stock option expense | (1.8) | - | - | - | - | (3.9) | - | **(5.7)** |
| Other expenses and income | (34.8) | (8.6) | (9.0) | (7.2) | (1.7) | (1.9) | - | **(63.2)** |
| **Operating profit/(loss)** | **208.0** | **60.2** | **49.1** | **15.5** | **54.5** | **(11.3)** | **-** | **375.7** |

* Refer to note 17 for details about the revised information

### *4.3.2. Other expenses and income*

Other expenses and income mainly relate to provisions for ongoing and announced restructuring, transaction costs related to acquisitions, and other non-cash expenses (gains and losses on disposal of assets, provisions for litigation, etc.). Details for costs incurred during the three months ended March 31, 2017 and 2016 are given below:

| **Other expenses and income (€m)** | **Three months ended March 31, 2017** | **Three months ended March 31, 2016** |
|---|---|---|
| Stock option expense | 37.6 | 5.7 |
| **Items excluded from adjusted EBITDA** | **37.6** | **5.7** |
| Restructuring costs | 95.7 | 32.8 |
| Loss on disposals of assets | 27.2 | 4.1 |
| Deal fees | 1.4 | 7.9 |
| Other expenses/(income), net | 34.0 | 18.4 |
| **Other expenses and income** | **158.3** | **63.2** |

#### *4.3.2.1. Restructuring costs*

Restructuring costs mainly include costs related to provisions for employee redundancies and contract termination fees at subsidiaries with ongoing restructuring plans. Details of these are provided below.

*France*

On August 4, 2016, management and the representative unions of SFR Group's telecom division signed an agreement to allow the Group to adapt more quickly to the demands of the telecom market by building a more competitive and efficient organization. This agreement reaffirms the commitments to maintain jobs until July 1, 2017 that were made at the time of the SFR acquisition, and defines the internal assistance guarantees and the conditions for voluntary departures that would be implemented as of the second half of 2016. This agreement stipulates three steps:

- the reorganization of retail, which resulted in a voluntary departure plan as of the 4th quarter of 2016 (step one);
- the preparation of a new voluntary departure plan to be launched in July 2017, preceded by the possibility for employees who would like to benefit from this plan to request suspension of their employment contract in the 4th quarter of 2016 in order to pursue their professional plans outside the company; and
- a period between July 2017 and June 2019 during which employees could also benefit from a voluntary departure plan under conditions to be defined.

The first phase of this agreement, namely the reorganization of retail stores, ended at end-March 2017 with the validation of about 800 departures of employees. Furthermore, the Career and Job Planning Group Agreement ("CJP Group Agreement") was signed on February 1, 2017 by the majority of the representative unions of the SFR Group Telecom division. It specifies the external mobility scheme offered to the employees for the period before June 30, 2017. As of March 31, 2017, 446 employees benefit from the "Mobilité Volontaire Sécurisée" plan (suspension of labour contract) of the CJP Group Agreement, and will benefit in priority from the voluntary departure plan if they remain eligible when the plan enters into force. Finally, "Livre 2", which describes the target organization of the Telecom division of SFR and the changes that are required to achieve such an organization, was delivered to the representative unions on April 3, 2017. No provision was recognized for this voluntary departure plan as the criteria for recording a provision were not met under IAS 19 or IAS 37 as of March 31, 2017.

During the three months ended March 31, 2017, an additional €16.1 million has been recognised to reflect the impact of step one of the restructuring described above. As at March 31, 2017, a total of €128 million is recognized for restructuring of retail stores; €88 million in accrued liabilities and €40 million in provisions.

*United States*

In the fourth quarter of 2016, Optimum and Cequel initiated a voluntary retirement plan, under the conditions of which, certain employees from the corporate, administrative and infrastructure departments were eligible to participate and terminate their employment contracts. Once an employee has applied to leave under the plan, Optimum and Cequel's management have the right to reject the offer, and thus the Group has determined that the plan qualifies as a termination benefit under IAS 19R, 'employee benefits'. An expense of €72.1 million has been recorded in the three months ended March 31, 2017 to account for the impact of the plan (€194.9 million was recognised for the year ended December 31, 2016).

*4.3.2.2. Deal fees*

Deal fees includes the discretionary fees paid to legal counsel, M&A counsel and any other consultants whose services the Group has employed in order to facilitate various acquisitions performed during the year; they do not include any financing costs, as these are capitalized and amortized as per the requirements of IAS 39 – *Financial Instruments: Recognition and Measurement*.

*4.3.3. Revenues by activity*

| **For the three months ended March 31, 2017 (€m)** | **France** | **United States** | **Portugal** | **Israel** | **Dominican Republic** | **Others** | **Total** |
|---|---|---|---|---|---|---|---|
| Fixed - B2C | 696.6 | 1,779.2 | 176.2 | 170.7 | 28.7 | 31.7 | **2,883.1** |
| Fixed - B2B | 331.6 | 300.2 | 105.5 | 21.0 | 10.6 | 6.7 | **775.6** |
| Wholesale | 318.0 | - | 71.9 | - | 22.0 | 6.5 | **418.4** |
| Mobile - B2C | 1,073.6 | - | 140.9 | 55.9 | 103.8 | 21.4 | **1,395.7** |
| Mobile - B2B | 162.7 | - | 49.0 | 14.3 | 12.8 | 1.2 | **240.0** |
| Other | 122.9 | 86.5 | 29.2 | - | 4.7 | 299.0 | **542.2** |
| **Total standalone revenues** | **2,705.4** | **2,166.0** | **572.7** | **261.9** | **182.6** | **366.4** | **6,255.0** |
| Intersegment eliminations | (15.1) | - | (9.7) | (0.3) | (1.1) | (280.2) | **(306.5)** |
| **Total consolidated revenues** | **2,690.2** | **2,166.0** | **563.0** | **261.6** | **181.5** | **86.2** | **5,948.6** |

| For the three months ended March 31, 2016 (€m) | France | United States | Portugal | Israel | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|
| Fixed - B2C | 680.5 | 468.4 | 174.3 | 157.6 | 27.5 | 35.6 | **1,543.9** |
| Fixed - B2B | 348.8 | 76.6 | 108.1 | 19.5 | 9.9 | 6.6 | **569.5** |
| Wholesale | 295.3 | - | 68.6 | - | 17.9 | 3.4 | **385.2** |
| Mobile - B2C | 1,082.0 | - | 142.0 | 41.5 | 104.5 | 25.9 | **1,395.8** |
| Mobile - B2B | 166.6 | - | 51.8 | 12.8 | 12.2 | 1.1 | **244.5** |
| Other | - | 24.5 | 27.2 | - | 5.3 | 84.7 | **141.7** |
| **Total standalone revenues** | **2,573.2** | **569.5** | **571.9** | **231.3** | **177.3** | **157.4** | **4,280.6** |
| Intersegment eliminations | (3.6) | - | (3.6) | - | - | (13.8) | **(20.9)** |
| **Total consolidated revenues** | **2,569.6** | **569.5** | **568.3** | **231.3** | **177.3** | **143.7** | **4,259.7** |

### *4.3.4. Capital expenditure*

The table below details capital expenditure by segment and reconciles to the payments to acquire capital items (tangible and intangible assets) as presented in the consolidated statement of cash flows.

| For the three months ended March 31, 2017 (€m) | France | United States | Portugal | Israel | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|
| Capital expenditure (accrued) | 473.6 | 156.5 | 112.5 | 62.2 | 22.1 | 20.3 | **847.1** |
| Capital expenditure - working capital items | 141.5 | 88.9 | 19.1 | 0.6 | (2.9) | 12.3 | **259.5** |
| Payments to acquire tangible and intangible assets | 615.1 | 245.3 | 131.6 | 62.9 | 19.2 | 32.6 | **1,106.7** |

| For the three months ended March 31, 2016 (€m) | France | United States | Portugal[1] | Israel | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|
| Capital expenditure (accrued) | 429.5 | 68.3 | 127.6 | 62.4 | 25.3 | 47.3 | **760.4** |
| Capital expenditure - working capital items | 277.7 | 6.1 | (80.9) | - | 6.6 | (10.1) | **199.4** |
| Payments to acquire tangible and intangible assets | 707.3 | 74.4 | 46.7 | 62.4 | 31.9 | 37.2 | **959.8** |

1) Includes €44.0m of capitalised exclusive content costs in Portugal for multi-year contracts.

#### *4.3.4.1. 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 capitalised in accordance IAS 38- *Intangible Assets* and are amortised on a straight line basis over their respective useful lives. Where appropriate, the nominal cash flows were discounted to their present value on initial recognition of the asset. The amortization recorded for the three months ended March 31, 2017 was:

| Content rights | Amortisation (€ million) | Useful life on recognition |
|---|---|---|
| English Premier League Football | 15.8 | 3 years |
| French Basketball League | 6.5 | 4 years |
| English Rugby Premiership | 0.2 | 6 years |
| **Total** | **22.5** | |

## 5. Goodwill

Goodwill recorded in the consolidated statement of financial position was allocated to the different groups of cash generating units ("GCGU", or "CGU" for cash generating units) as defined by the Group. The summary of goodwill recognized on the different acquisitions is provided below:

| Goodwill (€m) | December 31, 2016 | Recognized on business combination | Changes in foreign currency translation | Held for sale | Reclassified | March 31, 2017 |
|---|---|---|---|---|---|---|
| France | 12,157.1 | - | - | - | - | 12,157.1 |
| United States | 7,246.6 | 71.1 | (101.7) | - | - | 7,215.9 |
| Portugal | 1,706.2 | - | - | - | - | 1,706.2 |
| Israel | 732.3 | - | 30.6 | - | - | 762.9 |
| Dominican Republic | 890.9 | - | (10.2) | - | - | 880.7 |
| Others | 468.6 | - | 4.2 | - | - | 472.9 |
| **Gross value** | **23,201.7** | **71.1** | **(77.1)** | **-** | **-** | **23,195.7** |
| France | - | - | - | - | - | - |
| United States | - | - | - | - | - | - |
| Portugal | - | - | - | - | - | - |
| Israel | (151.3) | - | (6.3) | - | - | (157.6) |
| Dominican Republic | - | - | - | - | - | - |
| Others | (4.6) | - | - | - | - | (4.6) |
| **Cumulative impairment** | **(155.9)** | **-** | **(6.3)** | **-** | **-** | **(162.3)** |
| France | 12,157.1 | - | - | - | - | 12,157.1 |
| United States | 7,246.6 | 71.1 | (101.7) | - | - | 7,215.9 |
| Portugal | 1,706.2 | - | - | - | - | 1,706.2 |
| Israel | 581.0 | - | 24.3 | - | - | 605.3 |
| Dominican Republic | 890.9 | - | (10.2) | - | - | 880.7 |
| Others | 464.0 | - | 4.2 | - | - | 468.2 |
| **Net book value** | **23,045.7** | **71.1** | **(83.4)** | **-** | **-** | **23,033.4** |

| Goodwill (€m) | December 31, 2015 | Recognized on business combination | Changes in foreign currency translation | Held for sale | Disposals | 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

Goodwill is reviewed at the level of each GCGU or CGU annually for impairment and whenever changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill was tested at the CGU/GCGU level for impairment as of December 31, 2016. The CGU/GCGU is at the country level where the subsidiaries operate. The recoverable amounts of the GCGUs are determined based on their value in use, except for the France GCGU, where the observable price of the publicly traded shares are used to determine fair value. The key assumptions for the value in use calculations are the pre-tax discount rates, the terminal growth rate and the EBIT margin during the period. The senior management team has determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable. In addition, there were no significant changes in assets or liabilities in any CGU/GCGU, while the recoverable amounts continue to significantly exceed the carrying amounts. Therefore, no updated impairment testing was performed, nor any impairment recorded, for the three months ended March 31, 2017.

### 5.2. Business combinations

The Group has concluded several acquisitions during the past 12 months. In all acquisitions, the Group records the provisional value of the assets and liabilities as being equivalent to the book values in the accounting records of the entity being acquired. The Group then identifies the assets and liabilities to which the purchase price needs to be allocated. The fair value is determined by an independent external appraiser based on a business plan prepared as of the date of the acquisition.

#### *5.2.1. Acquisitions where the purchase price allocations has been finalised*

#### *5.2.1.1. Groupe News Participations (NextRadioTV)*

The fair value of the assets and liabilities acquired was finalised during the quarter, with no change to the amounts disclosed in the annual consolidated financial statements.

#### *5.2.2. Acquisitions where the purchase price allocations is not yet finalised*

#### *5.2.2.1. Optimum*

On June 21, 2016, the Company 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 preliminary 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: 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 of 15 years and amounted to a total of €892.7 million.
- Franchise rights: concessions awarded by local municipalities for Optimum to conduct its 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: preliminary evaluated at a fair value of €4,288.3 million.

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

| | €m |
|---|---|
| Total consideration transferred | 8,025.4 |
| Fair value of identifiable assets, liabilities and contingent liabilities | 2,946.2 |
| Goodwill | 5,079.2 |

The Group is continuously evaluating the fair value of acquired assets and liabilities and expects to complete the final purchase price allocation within the measurement period as defined by IFRS 3. No significant changes to the preliminary allocation were made during the reporting period.

#### *5.2.3. Acquisitions where the Group is yet to assess the fair value*

For the following acquisitions, the Group is yet to assess the fair value of the identifiable assets and liabilities; the exercise will be completed within the measurement period as defined by IFRS 3.

#### *5.2.3.1. Audience Partners*

On March 2, 2017, the Group finalized the 100% acquisition of the share capital of Audience Partners. Total consideration to be transferred to the vendors amounts to $75.4 million (€70.5 million equivalent, excluding purchase price adjustments), including $45.4 million cash consideration paid to existing Management, owners, and seller attributable expenses and $30.0 million contingent consideration, subject to certain conditions.

| | €m |
|---|---|
| Total consideration transferred | 70.5 |
| Fair value of identifiable assets, liabilities and contingent liabilities | 0.4 |
| Goodwill | 70.1 |

*5.2.3.2. Altice Customer Services (ACS)*

On December 22, 2016, the Group finalized the 100% acquisition of the share capital of ACS. Certain managers in ACS subsequently reinvested part of their proceeds to acquire a 35% stake. Total consideration transferred to the vendors amounted to €27.7 million (excluding purchase price adjustments) on a cash free debt free basis.

| | €m |
|---|---|
| Total consideration transferred | 27.7 |
| Fair value of identifiable assets, liabilities and contingent liabilities | (2.1) |
| Goodwill | 29.8 |

*5.2.3.3. Altice Technical Services (ATS)*

On November 22, 2016, the Group finalized the 51% acquisition of Parilis SA. Total consideration transferred to the vendors amounted to €158.1 million (excluding purchase price adjustments) on a cash free debt free basis.

| | €m |
|---|---|
| Total consideration transferred | 158.1 |
| Allocation to minority interests | 45.0 |
| Fair value of identifiable assets, liabilities and contingent liabilities | 59.4 |
| Goodwill | 143.7 |

## 6. Cash and cash equivalents and restricted cash

| **Cash balances (€m)** | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| Term deposits | 176.3 | 185.3 |
| Bank balances | 873.1 | 923.8 |
| **Cash and cash equivalents** | **1,049.4** | **1,109.1** |
| Restricted cash | 86.5 | 202.0 |
| **Total** | **1,135.9** | **1,311.1** |

## 7. Shareholders' Equity

### 7.1. Issued capital

| **Share capital March 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 | 8,450,367,925 | 84.5 | 1,123,578,000 | 0.01 | 11.2 |
| Common B shares | 287,835,841 | 72.0 | 260,986,918 | 0.25 | 65.2 |
| Preference A shares | 4,700,000,000 | 188.0 | - | 0.04 | - |
| Preference B shares | 150,000,000 | 1.5 | - | 0.01 | - |
| **Total** | **13,588,203,766** | **346.0** | **1,384,564,918** | | **76.5** |

| **Share captial December 31, 2016** | **Total shares authorised (number)** | **Total capital authorised (€m)** | **Number of shares issued (number)** | **Value per share (cents)** | **Total capital issued (€m)** |
|---|---|---|---|---|---|
| Common A shares | 8,299,152,975 | 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 | - | - | - |
| Preference B shares | 150,000,000 | 1.5 | - | - | - |
| **Total** | **13,443,037,414** | **346.0** | **1,239,398,566** | | **76.5** |

For the three months ended March 31, 2017, the Company received and executed conversion orders amounting to a total of 6,048,598 common shares B. Common shares B are converted to 25 common shares A. 24 common shares A are acquired by the Company for nil consideration and retained as treasury shares.

### 7.2. Treasury shares

As of March 31, 2017, the Company held a total of 252,491,328 common shares A with a nominal value of €0.01 each held as treasury shares. The consideration paid for the acquisition of the treasury shares was nil. A total of 145,166,352 treasury shares were acquired during the period.

### 7.3. Additional paid in capital

| Changes in additional paid in capital (€m) | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Opening balance | 738.0 | 2,379.6 |
| Exchange of Altice N.V. shares for SFR Group shares | - | 284.0 |
| Transactions with non-controlling interests of SFR Group | 0.5 | (141.2) |
| Transactions with non-controlling interests of CVC 2 B.V. | (72.4) | (1,747.5) |
| Other | 10.4 | (36.9) |
| **Total** | **676.6** | **738.0** |

Changes in additional paid in capital were mainly related to the change in fair value of the put option held by non-controlling interests. Refer to note 10.1.2 for details about the fair value of this instrument.

### 7.4. 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 | March 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| (€m) | Pre-tax amount | Tax effect | Net amount | Pre-tax amount | Tax effect | Net amount |
| Actuarial gains and losses | (43.0) | 10.6 | (32.4) | (59.7) | 15.1 | (44.6) |
| **Items not reclassified to profit or loss** | **(43.0)** | **10.6** | **(32.4)** | **(59.7)** | **15.1** | **(44.6)** |
| Available for sale reserve | 3.1 | - | 3.1 | 2.9 | - | 2.9 |
| Currency translation reserve | 109.3 | - | 109.3 | 148.8 | - | 148.8 |
| Cash flow hedge reserve | (852.1) | 268.4 | (583.7) | (985.5) | 313.6 | (671.8) |
| **Items potentially reclassified to profit or loss** | **(739.7)** | **268.4** | **(471.3)** | **(833.8)** | **313.6** | **(520.2)** |
| **Total** | **(782.7)** | **279.0** | **(503.7)** | **(893.5)** | **328.8** | **(564.8)** |

## 8. Earnings per share

| Earnings per share (€m) | Three months ended March 31, 2017 | Three months ended March 31, 2016 |
|---|---|---|
| **Loss for the period attributable to equity holders of the Parent** | **(138.3)** | **(261.6)** |
| **Basic earnings per share** | | |
| Weighted average number of ordinary shares | 1,132.1 | 1,088.1 |
| *Basic earnings per ordinary share (in €)* | *(0.12)* | *(0.24)* |
| **Diluted earnings per share** | | |
| Dilutive shares: Stock options and management investment plan | 46.4 | 38.1 |
| Weighted average number of ordinary shares including dilutive shares | 1,178.5 | 1,126.2 |
| *Diluted earnings per ordinary share (in €)* | *(0.12)* | *(0.23)* |

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.

## 9. Borrowings and other financial liabilities

| Borrowings and other financial liabilities (€m) | Notes | March 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **Long term borrowings, financial liabilities and related hedging instruments** | | **52,564.9** | **52,826.3** |
| *- Debentures* | *9.1* | *42,134.7* | 42,517.9 |
| *- Loans from financial institutions* | *9.1* | *9,792.9* | 9,867.5 |
| *- Derivative financial instruments* | *9.3* | *637.4* | 440.9 |
| **Other non-current financial liabilities** | *9.6* | **4,934.7** | **4,480.0** |
| *- Finance leases* | | *128.2* | 130.6 |
| *- Other financial liabilities* | | *4,806.5* | 4,349.3 |
| **Non-current liabilities** | | **57,499.6** | **57,306.3** |
| **Short term borrowing, financial liabilities and related hedge instruments** | | **1,207.5** | **1,342.3** |
| *- Debentures* | *9.1* | *710.7* | 909.6 |
| *- Loans from financial institutions* | *9.1* | *462.2* | 420.2 |
| *- Derivative financial instruments* | *9.3* | *34.5* | 12.5 |
| **Other financial liabilities** | *9.6* | **3,339.6** | **3,492.0** |
| *- Other financial liabilities* | | *2,330.7* | 1,995.0 |
| *- Bank overdraft* | | *123.3* | 59.6 |
| *- Accrued interests* | | *810.0* | 1,358.2 |
| *- Finance leases* | | *75.7* | 79.1 |
| **Current liabilities** | | **4,547.1** | **4,834.3** |
| **Total** | | **62,046.7** | **62,140.6** |

## 9.1. Debentures and loans from financial institutions

| Debentures and loans from financial institutions (€m) | Notes | March 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Debentures | 9.1.1 | 42,845.4 | 43,427.5 |
| Loans from financial institutions | 9.1.2 | 10,255.1 | 10,287.7 |
| **Total** | | **53,100.5** | **53,715.2** |

There was no change in debentures or loan from financial institutions compared to December 31, 2016, other than amortisation of transactions costs in the quarter. However, during the three months ended March 31, 2017, the Group successfully negotiated refinancing of some of its existing debt. These refinancing activities were executed in April 2017, please refer to note 9.2 for further details.

### *9.1.1. Debentures*

| Maturity of debentures (€m) | Less than one year | One year or more | March 31, 2017 | December 31, 2016 |
|---|---|---|---|---|
| SFR Group | - | 11,980.9 | 11,980.9 | 12,197.3 |
| Altice USA[1] | 678.3 | 15,696.0 | 16,374.3 | 16,620.5 |
| Altice Luxembourg | - | 6,827.4 | 6,827.4 | 6,881.8 |
| Altice Financing | - | 6,066.3 | 6,066.3 | 6,109.2 |
| Altice Finco | - | 1,367.2 | 1,367.2 | 1,382.9 |
| HOT Telecom | 32.4 | 196.9 | 229.3 | 235.9 |
| **Total** | **710.7** | **42,134.7** | **42,845.4** | **43,427.5** |

### *9.1.2. Loans from financial institutions*

| Maturity of loans from financial institutions (€m) | Less than one year | One year or more | March 31, 2017 | December 31, 2016 |
|---|---|---|---|---|
| SFR Group (including RCF) | 67.4 | 4,685.2 | 4,752.5 | 4,804.7 |
| Altice USA[1] (incuding RCF) | 29.9 | 3,233.0 | 3,262.9 | 3,268.0 |
| Altice Corporate Financing | - | 1,403.0 | 1,403.0 | 1,403.0 |
| Altice Financing (including RCF) | 359.5 | 432.9 | 792.4 | 748.7 |
| Altice Customer Services | - | 11.2 | 11.2 | 28.0 |
| Others | 5.4 | 27.7 | 33.1 | 35.4 |
| **Total** | **462.2** | **9,792.9** | **10,255.1** | **10,287.7** |

1 The debt of Altice USA was disclosed separately for Optimum and Suddenlink in the annual consolidated financial statements, however, given the announced filing for an initial public offering, the US subsidiaries are combined and reported under the heading Altice USA.

## 9.2. Refinancing activities

During March the Group announced successful repricing of some of its debt, which subsequently closed during April 2017. Because the refinance was subject to closing conditions as at March 31, 2017, the debt was classified in non-current liabilities in the consolidated statement of financial position. Further details of the refinancing activities are provided below.

### *9.2.1. Refinancing of a portion of the existing debt in the US*

On March 15, 2017, the Group announced that it had successfully priced two new term loans with institutional investors as follows:

- $3,000 million of 8.25-year senior secured term loans, and
- $1,265 million of 8.25-year senior secured term loans.

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 the entire $2,500 million loans under Optimum's existing Term Loan Facility that matures in October 2024,
- redeem $500 million of the 8.625% Senior Notes due September 2017 issued by Optimum,
- refinance the $815 million loans under Suddenlink's existing Term Loan Facility that matures in January 2025, and
- redeem $450 million of Suddenlink’s 6.375% Senior Notes due September 2020.

At the time of the refinance, the average maturity of Cablevision’s debt 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%.

### *9.2.2. Refinancing of a portion of the existing debt in other locations*

On March 23, 2017, the Group announced that it 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 that mature in April 2023,
- $1,425 million of term loans at SFR Group that mature in January 2024,
- €300 million term loans at SFR Group that mature in July 2023,
- €446 million term loans at Altice Financing that mature in July 2023, and
- redeem the entire $425 million of the 2012 Senior Notes at Altice Financing.

The refinancing extended the average maturity of SFR Group 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%.

## 9.3. Derivatives and hedge accounting

As part of its financial risk management strategy, the Group enters into 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.

### *9.3.1. CCIRS*

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

| **Entity** Maturity | **Notional amount due from counterparty (millions)** | **Notional amount due to counterparty (millions)** | **Interest rate due from counterparty** | **Interest rate due to counterparty** | **Accounting treatment**[1] |
|---|---|---|---|---|---|
| **SFR Group S.A.** | | | | | |
| May 2022 | USD 4,000 | EUR 2,893 | 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 |
| January 2024 | USD 1,425 | EUR 1,030 | 3m LIBOR+4.25% | 3m EURIBOR+4.57% | FVPL |
| May 2024 | USD 1,375 | EUR 994 | 6.25% | 5.38% | CFH |
| April to July 2024 | USD 5,190 | EUR 4,194 | 7.38% | 6.18% | 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.** | | | | | |
| December 2017 [2] | USD 200 | ILS 767 | 9.88% | 3m TELBOR+9.00% | FVPL |
| December 2017 [2] | USD 225 | ILS 863 | 7.88% | 3m TELBOR+6.93% | FVPL |
| December 2017 [2] | EUR 100 | ILS 495 | 8.00% | 3m TELBOR+5.78% | FVPL |
| July - Nov 2018 | USD 293 | ILS 1,077 | 3m LIBOR+4.50% | 3m TELBOR+5.33% | FVPL |
| February 2020 | USD 2,060 | EUR 1,821 | 6.63% | 5.30% | CFH |
| July 2025 | USD 485 [3] | EUR 449 | 3m LIBOR+2.75% | 3m EURIBOR+2.55% | FVPL |
| February 2022 - 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. Those derivatives classified as cash flow hedges (CFH) in accordance with IAS 39, the change in fair value is recognised in the cash flow hedge reserve. The derivatives not hedge accounted have the change in fair value recognised immediately in profit or loss (FVPL).

2 These cross-currency swaps do not involve the exchange of notional amounts at maturity of the contracts. Accordingly the only cash flows associated with these contracts are interest payments and receipts

3 This is a new swap executed during the quarter to partially hedge the new $910 million term loan that replaced the €446 million term loan maturing in July 2023 (as disclosed in note 9.2.2).

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the three months ended March 31, 2017. Before the impact of taxes, gains of €156.3 million were recorded in other comprehensive income (€103.2 million net of taxes).

### *9.3.2. Interest rate swaps*

The Group enters into 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 below:

| **Entity** Maturity | **Notional amount due from counterparty (millions)** | **Notional amount due to counterparty (millions)** | **Interest rate due from counterparty** | **Interest rate due to counterparty** | **Accounting treatment** |
|---|---|---|---|---|---|
| **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 |

### *9.3.3. Foreign currency forward contracts*

The Group enters into foreign exchange forward contracts to cover its foreign exchange exposure in line with its treasury policy. The details of these instruments are provided below:

| **Entity**<br>Maturity | **Currency purchased forward (millions)** | **Currency sold forward (millions)** | **Accounting treatment** |
|---|---|---|---|
| **Altice Financing S.A.** | | | |
| June 2017 | EUR 4 | ILS 22 | FVPL |
| December 2017 | EUR 4 | ILS 22 | FVPL |
| June 2017 | USD 19 | ILS 80 | FVPL |
| December 2017 | USD 19 | ILS 81 | FVPL |

## 9.4. Reconciliation to swap adjusted debt

The various hedge transactions mitigate interest and foreign exchange risks on the debt instruments issued by the Group. Such instruments cover both the principal and the interest due. A reconciliation from the carrying amount of the debt as per the statement of financial position and the due amount of the debt, taking into account the effect of the hedge operations (i.e. the, "swap adjusted debt"), is provided below:

| **Reconciliation to swap adjusted debt**<br>**(€m)** | **March 31, 2017** | **December 31, 2016** |
|---|---|---|
| **Debentures and loans from financial institutions** | **53,100.5** | **53,715.2** |
| Transaction costs | 734.0 | 676.4 |
| Fair value adjustments | 147.7 | 205.3 |
| **Total (excluding transaction costs and fair value adjustments)** | **53,982.2** | **54,596.9** |
| Conversion of debentures and loans in foreign currency (at closing spot rate) | (27,864.6) | (22,300.4) |
| Conversion of debentures and loans in foreign currency (at hedged rates) | 24,804.1 | 18,886.6 |
| **Total swap adjusted value** | **50,921.7** | **51,183.2** |

## 9.5. Available credit facilities

| **Available credit facilities**<br>**(€m)** | **Total facility** | **Drawn** |
|---|---|---|
| Optimum | 2,182.0 | 210.5 |
| SFR Group | 1,125.0 | - |
| Altice Financing S.A. | 986.9 | 355.0 |
| Suddenlink | 332.0 | - |
| Altice Luxembourg S.A. | 200.0 | - |
| **Revolving credit facilities** | **4,825.9** | **565.5** |
| Altice Financing S.A. | 15.0 | - |
| **Guarantees** | **15.0** | **-** |
| **Total** | **4,840.9** | **565.5** |

Altice USA has outstanding letters of credit totalling €100.1 million, which reduces the amounts available to be drawn against total revolving credit facilities in the US.

## 9.6. Other financial liabilities

The main changes in other financial liabilities in the three months ended March 31, 2017 were:

The non-current portion of €4,934.7 million increased by €454.7 million, mainly related to:

- An increase in the fair value of put agreements that the Group has entered into with the non-controlling interests in the US. As per the requirements of IAS 39, the put was measured at its fair value (of €2,925.6 million), an increase of €113.3 million from the amount reported in the annual consolidated financial statements.
- An increase in the non-current portion of the collateralised debt issued by Optimum of €130.0 million.
- The carried unit plan in the US, which is measured at its fair value at each reporting period, at March 31, 2017 the total fair value was €100.6 million.

The current portion of €3,339.6 million decreased €152.4 million compared to December 31, 2016. This decrease was mainly related to:

- the decrease in the current portion of the collateralised debt at Optimum (€150.0 million),
- an increase in issued commercial paper by SFR Group (€356.0 million).
- an increase in bank overdrafts of €63.6 million, offset by
- a decrease in accrued interest, following interest payments during the quarter (€548.3 million).

## 10. Fair value of financial assets and liabilities

### *10.1.1. Fair value of assets and liabilities*

The table below shows the carrying value compared to fair value of financial assets and liabilities.

| **Fair values of assets and liabilities** | **Note** | **March 31, 2017** | | **December 31, 2016** | |
|---|---|---|---|---|---|
| **(€m)** | | **Carrying value** | **Fair value** | **Carrying value** | **Fair value** |
| Financial assets | | 558.0 | 558.0 | 697.3 | 697.3 |
| Derivatives | | 51.9 | 51.9 | 61.3 | 61.3 |
| Cash and cash equivalents | 6 | 1,049.4 | 1,049.4 | 1,109.1 | 1,109.1 |
| Restricted cash | 6 | 86.5 | 86.5 | 202.0 | 202.0 |
| **Current assets** | | **1,745.9** | **1,745.9** | **2,069.7** | **2,069.7** |
| Available for sale financial assets | | 7.7 | 7.7 | 12.0 | 12.0 |
| Derivatives | | 2,432.7 | 2,432.7 | 2,568.8 | 2,568.8 |
| Other financial assets[1] | | 1,302.7 | 1,302.7 | 1,034.9 | 1,034.9 |
| **Non-current assets** | | **3,743.1** | **3,743.1** | **3,615.8** | **3,615.8** |
| Short term borrowings and financial liabilities | 9.1 | 1,173.0 | 1,173.0 | 1,329.8 | 1,329.8 |
| Derivatives | 9.3 | 34.5 | 34.5 | 12.5 | 12.5 |
| Other financial liabilities | 9.6 | 3,339.6 | 3,339.6 | 3,491.9 | 3,491.9 |
| **Current liabilities** | | **4,547.1** | **4,547.1** | **4,834.2** | **4,834.2** |
| Long term borrowings and financial liabilities | 9.1 | 51,927.6 | 53,659.2 | 52,385.4 | 54,887.6 |
| Derivatives | 9.3 | 637.4 | 637.4 | 440.9 | 440.9 |
| Other financial liabilities | 9.6 | 4,934.7 | 4,934.7 | 4,480.0 | 4,480.0 |
| **Non-current liabilities** | | **57,499.6** | **59,231.3** | **57,306.3** | **59,808.6** |

1. The increase is largely a result of the increase in the fair value of the investment in the common shares of Comcast Corporation held by Optimum.

During the three months ended March 31, 2017, there were no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements. The Group's trade and other receivables and trade and other payables are not shown in the table above as their carrying amounts approximate their fair values.

### *10.1.2. Fair value hierarchy*

The following table provides information about the fair values of the Group's financial assets and liabilities and which level in the fair value hierarchy they are classified.

| **Fair value measurement (€m)** | **Fair value hierarchy** | **Valuation technique** | **March 31, 2017** | **December 31, 2016** |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| Derivative financial instruments | Level 2 | Discounted cash flows | 671.9 | 440.9 |
| Collateralised debt (related to Comcast shares) | Level 2 | Discounted cash flows | 1,210.1 | 1,220.1 |
| Minority Put Option - CVC 1 B.V. | Level 3 | Discounted cash flows | 2,925.6 | 2,812.3 |
| Minority Put Option - Intelcia | Level 3 | Discounted cash flows | 36.8 | 39.0 |
| Minority Put Option - GNP | Level 3 | Discounted cash flows | 63.1 | 61.8 |
| **Financial Assets** | | | | |
| Derivative financial instruments | Level 2 | Discounted cash flows | 2,484.7 | 2,630.1 |
| Held to maturity investments: Comcast shares | Level 1 | Discounted cash flows | 1,510.3 | 1,406.9 |
| Minority Call options - CVC 1 B.V. | Level 3 | Black and Scholes model | 1.3 | 1.7 |
| Minority Call option - Parilis | Level 3 | Black and Scholes model | 13.1 | 20.2 |
| Minority Call option - Intelcia | Level 3 | Black and Scholes model | 12.0 | 6.5 |
| Available for sale assets - Wananchi | Level 3 | Discounted cash flows | 1.3 | 1.2 |
| Available for sale assets - Partner Co. Ltd. | Level 1 | Quoted share price | 6.4 | 5.9 |

### *10.1.3. Level 3 financial instruments*

| **Change in fair value of level 3 instruments (€m)** | **Available for sale unlisted shares** | **Minority put options** | **Minority call options** | **March 31, 2017** |
|---|---|---|---|---|
| **Opening balance** | **1.2** | **(2,913.1)** | **28.4** | **(2,883.5)** |
| Additions | - | - | - | - |
| Change in value of minority put options recorded in equity | - | (112.4) | - | (112.4) |
| Gains or losses recognised in profit or loss | - | - | (2.0) | (2.0) |
| **Closing balance** | **1.2** | **(3,025.5)** | **26.4** | **(2,997.9)** |

| **Change in fair value of level 3 instruments (€m)** | **Available for sale unlisted shares** | **Minority put options** | **Minority call options** | **December 31, 2016** |
|---|---|---|---|---|
| **Opening balance** | **1.2** | **(748.0)** | **31.0** | **(715.8)** |
| Additions | - | (2,102.5) | 26.8 | (2,075.7) |
| Change in value of minority put options recorded in equity | - | (62.6) | - | (62.6) |
| Gains or losses recognised in profit or loss | - | - | (29.4) | (29.4) |
| **Closing balance** | **1.2** | **(2,913.1)** | **28.4** | **(2,883.5)** |

## 11. Taxation

| **Tax expense (€m)** | **Three months ended March 31, 2017** | **Three months ended March 31, 2016** |
|---|---|---|
| Current tax | (58.6) | (47.5) |
| Deferred tax | 121.0 | 88.7 |
| **Total** | **62.4** | **41.2** |

The variation in the income tax recorded resulted mainly from a deferred tax income of €121.0 million for the three months ended March 31, 2017 (compared to an income of €88.7 million in 2016); this was mainly linked to the first consolidation of Optimum included in the consolidation scope starting from June 2016.

The Group also recorded a current tax expense of €58.6 million for the three months ended March 31, 2017 (compared to an expense of €47.5 million in 2016). The variation is mainly due Altice Technical Services and Optimum being included in the consolidation scope starting from December 2016 and June 2016 respectively.

### 11.1. Income tax litigation

There is no significant development in existing tax litigations that have occurred since the publication of the annual consolidated financial statements and that have had or that may have a significant effect on the financial position of the Group.

## 12. Contractual obligations and commercial commitments

During the three months ended March 31, 2017, no significant contractual obligations and commercial commitments have been signed as compared to the year ended December 31, 2016, other than the lease commitment signed between SFR and SCI Quadrans, as disclosed in note 14.

## 13. 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. The magnitude of the provisions recognised is based on the best estimate of the level of risk on a case-by-case basis, taking into account that the occurrence of events in the course of the legal action involves constant re-estimation of this risk.

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

This note describes the new proceedings and developments in existing litigations that have occurred since the publication of the annual consolidated financial statements and that have had or that may have a significant effect on the financial position of the Group.

## 13.1. France

### *13.1.1. Wholesale disputes*

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

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

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

#### *13.1.1.2. 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 French 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 (the "Faber" contract).

On March 8, 2017, the French Competition Authority issued a penalty of €40 million jointly and severally to Altice Luxembourg S.A. and SFR Group for non-respect of their engagements as defined in the Faber contract. The competition authority also imposed other injunctions also subject to fines in case of non-compliance. On April 13, 2017, Altice Luxembourg S.A. and SFR Group appealed and requested a suspension of the decision of the French Competition Authority. As of March 31, 2017, a provision amounting to €40.0 million was recognised in the consolidation statement of financial position.

#### *13.1.1.3. Claim by Bouygues Telecom against NC Numericable and Completel*

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

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

The matter was heard in a new procedural hearing on September 27, 2016. With regard to these issues, Bouygues Telecom is claiming €138.4 million in reparation for the loss suffered. The case has been postponed in order to allow Bouygues Telecom to depose all its conclusions.

In addition, in a counter-claim, NC Numericable and Completel are seeking €10.8 million in addition to the contractual interest as well as €8 million in royalties due for fiscal year 2015 and €8.2 million in royalties due for fiscal year 2016.

*13.1.2. Consumer Disputes*

*13.1.2.1. SFR v. Iliad, Free and Free mobile: unfair competition by disparagement*

In June 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. The Court's decision is expected for the first half of 2017.

*13.1.3. Other disputes*

*13.1.3.1. 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 Numericable was consistent with European Union government aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives the latter an economic advantage not enjoyed by its competitors, and that it therefore constitutes government aid within the meaning of the rules of the European Union and that the free-of-charge transfer of the cable networks and ducts by 33 French municipalities to Numericable, they have argued, confers a benefit of this type and, as such, is government aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union. The Group firmly denies the existence of any government aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (approximately 200,000), the majority of which have not been migrated to 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. On December 13, 2016, the European commission once again formulated demands for the French authorities which could lead the French authorities to send more information to the Commission.

*13.1.3.2. 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." The Hauts-de-Seine General Council demanded the payment of penalties totaling approximately €45 million for delays, advanced by the sole delegator and disputed by Sequalum, in the deployment of fiber optics and connections to buildings.

The demand for payment was contested in a motion filed with the Administrative Court of Cergy Pontoise on September 3, 2014. Its enforcement and the payment of the sums requested have been suspended pending a ruling on the merits. On May 7, 2015, the General Council sent a second demand for an order for payment in the amount of €51.6 million, orders disputed by Sequalum on July 11, 2015.

Sequalum claims that the termination was unlawful and 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 states that it also has its own fiber optics in the department of Hauts-de-Seine to service its customers.

Pursuant to two decisions rendered on March 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 intends to appeal the decisions. As of March 31, 2017, a provision amounting to €90.7 million was recognised in the consolidation statement of financial position.

### 13.2. Portugal

#### *13.2.1. 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 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.

## 14. Related party transactions and balances

The following changes in related party relationships occurred compared to those disclosed in the annual consolidated financial statements:

- In March 2017, a lease contract for administrative building was signed between SFR and SCI Quadrans (controlled by the ultimate beneficial owner of the Group), compliant with the letter of intent signed in December 2016. The duration of the lease is 12 years, as with other leases signed with Quadrans in 2016.
- In May 2017, the Board of Directors approved a management proposal whereby the fee paid as part of the annual strategic services and brand license agreement with Next Alt, which was established in Q4 2016, will cease and will no longer be included in corporate costs, with retrospective modification from January 1, 2017. The fee, as described in the annual consolidated financial statements, will be replaced with the grant of 30 million share options issued by Altice N.V. to Next Alt. The options will vest 50% after 2 years, 25% after 3 years and the final 25% after 4 years, except for:
  - a tranche of 10 million share options that will vest in the event the share price doubles in value on or before December 31, 2020, where both timing and share price vesting conditions are cumulative, and
  - a tranche of 10 million share options that will vest in the event the share price triples in value on or before December 31, 2021, where both timing and share price vesting conditions sre cumulative.

## 15. Going concern

As of March 31, 2017, the Group had net current liability position of €6,688.0 million (mainly due to trade payables amounting to €7,290.9 million) and a negative working capital of €2,020.0 million. During the three months ended March 31, 2017, the Group registered a net loss of €181.0 million (2016: €332.5 million) and generated cash flows from operations of 1,637.8 million.

As of March 31, 2017, the Group had a negative equity position of €2,624.9 million (€2.339.6 million as of December 31, 2016). This negative equity position mainly resulted from the impact of:

- the accumulated impact of the buy back of a 20% stake in SFR from Vivendi during the year ended December 31, 2015 (€4,016.0 million), and
- the measurement and recognition of a non-cash transaction being the put option agreement with non-controlling interests in CVC-2 B.V. for an amount of €2,925.6 million, An extinguishment of the put liability would result in an improvement of the equity position to €300.7 million.

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding and suppliers are paid under standard commercial terms, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (€4,858.7 million compared to €7,290.9 million for the three months ended March 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 March 31, 2017, the Group's short term borrowings mainly comprised of a debenture at Optimum of €678.3 million and of accrued interests of €810.0 million on the debenture and loans from financial institutions which are repaid on a semi-annual basis, and the amortization of some bonds and term loans. Those short-term obligations are expected to be covered by the cash flows from operations of the operating subsidiaries. As of March 31, 2017, the revolving credit facilities at Optimum and Altice Financing S.A. were drawn in an aggregate of €565.5 million. A listing of available credit facilities by silo is provided in note 9.6 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 €2,254.5 million, an increase of 39.7% compared to the same period last year. This increase in adjusted EBITDA is mainly due to the integration of newly acquired entities (see note 3) which contributed to this increase compared to prior year.
  - Operating cash flows for the three months ended March 31, 2017 (€1,637.8 million, which represents an increase of 31.7% compared to the three months ended March 31, 2016 (€1,244.0 million).
- The Board of Directors is of the view that such adjusted EBITDA and the consequent cash flows are sufficient to service the working capital of the Group.
- The Group had healthy unrestricted cash reserves (€1,049.4 million as of March 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 has the ability to 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: €195.6 million
  - United States: €442.6 million
- Additionally, as of March 31, 2017, the Group had access to Revolving Credit Facilities and guarantee facilities of up to €4,275.4 million (of which €565.5 million was drawn as of March 31, 2017) and access to an equity market where it can issue additional equity.

The Group's Executive Committee 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.

On the basis of the above, the Board of Directors is of the view that the Group will continue to act as a going concern for 12 months from the date of approval of these financial statements and has hence deemed it appropriate to prepare these interim consolidated financial statements using the going concern assumption.

## 16. Events after the reporting period

### 16.1. Refinancing activities

The refinancing activities, as disclosed in note 9.2, closed during April 2017.

### 16.2. Partial redemption of CVC 1 note

During April 2017, CVC 1 B.V. redeemed a portion of its short-term loans for an aggregate of $117.4 million (€110.3 million), including accrued interest. This was funded by dividends paid from Altice USA, total dividends paid outside the Group amounted to $50.3 million (€47.2 million).

### 16.3. Exchange of Altice N.V. shares for SFR Group shares

During April 2017, the Company acquired an aggregate number of 26,357,528 SFR Group shares in private off-market transactions. In consideration for these acquisitions, the Company delivered common shares A, which it held previously as treasury shares. Following these transactions and the acquisition of double voting rights by the Company's indirect subsidiary Altice France S.A. in the first quarter, the Group holds directly and indirectly 89.95% of the capital and 93.94% of the voting rights of SFR Group.

### 16.4. Filing of S-1 Altice USA

On April 11, 2017, Altice USA filed for initial public offering (Form S-1 with the Securities and Exchange Commission [SEC]). Comments were subsequently received from the SEC in relation to the filing, to which Altice USA responded on May 16, 2017.

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

As noted in the annual consolidated financial statements, SFR and Marc Laufer had begun exclusive negotiations for a new partnership between SFR, NewsCo and l'Etudiant. In accordance to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, the associated disposal group was classified as held for sale in the consolidated statement of financial position, assets of €59 million and liabilities of €46 million. The sale was concluded on April 28, 2017 and the vendor loan of €100.0 million was subsequently repaid.

### 16.6. Acquisition of exclusive content rights

On May 11, 2017, the Group announced that it had successfully acquired the exclusive rights to broadcast the UEFA Champions League and UEFA Europa league in France. The rights were acquired by Altice Picture and cover the period from August 2018 to May 2021. The rights include exclusive broadcast coverage across free-TV, pay-TV, mobile, internet, over-the-top and digital terrestrial television coverage in France and non-exclusive rights in French in Luxembourg, Switzerland and Monaco. The content rights will be capitalised in accordance IAS 38- *Intangible Assets* and will be amortised linearly over their respective useful lives in the depreciation and amortisation caption of the consolidated statement of income.

## 17. Revised information

As per the provisions of IFRS 3 Business Combination, the impact of the recognition of the identifiable tangible and intangible assets of Suddenlink and GNP at their fair value was revised as of and for the three months ended March 31, 2016.

| **Consolidated Statement of Income<br>Three months ended March 31, 2016<br>(€m)** | **March 31, 2016 (reported)** | **Revision** | **March 31, 2016 (revised)** |
|---|---|---|---|
| Revenue | 4,259.7 | - | 4,259.7 |
| Operating expenses | (2,650.4) | (0.6) | (2,651.0) |
| Depreciation, amortisation and impairment | (1,174.1) | 4.4 | (1,169.7) |
| Other expenses and income | (63.8) | 0.6 | (63.2) |
| **Operating profit** | **371.4** | **4.3** | **375.7** |
| Net finance costs | (856.4) | (0.1) | (856.5) |
| Gain recognized on extinguishment of a financial liability | - | - | - |
| Net result on disposal of a business | 107.5 | - | 107.5 |
| Share of profit in associates | (0.4) | - | (0.4) |
| **Loss before taxes** | **(377.8)** | **4.1** | **(373.7)** |
| Income tax expense | 43.3 | (2.1) | 41.2 |
| **Loss for the period** | **(334.5)** | **2.0** | **(332.5)** |
| **Comprehensive income** | **(424.9)** | **2.9** | **(422.0)** |