

# **Altice International S.à r.l.**



## **CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

# Table of Contents

<b>Consolidated Statement of Income</b>	<b>1</b>
<b>Consolidated Statement of Other Comprehensive Income</b>	<b>1</b>
<b>Consolidated Statement of Financial Position</b>	<b>2</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>3</b>
<b>Consolidated Statement of Cash Flows</b>	<b>4</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>5</b>
1 About Altice International and Altice Group	5
2 Significant accounting policies	8
3 Scope of consolidation	26
4 Segment reporting	32
5 Goodwill	38
6 Intangible assets	42
7 Property, plant and equipment	44
8 Contract balances	45
9 Investment in associates	46
10 Financial assets and other non-current assets	47
11 Inventories	48
12 Trade and other receivables	49
13 Cash and cash equivalents and restricted cash	50
14 Shareholders' equity	50
15 Provisions	51
16 Employee benefit provisions	52
17 Borrowings and other financial liabilities	55
18 Financial risk factors	61
19 Fair value of financial assets and liabilities	64
20 Obligations under leases	66
21 Trade and other payables	66
22 Other liabilities	67
23 Taxation	67
24 Other operating expenses	70
25 Depreciation, amortization and impairment losses	70
26 Net finance cost	71
27 Average workforce	71
28 Related party transactions and balances	72
29 Contractual obligations and commercial commitments	75
30 Litigation	77
31 Going concern	80
32 Events after the reporting period	81
33 Revised information	82
34 List of entities included in the scope of consolidation	86
Report of the réviseur d'entreprises agréé	88

**Altice International S.à r.l.**  
Consolidated Financial Statements

Consolidated Statement of Income	Notes	Year ended December 31, 2018	Year ended December 31, 2017 (revised*)
(€m)			
<b>Revenues</b>	4	<b>4,184.7</b>	<b>4,910.7</b>
Purchasing and subcontracting costs	4	(1,104.4)	(1,293.3)
Other operating expenses	4	(985.5)	(913.4)
Staff costs and employee benefits	4	(478.9)	(493.8)
Depreciation, amortization and impairment	4	(1,141.3)	(1,489.9)
Other expenses and income	4	982.5	(243.3)
<b>Operating profit</b>	4	<b>1,457.2</b>	<b>477.1</b>
Interest relative to gross financial debt	26	(407.8)	(744.5)
Other financial expenses	26	(241.2)	(65.5)
Finance income	26	264.9	42.6
Net result on extinguishment of a financial liability	26	-	(87.2)
<b>Finance costs, net</b>	26	<b>(384.2)</b>	<b>(854.6)</b>
Share of earnings of associates		5.2	(6.0)
<b>Profit/(loss) before income tax from continuing operations</b>		<b>1,078.2</b>	<b>(383.5)</b>
Income tax loss	23	(194.2)	(25.7)
<b>Profit/(loss) for the period from continuing operations</b>		<b>884.0</b>	<b>(409.2)</b>
<b>Discontinued operations</b>			
Profit/(loss) after tax for the period from discontinued operations	3.5	18.7	(7.9)
<b>Profit/(loss) for the period</b>		<b>902.7</b>	<b>(417.0)</b>
<i>Attributable to equity holders of the parent</i>		891.2	(432.7)
<i>Attributable to non-controlling interests</i>		11.6	15.8

Consolidated Statement of Other Comprehensive Income		Year ended December 31, 2018	Year ended December 31, 2017 (revised*)
(€m)			
<b>Profit/(loss) for the period</b>		<b>902.7</b>	<b>(417.0)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that are reclassified to profit or loss</b>			
Exchange differences on translating foreign operations		6.7	13.8
Gain on cash flow hedge, net of taxes		18.0	79.5
<b>Item that is not reclassified to profit or loss</b>			
Actuarial gain/(loss), net of taxes		20.9	(8.2)
Revaluation (loss)/gain in equity instrument at FVOCI, net of taxes		(0.9)	0.7
<b>Total other comprehensive loss</b>		<b>44.6</b>	<b>85.8</b>
<b>Total comprehensive gain/(loss) for the period</b>		<b>947.4</b>	<b>(331.1)</b>
<i>Attributable to equity holders of the parent</i>		935.1	(344.3)
<i>Attributable to non-controlling interests</i>		12.3	13.2

(\*) Previously published information has been revised to take into account the impact following the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial instruments*. Please refer to note 33 for the reconciliation to previously published results.

*The accompanying notes from page 1 to 87 form an integral part of these consolidated financial statements.*

**Altice International S.à r.l.**  
Consolidated Financial Statements

Consolidated Statement of Financial Position (€m)	Notes	As of December 31, 2018	As of December 31, 2017 (revised*)	As of January 1, 2017 (revised*)
<b>Non-current assets</b>				
Goodwill	5	3,207.7	3,214.7	3,545.6
Intangible assets	6	1,756.9	2,040.7	2,912.2
Property, plant & equipment	7	3,520.5	3,728.5	4,164.5
Contract costs	8	95.6	89.3	27.4
Investment in associates	9	134.3	26.4	14.1
Financial assets	10.1	1,804.7	976.0	170.8
Deferred tax assets	23	139.9	129.3	91.8
Other non-current assets	10.2	158.2	182.7	135.4
<b>Total non-current assets</b>		<b>10,817.8</b>	<b>10,387.6</b>	<b>11,061.7</b>
<b>Current assets</b>				
Inventories	11	118.2	112.8	158.0
Contract assets	8	38.9	36.0	36.3
Trade and other receivables	12	943.6	960.6	1,291.5
Current tax assets	23	8.1	8.7	16.9
Financial assets	10	76.4	33.5	571.5
Cash and cash equivalents	13	597.3	253.2	266.0
Restricted cash	13	35.9	33.7	19.4
<b>Total current assets</b>		<b>1,818.4</b>	<b>1,438.5</b>	<b>2,359.7</b>
<i>Assets classified as held for sale</i>	3.4	15.9	1,712.2	416.7
<b>Total assets</b>		<b>12,652.1</b>	<b>13,538.3</b>	<b>13,838.2</b>
Issued capital	14.1	309.3	309.3	309.3
Additional paid in capital	14.2	-	53.2	251.1
Other reserves	14.3	476.0	442.9	359.2
Accumulated losses	14	(764.2)	(1,466.6)	(1,033.9)
<b>Equity attributable to owners of the Company</b>		<b>21.0</b>	<b>(661.3)</b>	<b>(114.2)</b>
Non-controlling interests	3.3	4.0	27.6	24.2
<b>Total equity</b>		<b>25.0</b>	<b>(633.7)</b>	<b>(90.0)</b>
<b>Non-current liabilities</b>				
Long term borrowings, financial liabilities and related hedging instruments	17	8,478.7	8,457.6	8,295.1
Other financial liabilities	17.6	831.3	988.5	964.5
Provisions	15	702.3	818.6	945.4
Deferred tax liabilities	23	76.4	78.6	113.7
Non-current contract liabilities	8	61.3	11.0	0.3
Other non-current liabilities	22	34.3	14.3	165.1
<b>Total non-current liabilities</b>		<b>10,184.3</b>	<b>10,368.6</b>	<b>10,484.1</b>
<b>Current liabilities</b>				
Short-term borrowings, financial liabilities	17	24.5	357.3	351.7
Other financial liabilities	17.6	671.6	622.2	704.4
Trade and other payables	21	1,210.8	1,228.0	1,831.8
Contract liabilities	8	133.5	185.3	245.6
Current tax liabilities	23	130.8	89.1	87.2
Provisions	15	113.7	65.3	82.3
Other current liabilities	22	157.9	304.6	98.1
<b>Total current liabilities</b>		<b>2,442.8</b>	<b>2,851.8</b>	<b>3,401.1</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	3.4	-	951.6	42.9
<b>Total liabilities</b>		<b>12,627.1</b>	<b>14,172.0</b>	<b>13,928.2</b>
<b>Total equity and liabilities</b>		<b>12,652.1</b>	<b>13,538.3</b>	<b>13,838.2</b>

(\*) Previously published information has been revised to take into account the impact following the adoption of IFRS 15 *Revenue from Contracts with Customers* and other adjustments. Please refer to note 33 for the reconciliation to previously published results.

*The accompanying notes from page 1 to 87 form an integral part of these consolidated financial statements.*

**Altice International S.à r.l.**  
Consolidated Financial Statements

Consolidated Statement of	Number of shares on issue	Share capital	Additional	Accumulated	Currency	Cash Flow	Fair value	Employee	Other	Total equity	Non-	Total equity
Changes in Equity		paid in capital	losses	losses	translation	hedge reserve	through	Benefits	reserves	attributable to	controlling	
					reserve		OCI			equity holders	interests	
										of the parent		
Equity at January 1, 2018	30,925,700	309.3	53.2	(1,466.6)	(14.0)	(142.0)	3.6	(51.0)	646.3	(661.3)	27.6	(633.7)
IFRS 9 transition impact		-	-	(21.3)	-	-	-	-	-	(21.3)	-	(21.3)
Equity at January 1, 2018 (revised <sup>1</sup> )	30,925,700	309.3	53.2	(1,487.9)	(14.0)	(142.0)	3.6	(51.0)	646.3	(682.4)	27.6	(655.0)
Gain for the period		-	-	891.2	-	-	-	-	-	891.2	11.6	902.7
Other comprehensive profit/(loss)		-	-	-	6.1	18.0	(0.9)	20.9	-	43.9	0.7	44.6
Comprehensive profit/(loss)		-	-	891.2	6.1	18.0	(0.9)	20.9	-	935.1	12.3	947.4
Transactions with non-controlling interests <sup>2</sup>		-	(53.2)	(137.3)	-	-	-	-	-	(190.6)	15.6	(175.0)
Transactions with Altice shareholders <sup>3</sup>		-	-	(41.8)	-	-	-	-	(10.8)	(52.6)	(35.2)	(87.8)
Dividends		-	-	-	-	-	-	-	-	-	(16.3)	(16.3)
Other		-	-	11.6	-	-	-	-	-	11.6	-	11.6
Equity at December 31, 2018	30,925,700	309.3	-	(764.2)	(7.9)	(124.0)	2.6	(30.1)	635.5	21.0	4.0	25.0

1 Equity as at January 1, 2018 was adjusted for the impact following the adoption of IFRS 9 *Financial Instruments*.

2 Transactions with non-controlling interests include mainly the impact from the exercise of ATS call option (please refer to note 3.1.3).

3 Transactions with Altice shareholders consist mostly of the impacts related to the sale of Altice TV, Altice Technical Services, Altice Management International, Altice Customer Services and Altice Blue Two to other entities in the Altice Group. Please refer to note 3.

Consolidated Statement of	Number of shares on issue	Share capital	Additional	Accumulated	Currency	Cash Flow	Fair value	Employee	Other	Total equity	Non-	Total equity
Changes in Equity		paid in capital	losses	losses	translation	hedge reserve	through	Benefits	reserves	attributable to	controlling	
					reserve		OCI			equity holders	interests	
										of the parent		
Equity at January 1, 2017 (revised*)	30,925,700	309.3	251.1	(1,033.9)	(25.6)	(221.5)	2.8	(42.8)	646.3	(114.2)	24.2	(90.0)
Profit for the period	-	-	-	(432.7)	-	-	-	-	-	(432.7)	15.8	(416.9)
Other comprehensive profit/(loss)	-	-	-	-	16.4	79.5	0.7	(8.2)	-	88.4	(2.6)	85.8
Comprehensive profit/(loss)		-	-	(432.7)	16.4	79.5	0.7	(8.2)	-	(344.3)	13.2	(331.0)
Transactions with non-controlling interests		-	(147.8)	-	-	-	-	-	-	(147.8)	(0.7)	(148.5)
Transactions with Altice shareholders <sup>1</sup>		-	(51.1)	-	-	-	-	-	-	(51.1)	-	(51.1)
Dividends		-	-	-	-	-	-	-	-	-	(5.7)	(5.7)
Other		-	1.1	-	(4.8)	-	-	-	-	(3.7)	(3.5)	(7.2)
Equity at December 31, 2017 (*revised)	30,925,700	309.3	53.2	(1,466.6)	(14.0)	(142.0)	3.6	(51.0)	646.3	(661.3)	27.6	(633.7)

1 Transactions with Altice shareholders corresponds to the impairment loss of €51.1 million recorded by the Group in Altice Content.

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**Altice International S.à r.l.**  
Consolidated Financial Statements

<b>Consolidated Statement of Cash Flows</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017 (*revised)</b>
(€m)		
<b>Net profit/(loss) including non-controlling interests</b>	<b>902.7</b>	<b>(417.2)</b>
Adjustments for:		
Profit from discontinued operations	(18.7)	-
Depreciation, amortization and impairment	1,141.3	1,489.8
Share in income of associates	(5.2)	6.0
Gain on disposals of business	(785.8)	-
Expenses related to share based payment	0.2	-
Other non-cash operating (losses)/gains, net <sup>1</sup>	48.5	(126.8)
Pension liability payments	(81.2)	(129.1)
Finance costs recognized in the statement of income	384.2	854.6
Income tax credit recognized in the statement of income	194.2	25.8
Income tax paid	(92.0)	(114.7)
Changes in working capital <sup>2</sup>	(343.0)	19.7
<b>Net cash provided by operating activities</b>	<b>1,345.1</b>	<b>1,608.1</b>
Payments to acquire tangible and intangible assets	(859.4)	(972.2)
Prepayments for content rights	-	(70.5)
Payments to acquire financial assets	-	(30.9)
Proceeds from disposal of businesses <sup>3</sup>	1,568.1	302.9
Proceeds from disposal of tangible, intangible and financial assets	-	0.3
Payments to acquire interests in associates	-	(12.3)
Payment to acquire subsidiaries, net	(113.4)	(158.0)
Other investing cash flows (net)	-	-
<b>Net cash provided (used) in investing activities</b>	<b>595.3</b>	<b>(940.7)</b>
Proceeds from issuance of debts	1,100.0	3,132.3
Transactions with non-controlling interests <sup>4</sup>	(238.4)	(24.8)
Payments to redeem debt instruments	(1,457.5)	(2,666.0)
Transfers to restricted cash	(2.2)	(18.8)
Advances to Group companies	(443.9)	(366.0)
Dividends paid	(16.3)	(5.7)
Interest paid	(527.4)	(618.6)
Other cash used by financing activities <sup>5</sup>	(5.1)	(38.1)
<b>Net cash used in financing activities</b>	<b>(1,590.8)</b>	<b>(605.8)</b>
Classification of cash as held for sale	(6.4)	(64.1)
Effects of exchange rate changes on the balance of cash held in foreign currencies	1.0	(10.6)
<b>Net change in cash and cash equivalents</b>	<b>344.1</b>	<b>(12.9)</b>
Cash and cash equivalents at beginning of the year	253.2	266.0
<b>Cash and cash equivalents at end of the year</b>	<b>597.3</b>	<b>253.1</b>

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

2 Changes in working capital relate to payments and receipts related to inventories, trade and other receivables and trade and other payables

3 Proceeds from the disposal of businesses include €539.5 million related to the sale of the tower business in Portugal, €157.1 million regarding the sale of the telecommunications solutions business and data center operations in Switzerland, €145.5 million regarding the sale of the tower business in the Dominican Republic and €11.7 million regarding the sale of the wholesale business in Portugal and the Dominican Republic. In addition it includes the proceeds for the sales of ATSF, ACS and Altice Blue Two to Altice France for €178.1 million, €65.7 million and €480.5 million respectively.

4 Transactions with non-controlling interest are mainly related to the payment of the ATS call option for an amount of €156.3 million, the payment of the put option agreement entered into with previous minority shareholders of HOT for an amount of €52.2 million, the purchase of shares and preferred equity certificates of Deficom Invest S.à r.l. for an amount of €22.5 million and the payment of €7.4 million to former owners of Green.

5 Other cash from financing activities include the net receipt of financing related expenses of €7.8 million and net repayments of €12.9 million for factoring and securitization arrangements.

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*The accompanying notes from page 1 to 87 form an integral part of these consolidated financial statements.*

## **Altice International S.à r.l.**

Notes to the consolidated financial statements

### **1. About Altice International and Altice Group**

Altice International S.à r.l. (the “Company”, the “Group”) is a private limited liability company (“société à responsabilité limitée”) incorporated in Luxembourg, headquartered at 5, rue Eugène Ruppert, L-2453, Luxembourg, in the Grand Duchy of Luxembourg.

The direct controlling shareholder of the Company is Altice Luxembourg S.A., which holds 100% of the share capital, and is itself indirectly controlled by Altice Europe N.V. (“Altice” or the “Altice Group”), headquartered at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The consolidated financial statements of the Company are consolidated into the consolidated financial statements of Altice Europe N.V.. The controlling shareholder of Altice Europe N.V. is Next Alt S.à r.l. (“Next Alt”), which holds 67.53% of the share capital as of December 31, 2018 and is controlled by Mr. Patrick Drahi.

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

#### **1.1. Basis of presentation of the consolidated financial statements**

The consolidated financial statements of the Group as of December 31, 2018 and for the year then ended were approved by the Board of Managers and authorized for issue on April 30, 2019.

The consolidated financial statements as of December 31, 2018 and for the year then ended, are presented in millions of Euros, except as otherwise stated, and have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”) (the “consolidated financial statements”).

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability (please refer to note 19).

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

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

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

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

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

These judgments and estimates relate principally to the provisions for legal claim, the post-employments benefits, revenue recognition, fair value of financial instruments, deferred taxes, impairment of goodwill, useful lives of intangible assets and property, plant and equipment and trade receivables and other receivables. These estimates and assumptions are described in the note 2.27 to the consolidated financial statements for the year ended December 31, 2018.

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

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

The following standards have mandatory application for periods beginning on or after January 1, 2018 as described in note 2 to the annual consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments;
- Amendments to IFRS 2: Classification and Measurement of Share Based Payment Transactions;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration;
- Annual improvements cycle 2014-2016.

The application of amendments to IFRS 2, IFRIC 22 and annual improvements cycle 2014-2016 had no impact on the amounts recognised in the annual consolidated financial statements and had no impact on the disclosures in these consolidated financial statements.

Accounting policies in sections 2.3 *Revenue recognition*, 2.15 *Financial assets* and 2.22 *Financial liabilities* have been amended to include the application of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial instruments.

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

The Group has not early adopted the following standards and interpretations, for which application is not mandatory for periods before January 1, 2019 and that may impact the amounts reported.

- IFRS 16 *Leases*, effective on January 1, 2019;
- Annual improvements cycle 2015-2017, effective on or after January 1, 2019;
- IFRIC 23: *Uncertainty over Income Tax Treatments*, applicable for annual periods beginning on or after January 1, 2019;
- Amendments to IFRS 9: *Prepayments features with Negative Compensation*, effective on or after January 1, 2019;
- Amendments to IAS 28: *Long term interests in Associates and Joint ventures*, effective on or after January 1, 2019;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*, effective on or after January 1, 2019.
- Amendments to IAS 1 and IAS 8: *Definition of Material*, effective on or after January 1, 2020;
- Amendments to IFRS 3: *Definition of a Business*, effective on or after January 1, 2020;
- Amendments to References to the Conceptual Framework in IFRS Standards, effective on or after January 1, 2020.

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

The application of these new standards and interpretations will not have material impact on the amounts recognised in the consolidated financial statements and on the disclosures except for IFRS 16 Leases that is presented in section 1.3.3 below.

#### *1.3.3. IFRS 16 Leases*

IFRS 16 *Leases*, issued in January 2016, is the new standard on lease accounting and will result in almost all operating leases being recognised in the balance sheet, as the distinction between operating and finance leases is removed for lessees. Under the new standard, which will become effective on January 1, 2019, an asset (the right to use the leased item) and a financial liability (a liability for discounted minimum lease payments over the lease term) are recognised in the statement of financial position. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases and will have a material impact on the consolidated statement of financial position, but it will not have a material impact on the consolidated statement of profit or loss.

The most significant impact will be the recognition of right-of-use assets and lease liabilities for leases qualifying as operating lease under the current standard (IAS 17 *Leases*), while accounting for leases qualifying as finance lease under the current standard remains substantially unchanged. Most of the lease commitments that will be in scope of the standard relate to mobile sites (land, space in cell towers or rooftop, agreement with towers company), network infrastructure (including local loop unbundling), buildings used for administrative or technical purposes and other assets (vehicles).

Judgment is required in the determination of the discount rates and the assessment of the lease term (considering renewal or termination options).

From a lessor perspective, the standard will not have a material impact as the distinction between operating and finance leases will remain under the new standard.

The Group has decided to apply the new standard based on the modified retrospective approach (cumulative catch-up) and to measure the asset at an amount equal to the liability (adjusted for accruals and prepayments). Therefore, 2018 financial statements will not be restated under the new standard.

As regards the options and exemptions permitted under IFRS 16, the Group will take the following approach:

- Right-of-use assets will be reported separately in the statement of financial position.
- The recognition, measurement and disclosure requirements of IFRS 16 will also be applied in full to short-term leases and leases of low-value assets.
- A distinction will be made in leases that contain both lease components and non-lease components except for agreements for which the separation is impracticable (master service agreements with towers company).
- Application of the portfolio approach for the recognition and measurements of certain asset categories with similar characteristics (same residual value, same economic environment), mainly for local loop unbundling.
- Application of the standard to contracts that were previously identified as finance leases under IAS 17 / IFRIC 4 at the transition date (carry forward of existing finance lease liabilities).
- Calculate outstanding liability for existing operating leases using the incremental borrowing rate at date of transition.
- IFRS 16 will not be applied to leases for intangible assets.
- The Group chooses to apply the relief option, which allows it to adjust the right of use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application.

The Group's preliminary assessment of the impact of IFRS 16 on the Group's balance sheet as at December 31, 2018 is as follows:

- Increase of the rights right of use assets in counterpart of an increase in the lease liabilities relating to previous operating lease in a range of €0.7 - €1.0 billion.

In addition, the group is assessing the impact of the current discussion at the IFRIC (IFRS Interpretation Committee) relating to subsurfacing rights that can change the IFRS 16 impacts presented above.

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

During 2019, the Group will record depreciation charges and interest expense (rather than lease expense) in the statement of income. In the statement of cash flows, the repayment portion of the lease payments from existing operating leases will reduce net cash from/used in financing activities and no longer affect net cash from operating activities.

Under IAS 17 *Leases*, the undiscounted expected operating lease payments are disclosed as off-balance sheet commitments in the notes to the consolidated financial statements (refer to note 20). This disclosure is only indicative for the size of the IFRS 16 lease liability, the amounts are undiscounted, and new contracts previously not recognised as a lease could now be in scope and vice versa.

The reconciliation between operating lease commitments as at December 31, 2018 and lease liabilities recognised in the statement of financial position at the date of initial application is presented below:

- The operating lease obligations as at December 31, 2018 amounts to €1.54 billion.
- The finance lease liabilities as at December 31, 2018 amounts to €0.06 billion.
- The effect of the revision of the periods under IFRS 16 (renewal options that are reasonably certain are taken into account under IFRS 16 versus minimum lease payments in IAS 17 disclosure) will increase the operating lease obligations by €0.02 billion.
- The effect of the discounting effect will decrease the operating lease obligations including revision of the periods by €0.77 billion.
- Other effects under finalization will impact the operating lease obligations under IFRS 16 in a range of €(0.15) - € 0.15 billion.

Therefore, estimated lease liabilities at the date of initial application is estimated in a range of €0.7 - €1.0 billion.

## **2. Significant accounting policies**

### **2.1. Basis of consolidation**

#### *2.1.1. Subsidiaries*

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

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

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

included in the consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Group ceases to control the subsidiary.

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

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

#### *2.1.2. Joint ventures*

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

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

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

#### *2.1.3. Associates*

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

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

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

## **2.2. Foreign currencies**

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

#### *2.2.1. Monetary transactions*

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

## Altice International S.à r.l.

### Notes to the consolidated financial statements

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

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

The exchange rates of the main currencies were as follows:

Foreign exchange rates used (€)	Annual average rate		Rate at the reporting date	
	2018	2017	Dec 31, 2018	Dec 31, 2017
Dominican Pesos (DOP)	0.01711	0.01864	0.01738	0.01719
Israeli Shekel (ILS)	0.23572	0.24626	0.23315	0.23975
United States Dollar (USD)	0.84666	0.88486	0.87321	0.83181
Swiss Franc (CHF)	0.86568	0.89927	0.88844	0.85436
Moroccan Dirham (MAD)	0.09027	0.09123	0.09132	0.08916

#### 2.3. Revenue recognition

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

Revenue comprises the expected consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, discounts and after eliminating intercompany sales within the Group.

In accordance with IFRS 15 *Revenue from Contracts with Customers*, the revenue recognition model includes five steps for analysing transactions so as to determine when to recognise revenue and at what amount:

- (1) Identifying the contract with the customer.
- (2) Identifying separate performance obligations in the contract.
- (3) Determining the transaction price.
- (4) Allocating the transaction price to separate performance obligations.
- (5) Recognizing revenue when or as the performance obligations are satisfied.

For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if the product or service is distinct from other items in the bundle. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the market prices at which the Group sells the mobile devices and telecommunications services separately. This could lead to the recognition of a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position.

The contract asset is amortized over the enforceable period. Enforceable period has been determined for each agreement. It represents the period over which rights and obligation are enforceable. This period is determined not only by the commitment period as stated in the contract, but also by business practices and contracts mechanisms (early renewal, exit options, penalties and other clauses).

##### 2.3.1. Revenues from the sale of equipment

The Group recognises revenues when a customer takes possession of the device, which is the performance obligation. This usually occurs when the customer signs a new contract. The amount of revenue includes the sale of mobile devices and ancillary equipment for those devices. For mobile devices sold separately, customers pay in full at the point of sale or in several instalments (credit agreement).

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

#### *2.3.2. Revenues on separable components of bundle packages*

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

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

#### *2.3.3. Revenue from service*

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

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

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

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

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

Installation service revenue is deferred and recognised over the benefit period. For B2B customers, the benefit period is the contract term, which is defined and agreed for 2 years or more. For B2C customers, there is no commitment period and installation costs are recognised over the estimated benefit period.

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

#### *2.3.4. Access to telecommunications infrastructures*

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

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

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

#### *2.3.5. Sales of infrastructure*

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

#### *2.3.6. Advertising revenues*

Advertising revenues are recognised when commercials are aired.

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

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

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

#### *2.3.7. Income from credit arrangements*

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

#### *2.3.8. Gross versus net revenue recognition*

The Group determines whether it is acting as a principal or as an agent. The Group is acting as a principal if it controls a promised good or service before it is transferred to a customer.

Indicators for acting as a principal include: (1) the Group is primarily responsible for fulfilling the promise to provide the specified good or service, (2) the Group has inventory risk in the specified good or service and (3) the Group has discretion in establishing the price for the specified good or service.

On the other hand, the Group is acting as an agent or an intermediary, if these criteria are not met. When the Group is acting as an agent, revenue is presented on a net basis in the statement of income. When the Group is acting as principal, revenue is presented on a gross basis.

## **2.4. Finance costs, net**

Finance costs, net primarily comprise:

- Interest charges and other expenses paid for financing operations recognised at amortized cost;
- Changes in the fair value of interest rate derivative instruments;
- Ineffective portion of hedges that qualify for hedge accounting;

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

- Foreign exchange gains and losses on monetary transactions;
- Interest income relating to cash and cash equivalents;
- Gains/losses on extinguishment of financial liability;
- Investment securities and investment securities pledged as collateral (Comcast investment) are classified as trading securities and are stated at fair value with realized and unrealized holding gains and losses included in net financial result.

## **2.5. Taxation**

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

### *2.5.1. Current tax*

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

### *2.5.2. Deferred tax*

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

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

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

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

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

## **2.6. Site dismantling and restoration**

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

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

## **2.7. Goodwill and business combinations**

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

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its

## Altice International S.à r.l.

### Notes to the consolidated financial statements

carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

#### 2.7.1. Acquisition under common control

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

Acquisition under common control uses the following methods and principles:

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

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

## 2.8. Intangible assets

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

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

#### *The useful lives of the intangible assets are as follows:*

	<b>Duration</b>
Software	3 years
Brands	5 to 15 years
Customer relations	4 to 17 years
Licences	over the period of licences
Indefeasible Right of use	3-30 years
Subscriber purchase costs	based on average duration of subscriptions
Franchises	finite and indefinite

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

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

Franchise rights are periodically reviewed to determine if each franchise has a finite life or an indefinite life in accordance with goodwill and other intangible asset financial accounting standards. Accordingly, the Company believes its franchises qualify for indefinite life treatment and are not amortized but instead are tested for impairment annually or more frequently as warranted by events or changes in circumstances. Costs incurred in negotiating and renewing broadband franchises are amortized on a straight-line basis over the life of the renewal period.

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

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

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

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

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

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

#### *2.8.1. Content rights*

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

## **2.9. Impairment of tangible and intangible assets**

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

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

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

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

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

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

#### **2.10. Property, plant and equipment**

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

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

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

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

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

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

#### **2.11. Contract costs**

The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Commissions to third parties and sales incentives to employees are considered as costs to obtain a contract and are recognised under the balance sheet caption "contract costs".

Assets recognised as contract costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The asset may relate to goods or services to be transferred under a specific anticipated contract. The amortization charge is recognised in the statement of income, within caption "Depreciation, amortization and impairment".

As a practical expedient, the Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognised is one year or less.

## **Altice International S.à r.l.**

Notes to the consolidated financial statements

### **2.12. Leasing**

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

#### *2.12.1. The Group as lessor*

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

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

#### *2.12.2. The Group as lessee*

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

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

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

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

### **2.13. Borrowing costs**

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

### **2.14. Government grants**

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

become receivable. The benefit of a government loan at a below-market interest rate is measured at the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

#### **2.15. Financial assets**

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Debt financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI).

The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under balance sheet caption "Financial assets" (non-current and current portion).
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. The Group has no instrument in this new category.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its quoted and unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.
- Financial assets at FVPL comprise derivative instruments. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets at FVPL are stated at fair value, with any gains and losses arising on remeasurement recognised in the caption "Other Financial expense" or "Other Financial income" in the income statements.

Under IFRS 9, embedded derivatives are not separated from a host financial asset.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

#### *Impairment of financial assets*

Under IFRS 9, accounting for impairment losses for financial assets is based on a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets, trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## **Altice International S.à r.l.**

Notes to the consolidated financial statements

### **2.16. Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Cost of inventories is determined using the weighted average cost method. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

### **2.17. Cash and cash equivalents**

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

### **2.18. Restricted cash**

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

### **2.19. Derivatives**

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

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

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

### **2.20. Hedge accounting**

The Group continues to apply the requirement of IAS 39 relating to hedge accounting.

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

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

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

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### **2.21. Classification as debt or equity**

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

##### *2.21.1. Equity instruments*

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

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

#### **2.22. Financial liabilities**

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

##### *2.22.1. Financial liabilities at amortized cost*

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

##### *2.22.2. Financial liabilities measured at fair value through profit or loss (FVPL)*

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

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

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

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

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

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

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

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

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

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

- (1) recognition of the non-controlling interest, including an allocation of profit or loss, allocation of changes in other comprehensive income and dividends declared for the reporting period, as required by IFRS 10 Consolidated Financial Statements as mentioned in note 2.1.1;
- (2) derecognition of the non-controlling interest as if it was acquired at that date;
- (3) recognition of a financial liability at the present value of the amount payable on exercise of the NCI put in accordance with IFRS 9 *Financial Instruments: Recognition and Measurement*, and
- (4) the difference between no (2) and (3) above is accounted for as an equity transaction.

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

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

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

#### **2.23. Provisions**

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

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

##### *2.23.1. Claims*

A provision regarding claims is recognised when the Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Group will be required to expend economic resources

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

#### *2.23.2. Onerous contracts*

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

#### *2.23.3. Restructuring*

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

### **2.24. Liabilities for employment benefits**

#### *2.24.1. Retirement benefit costs and termination benefits*

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

Defined benefit costs are categorised as follows:

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

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

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

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

#### *2.24.2. Short-term and other long-term employee benefits*

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

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

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

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

## **2.25. Share based payments**

### *2.25.1. Share-based payment transactions of the Company*

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

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

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

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

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

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

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

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

## **2.26. Non-current assets held for sale and discontinued operations**

Pursuant to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets and liabilities of affiliates that are held for sale are presented separately on the face of the statement of financial position. Depreciation of assets ceases

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

from the date of classification in “Non-current assets held for sale”. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

#### **2.27. Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Group’s accounting policies, which are described above, the Board of Managers of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not clear from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

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

##### *2.27.1. Critical accounting judgements*

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Board of Managers of the Company has made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

###### **- Revenue recognition**

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

##### *2.27.2. Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

###### **- Claims**

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

###### **- Post-employment benefits**

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

- Fair value of financial instruments Level 1, Level 2 and Level 3

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

- Deferred tax assets

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

- Intangible assets and property, plant and equipment

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

- Impairment of intangible assets

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

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

- Contract assets and trade receivables

For contract assets and trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **3. Scope of consolidation**

A full list of subsidiaries is included in note 34.

#### **3.1. Transactions completed in the current period**

##### *3.1.1. Sale of telecommunications solutions business and data center operations in Switzerland*

On February 12, 2018, the Company announced the closing of the transaction to sell its telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, to InfraVia Capital Partners. The transaction valued the business at an enterprise value of approximately 214 million CHF.

The capital gain recorded during the year ended December 31, 2018 amounted to €88.8 million, net of tax. The total proceeds received related to the sale amounted to €156.4 million.

##### *3.1.2. Sale of Altice Management International ("AMI") to Altice Group Lux S.à r.l.*

During November and December 2017, the Board of Directors of Altice Europe N.V. decided the transfer of shares of

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

AMI to Altice Group Lux S.à r.l.. The sale was completed on January 31, 2018 with a transaction value of 1 CHF. The capital gain recorded in shareholders equity within the transaction with Altice shareholders during the year amounted to €4.6 million, net of tax.

#### *3.1.3. Exercise of the ATS call option*

In April 2018, the Group exercised the call option for the acquisition of the remaining 49% in Altice Technical Services (“ATS”) for a price determined on acquisition of ATS of €147 million, bearing interests at an annual rate of EURIBOR 1 month plus 3.5%. The total amount of €156.3 million was paid on November 26, 2018. As a result of the exercise of the call option, the Group’s ownership in ATS increased to 100%. The ATS entities in France were then sold to Altice France, please refer to note 3.1.5.

#### *3.1.4. Closing of the sale of Altice Content to Altice Group Lux S.à r.l.*

During November and December 2017, the Board of Directors of Altice Europe N.V. decided to transfer the shares of Altice Content to Altice Group Lux S.à r.l. (the indirect parent company of Altice International). The transaction was closed on May 15, 2018. The capital loss was recorded in shareholders' equity (within the transaction with Altice’s shareholder) for an amount of €172.2 million, net of tax. The consideration received was €1.

In accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, non-current assets classified as held for sale shall be measured at the lower of its carrying amount and fair value less costs to sell. For Altice Content, the Group had recorded an impairment loss through equity of €51.1 million as at December 31, 2017.

#### *3.1.5. Closing of the sale of Altice Technical Services France to Altice France*

During December 2017, the Board of Directors of Altice Europe N.V. decided to transfer the shares of Altice Technical Service France (“ATSF”) to Altice France. As of December 31, 2017, ATSF was treated as discontinued operations and the assets and liabilities were classified as held for sale. The transaction was closed on May 16, 2018. The capital gain recorded in equity amounted to €24.7 million, net of tax. Please refer to note 3.5 for details on the contribution of discontinued operations to the statement of income and cash flow.

#### *3.1.6. Closing of the sale of Altice Customer Service to Altice France*

During December 2017, the Board of Directors of Altice Europe N.V. decided to transfer the shares of Altice Customer Services (“ACS”) to Altice France. As of December 31, 2017, ACS was treated as discontinued operations and the assets and liabilities were classified as held for sale. The transaction was closed on May 16, 2018. The capital gain recorded in equity amounted to €3.4 million, net of tax. Please refer to note 3.5 for details on the contribution of discontinued operations to the statement of income and cash flow.

#### *3.1.7. Share capital increase in Altice Teads S.A.*

On July 3, 2018, following an earn-out payment of Teads (please refer to note 3.2.3), the former owners of Teads reinvested a part of the earn-out payment into the shares of Altice Teads S.A.. The share capital of Altice Teads S.A increased by €5.2 million as a result of an issuance of 43,546 new Class B Shares having a nominal value of €1 each, and the balance related to the payment of Share Premium B. As of July 3, 2018, the Group’s interest in Altice Teads S.A. decreased from 98.5% to 96.2%.

#### *3.1.8. Sale of international wholesale business*

On July 18, 2018, two Sale and Purchase Agreements had been separately signed by Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018. The total capital gain recorded for the year ended December 31, 2018 was €7.5 million. The total consideration received was €13.7 million.

## **Altice International S.à r.l.**

Notes to the consolidated financial statements

### *3.1.9. Sale of towers of Portugal*

On July 18, 2018, PT Portugal reached an agreement with a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners for the sale of the newly formed tower company called OMTEL, that comprises 2,961 sites operated by Altice Portugal, and an acquisition of 25% of the stake in OMTEL by PT Portugal. The transaction closed on September 4, 2018.

The capital gain for the year ended December 31, 2018 amounted to €601.6 million, which consisted of:

- capital gain of €611.7 million that corresponds to the difference between the purchase price of €648 million (including a cash consideration €539.5 million and the acquisition of 25% stake in OMTEL measured at fair value of €108 million) and the carrying value of the net assets transferred, amounting to €37 million, including mainly the towers, prepaid rents and asset retirement obligations; and
- €10.1 million of deferred capital gain (please refer to note 4.3.2.7).

### *3.1.10. Closing of transaction to sell telecommunication towers in the Dominican Republic*

On October 3, 2018, Altice Europe N.V. announced the closing of the transaction to sell 100% in the tower company Teletorres del Caribe, which comprises 1,039 sites formerly operated by its subsidiary Altice Dominicana, to Phoenix Tower International, a portfolio company of Blackstone. The capital gain recorded for the year ended December 31, 2018 amounted to €88.1 million. The consideration received was \$168.0 million (€148.6 million).

### *3.1.11. PT Portugal acquired the shares of SIRESP*

On October 31, 2018, PT Móveis (“PT – Móveis – Serviços de Telecomunicações, SGPS, S.A.”), a subsidiary of PT Portugal, purchased the shares of SIRESP and thus became majority stakeholder with 52.1% ownership. The number of shares purchased was 4,775 shares (equal to 9.55% share capital of SIRESP) from Datacomp S.A. for the price of €0.8 million and 6,000 shares (equal to 12% share capital of SIRESP) from Esegur S.A. for the price of €1.0 million.

### *3.1.12. Sale of Altice Blue Two (“AB2”) to Altice France and Altice Group Lux*

On October 31, 2018, the Group completed the sale of Altice Blue Two to Altice France and Altice Group Lux. This acquisition was part of the restructuring announced by Altice Europe N.V. in January 2018. Altice Blue Two includes the telecom operations of Outremer Telecom, a fixed and mobile operator present in the French Overseas Territories (“FOT”). The total consideration received for the year ended December 31, 2018 amounted to €480.5 million in cash. The capital gain recorded in shareholders equity within the transactions with Altice Shareholders for the year ended December 31, 2018 was €63.2 million. As of October 31, 2018, Altice France S.A. and its subsidiary, OMT Ocean 3 S.A.S, have a combined 94.9% ownership in AB2 whilst Altice Group Lux S.à r.l. owns the remaining 5.01%.

### *3.1.13. Altice West Europe purchased shares and preferred equity certificates of Deficom Invest S.à r.l.*

On November 2, 2018, a sale and purchase agreement was signed by Altice West Europe and Deficom Invest S.à r.l. to acquire 44,793 shares held by Deficom Invest in Deficom Telecom and 20,756,575 preferred equity certificates (“PEC”). The total transaction value was €22.5 million. As a result of the purchase, Altice West Europe’s ownership in Deficom Telecom increased to 100%. On December 27, 2018, Deficom Telecom was dissolved.

## **3.2. Transactions completed in the prior period**

### *3.2.1. Acquisition of a stake in SPORT TV*

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

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 3.2.2. Disposal of Coditel

As at December 31, 2016, the Group had entered into an agreement to sell its Belgian and Luxembourg (Belux) telecommunication businesses, and accordingly classified the associated assets and liabilities as a disposal group held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. On June 19, 2017, the Group completed the sale of Coditel Brabant SPRL and Coditel S.à r.l., to Telenet Group BVBA, a direct subsidiary of Telenet Group Holding N.V.. After the final post-closing price adjustments, the Group received €280.8 million, and recognised a loss on sale after transaction costs of €24.0 million.

### 3.2.3. Acquisition of Teads

On June 22, 2017, Altice Teads (a company which the Group has 98.5% of the financial interest, with 1.5% attributable to the managers of Teads) closed the acquisition of Teads. Teads is the number one online video advertising marketplace in the world with an audience of more than 1.2 billion unique visitors. The acquisition valued Teads at an enterprise of up to €302.3 million. The acquisition purchase price was due 75% at closing, with the remaining 25% earn-out subject to Teads obtaining defined revenue performance in 2017. As the defined revenue targets for 2017 were met, an earn-out payment of €48.6 million was made to the non-reinvesting sellers of Teads during the period.

On July 3, 2018, the restricted cash that was held in an escrow account following the acquisition of Teads in the second quarter of 2017 has been fully released. The cash was used to pay non-reinvesting and reinvesting sellers for a total amount of €42.1 million. In addition, an earn-out payment of €13.1 million was made to reinvesting sellers of the company, subject to Teads obtaining defined revenue performance in 2017, which targets have been met. Subsequent to the earn-out payment of €13.1 million, €5.2 million was reinvested by the former owners in the share capital of the company (please refer to note 3.1.7).

## 3.3. Variations in non-controlling interests

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

Variations in non-controlling interests (€m)	Altice Technical Services	Other	Group
<b>Opening balance at January 1, 2017</b>	51.5	(27.3)	<b>24.2</b>
Net income	21.9	(6.1)	<b>15.8</b>
Other comprehensive income	(2.2)	(0.4)	<b>(2.7)</b>
Dividends	(5.7)	-	<b>(5.7)</b>
Variation in minority interest put	-	-	<b>-</b>
Other	(9.8)	5.7	<b>(4.1)</b>
<b>Closing at December 31, 2017</b>	<b>55.7</b>	<b>(28.1)</b>	<b>27.6</b>
Net income	6.8	4.8	<b>11.6</b>
Other comprehensive income	0.3	0.4	<b>0.7</b>
Sale of ATSF to Altice France	(33.6)	-	<b>(33.6)</b>
Exercise of ATS call option	(26.8)	-	<b>(26.8)</b>
Sale of ACS to Altice France	-	0.9	<b>0.9</b>
Sale of FOT to Altice France	-	(0.4)	<b>(0.4)</b>
Acquisition of Deficom instruments	-	35.6	<b>35.6</b>
Consolidation of SIRESP	-	5.0	<b>5.0</b>
Dividends	(16.3)	-	<b>(16.3)</b>
Variation in minority interest put	-	(2.7)	<b>(2.7)</b>
Other	-	2.4	<b>2.4</b>
<b>Closing at December 31, 2018</b>	<b>(13.9)</b>	<b>17.9</b>	<b>4.0</b>

\* Please refer to note 33 for details about the revised information.

### 3.3.1. Net income

The share of profit for the year ended December 31, 2018 allocated to non-controlling interests was €12.0 million, which was mainly due to the profit attributable in Altice Technical Services and Teads. The profit allocated to equity holders of the Group for the year ended December 31, 2018 was €891.2 million.

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

#### **3.3.2. Altice Technical Services**

In November 25, 2016, the Group completed the acquisition of a controlling stake (51%) in Altice Technical Services S.A. Financial interest held by non-controlling interests as of December 31, 2018 was nil (2017: 49.0%). Main variations during the year ended December 31, 2018 were related to:

- the sale of Altice Technical Service France to Altice France, reducing NCI in Altice Technical Services by €33.6 million;
- exercise of the Altice Technical Service (“ATS”) call option to acquire the remaining 49% in ATS (please refer to note 3.1.3);
- dividend payments in Altice Technical Service entities in Portugal, Israel and the Dominican Republic, reducing NCI by €16.3 million.

#### **3.3.3. Other**

Main variations in non-controlling interests in other entities during the year ended December 31, 2018 were related to:

- variation in minority interest put, reducing NCI by €2.7 million;
- acquisition of SIRESP by PT Portugal, increasing NCI by €5.0 million (please refer to note 3.1.11),
- acquisition of shares and preferred equity certificates of Deficom Invest S.à r.l., increasing NCI by €35.6 million (please refer to note 3.1.13).

#### **3.4. Assets held for sale**

In December 2017, the Board of Managers of the Company decided to sell the Group’s international wholesale business. The transits and international outgoing traffic business in Portugal and the Dominican Republic were classified as held for sale as of December 31, 2017, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. On July 18, 2018, Sale and Purchase Agreements were signed by Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018 (please refer to note 3.1.8). As a result, the related assets and liabilities were no longer classified as held for sale as of December 31, 2018, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

During 2018, PT Portugal classified real estate properties as held for sale with a book value, of €15.9 million as at December 31, 2018, following the signature of promise of sale agreements entered with the entity Almost Future, S.A. for a total consideration of €17.7 million. As of December 31, 2018, the real estate deeds were not yet entered into and the assets were not derecognised.

In the prior year, green.ch AG and Green Datacenter AG had been classified as held for sale. The sale was completed on February 12, 2018. Please refer to note 3.1.1.

During 2017, the Board of Managers of the Company decided the following transfer of shares within the Altice Group and the closing date of the transactions:

- Altice Management International (“AMI”) to Altice Group Lux S.à r.l. (Parent company of Altice Luxembourg). Closing date on January 31, 2018. Please refer to note 3.1.2.
- Altice TV to Altice Group Lux S.à r.l. (Parent company of Altice Luxembourg). Closing date on May 15, 2018. Please refer to note 3.1.4.
- Altice Technical Service France (“ATSF”) to Altice France. Closing date on May 16, 2018. Please refer to note 3.1.5.
- Altice Customer Service (“ACS”) to Altice France. Closing date on May 16, 2018. Please refer to note 3.1.6.
- Altice Blue Two (“AB2”, also referred to as French Overseas Territory) operations to Altice France and Altice Group Lux S.à r.l. (Parent company of Altice Luxembourg). Closing date on October 31, 2018. Please refer note 3.1.12.

Therefore, the assets and liabilities of Altice TV, AMI, ATSF, ACS and AB2 had been classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* as at December 31, 2017. Since

## Altice International S.à r.l.

### Notes to the consolidated financial statements

the transactions for Altice TV, AMI, ATSF and ACS were all closed during the first half of 2018, the assets and liabilities were no longer classified as assets held for sale as of December 31, 2018. Altice TV and AMI were not considered or qualified as major lines of business of the Group, they were not presented as discontinued operations as of December 31, 2018. The contribution of Altice TV and AMI to the consolidated statement of income for the year ended December 31, 2018 and 2017 are provided in note 4, in the segment Altice TV and Others, respectively. On the other hand, ATSF and ACS were classified as discontinued operations as of December 31, 2017, please refer to note 3.5 for more details.

Table below provides the details of assets and liabilities classified as held for sale as of December 31, 2018 and December 31, 2017:

Disposal groups held for sale (€m)	December 31, 2018		December 31, 2017 (*revised)							
	Other	Total	Green Wholesale Market	ATS France	ACS	AB2	Altice TV	AMI	Other	Total
Goodwill	-	-	18.2	-	72.8	26.5	276.5	7.8	-	402.0
Tangible and intangible assets	15.9	15.9	113.1	-	5.2	31.4	164.5	215.7	0.5	530.3
Other non-current assets	-	-	0.4	-	1.0	1.2	2.3	77.4	(0.6)	81.7
Investment in associates	-	-	13.6	39.2	212.6	122.0	76.6	220.5	9.3	693.8
Current assets	-	-	-	-	-	-	-	-	4.4	4.4
<b>Total assets held for sale</b>	<b>15.9</b>	<b>15.9</b>	<b>145.3</b>	<b>39.2</b>	<b>291.6</b>	<b>181.1</b>	<b>519.9</b>	<b>521.4</b>	<b>9.2</b>	<b>1,712.2</b>
Non-current liabilities	-	-	(54.2)	-	(5.7)	(13.9)	(24.8)	(28.1)	(6.5)	(133.1)
Current liabilities	-	-	(25.0)	15.9	(140.5)	(98.7)	(123.6)	(309.5)	(137.3)	(818.5)
<b>Total Liabilities related to assets held for sale</b>	<b>-</b>	<b>-</b>	<b>(79.2)</b>	<b>15.9</b>	<b>(146.1)</b>	<b>(112.6)</b>	<b>(148.4)</b>	<b>(337.5)</b>	<b>(143.8)</b>	<b>(951.6)</b>

\* The balance of goodwill classified as assets held for sale in table above includes restatements made to correct misclassification of goodwill in Altice Technical Service France (€70.8 million) and Altice Customer Services (€2.2 million). Please refer to note 33 for details about the revised information.

### 3.5. Discontinued operations

As stated in note 3.4, ATSF and ACS were classified as discontinued operations. For convenience only, the disclosures of summarized statement of income and cash flow of ATSF and ACS are provided on the basis of four months period ended April 30, 2018 instead of up to the date of transfer on May 16, 2018 (please refer to notes 3.1.5 and 3.1.6). The comparative figures are provided for the year ended December 31, 2017.

Table below presents the impacts of discontinued operations of ACS and ATS France business in the consolidated statement of income for the four month period ended April 30, 2018 and the year ended December 31, 2017:

Disposal groups held for sale (€m)	ATS France	ACS	April 30, 2018	ATS France	ACS	December 31, 2017
Revenue	121.3	58.8	180.2	327.3	90.6	417.9
Operating profit	19.0	7.0	26.0	54.3	(36.0)	18.2
Finance costs	-	(0.3)	(0.3)	0.1	(1.0)	(0.9)
Income tax	(6.5)	(0.5)	(7.0)	(20.9)	(4.3)	(25.2)
<b>Net income related to discontinuing operation</b>	<b>12.5</b>	<b>6.2</b>	<b>18.7</b>	<b>33.4</b>	<b>(41.3)</b>	<b>(7.9)</b>

Table below presents the impacts of discontinued operations of ACS and ATS France business in the statement of cash flow for the four month period ended April 30, 2018 and the year ended December 31, 2017:

Disposal groups held for sale (€m)	ATS France	ACS	April 30, 2018	ATS France	ACS	December 31, 2017
Net cash provided/(used) by operating activities	17.4	(3.6)	13.7	(5.4)	3.9	(1.5)
Net cash provided/(used) by investing activities	(0.9)	4.1	3.2	(2.7)	(19.4)	(22.1)
Net cash provided/(used) by financing activities	-	1.6	1.6	9.7	11.5	21.2

The amount of assets and liabilities of ATSF and ACS as at April 30, 2018 is summarized below:

## Altice International S.à r.l.

### Notes to the consolidated financial statements

<b>Discontinued operations (€m)</b>	<b>ATS France</b>	<b>ACS</b>
Goodwill	72.9	26.8
Non-current assets	(7.3)	(6.4)
Current assets	225.4	172.7
<b>Total assets of discontinued operations</b>	<b>291.0</b>	<b>193.1</b>
Equity	138.9	(4.8)
Non-current liabilities	3.9	25.5
Current liabilities	148.2	172.4
<b>Total liabilities and equity of discontinued operations</b>	<b>291.0</b>	<b>193.1</b>

## 4. Segment reporting

### 4.1. Definition of segments

Given the geographical spread of the entities within the Group, analysis by geographical area is fundamental in determining the Group's strategy and managing its different businesses. The Group's chief operating decision maker is the senior management team. This team analyses the Group's results across geographies, and certain key areas by activity. The presentation of the segments here is consistent with the reporting used internally by the senior management team to track the Group's operational and financial performance. The businesses that the Group owns and operates do not show significant seasonality, except for the mobile B2C and B2B segments, which can show significant changes in sales at the year end and at the end of the summer season (the "back to school" period). The B2B business is also impacted by the timing of the preparation of the annual budgets of public and private sector companies. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The segments that are presented are detailed below:

- **Portugal:** Altice owns Portugal Telecom ("PT Portugal"), the largest telecom operator in Portugal. PT Portugal caters to fixed and mobile B2C, B2B and wholesale clients using the MEO brand. As of 2018, this segment also includes the Altice Technical Services entities in Portugal.
- **Israel:** Fixed and mobile services are provided using the HOT telecom, HOT mobile and HOT net brands to B2C and B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network, as well as content application called Next and OTT services through Next Plus. As of 2018, this segment also includes the Altice Technical Services entity in Israel.
- **Dominican Republic:** The Group provides fixed and mobile services to B2C, B2B and wholesale clients using the Altice brand. As of 2018, this segment also includes the Altice Technical Services entity in the Dominican Republic.
- **Teads:** Provides digital advertising solutions.
- **Altice TV:** Content business from the use of content rights. Altice TV was not classified as discontinued operations and was sold to Altice Group Lux S.à r.l. in May 2018 (please refer to note 3.1.4).
- **Others:** This segment includes all corporate entities and French Overseas Territories. The Board of Managers believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under "Others". The French Overseas Territories is no longer part of the Group since October 31, 2018 (please refer to note 3.1.12).

Following the change in segment definition as of 2018, the comparative segment information of 2017 was restated accordingly.

### 4.2. Financial Key Performance Indicators ("KPIs")

The Board of Managers 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 Managers believes that these indicators offer them the best view of the operational and financial efficiency of each segment and this follows best practices in the rest of the industry, thus providing investors and other analysts a suitable base to perform their analysis of the Group's results.

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

The financial KPIs tracked by the Board of Managers are:

- Adjusted EBITDA: by segment,
- Revenues: by segment and in terms of activity,
- Capital expenditure (“Capex”): by segment, and
- Operating free cash flow (“OpFCF”): by segment.

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

Adjusted EBITDA, Capex and OpFCF are non-GAAP measures. These measures are useful to readers of Altice’s financial statements as they provide a measure of operating results excluding certain items that Altice’s management believe are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in the Group’s operating results and cash flow generation to be more easily observable. The non-GAAP measures are used by the Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in the same industry as the Group and thus are a basis for comparability between the Group and its peers. Moreover, the debt covenants of the Group are based on the Adjusted EBITDA and other associated metrics. The definition the Adjusted EBITDA used in the covenants has not changed with the adoption of the IFRS 15 *Revenue from Contracts with Customers* by the Group.

##### *4.2.1.1. Adjusted EBITDA*

Adjusted EBITDA is defined as operating income before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and share-based 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 annual consolidated financial statements in accordance with IAS 1 *Presentation of Financial Statements*.

##### *4.2.1.2. Capex*

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

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

##### *4.2.1.3. Operating free cash flow*

OpFCF is defined as Adjusted EBITDA less Capex. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating cash flow as presented in the consolidated statement of cash flows in accordance with IAS 1 *Presentation of Financial Statements*.

#### *4.2.2. Revenues*

Additional information on the revenue split is presented as follows:

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

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Intersegment revenues represented 0.2% of total revenues for the year ended December 31, 2018, compared to 1.8% of total revenues for the year ended December 31, 2017 (€6.7. million compared to €88.1 million). Intersegment revenues mainly relate to services rendered by certain centralized Group functions (relating to content production, technical services and customer services) to the operational segments of the Group.

## 4.3. Segment results

### 4.3.1. Operating profit per segment

For the year ended December 31, 2018 €m	Portugal	Israel	Dominican Republic	Teads <sup>1</sup>	Altice TV	Others	Inter- segment elimination	Total
<b>Revenues</b>	<b>2,109.5</b>	<b>941.2</b>	<b>590.2</b>	<b>342.1</b>	<b>28.6</b>	<b>179.8</b>	<b>(6.7)</b>	<b>4,184.7</b>
Purchasing and subcontracting costs	(545.0)	(257.2)	(166.0)	-	(99.0)	(44.2)	7.0	(1,104.4)
Other operating expenses	(418.3)	(214.5)	(102.9)	(197.3)	(3.2)	(51.0)	1.6	(985.5)
Staff costs and employee benefits	(276.5)	(64.0)	(27.4)	(84.5)	(1.5)	(24.9)	0.0	(478.9)
<b>Total</b>	<b>869.8</b>	<b>405.5</b>	<b>293.9</b>	<b>60.2</b>	<b>(75.1)</b>	<b>59.7</b>	<b>1.8</b>	<b>1,615.9</b>
Share-based expense	-	0.2	0.0	-	-	-	-	0.2
<b>Adjusted EBITDA</b>	<b>869.8</b>	<b>405.7</b>	<b>293.9</b>	<b>60.2</b>	<b>(75.1)</b>	<b>59.7</b>	<b>1.8</b>	<b>1,616.1</b>
Depreciation, amortisation and impairment	(680.2)	(319.1)	(125.5)	(16.4)	-	(0.0)	-	(1,141.3)
Share-based expense	-	(0.2)	-	-	-	-	-	(0.2)
Other expenses and income	532.7	(7.4)	12.9	(1.1)	300.0	151.1	(5.6)	982.5
<b>Operating profit/(loss)</b>	<b>722.3</b>	<b>79.0</b>	<b>181.3</b>	<b>42.7</b>	<b>224.9</b>	<b>210.8</b>	<b>(3.8)</b>	<b>1,457.2</b>

For the year ended December 31, 2017 (*revised) €m	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter- segment elimination	Total
<b>Revenues</b>	<b>2,244.7</b>	<b>1,035.5</b>	<b>694.2</b>	<b>163.9</b>	<b>417.4</b>	<b>443.2</b>	<b>(88.1)</b>	<b>4,910.7</b>
Purchasing and subcontracting costs	(593.3)	(274.8)	(190.7)	0.3	(178.8)	(71.7)	15.8	(1,293.3)
Other operating expenses	(381.4)	(217.0)	(115.4)	(90.9)	(12.5)	(160.5)	64.3	(913.4)
Staff costs and employee benefits	(277.3)	(70.2)	(30.2)	(33.9)	(6.7)	(80.5)	5.1	(493.8)
<b>Total</b>	<b>992.6</b>	<b>473.6</b>	<b>358.0</b>	<b>39.4</b>	<b>219.3</b>	<b>130.4</b>	<b>(2.9)</b>	<b>2,210.5</b>
Share-based expense	-	-	-	-	-	28.6	-	28.6
<b>Adjusted EBITDA</b>	<b>992.6</b>	<b>473.6</b>	<b>358.0</b>	<b>39.4</b>	<b>219.3</b>	<b>159.0</b>	<b>(2.9)</b>	<b>2,239.2</b>
Depreciation, amortisation and impairment	(807.3)	(328.4)	(137.0)	(8.2)	(138.0)	(70.9)	-	(1,489.9)
Share-based expense	-	-	-	-	-	(28.6)	-	(28.6)
Other expenses and income	(240.4)	(16.1)	(26.7)	(0.4)	3.7	35.5	1.2	(243.3)
<b>Operating profit/(loss)</b>	<b>(55.1)</b>	<b>129.1</b>	<b>194.2</b>	<b>30.8</b>	<b>85.0</b>	<b>94.9</b>	<b>(1.7)</b>	<b>477.1</b>

\* Please refer to note 33 for details about the revised information.

1 The standalone revenues of Teads for the year ended December 31, 2018 disclosed in the consolidated financial statements of €342.1 million are based on the full year revenues net of discounts. The standalone revenues disclosed in the fourth quarter 2018 earnings release and presentations of €364.7 million correspond to gross revenues excluding discounts. The standalone revenues of Teads for the year ended December 31, 2017 in the consolidated financial statements of €163.9 million correspond to gross revenues excluding discounts.

### 4.3.2. Other expenses and income

Other expenses and income pertain mainly to ongoing and announced restructuring and other non-cash expenses (for example gains and losses on disposal of assets, deal fees on acquisitions of entities and provisions for litigation, etc.). Details of the expenses incurred during the years ended December 31, 2018 and 2017 are provided below:

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Other expenses and income (€m)	For the year ended December 31, 2018	For the year ended December 31, 2017 (*revised)
Share-based expense	0.2	28.6
<b>Items excluded from adjusted EBITDA</b>	<b>0.2</b>	<b>28.6</b>
Restructuring costs	10.6	48.2
Onerous contracts	1.8	1.0
Net loss on disposals of assets	5.4	10.3
Disputes and litigation	27.0	(1.4)
Penalties	-	124.5
Break-up fee	(300.0)	-
Net (gain)/loss on sale of consolidated entities	(785.8)	24.0
Deal fees	9.7	11.3
Management fee	16.2	5.8
Other net expenses/(income)	32.7	(9.1)
<b>Other expenses and income</b>	<b>(982.5)</b>	<b>243.3</b>

\* Please refer to note 33 for details about the revised information.

#### 4.3.2.1. Share-based expense

Altice Europe N.V. has several share-based compensation plans across its various entities comprising of mainly the Long-Term Incentive Plan (“LTIP”), the Share Option Plan (“SOP”) and the options granted to Next Alt. During the year ended December 31, 2018, the Group incurred share-based expenses of €0.2 million, as Altice Management International (“AMI”), which incurred the recharged stock option expense, was sold (please refer to note 3.1.2.). During the year ended December 31, 2017, AMI incurred €28.6 million of share-based expenses.

#### 4.3.2.2. Restructuring costs

Restructuring costs for the year ended December 31, 2018 mainly relate to the restructuring plans in PT Portugal for €10.2 million.

Restructuring costs incurred for the year ended December 31, 2017 of €48.2 million mainly related to provisions for employee redundancies and contract termination fees of €35.1 million in PT Portugal related to the curtailment of outsourced services and an insourcing plan, Altice Management International (€6.0 million), FOT (€3.0 million) and HOT (€1.9 million).

#### 4.3.2.3. Net loss on disposals of assets

For the year ended December 31, 2018, the loss on disposal of assets primarily relates to expenses recorded in PT Portugal due to forest fires damages (€1.8 million) and other disposed tangible assets (€3.6 million).

#### 4.3.2.4. Disputes and litigation

For the year ended December 31, 2018, disputes and litigations mostly consisted of €24.7 million litigation provision recorded in PT Portugal.

#### 4.3.2.5. Penalties

For the year ended December 31, 2017, penalties corresponded to the fine imposed to the Group following the European Commission’s investigation on gun jumping during the acquisition of PT Portugal by the Group. The €124.5 million fine was recorded in the Portugal segment. Please refer to note 32.1.1 for more details.

#### 4.3.2.6. Breakup fees

Breakup fees for the year ended December 31, 2018 of €300.0 million relate to the breakup fees income from Altice France payable to the Group as part of the content activities of the Group in 2018.

#### 4.3.2.7. Gain on sale of consolidated entities

For the year ended December 31, 2018, this relates to the capital gain generated by:

- the tower business in PT Portugal of €601.6 million which corresponds to the total capital gain of €611.7 million, of which €10.1 million was deferred (please refer to note 3.1.9),
- the sale of the towers business in the Dominican Republic of €88.1 million (please refer to note 3.1.10),

## Altice International S.à r.l.

### Notes to the consolidated financial statements

- the sale of telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG of €88.8 million (please refer to note 3.1.1),
- the sale of the Wholesale business (please refer to note 3.1.8) recorded in the Dominican Republic (€5.0 million) and PT Portugal (€2.5 million).

#### 4.3.2.8. Deal fees

Deal fees consisted mainly of €6.8 million expenses in PT Portugal for the financial and legal advisory fees in the sale of the tower business.

#### 4.3.2.9. Management fees

Management fees relate to the corporate costs charged by Altice Luxembourg to entities within the Company. This amounted to €16.2 million for the year ended December 31, 2018. Please also refer to note 28.

For the year ended December 31, 2017, management fees corresponded to the management fee payable to other companies of the Altice Luxembourg as part of the implementation of the “Altice Way” of €32.3 million. This was partially offset by the management fee income from Altice USA of €26.5 million.

#### 4.3.3. Other expenses and income (net)

Consisted mainly of expenses in Altice Holdings of €13.0 million related to a share settlement with the management team of Altice Blue Two (part of the French Overseas Territories) and fines in PT Portugal of €3.4 million of fines (mostly related to the termination fee of a real estate rental agreement of €2.4 million).

## 4.4. Revenue by activity

The revenues of the French Overseas Territories (FOT) were reclassified to Other revenue caption within the Others segment. This reclassification is in line with the way the management looks at the business and discloses it to the market. These revenues include revenues mostly from B2B, B2C, as well as call center revenues.

For the year ended December 31, 2018 €m	Portugal	Israel	Dominican Republic	Teads <sup>1</sup>	Altice TV	Others	Total
Fixed - B2C	618.4	580.6	100.7	-	-	-	1,299.7
Mobile - B2C	561.7	243.3	354.1	-	-	-	1,159.1
B2B	585.7	117.0	82.5	-	-	-	785.3
Wholesale	206.7	-	52.5	-	-	-	259.1
Other revenue	137.0	0.3	0.4	342.1	28.6	179.8	688.1
<b>Total standalone revenues</b>	<b>2,109.5</b>	<b>941.2</b>	<b>590.2</b>	<b>342.1</b>	<b>28.6</b>	<b>179.8</b>	<b>4,191.4</b>
Intersegment eliminations	(1.7)	(0.3)	(0.7)	(0.8)	(3.5)	0.4	(6.7)
<b>Total consolidated revenues</b>	<b>2,107.8</b>	<b>940.9</b>	<b>589.4</b>	<b>341.3</b>	<b>25.1</b>	<b>180.2</b>	<b>4,184.7</b>

For the year ended December 31, 2017 (*revised) €m	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Fixed - B2C	658.4	656.0	108.9	-	-	40.4	1,463.7
Mobile - B2C	568.2	242.3	416.5	-	-	0.6	1,227.6
B2B	591.4	136.2	93.7	-	-	10.3	831.6
Wholesale	275.1	-	72.8	-	-	-	347.9
Other revenue	151.5	1.0	2.3	163.9	417.3	391.9	1,127.9
<b>Total standalone revenues</b>	<b>2,244.7</b>	<b>1,035.5</b>	<b>694.2</b>	<b>163.9</b>	<b>417.4</b>	<b>443.2</b>	<b>4,998.8</b>
Intersegment eliminations	(10.8)	(0.6)	(2.4)	-	(9.9)	(64.3)	(88.1)
<b>Total consolidated revenues</b>	<b>2,233.9</b>	<b>1,034.9</b>	<b>691.8</b>	<b>163.9</b>	<b>407.5</b>	<b>378.9</b>	<b>4,910.7</b>

\* Please refer to note 33 for details about the revised information.

1 The standalone revenues of Teads for the year ended December 31, 2018 disclosed in the consolidated financial statements of €342.1 million are based on the full year revenues net of discounts. The standalone revenues disclosed in the fourth quarter 2018 earnings release and presentations of €364.7 million correspond to gross revenues excluding discounts. The standalone revenues of Teads for the year ended December 31, 2017 in the consolidated financial statements of €163.9 million correspond to gross revenues excluding discounts.

## Altice International S.à r.l.

### Notes to the consolidated financial statements

The table below provides the standalone and consolidated revenues in accordance to IFRS 15 *Revenue from Contracts with Customers* for the years ended December 31, 2018 and 2017. Mobile equipment sales are recognised when the customer takes possession of the device, which is the performance obligation. The other stream of revenues is recognised over time when the service is rendered.

Revenues split IFRS 15 (€m)	December 31, 2018	December 31, 2017 (*revised)
Mobile services	1,250.5	1,309.8
Mobile equipment sales	201.8	221.3
Fixed revenues	1,791.9	1,991.9
Wholesale revenues	259.1	347.9
Other revenues	688.1	1,127.9
<b>Total stand-alone revenues</b>	<b>4,191.4</b>	<b>4,998.8</b>
Intersegment elimination	(6.7)	(88.1)
<b>Total consolidated</b>	<b>4,184.7</b>	<b>4,910.7</b>

\* Please refer to note 33 for details about the revised information.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at December 31, 2018:

Maturity of revenues (€m)	2019	2020	2021	Beyond 2022	Total
<b>Total</b>	<b>849.0</b>	<b>353.5</b>	<b>2.7</b>	<b>0.9</b>	<b>1,206.0</b>

#### 4.5. Capital expenditure

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

For the year ended December 31, 2018 €m	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
Capital expenditure (accrued)	423.3	234.1	115.2	1.4	3.8	34.3	(0.7)	<b>811.4</b>
Capital expenditure - working capital items	36.3	8.7	(3.5)	-	4.5	2.1	-	<b>48.0</b>
<b>Payments to acquire tangible and intangible assets</b>	<b>459.6</b>	<b>242.8</b>	<b>111.7</b>	<b>1.4</b>	<b>8.3</b>	<b>36.4</b>	<b>(0.7)</b>	<b>859.4</b>

For the year ended December 31, 2017 (*revised) €m	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
Capital expenditure (accrued)	437.8	241.5	114.6	-	46.6	65.8	(1.7)	<b>904.5</b>
Capital expenditure - working capital items	(16.1)	(7.1)	(5.5)	-	99.9	(3.5)	-	<b>67.6</b>
<b>Payments to acquire tangible and intangible assets</b>	<b>421.6</b>	<b>234.2</b>	<b>109.1</b>	<b>-</b>	<b>146.5</b>	<b>62.3</b>	<b>(1.7)</b>	<b>972.2</b>

\* Please refer to note 33 for details about the revised information.

##### 4.5.1. Adjusted EBITDA less accrued Capex (Non-GAAP measures)

The table below details the calculation of Adjusted EBITDA less accrued Capex, also known as operating free cash flows (“OpFCF”), as presented to the Board of Managers. This measure is used as an indicator of the Group’s financial performance as the Board believes it is one of several benchmarks used by investors, analysts and peers for comparison of performance in the Group’s industry, although it may not be directly comparable to similar measures reported by other companies. Adjusted EBITDA and accrued Capex are both reconciled to GAAP reported figures in this note, this measure is a calculation using these two non-GAAP figures, therefore no further reconciliation is provided.

## Altice International S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31, 2018 €m	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
Adjusted EBITDA	869.8	405.7	293.9	60.2	(75.1)	59.7	1.8	<b>1,616.1</b>
Capital expenditure (accrued)	(423.3)	(234.1)	(115.2)	(1.4)	(3.8)	(34.3)	0.7	<b>(811.4)</b>
<b>Operating free cash flow (OpFCF)</b>	<b>446.5</b>	<b>171.5</b>	<b>178.8</b>	<b>58.9</b>	<b>(78.9)</b>	<b>25.4</b>	<b>2.5</b>	<b>804.7</b>

For the year ended December 31, 2017 (*revised) €m	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
Adjusted EBITDA	992.6	473.6	358.0	39.4	219.3	159.0	(2.9)	<b>2,239.2</b>
Capital expenditure (accrued)	(437.8)	(241.5)	(114.6)	-	(46.6)	(65.8)	1.7	<b>(904.5)</b>
<b>Operating free cash flow (OpFCF)</b>	<b>554.8</b>	<b>232.2</b>	<b>243.2</b>	<b>39.4</b>	<b>172.7</b>	<b>93.3</b>	<b>(1.1)</b>	<b>1,334.7</b>

\* Please refer to note 33 for details about the revised information.

## 5. Goodwill

Goodwill recorded in the consolidated statement of financial position was allocated to the different groups of cash generating units (“GCGU” or “CGU” for cash generating units) as defined by the Group. Following the change in the segment structure as of 2018 (please refer to note 4.1), ATS entities in Portugal, Israel and the Dominican Republic were allocated to the total GCGU in their respective countries. In the table below, the goodwill of the French Overseas Territories, Altice TV and other corporate entities in 2017 were aggregated in caption Others.

Goodwill (€m)	December 31, 2017 (revised*)	Recognized on business combination	Changes in foreign currency translation	Held for sale	Other	December 31, 2018
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	746.4	-	(19.6)	-	-	726.9
Dominican Republic	685.8	-	8.6	-	-	694.4
Teads	201.7	-	-	-	-	201.7
<b>Gross value</b>	<b>3,361.4</b>	<b>-</b>	<b>(11.0)</b>	<b>-</b>	<b>-</b>	<b>3,350.3</b>
Portugal	-	-	-	-	-	-
Israel	(146.7)	-	4.1	-	-	(142.6)
Dominican Republic	-	-	-	-	-	-
Teads	-	-	-	-	-	-
<b>Cumulative impairment</b>	<b>(146.7)</b>	<b>-</b>	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>(142.7)</b>
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	599.8	-	(15.5)	-	-	584.3
Dominican Republic	685.8	-	8.6	-	-	694.4
Teads	201.7	-	-	-	-	201.7
<b>Net book value</b>	<b>3,214.7</b>	<b>-</b>	<b>(6.9)</b>	<b>-</b>	<b>-</b>	<b>3,207.7</b>

## Altice International S.à r.l.

### Notes to the consolidated financial statements

<b>Goodwill</b>	<b>December 31, 2016</b>	<b>Recognized on business combination</b>	<b>Changes in foreign currency translation</b>	<b>Held for sale<sup>1</sup></b>	<b>Other</b>	<b>December 31, 2017</b>
<b>(€m)</b>	<b>(*revised)</b>					<b>(revised*)</b>
Portugal	1,726.9	0.5	-	-	-	1,727.4
Israel	767.2	0.9	(21.6)	-	-	746.4
Dominican Republic <sup>2</sup>	807.7	0.3	(122.2)	-	-	685.8
Teads	-	201.7	-	-	-	201.7
Others	403.5	7.3	(0.8)	(410.5)	0.4	-
<b>Gross value</b>	<b>3,705.3</b>	<b>210.7</b>	<b>(144.6)</b>	<b>(410.5)</b>	<b>0.4</b>	<b>3,361.4</b>
Portugal	-	-	-	-	-	-
Israel	(151.1)	-	4.5	-	-	(146.7)
Dominican Republic	-	-	-	-	-	-
Teads	-	-	-	-	-	-
Others	(8.6)	-	-	8.6	-	-
<b>Cumulative impairment</b>	<b>(159.7)</b>	<b>-</b>	<b>4.5</b>	<b>8.6</b>	<b>-</b>	<b>(146.7)</b>
Portugal	1,726.9	0.5	-	-	-	1,727.4
Israel	616.1	0.9	(17.2)	-	-	599.8
Dominican Republic	807.7	0.3	(122.2)	-	-	685.8
Teads	-	201.7	-	-	-	201.7
Others	395.0	7.3	(0.8)	(402.0)	0.4	-
<b>Net book value</b>	<b>3,545.6</b>	<b>210.7</b>	<b>(140.2)</b>	<b>(402.0)</b>	<b>0.4</b>	<b>3,214.7</b>

\* Please refer to note 33 for details about the revised information.

1 The net book value of goodwill classified as held for sale as at December 31, 2017 was €402.0 million, related to the sale of Green, Altice Technical Service France, Altice Customer Service, AB2 and Altice TV by the Group. Please refer to note 3.4 for detail split of goodwill per entities.

2 The gross value of goodwill in the Dominican Republic as of December 31, 2016 and December 31, 2017 have been adjusted for impacts in changes in foreign currency translation. Please refer to note 33 for the revised information.

## 5.1. Impairment of goodwill

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

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

### 5.1.1. Key assumptions used in impairment testing

The Group has made use of various external indicators and internal reporting tools to estimate the revenue growth rates used in the Group's impairment testing for the year ended December 31, 2018.

#### 5.1.1.1. Cash flows

The value in use of each GCGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Managers. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1.0 - 4.0%. The growth rate is estimated at an individual subsidiary level and does not exceed the average long-term growth rate for the relevant markets.

#### 5.1.1.2. Discount rates

Discount rates have been estimated using post-tax rates, which reflect current market rates for investments of similar risk. The discount rate for the GCGUs was estimated using the weighted average cost of capital ("WACC") of companies that

## Altice International S.à r.l.

### Notes to the consolidated financial statements

operate a portfolio of assets similar to the Group's. The WACC used across the Group for the calculation of the value in use at December 31, 2018 ranges from 7.0% to 11.5%.

#### 5.1.1.3. Other internal assumptions

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

#### 5.1.1.4. Assumptions about external factors

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

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

Key assumptions used in estimating value in use	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others
<b>At December 31, 2018</b>						
Average perpetuity growth rate (%)	1.75%	1.0%	4.0%	1.75%	n/a	n/a
5 year average EBIT margin (%)	21.3%	15.2%	30.7%	18.2%	n/a	n/a
Post tax weighted average cost of capital (%)	7.5%	7.0%	11.5%	11.0%	n/a	n/a
<b>At December 31, 2017</b>						
Average perpetuity growth rate (%)	1.0%	1.6%	2.0%	n/a	n/a	1.0 - 2.0%
5 year average EBIT margin (%)	22.1%	26.6%	41.0%	n/a	n/a	11.0 - 19.9%
Post tax weighted average cost of capital (%)	8.2%	10.0 - 10.7%	9.2%	n/a	n/a	8.5 - 14.2%

#### 5.1.2. Sensitivity analysis

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

Sensitivity to changes in key inputs in the value in use calculation (€m)	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others
Amount by which the CGU exceed the book value	835.0	1,131.0	608.0	926.0	n/a	n/a
Perpetual growth rate for which recoverable amount is equal to carrying amount	0.8%	-5.3%	-0.5%	n/m	n/a	n/a
Discount rate for which recoverable amount is equal to carrying amount	8.4%	11.8%	14.8%	33.5%	n/a	n/a
EBIT margin for which recoverable amount is equal to carrying amount	18.1%	6.0%	21.4%	5.3%	n/a	n/a
0.5% increase in the discount rate	(509.0)	(195.0)	(106.0)	(70.0)	n/a	n/a
1.0% decrease in the perpetual growth rate	(810.0)	(315.0)	(160.0)	(90.0)	n/a	n/a

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

## 5.2. Business combinations

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

## Altice International S.à r.l.

### Notes to the consolidated financial statements

#### 5.2.1. Acquisitions where the purchase price allocations have been finalized

##### 5.2.1.1. Teads

On June 22, 2017, Altice Teads (a company in which the Group has 98.5% of the financial interest, with 1.5% attributable to the managers of Teads) closed the acquisition of Teads. The acquisition purchase price was €302.3 million, with 75% due at closing, and the remaining 25% earn-out subject to Teads obtaining defined revenue performance in 2017, which targets have been met. As the defined revenue targets for 2017 were met, an earn-out payment of €48.6 million was made to the former owners of Teads during the second quarter of 2018, with an additional earn-out payment of €13.1 million made on July 3, 2018.

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

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

There was no change in the preliminary purchase price allocation compared to December 31, 2017 and the purchase price allocation has been finalized.

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

# Altice International S.à r.l.

Notes to the consolidated financial statements

## 6. Intangible assets

<b>Intangible assets December 31, 2018 (€m)</b>	<b>December 31, 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Business Combinations</b>	<b>Changes in foreign currency</b>	<b>Held for sale</b>	<b>Other<sup>1</sup></b>	<b>December 31, 2018</b>
Software	257.6	32.0	(0.5)	-	(5.4)	-	6.3	290.0
Brand name	295.1	-	-	-	(0.8)	-	0.3	294.5
Customer relations	1,623.6	-	-	-	(8.1)	-	(7.8)	1,607.7
Licenses and franchises	207.0	4.7	(1.6)	-	1.0	-	(2.7)	208.4
R&D costs acquisitions	9.8	0.7	-	-	-	-	9.8	20.2
Subscriber acquisition costs	-	-	-	-	-	-	-	-
Intangible assets under construction	19.1	20.6	-	-	-	-	(26.5)	13.2
IRU & other concessions	-	-	-	-	-	-	-	-
Content rights	224.5	40.8	-	-	(6.5)	-	-	258.7
Other intangible assets	449.9	16.0	(12.3)	-	(4.8)	-	31.2	480.0
<b>Gross value</b>	<b>3,086.5</b>	<b>114.8</b>	<b>(14.4)</b>	<b>-</b>	<b>(24.7)</b>	<b>-</b>	<b>10.6</b>	<b>3,172.8</b>
Software	(214.1)	(33.9)	-	-	4.7	-	(1.5)	(244.9)
Brand name	(165.1)	(27.2)	-	-	0.6	-	3.8	(187.9)
Customer relations	(662.5)	(179.8)	-	-	5.1	-	3.7	(833.5)
Licenses and franchises	(46.2)	(14.1)	1.6	-	(0.3)	-	(1.6)	(60.5)
R&D costs acquisitions	(2.0)	(8.5)	-	-	-	-	0.1	(10.5)
Subscriber acquisition costs	-	-	-	-	-	-	-	-
Intangible assets under construction	-	-	-	-	-	-	-	-
IRU & others concessions	-	-	-	-	-	-	-	-
Content rights	(142.0)	(44.8)	-	-	4.3	-	-	(182.5)
Other intangible assets	185.9	(66.9)	12.3	-	2.2	-	(29.9)	103.8
<b>Cumulative amortization</b>	<b>(1,045.8)</b>	<b>(375.2)</b>	<b>13.9</b>	<b>-</b>	<b>16.6</b>	<b>-</b>	<b>(25.4)</b>	<b>(1,415.9)</b>
Software	43.5	(1.9)	(0.5)	-	(0.7)	-	4.8	45.1
Brand name	130.0	(27.2)	-	-	(0.2)	-	4.1	106.6
Customer relations	961.1	(179.8)	-	-	(3.0)	-	(4.0)	774.3
Licenses and franchises	160.8	(9.4)	(0.0)	-	0.6	-	(4.3)	147.7
R&D costs acquisitions	7.7	(7.8)	-	-	-	-	9.8	9.8
Subscriber acquisition costs	-	-	-	-	-	-	-	-
Intangible assets under construction	19.1	20.6	-	-	-	-	(26.5)	13.2
IRU & others concessions	-	-	-	-	-	-	-	-
Content rights	82.5	(4.1)	-	-	(2.2)	-	-	76.3
Other intangible assets	635.8	(50.9)	0.0	-	(2.6)	-	1.3	583.7
<b>Net book value</b>	<b>2,040.7</b>	<b>(260.4)</b>	<b>(0.5)</b>	<b>-</b>	<b>(8.1)</b>	<b>-</b>	<b>(14.8)</b>	<b>1,756.9</b>

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

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Intangible assets December 31, 2017 (*revised) (€m)	January 1, 2017	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other December 31, 2017
Software	249.0	29.3	-	-	(20.4)	(7.7)	257.6
Brand name	315.3	-	-	28.7	(4.6)	(44.4)	295.1
Customer relations	1,772.9	-	-	(37.5)	(36.3)	(77.0)	1,623.6
Licenses and franchises	271.3	1.4	-	0.7	(29.4)	(52.4)	207.0
R&D costs acquisitions	29.9	1.5	-	0.3	(0.2)	(25.9)	9.8
Subscriber acquisition costs	342.4	-	-	(342.4)	-	-	-
Intangible assets under construction	21.3	39.7	-	(0.9)	(1.0)	(10.6)	19.1
IRU & others concessions	51.3	2.2	(15.9)	-	-	(31.7)	-
Content rights	609.4	80.5	-	-	(6.7)	(458.7)	224.5
Other intangible assets	804.7	20.5	(5.1)	(239.3)	(15.4)	(102.6)	449.9
<b>Gross value</b>	<b>4,467.5</b>	<b>175.0</b>	<b>(20.9)</b>	<b>(590.4)</b>	<b>(114.1)</b>	<b>(811.0)</b>	<b>3,086.5</b>
Software	(189.5)	(45.8)	-	-	17.3	5.2	(214.1)
Brand name	(82.5)	(124.0)	-	-	3.7	37.7	(165.1)
Customer relations	(546.8)	(222.3)	-	34.6	27.9	44.1	(662.5)
Licenses and franchises	(67.4)	(13.7)	-	-	9.5	35.3	(46.2)
R&D costs acquisitions	(13.5)	(9.3)	-	-	-	20.8	(2.0)
Subscriber acquisition costs	(334.5)	(0.1)	-	334.7	-	-	-
Intangible assets under construction	-	(0.2)	-	-	-	0.2	-
IRU & others concessions	(26.5)	(12.3)	14.6	-	-	16.1	-
Content rights	(186.0)	(164.0)	-	-	4.2	203.9	(142.0)
Other intangible assets	(93.1)	(67.8)	0.3	244.3	9.9	133.3	185.9
<b>Cumulative amortization</b>	<b>(1,539.9)</b>	<b>(659.5)</b>	<b>14.9</b>	<b>613.5</b>	<b>72.6</b>	<b>496.6</b>	<b>(1,045.8)</b>
Software	59.6	(16.5)	-	-	(3.1)	(2.4)	43.5
Brand name	232.8	(124.0)	-	28.7	(0.9)	(6.7)	130.0
Customer relations	1,226.1	(222.3)	-	(3.0)	(8.4)	(32.9)	961.1
Licenses and franchises	203.9	(12.3)	-	0.7	(20.0)	(17.1)	160.8
R&D costs acquisitions	16.4	(7.8)	-	0.3	(0.2)	(5.1)	7.7
Subscriber acquisition costs	7.9	(0.1)	-	(7.8)	-	-	-
Intangible assets under construction	21.3	39.5	-	(0.9)	(1.0)	(10.4)	19.1
IRU & others concessions	24.8	(10.1)	(1.3)	-	-	(15.6)	-
Content rights	423.4	(83.5)	-	-	(2.5)	(254.8)	82.5
Other intangible assets	711.5	(47.3)	(4.8)	5.0	(5.5)	30.7	635.8
<b>Net book value</b>	<b>2,927.6</b>	<b>(484.5)</b>	<b>(6.0)</b>	<b>23.1</b>	<b>(41.5)</b>	<b>(314.4)</b>	<b>2,040.7</b>

\* Please refer to note 33 for details about the revised information.

The total amortization expense for the years ended December 31, 2018 and 2017 was €375.2 million and €659.5 million, respectively, please refer to note 25 for further discussion. The amortization of the period is lower compared to 2017 mainly due to the classification of ATS, ACS, Altice TV and FOT as held for sale as of December 31, 2017. As consequence, the amortization of non-current assets in these entities had been stopped from January 1, 2018. Additionally, lower amortization of brand and licences following the postponed adoption of the Group's global brand as announced in December 2017.

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

- Customer relations: these assets are valued using the excess earnings method upon acquisition and subsequently amortized based on the local churn rate. The carrying amount of customer relations by segment was: (i) Portugal: €681.3 million, (ii) Israel: €89.6 million, (iii) the Dominican Republic: €3.5 million.
- Brand name: the carrying amounts of the Group's main brand names includes: (i) Meo in Portugal: €79.9 million, (ii) HOT in Israel: €7.2 million, (iii) Teads: €18.6 million.
- Content rights: corresponds mainly to content right in Israel as HOT co-develops and co-owns high-quality original local content together with local producers and broadcasts it on HOT proprietary channels. The content rights were capitalized in accordance with IAS 38 *Intangible Assets* and are amortized over their respective useful lives. When useful lives extend beyond one year the nominal cash flows are discounted to their present value on initial recognition of the asset. The amortization related to content rights recorded for the year ended December 31, 2018 was €44.8 million.

# Altice International S.à r.l.

Notes to the consolidated financial statements

## 7. Property, plant and equipment

Property, plant and equipment December 31, 2018 (€m)	January 1, 2018	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other <sup>1</sup>	December 31, 2018
Land	199.0	0.6	(1.7)	-	0.2	(4.0)	(9.1)	185.0
Buildings	572.8	10.4	(210.2)	26.5	(1.6)	(24.1)	11.8	385.4
Technical and other equipment	5,100.8	624.0	(228.3)	92.8	(75.4)	-	(259.1)	5,254.8
Assets under construction	164.1	52.2	-	9.0	(0.3)	-	(172.6)	52.2
Other tangible assets	6.9	4.0	(2.2)	6.6	(0.4)	-	2.3	17.3
<b>Gross value</b>	<b>6,043.6</b>	<b>691.1</b>	<b>(442.4)</b>	<b>134.8</b>	<b>(77.6)</b>	<b>(28.1)</b>	<b>(426.7)</b>	<b>5,894.8</b>
Land	-	-	-	-	-	-	-	-
Buildings	(105.7)	(40.1)	162.7	(20.2)	1.0	12.0	0.9	10.6
Technical and other equipment	(2,201.2)	(606.0)	132.7	(77.7)	60.8	-	324.8	(2,366.5)
Assets under construction	(1.6)	-	-	-	-	-	-	(1.6)
Other tangible assets	(6.9)	(15.5)	1.2	(5.3)	1.3	0.2	8.3	(16.8)
<b>Cumulative depreciation</b>	<b>(2,315.3)</b>	<b>(661.6)</b>	<b>296.6</b>	<b>(103.1)</b>	<b>63.0</b>	<b>12.2</b>	<b>334.0</b>	<b>(2,374.3)</b>
Land	199.0	0.6	(1.7)	-	0.2	(4.0)	(9.1)	185.0
Buildings	467.1	(29.8)	(47.6)	6.3	(0.6)	(12.1)	12.7	396.0
Technical and other equipment	2,899.6	18.1	(95.5)	15.1	(14.6)	-	65.7	2,888.3
Assets under construction	162.5	52.2	-	9.0	(0.3)	-	(172.6)	50.7
Other tangible assets	-	(11.5)	(1.0)	1.3	0.9	0.2	10.6	0.5
<b>Net book value</b>	<b>3,728.5</b>	<b>29.6</b>	<b>(145.8)</b>	<b>31.7</b>	<b>(14.6)</b>	<b>(15.9)</b>	<b>(92.7)</b>	<b>3,520.5</b>

Property, plant and equipment December 31, 2017 (€m)	January 1, 2017	Additions	Disposals	Business Combinations	Changes in foreign currency	Held for sale	Other	December 31, 2017
Land	203.9	-	(0.2)	-	(3.8)	(1.0)	-	199.0
Buildings	667.3	6.9	(0.8)	-	(14.9)	(65.1)	(20.5)	572.8
Technical and other equipment	5,536.1	494.1	(125.7)	0.4	(273.0)	(427.4)	(103.7)	5,100.8
Assets under construction	143.0	164.7	(2.0)	-	(14.0)	(7.2)	(120.5)	164.1
Other tangible assets	55.1	4.0	(6.8)	8.5	(6.3)	(41.4)	(6.1)	6.9
<b>Gross value</b>	<b>6,605.4</b>	<b>669.6</b>	<b>(135.5)</b>	<b>8.9</b>	<b>(312.0)</b>	<b>(542.0)</b>	<b>(250.8)</b>	<b>6,043.6</b>
Land	-	-	-	-	-	-	-	-
Buildings	(111.1)	(46.0)	0.3	-	8.3	24.5	18.3	(105.7)
Technical and other equipment	(2,317.8)	(671.9)	82.7	-	196.2	290.5	219.1	(2,201.2)
Assets under construction	(1.5)	(0.4)	-	-	0.4	-	-	(1.6)
Other tangible assets	(10.8)	(15.9)	2.7	-	3.5	11.0	2.6	(6.9)
<b>Cumulative depreciation</b>	<b>(2,441.2)</b>	<b>(734.3)</b>	<b>85.7</b>	<b>-</b>	<b>208.3</b>	<b>326.1</b>	<b>240.0</b>	<b>(2,315.3)</b>
Land	203.9	-	(0.2)	-	(3.8)	(1.0)	-	199.0
Buildings	556.2	(39.1)	(0.5)	-	(6.7)	(40.5)	(2.2)	467.1
Technical and other equipment	3,218.3	(177.8)	(43.0)	0.4	(76.8)	(136.9)	115.4	2,899.6
Assets under construction	141.5	164.3	(2.0)	-	(13.6)	(7.2)	(120.5)	162.5
Other tangible assets	44.3	(12.0)	(4.1)	8.5	(2.8)	(30.3)	(3.5)	-
<b>Net book value</b>	<b>4,164.2</b>	<b>(64.5)</b>	<b>(49.8)</b>	<b>8.9</b>	<b>(103.7)</b>	<b>(215.9)</b>	<b>(10.8)</b>	<b>3,728.5</b>

\* Please refer to note 33 for details about the revised information.

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

Further details on the captions in the table above include:

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

As part of the various debt issuance completed by the Group, the assets of certain subsidiaries have been pledged as collateral. This includes, amongst others, the shares of certain holding companies and intercompany loans, the shares of

## Altice International S.à r.l.

### Notes to the consolidated financial statements

HOT Telecom and all material assets of HOT Telecom, including the cable network (but excluding licenses and end user equipment and assets of HOT Mobile), all material assets of Altice Dominicana (other than licenses and real estate assets valued at less than €5 million), the shares of PT Portugal and certain other operating subsidiaries in Portugal.

## 8. Contract balances

The following table provides information about contract costs, contract assets and contract liabilities from contracts with customers.

Contract balances (€m)	December 31, 2018	December 31, 2017 (*revised)
Contract costs, net (non-current)	95.6	89.3
Contract assets, net (current)	38.9	36.0
Contract liabilities	(194.9)	(196.3)
<b>Total</b>	<b>(60.3)</b>	<b>(71.0)</b>

\* Please refer to note 33 for details about the revised information.

### 8.1. Contract costs (non-current)

Contract costs, net (non-current) (€m)	December 31, 2018			December 31, 2017 (*revised)		
	Gross value	Amortization	Net value	Gross value	Amortization	Net value
<b>Opening balances</b>	570.5	(481.2)	89.3	479.7	(401.7)	77.9
Additions	114.5	-	114.5	110.7	-	110.7
Amortization	-	(104.5)	(104.5)	-	(97.1)	(97.1)
Impairment losses	-	-	-	-	-	-
Change in consolidation scope	(17.5)	14.1	(3.5)	-	-	-
Translation adjustments	(10.4)	9.5	(0.9)	(19.9)	17.6	(2.3)
Reclassification to held for sale	-	-	-	-	-	-
Other	4.8	(4.2)	0.7	-	-	-
<b>Closing Balances</b>	<b>661.9</b>	<b>(566.3)</b>	<b>95.6</b>	<b>570.5</b>	<b>(481.2)</b>	<b>89.3</b>

\* Please refer to note 33 for details about the revised information.

1 This line includes increase related to new contracts and decrease following the transfer from contract assets to trade receivables.

### 8.2. Contract assets (current)

Contract assets are recognised when devices are sold in bundled packages in the mobile activities as revenue related to the device is recognised upfront and is billed to the customer over the service period.

Contract assets, net (current) (€m)	December 31, 2018	December 31, 2017 (*revised)
<b>Opening balances contract assets</b>	<b>36.0</b>	<b>36.3</b>
Business related movements <sup>1</sup>	5.9	3.8
Change in consolidation scope	(3.6)	-
Translation adjustments	0.2	(2.5)
Reclassification to held for sale	-	-
Other	3.2	(1.0)
<b>Closing balances of contract assets</b>	<b>41.8</b>	<b>36.6</b>
Impairment loss	(2.9)	(0.5)
<b>Contract assets, net</b>	<b>38.9</b>	<b>36.0</b>

\* Please refer to note 33 for details about the revised information.

1 This line includes increase related to new contracts and decrease following the transfer from contract assets to trade receivables.

### 8.3. Contract liabilities

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

## Altice International S.à r.l.

### Notes to the consolidated financial statements

<b>Contract liabilities (€m)</b>	<b>December 31, 2018</b>	<b>December 31, 2017 (*revised)</b>
Contract liabilities - current	133.5	185.3
Contract liabilities - non current	61.3	11.0
<b>Total</b>	<b>194.9</b>	<b>196.3</b>
<i>Explained as follows:</i>		
Prepaid revenue - Other	168.5	163.0
Connection fees / Service access fees	7.9	2.9
Loyalty programs	10.9	6.3
Other	7.5	24.0
<b>Total</b>	<b>194.9</b>	<b>196.4</b>

\* Please refer to note 33 for details about the revised information.

<b>Contract liabilities (€m)</b>	<b>December 31, 2018</b>	<b>December 31, 2017 (*revised)</b>
<b>Opening balances of contract liabilities</b>	<b>196.3</b>	<b>246.8</b>
Business related movements <sup>1</sup>	8.2	(9.6)
Change in consolidation scope	(13.6)	-
Translation adjustments	0.4	(7.3)
Reclassification to held for sale	-	(30.4)
Other	3.5	(3.1)
<b>Closing balances of contract liabilities</b>	<b>194.9</b>	<b>196.3</b>

\* Please refer to note 33 for details about the revised information.

<sup>1</sup> This line includes increase related to cash received on new agreements and decrease related to the reversal of deferred revenue in the revenue line.

## 9. Investment in associates

<b>Investments in associates (€m)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Associates of PT Portugal	134.0	26.1
Other	0.3	0.2
<b>Total</b>	<b>134.3</b>	<b>26.4</b>

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

<b>Group</b>	<b>Investments in associates (€m)</b>	<b>Year ended December 31, 2018</b>				
		<b>Revenues</b>	<b>Net profit/(loss)</b>	<b>Net equity</b>	<b>Cash (-)/Net debt (+)</b>	<b>Total Assets</b>
<b>PT Portugal</b>	Sport TV	185.7	3.0	31.9	(13.9)	171.9
	Janela Digital <sup>1</sup>	n/a	n/a	n/a	n/a	n/a
	Sportinvest - Multimédia, S.A.	3.3	0.4	5.4	(2.6)	11.1
	Ericsson Inovação S.A.	19.4	5.1	3.7	(0.1)	8.1
	Hungaro Digitel	16.0	3.5	12.3	(4.2)	26.9
	Multicert	4.4	0.2	1.4	0.2	3.5
	Auto Venda Já	0.6	(0.0)	0.0	0.2	0.5
	Belmont Infra Holding, S.A. <sup>1</sup>	n/a	n/a	n/a	n/a	n/a

  

<b>Group</b>	<b>Investments in associates (€m)</b>	<b>Year ended December 31, 2017</b>				
		<b>Revenues</b>	<b>Net profit/(loss)</b>	<b>Net equity</b>	<b>Cash (-)/Net debt (+)</b>	<b>Total Assets</b>
<b>PT Portugal</b>	Sport TV	183.2	4.9	28.9	6.0	156.5
	Janela Digital	4.4	1.7	9.1	-	10.4
	SIRESP	29.5	1.1	12.7	-	53.4

<sup>1</sup> Financial information is not available.

### 9.1. Investment in associates of PT Portugal

Associates of PT Portugal had a carrying amount for €134.0 million for the year ended December 31, 2018 (2017: €26.1 million). The main associates of PT Portugal and the carrying amount of invested equity as of December 31, 2018 were:

- *Belmont Infra Holding, S.A.* (€107.5 million): on August 7, 2018 PT Portugal acquired a 25% stake in the capital of Belmont Infra Holding, S.A. for €108.8 million. Belmont Infra Holding, S.A. is an entity that holds 100% of BIH - Belmont Infrastructure Holding, S.A., which in turn holds a 100% interest in OMTEL;

## Altice International S.à r.l.

### Notes to the consolidated financial statements

- *Sport TV* (€13.8 million): on February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12.3 million. SPORT TV is a sports broadcaster based in Portugal. Following this investment, SPORT TV's shareholders are PT Portugal, NOS, Olivedesportos and Vodafone, each of which with a 25% stake;
- *Hungaro Digitel* (€5.5 million): this company was created in 1990 and PT Portugal holds 44,62%. Hungaro Digitel provides satellite telecommunications services;
- *Sportinvest-Multimédia, S.A.* (€2.7 million): this company was created in 2001 and PT Portugal holds 50%. This subsidiary provides services of sports contents for the main market players, including televisions, mobile operators and ISP's;
- *Janela Digital* (€2.2 million): in 2000, PT Portugal and Netholding created Janela Digital, held at 50% both. This subsidiary is responsible for the development of IT solutions in the real estate market.

## 10. Financial assets and other non-current assets

### 10.1. Financial assets

Financial assets (€m)	Note	Year ended December 31, 2018	Year ended December 31, 2017
Derivative financial assets	10.1.1	89.4	32.0
Loans and receivables	10.1.2	1,706.1	909.6
Call options with non-controlling interests	10.1.3	53.8	50.6
Equity instruments at fair value through OCI	10.1.4	5.5	8.0
Other financial assets	10.1.5	26.2	9.1
<b>Total</b>		<b>1,881.1</b>	<b>1,009.5</b>
Current		76.4	33.5
Non-current		1,804.7	976.0

#### 10.1.1. Derivative financial instruments related to debt

The Group has a significant debt book and executes derivative contracts to hedge its position in compliance with its treasury policy. All derivatives are measured at their fair value at the balance sheet date; the total asset position as of December 31, 2018 was €89.4 million (2017: €32.0 million). Refer also to note 17.3 for details on each of these derivatives held by the Group and to note 19 for information on the fair value of the derivatives, including the fair value hierarchy.

#### 10.1.2. Loans and receivables

The Group's main loans and receivables as of December 31, 2018, were mainly consisting of:

- Secured subordinated notes in Wananchi: the notes are convertible at the discretion of the holder. The investment amounts to €57.6 million and bears interest at a rate of 11% per annum (or 13% on default) payable in kind and matures in October 2021 (2017: €43.0 million bearing 11% interest).
- Loans in Altice Financing (€985.6 million) and Altice Holdings (€439.8 million) granted to entities within the Altice Luxembourg Group (mainly Altice Luxembourg S.A. and Altice Corporate Financing).

#### 10.1.3. Call options with non-controlling interests

Through the various acquisitions that the Group has completed in recent years the Group signed agreements whereby it has a call option to acquire certain residual non-controlling interests in entities that it has not acquired 100%. The call options are derivative financial instruments and must be re-measured to their fair value at balance sheet date. The carrying amount of the call options is detailed in note 19.1.2.

#### 10.1.4. Equity instruments at fair value through OCI

As at December 31, 2018, the changes compared to 2017 corresponded to the change in the fair value of investment held in Partner Co. Ltd from €6.7 million in 2017 to €5.5 million, and investment in Wananchi was nil as at December 31, 2018 (2017: €1.3 million). Please also refer to note 19.1.1. These investments in equity instruments are not held for trading. Instead, they are held for medium term. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI.

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 10.1.5. Other financial assets

The increase in other financial assets as of December 31, 2018 compared to December 31, 2017 was mainly due to increases in the accrued interest on financial loans in Altice International and Altice Holdings, and increase in financial assets in PT Portugal which mainly reflected the impact of the consolidation of SIRESP (please refer to note 3.1.11).

### 10.2. Other non-current assets

Other non-current assets (€m)	December 31, 2018	December 31, 2017
Pension assets	3.9	4.3
Other receivables	154.3	178.4
<b>Total</b>	<b>158.2</b>	<b>182.7</b>

Other non-current assets decreased by €24.5 million to €158.2 million, due to a decrease in other receivable non-current, mainly in PT Portugal related to football contracts for €38.8 million, of which €27 million was reclassified from non-current to current other receivables. This was partially offset by impairment recognised as of January 1, 2018 upon the adoption of IFRS 9 *Financial Instruments* for €4.1 million.

### 11. Inventories

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

A gain of €10.0 million was recorded in the consolidated statement of income to account for the change in inventories (2017: €4.4 million).

Inventories (€m)	Year ended December 31, 2018	Year ended December 31, 2017
Raw materials and consumables	94.0	93.2
Work in progress	41.4	35.2
<b>Gross value</b>	<b>135.4</b>	<b>128.5</b>
Raw materials and consumables	(14.7)	(13.1)
Work in progress	(2.5)	(2.6)
<b>Allowance for obsolescence</b>	<b>(17.2)</b>	<b>(15.7)</b>
Raw materials and consumables	79.3	80.1
Work in progress	38.9	32.6
<b>Total carrying amount</b>	<b>118.2</b>	<b>112.8</b>

#### 11.1. Inventory obsolescence

Inventory obsolescence (€m)	Raw materials and consumables	Work in progress (goods)	Total
<b>Opening balance: January 1, 2018</b>	<b>(13.1)</b>	<b>(2.6)</b>	<b>(15.7)</b>
Business combinations	-	-	-
Allowances/write-backs	(1.7)	0.1	(1.6)
Variation	0.1	-	0.1
Held for sale	-	-	-
Other	-	-	-
<b>Closing balance: December 31, 2018</b>	<b>(14.7)</b>	<b>(2.5)</b>	<b>(17.2)</b>
<b>Opening balance: January 1, 2017</b>	<b>(15.2)</b>	<b>(2.6)</b>	<b>(17.8)</b>
Allowances/write-backs	0.6	0.2	0.8
Variation	-	(0.2)	(0.2)
Held for sale	1.1	-	1.1
Other	0.4	-	0.4
<b>Closing balance: December 31, 2017</b>	<b>(13.1)</b>	<b>(2.6)</b>	<b>(15.7)</b>

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 12. Trade and other receivables

Trade and other receivables (€m)	Year ended December 31, 2018	Year ended December 31, 2017 (*revised)
Trade receivables	774.2	801.2
Other receivables	169.4	159.4
<b>Total</b>	<b>943.6</b>	<b>960.6</b>

#### 12.1. Trade receivables

Trade receivables (€m)	Gross trade receivables	Allowance for doubtful debts	Total
<b>Closing balance: December 31, 2017</b>	<b>1,032.6</b>	<b>(231.4)</b>	<b>801.2</b>
<b>IFRS 9 adjustment</b>	<b>-</b>	<b>(25.6)</b>	<b>(25.6)</b>
<b>Opening balance: January 1, 2018 (*revised)</b>	<b>1,032.6</b>	<b>(256.9)</b>	<b>775.6</b>
Recognised through business combinations	3.3	-	3.3
Net decrease	(83.4)	35.7	(47.7)
Held for sale	-	-	-
Other changes	40.6	2.6	43.2
<b>Closing balance: December 31, 2018</b>	<b>993.1</b>	<b>(218.7)</b>	<b>774.2</b>
Trade receivables (€m)	Gross trade receivables	Allowance for doubtful debts	Total
<b>Opening balance: January 1, 2017</b>	<b>1,265.8</b>	<b>(282.4)</b>	<b>983.4</b>
Recognised through business combinations	102.4	(2.9)	99.4
Net decrease	126.4	42.4	168.8
Held for sale	(433.3)	9.1	(424.2)
Other changes	(28.7)	2.4	(26.4)
<b>Closing balance: December 31, 2017</b>	<b>1,032.6</b>	<b>(231.4)</b>	<b>801.2</b>

\* Please refer to note 33 for details about the revised information.

The decrease in trade receivables was mainly driven by the adjustment of IFRS 9 *Financial Instruments* of €25.6 million.

##### 12.1.1. Aging of trade receivables

Age of trade receivables (€m)	Year ended December 31, 2018	Year ended December 31, 2017
Not yet due	453.5	408.8
30 - 90 days	119.3	187.1
> 90 days	201.4	205.3
<b>Total</b>	<b>774.2</b>	<b>801.2</b>

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

#### 12.2. Other receivables

Other receivables (€m)	Year ended December 31, 2018	Year ended December 31, 2017 (*revised)
Prepaid expenses	45.7	52.5
Business taxes receivable (e.g. VAT)	31.6	37.0
Other	92.2	69.9
<b>Total</b>	<b>169.4</b>	<b>159.4</b>

\* Please refer to note 33 for details about the revised information.

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 12.2.1. Prepaid expenses

Prepaid expenses mainly relate to services for which payments are made before the service is rendered (such as rental, insurance or other services). The decrease compared to 2017 was mainly caused by lower prepaid expenses in PT Portugal by €4.9 million.

### 12.2.2. Business taxes receivable

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

### 12.2.3. Other

Other is mainly composed of receivables due from advances to employees and other miscellaneous. The increase in other mainly was caused by a shift from non-current other receivables to current other receivables in PT Portugal for €27 million which was partially offset by a decrease in advances to suppliers (€6 million) in PT Portugal.

## 13. Cash and cash equivalents and restricted cash

Cash balances (€m)	December 31, 2018	December 31, 2017
Term deposits	37.1	36.0
Bank balances	560.2	217.2
<b>Cash and cash equivalents</b>	<b>597.3</b>	<b>253.2</b>
Restricted cash	35.9	33.7
<b>Total</b>	<b>633.2</b>	<b>286.8</b>

The restricted cash balance at December 31, 2018 included:

- €31.1 million in Altice Financing as collateral for a bank guarantee;
- €4.8 million in HOT for various purposes.

## 14. Shareholders' equity

The Group's equity was comprised as follows:

Equity attributable to owners of the Company (€m)	Notes	As of December 31, 2018	As of December 31, 2017 (*revised)
Issued capital	14.1	309.3	309.3
Additional paid in capital	14.2	-	53.2
Other reserves	14.3	476.0	442.9
Accumulated losses	14	(764.2)	(1,466.6)
<b>Total</b>		<b>21.1</b>	<b>(661.2)</b>

\* Please refer to note 33 for details about the revised information.

### 14.1. Issued capital

As of December 31, 2018, there were no changes in the issued capital of the Group during the year. Total issued capital of the Company as at December 31, 2018 was €309.3 million, comprising 30,925,700,000 outstanding ordinary shares, with a nominal value of € 0.01 each.

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 14.2. Additional paid in capital

Changes in additional paid in capital (€m)	December 31, 2018	December 31, 2017 (*revised)
Opening balance	53.2	251.1
Change in fair value / recognition of put option for non-controlling interest	(53.2)	(154.6)
Transaction with Altice shareholder	-	(51.1)
Other	-	7.9
<b>Total</b>	<b>-</b>	<b>53.2</b>

\* Please refer to note 33 for details about the revised information.

Reduction in additional paid in capital compared to December 31, 2017 was mainly due to the impact from the exercise of ATS call option (please refer to note 3.1.3).

### 14.3. Other reserves

The tax effect of the Group's currency translation, fair value through OCI, cash flow hedge and employee benefits reserves are provided below:

Other reserves (€m)	December 31, 2018			December 31, 2017 (*revised)		
	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Actuarial gains and losses	(37.6)	7.5	(30.1)	(68.0)	17.0	(51.0)
<b>Items not reclassified to profit or loss</b>	<b>(37.6)</b>	<b>7.5</b>	<b>(30.1)</b>	<b>(68.0)</b>	<b>17.0</b>	<b>(51.0)</b>
Fair value through OCI	2.6	-	2.6	3.6	-	3.6
Currency translation reserve	(7.9)	-	(7.9)	(14.0)	-	(14.0)
Cash flow hedge reserve	(179.3)	55.2	(124.0)	(204.0)	61.9	(142.1)
<b>Items potentially reclassified to profit or loss</b>	<b>(184.6)</b>	<b>55.2</b>	<b>(129.3)</b>	<b>(214.4)</b>	<b>61.9</b>	<b>(152.5)</b>
<b>Total</b>	<b>(222.2)</b>	<b>62.7</b>	<b>(159.4)</b>	<b>(282.4)</b>	<b>78.9</b>	<b>(203.5)</b>

\* Please refer to note 33 for details about the revised information.

## 15. Provisions

Provisions (€m)	Note	Year ended December 31, 2018	Year ended December 31, 2017
Provisions	15	157.4	123.6
Employee benefit provisions	16	658.5	763.7
<b>Total</b>		<b>815.9</b>	<b>887.4</b>
Current		113.7	65.3
Non-current		702.3	818.6

### 15.1. Provisions for litigation, site renovation and other items

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

Provisions December 31, 2018 (€m)	January 1, 2018	Business Combinations	Additions	Utilization	Held for sale	Other	December 31, 2018
Litigations	90.5	-	83.5	(57.1)	(8.1)	27.0	135.9
Onerous contract	1.5	-	-	(1.2)	-	(0.0)	0.3
Site renovation	28.0	0.2	0.3	(0.3)	(4.9)	(8.8)	14.5
Restructuring charges	-	-	-	-	-	-	-
Provisions for other expenses	3.6	0.2	4.4	(2.2)	0.0	0.6	6.7
<b>Total gross value</b>	<b>123.6</b>	<b>0.4</b>	<b>88.3</b>	<b>(60.8)</b>	<b>(13.0)</b>	<b>18.8</b>	<b>157.4</b>

**Altice International S.à r.l.**

Notes to the consolidated financial statements

<b>Provisions December 31, 2017 (€m)</b>	<b>January 1, 2017</b>	<b>Business Combinations</b>	<b>Additions</b>	<b>Utilization</b>	<b>Held for sale</b>	<b>Other</b>	<b>December 31, 2017</b>
Litigations	99.7	0.2	22.2	(20.8)	(9.2)	(1.6)	90.5
Onerous contract	6.5	-	0.4	(1.2)	-	(4.3)	1.5
Site renovation	27.0	-	0.2	(0.0)	(3.9)	4.7	28.0
Restructuring charges	3.9	-	(1.6)	(3.5)	(0.5)	1.7	-
Provisions for other expenses	17.3	6.1	0.3	(1.2)	(13.2)	(5.8)	3.6
<b>Total gross value</b>	<b>154.4</b>	<b>6.3</b>	<b>21.7</b>	<b>(26.7)</b>	<b>(26.8)</b>	<b>(5.1)</b>	<b>123.6</b>

*15.1.1. Provisions for litigation*

These mainly relate to litigations that have been brought against the Group for which the Board of Managers believes that the risk of cash outflows is probable. Management considers that all potential risks of cash outflows on such litigations and claims is properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2018. Such litigations cover tax and VAT related risks as well.

These provisions include amounts for which the nature and amounts cannot be disclosed on a case by case basis as this might expose the Group to further litigation. Such cases are outlined in note 30 (Litigation) and note 23 (Taxation). All litigation pending against the Group is either being heard or appealed as of December 31, 2018.

*15.1.2. Site renovation costs*

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

*15.1.3. Other provisions*

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

**16. Employee benefit provisions**

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

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

<b>Defined benefit plan (€m)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Present value of defined benefit obligation	784.6	917.0
Fair value of plan assets	(130.1)	(161.0)
<b>Unfunded status</b>	<b>654.6</b>	<b>756.0</b>
Employee benefit recorded in provision	658.5	760.3
Employee benefit recorded as asset	(3.9)	(4.4)

**16.1. Details of the significant defined benefit plans***16.1.1. Portugal*

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

- Pension supplements - Retirees and employees of Companhia Portuguesa Rádio Marconi, S.A. ("Marconi", a company merged into PT in 2002) hired prior to February 1, 1998 and retirees and employees of Telefones de

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Lisboa e Porto, S.A. (“TLP”, a company merged into PT in 1994) and Teledifusora de Portugal, S.A. (“TDP”, a company merged into PT in 1994) hired prior to June 23, 1994 are entitled to receive a supplemental pension benefit, which complements the pension paid by the Portuguese social security system. In addition, on retirement, PT pays a lump sum gratuity of a fixed amount which depends on the length of service completed by the employee and its salary. Employees hired by PT or any of its predecessor companies after the dates indicated above are not entitled to these benefits and are thus covered only by the general Portuguese Government social security system, which is a defined contribution plan in accordance with IAS 19 Employee Benefits.

- Healthcare benefits - PT sponsors the payment of post-retirement health care benefits to certain suspended employees, pre-retired employees and retired employees and their eligible relatives. Health care services are rendered by PT - Associação de Cuidados de Saúde (“PT ACS”), which was incorporated with the only purpose of managing PT’s Health Care Plan. This plan, sponsored by PT, includes all employees hired by PT until December 31, 2000 and by Marconi until February 1, 1998. The financing of the Health Care Plan comprises defined contributions made by participants to PT ACS and the remainder by PT, which incorporated an autonomous fund in 2004 for this purpose.
- Salaries to suspended and pre-retired employees - PT and other subsidiaries of PT Portugal are also responsible for the payment of salaries to suspended and pre-retired employees until the retirement age, which result from agreements between both parties. These liabilities are not subject to any legal funding requirement and therefore the monthly payment of salaries is made directly by each of the subsidiaries of PT Portugal.

#### 16.1.2. Israel

In Israel, the plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans. The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. In addition, the Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the law, employees are entitled to receive severance pay upon dismissal or retirement. In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the “plan assets”). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group’s own creditors and cannot be returned directly to the Group.

### 16.2. Defined benefit obligations and fair value of plan assets

#### 16.2.1. Movements in the present value of the defined benefit obligation

Defined benefit obligations (€m)	Year ended December 31, 2018	Year ended December 31, 2017
<b>Opening balance at January 1</b>	<b>917.0</b>	<b>1,041.2</b>
Business combinations	-	0.4
Interest expense	8.7	9.2
Current service cost	6.5	7.3
Participant contribution	-	-
Benefits paid	(122.7)	(165.3)
Settlement	-	-
Curtailement	5.3	23.5
Net actuarial gain/(loss) in other comprehensive income	(29.1)	22.2
Held for sale	-	(20.9)
Other (including currency translation adjustment)	(1.0)	(0.7)
<b>Closing balance at December 31</b>	<b>784.6</b>	<b>917.0</b>
<i>including commitments not financed</i>	<i>350.2</i>	<i>457.9</i>
<i>including commitments totally financed or partially financed</i>	<i>434.4</i>	<i>459.0</i>

## Altice International S.à r.l.

### Notes to the consolidated financial statements

#### 16.2.2. Fair value of plan assets

<b>Fair value of plan assets (€m)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
<b>Opening balance at January 1</b>	<b>161.0</b>	<b>170.2</b>
Interest income	2.7	2.5
Deposits paid by the employer into the plan	1.7	2.0
Participant contributions	(27.7)	2.5
Benefits paid	(8.1)	(9.8)
Net actuarial loss/gain in other comprehensive income	1.3	3.5
Held for sale	-	(9.4)
Other (including currency translation adjustment)	(0.7)	(0.5)
<b>Closing balance at December 31</b>	<b>130.1</b>	<b>161.0</b>

<b>Fair value of plan assets (€m)</b>	<b>December 31, 2018</b>		<b>December 31, 2017</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Shares	16.7	12.8%	23.7	14.7%
Bonds	54.3	41.8%	58.0	36.0%
Real estate	0.2	0.1%	1.5	0.9%
Other <sup>1</sup>	58.9	45.3%	77.8	48.3%
<b>Closing balance at December 31</b>	<b>130.1</b>	<b>100.0%</b>	<b>161.0</b>	<b>100.0%</b>

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

#### 16.2.3. Amounts recognised in comprehensive income

<b>Defined benefit plan: amounts recognised in comprehensive income (€m)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Current service cost	6.5	7.3
Net interest expense	6.0	6.7
Settlement	-	-
Curtailement	5.3	23.5
<b>Expenses recognised in profit or loss</b>	<b>17.7</b>	<b>37.6</b>
Net actuarial gain/(loss):		
Differences arising from experience	(6.6)	(2.0)
Differences arising from changes in assumptions	(22.4)	24.1
Return on plan assets (excluding interest income)	(1.4)	(3.5)
<b>Expenses recognised in other comprehensive income</b>	<b>(30.4)</b>	<b>18.7</b>
<b>Total expenses recorded in comprehensive income</b>	<b>(12.7)</b>	<b>56.2</b>

#### 16.2.4. Defined benefit plan valuation assumptions

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

<b>Assumptions used in actuarial valuation: Europe (%)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Expected rate of salary increase	0-2%	0-2%
Discount rate - pension	1.5%	1.3%
Discount rate - salaries to suspended and pre-retired	0.5%	0.3%
Discount rate - healthcare	2.0%	1.8%
Inflation rate	2.0%	2.0%
<b>Assumptions used in actuarial valuation: Rest of world (%)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017</b>
Expected rate of salary increase	1-4%	1-4%
Discount rate - pension	3.6%	3.5%
Inflation rate	1.5%	1.8%

#### 16.2.5. Sensitivity analysis

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

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Sensitivity to a change in discount rate (€m)	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate decreases 0.25%	20.0	22.0
Discount rate increases 0.25%	(16.0)	(18.0)

## 17. Borrowings and other financial liabilities

Borrowings and other financial liabilities (€m)	Notes	December 31, 2018	December 31, 2017
<b>Long term borrowings, financial liabilities and related hedging instruments</b>		<b>8,478.7</b>	<b>8,457.6</b>
- <i>Debentures</i>	17.1	6,257.4	6,017.4
- <i>Loans from financial institutions</i>	17.1	1,830.2	1,794.6
- <i>Derivative financial instruments</i>	17.3	391.2	645.6
<b>Other non-current financial liabilities</b>	17.6	<b>831.3</b>	<b>988.5</b>
- <i>Finance leases</i>		36.5	35.9
- <i>Other financial liabilities</i>		794.9	952.6
<b>Non-current liabilities</b>		<b>9,310.0</b>	<b>9,446.1</b>
<b>Short term borrowing, financial liabilities and related hedge instruments</b>		<b>24.5</b>	<b>357.3</b>
- <i>Debentures</i>	17.1	-	199.0
- <i>Loans from financial institutions</i>	17.1	23.3	138.4
- <i>Derivative financial instruments</i>	17.3	1.2	19.9
<b>Other financial liabilities</b>	17.6	<b>671.6</b>	<b>622.2</b>
- <i>Other financial liabilities</i>		414.3	367.9
- <i>Bank overdraft</i>		-	0.8
- <i>Accrued interests</i>		239.7	238.4
- <i>Finance leases</i>		17.5	15.1
<b>Current liabilities</b>		<b>696.0</b>	<b>979.4</b>
<b>Total</b>		<b>10,006.0</b>	<b>10,425.6</b>

### 17.1. Debentures and loans from financial institutions

Debentures and loans from financial institutions (€m)	Notes	December 31, 2018	December 31, 2017
Debentures	17.1.1	6,257.4	6,216.4
Loans from financial institutions	17.1.2	1,853.5	1,933.0
<b>Total</b>		<b>8,110.9</b>	<b>8,149.4</b>

#### 17.1.1. Debentures

Maturity of debentures (€m)	Less than one year	One year or more	December 31, 2018	December 31, 2017
Altice Financing	-	4,660.3	4,660.3	4,454.7
Altice Finco	-	1,597.1	1,597.1	1,562.7
HOT Telecom	-	-	-	199.0
<b>Total</b>	<b>-</b>	<b>6,257.4</b>	<b>6,257.4</b>	<b>6,216.4</b>

The credit ratings of the entities, and details of where the debt is publicly traded, as at December 31, 2018, is provided in the table below:

Issuer of debt	Type of debt	Credit rating of notes Moody's/Standard & Poor's	Markets (if any) bonds are traded on
Altice Financing	Senior secured notes	B2/B+	Euro MTF Market
Altice Finco	Senior notes	Caa1/CCC+	Euro MTF Market

## Altice International S.à r.l.

### Notes to the consolidated financial statements

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

Instrument	Issuer	Face value	Coupon	Year of maturity	December 31, 2018		December 31, 2017	
					Fair value	Carrying amount	Fair value	Carrying amount
(€m, unless stated)								
Debentures <sup>1</sup>	HOT Telecom Ltd.	ILS 957 million	6.90%	2018	-	-	195.1	195.1
Senior notes	Altice Finco S.A.	\$250 million	9.00%	2023	257.8	250.0	265.1	250.0
Senior secured notes	Altice Financing S.A.	\$2,060 million	6.63%	2023	1,730.5	1,798.8	1,782.1	1,713.5
Senior secured notes	Altice Financing S.A.	€500 million	5.25%	2023	504.5	500.0	520.2	500.0
Senior notes	Altice Finco S.A.	\$400 million	8.13%	2024	325.5	349.3	346.9	332.7
Senior notes	Altice Finco S.A.	\$385 million	7.63%	2025	279.0	336.2	323.4	320.2
Senior secured notes	Altice Financing S.A.	\$2,750 million	7.50%	2026	2,192.4	2,401.3	2,433.3	2,287.5
Senior secured notes	Altice Finco S.A.	€675 million	4.75%	2028	540.7	675.0	644.0	675.0
Fair value adjustments					-	-	-	4.8
Transaction costs					-	(53.2)	-	(62.4)
Total value of bonds					5,830.4	6,257.4	6,510.0	6,216.4
Of which due within one year						-		199.0
Of which due after one year						6,257.4		6,017.4

1 During 2018, the Group repaid short-term borrowings comprised of debentures of HOT Telecom.

#### 17.1.2. Loans from financial institutions

A summary of the loans by entity and a detailed list of all loans is provided in the following tables; for an overview of the revolving credit facilities drawn as at December 31, 2018, and included in the figures below, please refer to note 17.5.

Maturity of loans from financial institutions (€m)	Less than one year	One year or more	December 31, 2018	December 31, 2017
Altice Financing (including RCF)*	18.8	1,829.7	1,848.5	1,911.8
Others	4.5	0.4	4.9	21.2
<b>Total</b>	<b>23.3</b>	<b>1,830.2</b>	<b>1,853.5</b>	<b>1,933.0</b>

\* RCF amounts have been classified as amounts which mature in less than one year, but can be extended till the end of the maturity date of the RCF agreement. Please refer to note 17.5 for further details regarding the credit facilities.

Term loans and revolving credit facilities					December 31, 2018		December 31, 2017	
Type	Borrower	Currency	Note ref	Year of maturity	Face value (currency)	Carrying amount (€)	Face value (currency)	Carrying amount (€)
Term loan	Altice Financing S.A.	USD		2025	896.4	778.2	910.0	748.3
Term loan	Altice Financing S.A.	USD		2026	891.0	774.7	900.0	745.0
Term loan	Altice Financing S.A.	EUR		2026	297.0	295.7	300.0	298.6
Facility	Altice Financing S.A.	EUR		2021	-	-	120.0	120.0
Term loan	Other loans	EUR		various	4.9	4.9	21.1	21.1
						1,853.5		1,933.0

#### 17.1.3. Refinancing

During the year ended December 31, 2018, no debt has been refinanced.

## 17.2. Covenants

The debt issued by the subsidiaries of the Company is subject to certain restrictive covenants, which apply in the case of debt issued by Altice Financing S.A. and Altice Finco S.A. to Altice International S.à r.l. and its restricted subsidiaries.

Other than the revolving credit facilities, described below, such debt issued by the Group's subsidiaries is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the relevant restricted group's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to shareholders or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to several important exceptions and qualifications.

To be able to incur additional debt under an applicable debt instrument, the relevant restricted group must either meet the ratio test described below (on a pro forma basis for any contemplated transaction giving rise to the debt incurrence) or

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

have available capacity under the general debt basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

Senior Secured Debt and Senior Debt of Altice International is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Senior Secured Debt) and Senior Debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Total Debt).

The Company or its relevant subsidiaries are allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments.

The Group has access to various Revolving Credit Facilities, which are subject to maintenance covenants in addition to the incurrence covenants described above.

Revolving Credit Facilities of Altice international are subject to a maintenance test of 5.25:1 (Adjusted EBITDA to Net Total Debt) if outstanding at the end of the quarter:

The Group was in compliance with all the covenants described above, as of December 31, 2018.

### **17.3. Derivatives financial instruments**

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

#### *17.3.1. Designation of derivative financial instruments*

##### *17.3.1.1. Hedged instruments*

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

##### *17.3.1.2. Instruments not eligible for hedge accounting*

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

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 17.3.2. Characteristics of the Group's derivatives

#### 17.3.2.1. CCIRS

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

Entity Maturity	Notional amount due from counterparty (millions)	Notional amount due to counterparty (millions)	Interest rate due from counterparty	Interest rate due to counterparty	Accounting treatment <sup>1</sup>
<b>Altice Financing S.A.</b>					
May 2022	USD 1,700	EUR 1,485	0.075	5.25%	FVPL
May 2022	EUR 1,485	USD 1,700	0.055	7.75%	FVPL
May 2026	USD 1,700	EUR 1,485	6m LIBOR	6m EURIBOR -0,085%	FVPL
May 2026	EUR 1,485	USD 1,700	6m EURIBOR -0,085%	6m LIBOR	FVPL
February 2023	USD 2,060	EUR 1,821	6.63%	5.30%	CFH
May 2026 <sup>2</sup>	USD 930	EUR 853	7.50%	7.40%	FVPL
July 2025	USD 485	EUR 449	3m LIBOR+2.75%	3m EURIBOR+2.55%	FVPL
July 2024	USD 500	EUR 442	7.50%	6.03%	FVPL
July 2024	USD 1,320	EUR 1,102	7.50%	6.02%	CFH
<b>Altice Finco S.A.</b>					
February 2025	USD 385	EUR 340	7.63%	6.25%	CFH

1 The derivatives are all measured at fair value. The change in fair value of derivatives classified as cash flow hedges (CFH) in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* is 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 Due to a change in the effectiveness of the derivative, the derivative has been reclassified as FVPL as at December 31, 2018.

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the full year ended December 31, 2018. Before the impact of taxes, gains of €24.6 million were recorded in other comprehensive income, €18.0 million net of taxes.

#### 17.3.2.2. Interest rate swaps

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

Entity Maturity	Notional amount due from counterparty (millions)	Notional amount due to counterparty (millions)	Interest rate due from counterparty	Interest rate due to counterparty	Accounting treatment
<b>Altice Financing S.A.</b>					
April 2019	USD 901	USD 900	1m LIBOR	3m LIBOR -0.15%	FVPL
April 2019	USD 896	USD 896	1m LIBOR	3m LIBOR -0.15%	FVPL
May 2026	USD 720	USD 720	1.81%	6m LIBOR	FVPL
January 2023	EUR 750	EUR 750	3m EURIBOR	-0.13%	FVPL

## 17.4. Reconciliation to swap adjusted debt

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

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

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Reconciliation to swap adjusted debt (€m)	December 31, 2018	December 31, 2017
<b>Debentures and loans from financial institutions</b>	<b>8,110.9</b>	<b>8,149.4</b>
Transaction costs	62.4	71.8
Fair value adjustments	-	(4.8)
<b>Total (excluding transaction costs and fair value adjustments)</b>	<b>8,173.3</b>	<b>8,216.4</b>
Conversion of debentures and loans in foreign currency (at closing spot rate)	(8,158.3)	(6,575.1)
Conversion of debentures and loans in foreign currency (at hedged rates)	8,207.0	6,858.4
<b>Total swap adjusted value</b>	<b>8,222.0</b>	<b>8,499.7</b>

### 17.5. Available credit facilities

Available credit facilities (€m)	Total facility	Drawn
Altice Financing S.A.	831.0	-
<b>Revolving credit facilities</b>	<b>831.0</b>	<b>-</b>

As at December 31, 2018, the facilities drawn under the available credit facilities amounted to nil.

### 17.6. Other financial liabilities

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

Other financial liabilities (€m)	December 31, 2018			December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Reverse factoring and securitisation	271.2	-	271.2	228.3	-	228.3
Accrued interest	239.7	-	239.7	238.4	-	238.4
Put options with non-controlling interests	-	133.6	133.6	27.8	201.6	229.4
Finance leases	17.5	36.5	54.0	15.1	35.9	51.0
Bank overdraft	-	-	-	0.8	-	0.8
Mandatory Convertible Notes	139.5	586.9	726.4	139.5	677.0	816.5
Other	3.5	74.4	77.9	(27.7)	74.0	46.3
<b>Total</b>	<b>671.6</b>	<b>831.3</b>	<b>1,502.8</b>	<b>622.2</b>	<b>988.5</b>	<b>1,610.7</b>

The current portion of other financial liabilities as at December 31, 2018 amounts to €671.6 million, an increase of €49.4 million compared to €622.2 million as at December 31, 2017. The non-current portion of other financial liabilities as at December 31, 2018 amounts to €831.3 million, a decrease of €157.2 million compared to €988.5 million as at December 31, 2017. Details of the main items within the caption, and the movements from the prior period, are detailed below.

#### 17.6.1. Reverse factoring and securitization

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

#### 17.6.2. Accrued interest

Accrued interest is the amount of interest due at balance sheet date regarding the Company’s outstanding debentures and loans from financial institutions.

#### 17.6.3. Put options with non-controlling interests

The Group executes agreements with the non-controlling interests in certain acquisitions whereby the non-controlling interests have the option to sell their non-controlling interests to the Group. These instruments are measured at their fair value at the balance sheet date (please refer to note 19.1.1 for further information).

The current portion of put options with non-controlling interests as at December 31, 2017 relates to a put option agreement entered into with previous minority shareholders of HOT on November 2, 2012. During the third quarter of 2018 the final price was agreed for an amount of €52.1 million. On November 2, 2018, the liability was settled.

**Altice International S.à r.l.**

Notes to the consolidated financial statements

*17.6.4. Finance leases*

Please refer to note 1.3.3 for further information regarding the implementation of IFRS 16 *Leases*, which becomes effective on January 1, 2019.

*17.6.5. Bank overdrafts*

Bank overdrafts consist of temporary overdrafts on bank accounts.

*17.6.6. Mandatory Convertible Notes*

The Mandatory Convertible Notes (MCN) were issued for an aggregate amount of €2,055 million, which were entirely subscribed by the Company's sole Partner, Altice Luxembourg S.A. These instruments are compound financial instruments that contain both a liability and an equity component. The non-current portion of the MCN liability recorded at December 31, 2018 and December 31, 2017 are €586.9 million and €677.0 million respectively. The current portion of the MCN liability recorded at December 31, 2018 and December 31, 2017 are €139.5 million and €139.5 million respectively.

*17.6.7. Other*

Other consist mainly of other debts and liabilities with Altice group companies.

**17.7. Reconciliation of change in borrowings and other financial liabilities**

Total borrowings and other financial liabilities decreased by €419.5 million compared to the prior year. The table below provides a full reconciliation of the movement in the balance sheet and a reconciliation to the cash payments as presented in the financing section of the cash flow statement.

Reconciliation of debt movements (€m)	December 31, 2017	Net cash flows	Non-cash transactions	Change in fair value	Change in foreign exchange	Other	December 31, 2018
Senior notes and term loans	6,216.4	(196.8)	-	-	233.4	4.4	6,257.4
Term loans	1,933.0	(160.7)	-	-	81.2	-	1,853.5
Derivative financial instruments	665.5	96.7	-	(369.8)	-	-	392.3
Other financial liabilities	1,610.7	(731.6)	674.7	(92.4)	(41.2)	82.7	1,502.9
<b>Total</b>	<b>10,425.6</b>	<b>(992.5)</b>	<b>674.7</b>	<b>(462.2)</b>	<b>273.5</b>	<b>87.1</b>	<b>10,006.0</b>

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

Reconciliation to financing cash flow	(€m)
Net cash flow (as above)	(992.5)
Consisting of:	-
Proceeds from issuance of debts	1,100.0
Payments to redeem debt instruments	(1,457.5)
Net cash flows on derivatives	96.7
Net cash flows from factoring/securitization	(12.9)
Interest paid	(673.4)
Other financing cash flow	(45.3)

The net cash flows from factoring and securitization are included in Other financing cash flows in the cash flow statement.

**17.8. Maturity of financial liabilities**

Due to the application of IFRS 7 *Financial Instruments: Disclosure* paragraph 39 and consequently the disclosure of the interest payments until maturity date in the maturity of financial liabilities, the total nominal value of borrowings disclosed in the maturity of financial liabilities tables provided below does not reconcile to the total nominal value of financial liabilities disclosed in the balance sheet as at December 31, 2018 and December 31, 2017 respectively.

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Maturity of financial liabilities (€m)	Less than 1 year	Between 1 and 5 years	More than 5 years	December 31, 2018
Loans, debentures and related hedging instruments	24.9	2,522.6	5,955.7	8,503.2
Finance leases	17.5	28.4	8.1	54.0
Accrued interest	239.7	-	-	239.7
Bank overdraft	-	-	-	-
Other financial liabilities	414.3	794.9	-	1,209.2
Interest payments until maturity date <sup>1</sup>	245.5	1,830.0	846.9	2,922.4
<b>Nominal value of borrowings</b>	<b>941.9</b>	<b>5,175.9</b>	<b>6,810.7</b>	<b>12,928.5</b>

Maturity of financial liabilities (€m)	Less than 1 year	Between 1 and 5 years	More than 5 years	December 31, 2017
Loans, debentures and related hedging instruments	357.3	1,580.6	6,877.1	8,815.0
Finance leases	15.1	28.3	7.6	51.0
Accrued interest	238.4	-	-	238.4
Bank overdraft	0.8	-	-	0.8
Other financial liabilities	368.5	952.2	-	1,320.7
Interest payments until maturity date <sup>1</sup>	289.0	1,897.6	1,222.5	3,409.1
<b>Nominal value of borrowings</b>	<b>1,269.1</b>	<b>4,458.7</b>	<b>8,107.2</b>	<b>13,835.0</b>

1 In accordance with IFRS 7 *Financial Instruments: Disclosure* paragraph 39, the maturity of financial liabilities includes the future contractual undiscounted interest payments related to the loans and debentures as at December 31, 2017 and December 31, 2018 respectively. These future contractual undiscounted interest payments have been prepared on the following basis:

- For loans and debentures at variable interest rates, the interest rates have been used which were applicable at balance sheet date December 31, 2017 and December 31, 2018 respectively;
- For loans and debentures in foreign currency, the exchange rates have been used which were applicable at balance sheet date December 31, 2017 and December 31, 2018 respectively;
- In case the interest payments have been hedged, the cash flows after hedge impact have been reported.

## 17.9. Currency of borrowings

Currency of borrowings (€m)	Euro	US Dollar	Israeli Shekel	Others	December 31, 2018
Loans, debentures and related hedging instruments	2,107.9	6,394.8	-	0.4	8,503.2
Finance leases	37.8	10.5	5.6	-	54.0
Accrued interest	121.5	118.2	-	-	239.7
Bank overdraft	-	-	-	-	-
Other financial liabilities	1,016.1	58.8	134.3	-	1,209.2
<b>Nominal value of borrowings</b>	<b>3,283.4</b>	<b>6,582.3</b>	<b>139.9</b>	<b>0.4</b>	<b>10,006.0</b>

Currency of borrowings (€m)	Euro	US Dollar	Israeli Shekel	Others	December 31, 2017
Loans, debentures and related hedging instruments	4,638.4	3,960.9	199.0	16.5	8,814.9
Finance leases	23.7	1.2	6.7	6.3	38.0
Accrued interest	117.4	118.4	2.6	-	238.4
Bank overdraft	0.8	-	-	-	0.8
Other financial liabilities	1,143.5	78.3	98.7	-	1,320.5
<b>Nominal value of borrowings</b>	<b>5,923.8</b>	<b>4,158.7</b>	<b>307.1</b>	<b>22.9</b>	<b>10,412.6</b>

## 17.10. Nature of interest rate

Nature of interest rate (€m)	December 31, 2018			December 31, 2017		
	Fixed	Floating	Total	Fixed	Floating	Total
Loans, debentures and related hedging instruments	6,649.8	1,853.4	8,503.2	6,881.9	1,933.0	8,814.9
Finance leases	54.0	-	54.0	51.0	-	51.0
Accrued interest	239.7	-	239.7	238.4	-	238.4
Bank overdraft	-	-	-	0.8	-	0.8
Other financial liabilities	1,209.2	-	1,209.2	1,234.8	85.7	1,320.5
<b>Nominal value of borrowings</b>	<b>8,152.7</b>	<b>1,853.4</b>	<b>10,006.0</b>	<b>8,406.8</b>	<b>2,018.7</b>	<b>10,425.6</b>

## 18. Financial risk factors

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

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

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

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

#### **18.1. Credit risk**

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

The Group's income mainly derives from customers in Portugal, Israel and the Dominican Republic. The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

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

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

#### **18.2. Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Managers, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group has a strong track record of driving operating free cash flow generation and specializes in turning around struggling businesses and optimizing the cash generation of existing businesses. As all external debt is issued and managed centrally, executive Directors of the Group have a significant amount of control and visibility over the payments required to satisfy obligations under the different external debts.

Additionally, the Group has access to undrawn revolving credit facilities for an aggregate amount of €831.0 million (nil was drawn as at December 31, 2018, further reducing the amount able to be drawn) to cover any liquidity needs not met by operating cash flow generation.

#### **18.3. Market risks**

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

##### *18.3.1. Interest rate risk*

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

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

<b>Interest structure of non-current financial debt (€m)</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Financial debt at fixed rates	8,152.7	8,406.8
Financial debt at variable rates	1,853.4	2,018.7
<b>Total</b>	<b>10,006.1</b>	<b>10,425.6</b>

## Altice International S.à r.l.

### Notes to the consolidated financial statements

The Group's proportion of variable rate debt decreased from 19.4% for the year ended December 31, 2017 to 18.5% for the year ended December 31, 2018. When it can, the Group endeavours to issue fixed rate debt (which also typically offers longer maturities).

The Group has entered into different hedging contracts to manage interest rate risk related to debt instruments with variable interest rates. See note 18.3 for more information.

A sensitivity analysis was performed on the impact of an increase of interest rates applicable to floating rate debt: An Euribor/Libor rate increase by 1 percentage point would result in an additional annual interest expense of €17 million.

#### 18.3.2. Foreign currency risk

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

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

Sensitivity to variations in exchange rates (€m)	Israeli Shekel	Swiss Franc	Dominican Peso	Total
<b>Profit for the year</b>				
Increase of 10% in exchange rate	(12.2)	n/a	(0.2)	(12.4)
Decrease of 10% in exchange rate	12.2	n/a	0.2	12.4
<b>Equity</b>				
Increase of 10% in exchange rate	(53.5)	n/a	(24.4)	(77.9)
Decrease of 10% in exchange rate	53.5	n/a	24.4	77.9

  

Sensitivity to variations in exchange rates (€m)	Israeli Shekel	Swiss Franc	Dominican Peso	Total
<b>Profit for the year</b>				
Increase of 10% in exchange rate	(7.7)	0.7	-	(7.0)
Decrease of 10% in exchange rate	7.7	(0.7)	-	7.0
<b>Equity</b>				
Increase of 10% in exchange rate	(171.1)	(2.4)	(57.7)	(231.2)
Decrease of 10% in exchange rate	171.1	2.4	57.7	231.2

Exchange differences recorded in the income statement amounted to a loss of €161.9 million (2017: loss of €3.7 million).

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

- Foreign currency debt issued in currencies other than Euros or USD is borne by companies that have issued such debt in their functional currencies.
- A portion of the USD debt issued by Altice International and other subsidiaries of the Group is hedged to manage the associated FX risk. A reconciliation between the nominal amount of the total debt measured at its balance sheet rate and the swap adjusted debt is presented in note 17.4.

#### 18.3.3. Price risk

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2018, the carrying amount of these investments was €5.5 million (€8.0 million as of December 31, 2017). For further details please also refer to note 19.1.1.

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 19. Fair value of financial assets and liabilities

#### 19.1. Fair value of assets and liabilities

Fair values of assets and liabilities (€m)	December 31, 2018		December 31, 2017 (revised*)	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	597.3	597.3	253.2	253.2
Restricted cash	35.9	35.9	33.7	33.7
Derivatives	63.2	63.2	30.9	30.9
Loans and receivables with group companies	-	-	1.9	1.9
Other financial assets	13.2	13.2	0.6	0.6
<b>Current assets</b>	<b>709.5</b>	<b>709.5</b>	<b>320.3</b>	<b>320.3</b>
Derivatives	26.2	26.2	1.1	1.1
Available for sale assets	5.5	5.5	8.0	8.0
Call options held on non-controlling interests	53.8	53.8	50.6	50.6
Loans and receivables with group companies	1,706.1	1,706.1	909.6	909.6
Other financial assets	13.1	13.1	6.7	6.7
<b>Non-current assets</b>	<b>1,804.7</b>	<b>1,804.7</b>	<b>976.0</b>	<b>976.0</b>
Short term borrowings and financial liabilities	23.3	23.3	337.4	337.4
Put options with non-controlling interests	-	-	27.8	27.8
Derivatives	1.2	1.2	19.9	19.9
Mandatory Convertible Notes	139.5	139.5	139.5	139.5
Reverse factoring and securitisation	271.2	271.2	228.3	228.3
Accrued interest	239.7	239.7	238.4	238.4
Other financial liabilities	22.7	22.7	(11.8)	(11.8)
<b>Current liabilities</b>	<b>697.6</b>	<b>697.6</b>	<b>979.4</b>	<b>979.4</b>
Long term borrowings and financial liabilities	8,087.6	7,615.8	7,812.1	8,619.8
Put options with non-controlling interests	133.6	133.6	201.6	201.6
Derivatives	391.2	391.2	645.6	645.6
Mandatory Convertible Notes	643.3	643.3	677.0	677.0
Other financial liabilities	54.4	54.4	109.8	109.4
<b>Non-current liabilities</b>	<b>9,310.0</b>	<b>8,838.3</b>	<b>9,446.1</b>	<b>10,253.4</b>

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

#### 19.1.1. Fair value hierarchy

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

Fair value measurement (€m)	Fair value hierarchy	Valuation technique	December 31, 2018	December 31, 2017
<b>Financial Liabilities</b>				
Derivative financial instruments	Level 2	Discounted cash flows	392.3	665.5
Minority Put Option - Other	Level 3	Discounted cash flows	-	27.8
Minority Put Option - Teads	Level 3	Discounted cash flows	133.6	160.4
Minority Put Option - Intelcia	Level 3	Discounted cash flows	-	41.2
<b>Financial Assets</b>				
Derivative financial instruments	Level 2	Discounted cash flows	89.4	32.0
Minority Call option - Teads	Level 3	Black and Scholes model	53.8	10.6
Minority Call option - Parilis	Level 3	Black and Scholes model	-	18.8
Minority Call option - Intelcia	Level 3	Black and Scholes model	-	21.2
Equity instruments at FVOCI - Wananchi	Level 3	Discounted cash flows	-	1.3
Equity instruments at FVOCI - Partner Co. Ltd.	Level 1	Quoted share price	5.5	6.7

#### 19.1.2. Information on valuation techniques:

##### 19.1.2.1. Investments in listed entities

Quoted prices directly available from an active market are used to source the fair value, i.e. the quoted share price of the listed investments in Partner Co. These valuations are directly observable in an open market and therefore the Group has

## Altice International S.à r.l.

### Notes to the consolidated financial statements

concluded that these instruments should be classified within Level 1 of the fair value hierarchy.

#### 19.1.2.2. *Derivative financial instruments*

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

#### 19.1.2.3. *Put options*

Each contract has specific terms and conditions, and the valuation is performed using the contracted terms and assessment against market comparable information where appropriate. For example, the exercise price in the option may be determined based on an EBITDA multiple minus the net financial debt. In all instances, the probabilities of the option being exercised is determined using management's best estimate and judgement. The resulting fair value is discounted using appropriate discount rates of the related funding pool (5.1%). These models use a variety of inputs that use judgements not able to be verified externally, therefore the Group has concluded that these instruments should be classified within Level 3 of the fair value hierarchy.

#### 19.1.2.4. *Call options*

The valuation is derived by calculating the intrinsic value, being the difference in the value of the underlying asset and the options exercise price, and time value of the option, which accounts for the passage of time until the option expires. Various inputs are used, including the price of the underlying asset and its volatility (45%), the strike price and maturity in the contract, and the risk-free rate (ranging between -0.705% and -0.488%) and dividend yield (0%). The model calculates the possible prices of the underlying asset and their respective probability of occurrence, given these inputs. These models use a variety of inputs that use judgements not able to be verified externally, therefore the Group has concluded that these instruments should be classified within Level 3 of the fair value hierarchy.

## 19.2. Level 3 instruments

### 19.2.1. *Assumptions with management judgement used in fair value measurement*

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

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

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 19.2.2. Reconciliation of movement in fair value of Level 3 financial instruments

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2018
<b>Opening balance</b>	<b>1.2</b>	<b>(229.4)</b>	<b>50.6</b>	<b>(177.6)</b>
Exercises	-	52.3	(18.8)	33.5
Change in value of minority put options recorded in equity	-	2.3	-	2.3
Transferred to Altice France	-	41.2	(21.2)	20.0
Gains or losses recognised in profit or loss	(1.2)	-	43.2	42.0
<b>Closing balance</b>	<b>-</b>	<b>(133.6)</b>	<b>53.8</b>	<b>(79.8)</b>

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2017
<b>Opening balance</b>	<b>1.2</b>	<b>(99.5)</b>	<b>26.7</b>	<b>(71.6)</b>
Additions	-	(160.4)	10.6	(149.8)
Re-measurement (variation)	-	30.5	-	30.5
Gains or losses recognised in profit or loss	-	-	13.3	13.3
<b>Closing balance (revised*)</b>	<b>1.2</b>	<b>(229.4)</b>	<b>50.6</b>	<b>(177.6)</b>

## 20. Obligations under leases

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

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

Obligations under leases (€m)	December 31, 2018		December 31, 2017	
	Operating leases	Finance leases	Operating leases	Finance leases
Less than one year	110.0	19.0	74.8	16.2
Between one and two years	97.2	14.6	52.5	14.5
Between two and three years	88.4	6.3	42.5	12.6
Between three and four years	85.1	6.0	27.6	3.3
Five years and beyond	1,163.3	10.6	60.9	8.9
<b>Total minimum payments</b>	<b>1,543.9</b>	<b>56.5</b>	<b>258.3</b>	<b>55.4</b>
Less: future finance expenses		(2.5)		(4.4)
<b>Nominal value of contracts</b>		<b>54.0</b>		<b>51.0</b>
Included in the consolidated financial statements as:				
- Current borrowings (note 17)		17.5		15.1
- Non-current borrowings (note 17)		36.5		35.9

The increase in minimum lease payments related to operating leases is mainly related to the master service agreements signed by PT Portugal and Altice Dominicana for respectively €1,091.5 million and €310.3 million with Towers companies as a result of the disposal of the towers (please refer to notes 3.1.9 and 3.1.10).

The total rental expense recognised in the Consolidated Statement of Income was €115.0 million (2017: €106.5 million).

In some cases, the rental space under contract may be sublet, which generates revenues and hence reduces the obligation under such leasing contracts.

## 21. Trade and other payables

Trade and other payables (€m)	Year ended December 31, 2018	Year ended December 31, 2017
Trade payables	977.7	938.8
Fixed asset payables	115.7	157.1
Corporate and social security contributions	42.4	43.5
Indirect tax payables	73.8	83.8
Other payables	1.3	4.7
<b>Total</b>	<b>1,210.8</b>	<b>1,228.0</b>

**Altice International S.à r.l.**

## Notes to the consolidated financial statements

The increase in trade payables is mainly due to the management fee payable due to Altice Luxembourg S.A. for €20.8 million and higher trade payable in HOT to suppliers (€17.3 million). This increase is partially offset by lower fixed asset payables was mainly due to reduction in fixed payables in PT Portugal related to the Mobile Access Network Transformation Project (€38 million).

**22. Other liabilities**

<b>Other liabilities (€m)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017 (*revised)</b>
Other	157.9	304.6
<b>Current liabilities</b>	<b>157.9</b>	<b>304.6</b>
Other	34.3	14.3
<b>Non-current liabilities</b>	<b>34.3</b>	<b>14.3</b>
<b>Total</b>	<b>192.2</b>	<b>318.9</b>

\* Please refer to note 33 for details about the revised information.

Other current liabilities decreased by €146.7 million compared to 2017. In 2017, other current liabilities were mainly attributed to the acquisition of Teads of €109.1 million as at December 31, 2017 (2018: nil as at December 31, 2018) and lower other current liabilities in Altice Technical Services in Israel that was nil as at December 31, 2018 (2017: €35.3 million as at December 31, 2017).

Other non-current liabilities increased by €20.0 million compared to 2017, mainly due the deferred capital gains related to the disposal of towers in PT Portugal.

**23. Taxation**

<b>Taxation (€m)</b>	<b>Note</b>	<b>December 31, 2018</b>	<b>December 31, 2017 (*revised)</b>
<i>Tax benefit recognised in the Statement of Income</i>			
Current tax		(210.1)	(133.4)
Deferred tax		15.9	107.7
<b>Income tax expense</b>	<b>23.1</b>	<b>(194.2)</b>	<b>(25.7)</b>
<i>Deferred tax balances recognised in the Statement of Financial Position</i>			
Deferred tax assets		139.9	129.3
Deferred tax liabilities		(76.4)	(78.6)
<b>Deferred tax</b>	<b>23.2</b>	<b>63.5</b>	<b>50.7</b>

\* Please refer to note 33 for details about the revised information.

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 23.1. Reconciliation to effective tax rate

Reconciliation between effective tax rate and theoretical tax rate (€m)	December 31, 2018	December 31, 2017 (*revised)
<b>Profit/(loss) for the year</b>	<b>884.0</b>	<b>(409.2)</b>
Share of loss in associates	5.2	(6.0)
Tax charge expense	(194.2)	(25.7)
<b>Profit/(loss) before income tax and associates</b>	<b>1,073.0</b>	<b>(377.5)</b>
Statutory tax rate	26.0%	27.1%
Income tax calculated on theoretical tax	(279.1)	102.3
<b>Impact of:</b>		
Differences between Parent company and foreign income tax rates	(69.8)	7.2
Effect of permanent differences <sup>1</sup>	21.6	(56.4)
Recognition of tax losses and variation in related allowances <sup>2</sup>	171.3	(20.9)
Effect of change in tax rate on deferred taxes	0.4	(22.4)
Other current tax adjustment	(42.2)	(43.8)
Other deferred tax adjustment	3.6	8.4
<b>Income tax expense</b>	<b>(194.2)</b>	<b>(25.7)</b>
Effective tax rate	18.1%	-6.8%

\* Please refer to note 33 for details about the revised information.

1 Permanent differences are mainly due to financial interests that are non-deductible, penalties (mainly related to gun jumping in Portugal, please refer to note 32.2.1) and other non-deductible expenses.

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

### 23.2. Deferred tax

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

Components of deferred tax balances (€m)	December 31, 2018	December 31, 2017 (*revised)
Employee benefits	248.3	287.9
Other temporary non-deductible provisions	74.9	72.9
Fair value adjustment (derivative)	42.4	48.4
Difference between tax and accounting depreciation	(444.9)	(543.0)
Other temporary tax deductions	8.1	(2.4)
Net operating losses and tax carry forwards	1,052.6	1,131.1
Valuation allowance on tax losses and tax carry forwards	(854.5)	(887.1)
Valuation allowance on deferred tax asset	(63.4)	(57.1)
<b>Total</b>	<b>63.5</b>	<b>50.7</b>
<b>Comprising:</b>		
Deferred tax assets	139.9	129.3
Deferred tax liabilities	(76.4)	(78.6)

\* Please refer to note 33 for details about the revised information.

Variation in deferred tax balances (€m)	December 31, 2018	December 31, 2017 (*revised)
<b>Opening balance</b>	<b>50.7</b>	<b>(21.8)</b>
Deferred tax on income	15.9	107.7
Deferred tax on shareholder's equity	(7.4)	(22.2)
Change in consolidation scope	2.4	(15.7)
Currency translation adjustment	2.0	2.7
<b>Closing balance</b>	<b>63.5</b>	<b>50.7</b>

\* Please refer to note 33 for details about the revised information.

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 23.3. Net operating losses and carried forward tax credits

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

Variation in deferred tax balances (€m)	December 31, 2018	December 31, 2017 (*revised)
Within one year	0.3	0.2
Between two and five years	0.8	38.2
More than five years	198.6	220.9
Unlimited	852.9	871.8
<b>Net operating losses and tax carry forward, gross</b>	<b>1,052.6</b>	<b>1,131.1</b>
Valuation allowance	(854.5)	(887.1)
<b>Net operating losses and tax carry forward, net</b>	<b>198.1</b>	<b>244.0</b>

\* Please refer to note 33 for details about the revised information.

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

Deferred tax assets have resulted primarily from the Group's future deductible temporary differences and NOLs. In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, management takes into account various factors, including the expected level of future taxable income, available tax planning strategies and reversals of existing taxable temporary differences. If such estimates and related assumptions change in the future, the Group may be required to record additional valuation allowances against its deferred tax assets, resulting in additional income tax expense in the consolidated income statement. As of December 31, 2018, and 2017, the Group recognised deferred tax asset on the basis of projections of future use of the loss carry forward deemed probable.

### 23.4. Tax litigation

This note describes the new proceedings and developments in existing tax litigations that have occurred since the publication of the consolidated financial statements for the year ended December 31, 2018 and that have had or that may have a significant effect on the financial position of the Group.

#### 23.4.1. PT Portugal

MEO estimated that the probable tax contingencies arising from tax audits carried out by the Portuguese tax authorities on various Group companies amounted to €59.1 million. The provision covers risks related mainly to the deductibility of capital losses on the disposal of financial investments and VAT on indemnities charged as result of the breach of loyalty contracts entered with post-paid customers. The VAT contingency relates to both the fixed and mobile businesses and covers years since 2012. The claim for the VAT of the mobile company in 2012 was being discussed in an arbitral court, which decided to send the matter to the European Court of Justice (ECJ), that issued a decision on November 22, 2018 which was not favorable to MEO, concluding that, under certain circumstances, indemnities should be charged with VAT, and at the same time referring that ultimately VAT should only be assessed based on indemnities received from customers. The tax assessments of the fixed-line company in 2012 and both the mobile and fixed-line companies in 2013 and 2014, were submitted to the arbitral court as well, and all were suspended and waited for the decision of the ECJ. Following the ECJ decision, MEO was notified of the arbitral court decisions on the 2013 fixed and 2012 mobile actions, both unfavorable but both referring that VAT should only be assessed based on indemnities received from customers, which is less than 20% of the overall indemnities invoiced. MEO will be appealing from both these decisions to the Administrative Central Court. For the year 2015, the contingency was annulled following the voluntary tax payment of approximately €1 million in 2018 made by MEO under that year tax inspection. There are still no tax assessments for the years 2016 to 2018.

**Altice International S.à r.l.**

Notes to the consolidated financial statements

**23.4.2. Other tax jurisdictions**

Tax assessments are conducted in other tax jurisdictions within the Group (Israel, the Dominican Republic and Luxembourg). The provisions recorded in the consolidated financial statements are based on the assessment of the risk by the management's and its professional advisors.

**24. Other operating expenses**

<b>Operating expenses (€m)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017 (*revised)</b>
Technical and maintenance costs	(284.3)	(268.1)
Customer services	(143.2)	(157.0)
Business Taxes	(53.6)	(50.1)
Sales and marketing expenses	(391.6)	(297.6)
General and administrative expenses	(112.8)	(140.6)
<b>Total</b>	<b>(985.5)</b>	<b>(913.4)</b>

\* Please refer to note 33 for details about the revised information.

**25. Depreciation, amortization and impairment losses**

<b>Depreciation, amortization and impairment losses (€m)</b>	<b>December 31, 2018</b>	<b>December 31, 2017 (*revised)</b>
Amortization of intangible assets	(375.2)	(659.5)
Amortization of contract costs	(104.5)	(97.1)
Depreciation of tangible assets	(661.6)	(723.8)
Impairments	-	(9.4)
<b>Depreciation, amortization and impairment</b>	<b>(1,141.3)</b>	<b>(1,489.9)</b>

\* Please refer to note 33 for details about the revised information.

Depreciation, amortization and impairment expenses for the year ended December 31, 2018 were lower compared to 2017 mainly due to the classification of Altice TV and FOT as held for sale as of December 31, 2017. As consequence, the amortization of non-current assets had been stopped from January 1, 2018. Additionally, there were lower amortization of brand and licences following the postponed adoption of the Group's global brand as announced in December 2017.

In 2017, the Group recorded an accelerated amortization of brand name and customer relations of €90.8 million as a consequence of an announcement made on May 23, 2017 whereby the Group announced the adoption of a global brand which will replace the local brands in the future (except for the media brands), reducing the remaining useful lives of these trade name intangibles. The Company has estimated the remaining useful lives to be between one and three years from the date of adoption, which reflects one year as an in-use asset and in certain cases an additional two years as a defensive asset. Amortization expense is calculated on an accelerated basis based on the Company's estimate of the intangible asset during the in-use period. The remaining estimated value of the defensive asset once it is no longer in use will be amortized over the defensive period. In December 2017, the Group decided to postpone the adoption of the global brand. This decision had the effect of increasing the useful life of the existing brands, from the date of this decision, to their previous useful life of 5 years, and reducing the future annual amortization expense related to the brand names.

**Altice International S.à r.l.**

Notes to the consolidated financial statements

**26. Net finance costs**

<b>Net finance costs (€m)</b>	<b>Year ended December 31, 2018</b>	<b>Year ended December 31, 2017 (*revised)</b>
Interests charges on borrowings	(604.2)	(635.9)
Mark-to-market effect on borrowings	196.3	(108.6)
<b>Interest relative to gross financial debt</b>	<b>(407.8)</b>	<b>(744.5)</b>
Other financial expenses	(78.1)	(61.6)
Net foreign exchange losses	(161.9)	(3.7)
Impairment of available for sale financial assets	(1.2)	(0.2)
<b>Other financial expenses</b>	<b>(241.2)</b>	<b>(65.5)</b>
Interest income	193.3	13.0
Other financial income	71.6	29.5
<b>Finance income</b>	<b>264.9</b>	<b>42.6</b>
<b>Net result on extinguishment of financial liabilities</b>	<b>-</b>	<b>(87.2)</b>
<b>Finance costs, net</b>	<b>(384.2)</b>	<b>(854.6)</b>

\* Please refer to note 33 for details about the revised information.

**26.1. Interest relative to gross financial debt**

The decrease in interest expense for the year ended December 31, 2018 was primarily explained by the mark-to-market gain in Altice Financing of €196.3 million for the year ended December 31, 2018, compared to a loss of €108.6 million for the same period in 2017.

**26.2. Other financial expenses**

The significant contributor to other financial expenses for the year ended December 31, 2018 was the net foreign exchange losses of €161.9 million, mostly linked to the change in the effectiveness of Altice Financing's derivative.

Other financial expenses consisted mainly of unwinding of discount in PT Portugal of €6.0 million, interest expenses in HOT of €8.2 million and other financial expenses in Altice Financing of €18.3 million.

**26.3. Financial income**

The significant contributors to other financial income for the year ended December 31, 2018 were:

- increase in other financial income related to the gain arising from the change in the fair value of minority call option in Teads, which amounted to €43.2 million,
- interest incomes recognised in Altice Holdings €66.0 million and Altice Financing €73.9 million due from Altice Luxembourg S.A..

**26.4. Net result on extinguishment of financial liabilities**

The net result on extinguishment of financial liability for the year ended December 31, 2017 was recorded in Altice Financing for €87.2 million as a result of refinancing of existing term loans, whilst the Group did not refinance any of its debts during the year ended December 31, 2018.

**27. Average workforce**

The workforce employed by the Group, expressed in the form of full-time-equivalent employees (FTE), is presented below. The full-time equivalence of each employee is calculated based on the number of hours worked by the employee in each period, compared to the maximum number of hours/period allowed as per the local law prevalent in the country of operation.

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Average workforce	Year ended December 31, 2018	Year ended December 31, 2017
Managers	433	699
Technicians	5,559	6,315
Employees	7,525	11,463
<b>Total</b>	<b>13,517</b>	<b>18,477</b>

The decrease in average workforce (FTE) compared to 2017 of 4,960 was mainly due to the sale of Altice Technical Services, Altice Customer Services, the French Overseas Territories to Altice France, reducing FTE by 4,763. In addition, further reduction in average workforce (FTE) was caused by restructuring in PT Portugal.

## 28. Related party transactions and balances

Transactions with related parties during 2018 are mainly related to transactions with Altice USA, transactions with associates of the various operating entities of the Group, such as Altice France, Teads, PT Portugal and HOT, and payments for services rendered by the controlling shareholder of the Group. Such transactions are limited to:

- exchange of services between PT Portugal and their associate companies (please refer to note 9 for more details on PT Portugal's associates),
- exchange of services between Altice USA, Teads, PT Portugal and Altice Dominicana,
- exchange of services like healthcare insurance, infrastructure services, management of emergency network and broadcasting of sport events between PT Portugal and its associate companies,
- services between HOT Telecom and Phi, its joint venture partner for mobile services,

Transactions with related parties are not subject to any guarantees. The table below shows a summary of the Group's related party transactions for the year, and outstanding balances as at December 31, 2018 and December 31, 2017.

Related party transactions - income and expense	December 31, 2018				
(€m)	Revenue	Operating expenses	Financial expenses	Financial income	Capex
Equity holders	4.2	24.3	56.5	165.1	-
Altice USA and its subsidiaries	22.0	1.6	-	-	0.2
Altice France and its subsidiaries	419.2	86.1	-	5.4	-
Executive managers	-	-	-	-	-
Associate companies and non-controlling interests	5.2	134.9	0.7	5.4	14.1
<b>Total</b>	<b>450.6</b>	<b>246.9</b>	<b>57.3</b>	<b>175.9</b>	<b>14.3</b>

Related party transactions - income and expense	December 31, 2017 (*revised)				
(€m)	Revenue	Operating expenses	Financial expenses	Financial income	Capex
Equity holders	-	128.6	64.7	-	-
Altice USA and its subsidiaries	31.0	-	-	-	-
Altice France and its subsidiaries	590.8	67.5	-	-	-
Executive managers	-	-	-	-	-
Associate companies and non-controlling interests	20.6	112.3	4.5	-	-
<b>Total</b>	<b>642.3</b>	<b>308.4</b>	<b>69.2</b>	<b>-</b>	<b>-</b>

Related party balances - assets	December 31, 2018			December 31, 2017 (*revised)		
(€m)	Investments, loans and receivables	Trade receivables and other	Current accounts	Investments, loans and receivables	Trade receivables and other	Current accounts
Equity holders	1,636.7	16.8	24.7	827.6	11.3	25.5
Altice USA and its subsidiaries	2.4	8.2	-	-	8.8	-
Altice France and its subsidiaries	10.1	11.5	0.8	-	288.0	3.1
Executive managers	-	-	-	-	-	-
Associate companies and non-controlling interests	71.9	31.6	-	59.2	18.6	-
<b>Total</b>	<b>1,721.1</b>	<b>68.0</b>	<b>25.6</b>	<b>886.8</b>	<b>326.7</b>	<b>28.6</b>

## Altice International S.à r.l.

### Notes to the consolidated financial statements

Related party balances - liabilities (€m)	December 31, 2018			December 31, 2017 (*revised)		
	Other financial liabilities	Trade payables and other	Current accounts	Other financial liabilities	Trade payables and other	Current accounts
Equity holders	867.8	190.6	0.2	1,235.8	128.9	-
Altice USA and its subsidiaries	-	2.3	0.5	-	-	-
Altice France and its subsidiaries	0.7	12.9	1.4	41.3	137.3	-
Executive managers	-	-	-	-	-	-
Associate companies and non-controlling interests	-	86.2	-	-	65.4	-
<b>Total</b>	<b>868.5</b>	<b>291.9</b>	<b>2.0</b>	<b>1,277.1</b>	<b>331.6</b>	<b>-</b>

The revenue reported with associated companies and non-controlling interest for the year ended December 31, 2018 mainly related to:

- Fibroglobal - Comunicações Eletrónicas for €2.6 million (€2.9 million for the year ended December 31, 2017). The revenues are related to specialized works and the lease to Fibroglobal of ducts, posts and technical spaces through which its network passes;
- SIRESP for management of the emergency service network of €14.4 million for the year ended December 31, 2017 but zero for the year ended December 31, 2018 (SIRESP is no longer a related party in 2018, as it is consolidated due to increase of the Group's ownership).

The revenue reported with Altice USA and its subsidiaries for the year ended December 31, 2018 of €22.0 million mainly related to sale of software licenses and equipment from PT Portugal and online advertising services from Teads and long-distance traffic with Altice Dominicana. For the year ended December 31, 2017 the revenue of €31.0 million primarily relates to management fee and long-distance traffic.

The revenue reported with Altice France and its subsidiaries for the year ended December 31, 2018 relates to operating revenues for the various services provided by PT Portugal (€14.6 million), Altice TV (€25.0 million) and the French Overseas Territories (€23.6 million) to Altice France. It also includes the transactions recorded in Altice Technical Service France (€14.0 million), and Altice Customer Service (€38.1 million), prior to the sale to Altice France (please refer to notes 3.1.5 and 3.1.6). The corresponding operating expenses reported with Altice France for the year ended December 31, 2018 amounted to €86.1 million, consisting mainly of expenses in Altice TV (€60.5 million), the French Overseas Territories (€20.6 million) and PT Portugal (€2.5 million). In addition, the breakup fee income due from Altice France to Altice TV was included in the related party revenue (€300.0 million), please refer to note 4.3.2.6. For the year ended December 31, 2017, the revenues reported with Altice France amounted to €590.8 million (of which €387.3 million related to the sale of sports channels, €138.3 million related to call center services and €34.4 million to network maintenance) and the corresponding operating expenses was €67.5 million, mostly in Altice TV (€62.4 million) and the French Overseas Territories (€2.7 million).

The operating expense reported with associated companies and non-controlling interest of €134.9 million for the year ended December 31, 2018 mainly related to:

- Fibroglobal - Comunicações Eletrónicas for fibre network infrastructure management. The operating expenses of €9.2 million are related to a fee for any new customer installation and a monthly fee for PT Portugal's customer base through the network of Fibroglobal (€8.3 million for the year ended December 31, 2017);
- Sport TV for broadcasting of sports events of €65.3 million (€57.8 million for the year ended December 31, 2017);
- OMTEL for operating expenses related to infrastructure service fees for €18.5 million (zero for the year ended December 31, 2017);
- Phi for operating expenses for a mobile network in Israel of €38.9 million (€38.9 million for the year ended December 31, 2017).

For the year ended December 31, 2018, the Group recorded an operating revenue of €4.2 million with its equity holder related to the management fee income charged by the Group to Altice Luxembourg S.A.. On the other hand, the Group's operating expense with its equity holder of €24.3 million (€128.6 million for the year ended December 31, 2017). This operating expense mainly relates to the management fee charged by Altice Luxembourg S.A. to PT Portugal (€11.4 million), HOT (€5.6 million) and the Dominican Republic (€3.4 million). Thus, the total expense related to management fee for the year ended December 31, 2018 was €16.2 million (please refer to note 4.3.2.9).

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

The financial expense with the equity holder amounted to €56.5 million for the year ended December 31, 2018, corresponding to the interest expenses recorded in Altice International S.à r.l. due to Altice Luxembourg S.A. (€64.7 million for the year ended December 31, 2017).

The financial income with associate companies and non-controlling interests for the year ended December 31, 2018 was €5.4 million, of which €4.5 million was related to the interest income on the subordinated loan with Wananchi. The financial income with equity holders corresponds to interest incomes received from Altice Luxembourg S.A. of €162.7 million and Altice Corporate Financing of €2.4 million. The financial income with Altice France for the year ended December 31, 2018 related to the interest received by the Group for €5.4 million.

The investments, loans and receivables with equity holders as of December 31, 2018 of €1,636.7 million (€827.6 million as of December 31, 2017) consisted mainly of advances to Altice Luxembourg S.A. (€1,288.3 million), Altice Management International (€10.7 million), Altice Picture (€283.3 million), Altice Content (€24.5 million) and Altice Corporate Financing (€23.4 million). The investment, loans and receivables of associated companies and non-controlling interests of December 31, 2018 mainly related to:

- a loan of €14.3 million granted to Fibroglobal - Comunicações Eletrónicas that provides fibre network and infrastructure management services to PT Portugal (€14.2 million as of December 31, 2017);
- subordinated loan with Wananchi of €57.6 million (€43.0 million as of December 31, 2017).

The trade receivable and other with Altice France and its subsidiaries was €11.5 million, mainly in PT Portugal (€8.3 million) and Altice International (€2.0 million). The decrease compared to €288.0 million as of December 31, 2017 was due to the sale of ATS, ACS to Altice France and the sale AMI and Altice TV to Altice Group Lux during 2018, thus reducing overall balances with Altice France as of December 31, 2018. The trade receivables and other with Altice USA and its subsidiaries primarily relate to receivables from PT Portugal, Altice Dominicana and Teads, totalling €8.2 million as of December 31, 2018 (€8.8 million as of December 31, 2017). The trade receivable and other with equity holder was €16.8 million as of December 31, 2018 (€11.3 million as of December 31, 2017) corresponds to the trade receivable with Altice Luxembourg, of which €4.2 million relates to the management fee income in Altice International. The trade receivables and other of associated companies and non-controlling interests as of December 31, 2018 mainly related to:

- Portugal Telecom - Associação de Cuidados de Saúde trade receivable of €13.5 million (€12.9 million as of December 31, 2017) related to the employee healthcare insurance in PT Portugal; and
- Sport TV trade receivable of €17.5 million (€0.9 million as of December 31, 2017).

The balance in current account of €24.7 million as of December 31, 2018 related mainly to the prepaid expenses recorded in Altice International with Altice Luxembourg (€25.5 million as of December 31, 2017).

The balances in other financial liabilities with equity holder as of December 31, 2018 amounted to €867.8 million and mainly related to the transactions with Altice Luxembourg (mandatory convertible note of €726.4 million) and accrued interest of €70.7 million. The balances in other financial liabilities with equity holder as of December 31, 2017 amounted to €1,235.8 million and mainly related to the transactions with Altice Luxembourg (mandatory convertible note of €816.5 million) and transactions and balances with Altice Finco (€88.3 million). The balances in other financial liabilities with Altice France and its subsidiaries was €0.7 million as of December 31, 2018 (€41.3 million as of December 31, 2017, related to the put option with non-controlling interest of Intelcia).

The trade payables and other with equity holder of €190.6 million (€128.9 million as of December 31, 2017) consisted mainly of the liability of €124.5 million between Altice Europe N.V. and Altice Portugal for the fine imposed by the European Commission (please refer to note 30.1.1) and the management fee payable to Altice Luxembourg S.A. for €20.4 million. The trade payables and other with Altice France and its subsidiaries amounted to €12.9 million as of December 31, 2018 (€137.3 million as of December 31, 2017), consisting mainly of account payables in Coditel Holding (€8.6 million) and PT Portugal (€3.4 million). The trade payables and other of associated companies and non-controlling interests as of December 31, 2018 mainly related to:

- Phi trade payable of €47.4 million (€47.7 million as of December 31, 2017). Phi is the joint venture with Partner that operates a mobile network in Israel;
- OMTEL trade payable related to infrastructure services of towers of €17.1 million (zero as of December 31, 2017);

## Altice International S.à r.l.

### Notes to the consolidated financial statements

- Sport TV, which provides broadcasting services of sport events to PT Portugal. PT Portugal has a trade payable of €12.3 million (€6.9 million as of December 31, 2017);
- Portugal Telecom - Associação de Cuidados de Saúde, which provides healthcare insurance for the PT Portugal's active and retired employees. A trade payable of €6.3 million exists as of December 31, 2018 (€6.6 million as of December 31, 2017).

## 28.1. Compensation of key management personnel and Board members

### 28.1.1. Key management personnel

Key management personnel include D. Goei, D. Okhuijsen, J. Bonnin and M. Corbin. The total remuneration of key management personnel in aggregate during the year ended December 31, 2018 was €44.1 million and €3.5 million for the year ended December 31, 2017. The increase in the total remuneration compared to 2017 was attributed to a higher share-based expenses in 2018 following the Separation of Altice USA from the Altice Group on June 8, 2018 and the decision to replace the existing Altice USA stock option plans by payment in cash based on vesting dates. The remuneration of key management personnel for the year ended December 31, 2018 was paid by Altice Europe N.V., Altice Management International, Altice Group Lux and Altice USA.

## 29. Contractual obligations and commercial commitments

The Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below. These contractual obligations listed below do not contain operating leases (detailed in note 20).

Unrecognised contractual commitments December 31, 2018	< 1 year	Between 1 and 2 years	Between 2 and 4 years	Five years or more	Total
Goods and service purchase commitments	328.9	242.8	265.9	345.3	1,182.9
Investment commitments	107.1	3.7	4.4	1.2	116.3
Guarantees given to suppliers/customers	64.4	24.5	0.5	31.8	121.2
Guarantees given to government agencies	0.1	7.9	15.8	65.3	89.1
<b>Total</b>	<b>500.5</b>	<b>278.8</b>	<b>286.6</b>	<b>443.7</b>	<b>1,509.6</b>

Unrecognised contractual commitments December 31, 2017	< 1 year	Between 1 and 2 years	Between 2 and 4 years	Five years or more	Total
Goods and service purchase commitments	417.6	268.4	509.0	432.3	1,627.3
Investment commitments	235.2	358.9	529.1	0.5	1,123.7
Guarantees given to suppliers/customers	51.0	14.1	32.1	68.0	165.2
Guarantees given to government agencies	11.9	0.2	3.3	65.9	81.3
Other commitments	54.5	-	-	-	54.5
<b>Total</b>	<b>770.2</b>	<b>641.6</b>	<b>1,073.5</b>	<b>566.7</b>	<b>3,051.9</b>

## 29.1. Commitment to purchase goods and services

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

- PT Portugal: commitments amounting to a total of €824.8 million include commitments to purchase inventory (mainly mobile phones, set-top-boxes and Home Gateways), commitments for other services, primarily related to maintenance contracts as well as commitments under football-related content agreements, namely:
  - o agreements entered into in the end of 2015 for the acquisition of the exclusive broadcasting rights of home football games of several clubs (Porto, Vitória de Guimarães, Rio Ave, Boavista and Desportivo das Aves), including sponsorship agreement with Porto;
  - o an agreement entered into with the other Portuguese telecom operators in July 2016 for the reciprocal sharing of broadcasting rights of football-related content for an eight year period, in accordance with which the acquisition cost of such rights is split between all operators based on their market share and accordingly PT Portugal has commitments to pay a portion of the acquisition cost of the rights acquired by its competitors based on PT Portugal's market share and is entitled to recharge other operators for a portion of the acquisition cost of its own exclusive rights based on the market share of such operators; and

## Altice International S.à r.l.

### Notes to the consolidated financial statements

- o a distribution agreement with the Portuguese sports premium channel (Sport TV) in July 2016, for a two-season period, in accordance with which PT Portugal is committed to pay a non-contingent fixed component.

During 2017, Altice Entertainment News and Sport had commitments that included a total of €370 million related to content agreements, including mainly Discovery Communications and NBC Universal agreements. The Group decided the transfer of shares of Altice TV to Altice Group Lux S.à r.l.. The transaction was closed on May 15, 2018 (please refer to note 3.1.4). Therefore, those rights are not included in the commitment to purchase goods and services as of December 31, 2018.

## 29.2. Investment commitments

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

During 2017, the Group acquired the exclusive rights to broadcast the UEFA Champions League and UEFA Europa League in France. The rights cover the period from August 2018 to May 2021. The Group decided the transfer of shares of Altice TV to Altice Group Lux S.à r.l. (the parent company of Altice Luxembourg). The transaction was closed on May 15, 2018 (please refer to note 3.1.4). Therefore, those rights are not included in the Investments commitments as of December 31, 2018.

## 29.3. Guarantees given to suppliers/customers

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

## 29.4. Guarantees given to government agencies

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

## 29.5. Other commitments and guarantees

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

## 29.6. Other commitments

### 29.6.1. Commitments linked to telecommunications activities

MEO is the holder of operating authorizations for its networks and the provision of its telecommunications services on the Portugal territory, as presented below:

Band	Technology	Decisions	Start	End
800 MHz	4G (2 × 10 MHz)	Usage Rights for Terrestrial ECS ICP-ANACOM N° 02/2012	March 9, 2012	March 9, 2027
900 MHz	2G/3G/ 4G (2 × 8 MHz)		February 28, 2007	March 16, 2022
1800 MHz	2G/4G (2 × 6 MHz)		February 28, 2007	March 16, 2022
	2G/4G (2 × 14 MHz)		March 9, 2012	March 9, 2027
2.1 GHz	3G/4G (2 × 20 MHz)		April 21, 2018	April 21, 2033
2.6 GHz	4G (2 × 20 MHz)		March 9, 2012	March 9, 2027

Historically, there were no costs upon renewals except for further coverage obligations. Furthermore, MEO pays spectrum fees based on the MHz acquired in the several auctions.

### **30. Litigation**

In the normal course of its activities, the Group is accused in a certain number of governmental, arbitration and administrative law suits. Provisions are recognised by the Group when management believe that it is more likely than not that such lawsuits will result in an expense being recognised by the Group, and the magnitude of the expenses can be reliably estimated. The magnitude of the provisions recognised is based on the best estimate of the level of risk on a case-by-case basis, considering that the occurrence of events during the legal action involves constant re-estimation of this risk.

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

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

#### **30.1. Portugal**

##### *30.1.1. European Commission Investigation*

After having approved the acquisition of PT Portugal by the Group on April 20, 2015, the European Commission initiated an investigation into infringement by the Group of the obligation of prior notification of concentrations under Article 4(1) of the Merger Regulation and/or of the stand-still obligation laid down in Article 7(1) of the Merger Regulation. The European Commission issued a statement of objections on May 18, 2017, informing the Group of the objections raised against it.

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

In any event, the Group considers that the elements in the Commission's file do not establish the exercise of influence, as alleged by the Commission, by the Group over PT Portugal's business conduct neither prior to the merger notification to the Commission nor prior to the Commission's clearance.

On July 5, 2018, the Group filed an Application for annulment against the Commission's decision before the EU General Court to request that the decision as a whole be annulled or, at the very least, that the sanction be significantly reduced (Case T-425/18). The Commission's decision does not affect the approval granted by the European Commission on April 20, 2015 for the acquisition of PT Portugal by the Group.

On November 6, 2018 the Council of the European Union filed an Application to intervene in the case before the EU General Court. Both Altice Europe N.V. and the European Commission confirmed they had no observations to the Council's Application to intervene. The Council requested an extension of the time-limit to file its Statement of intervention. The Court granted that extension until February 25, 2019.

On November 30, 2018 the European Commission filed its Defence requesting the Court (1) to dismiss Altice Europe NV's Application and (2) to order the Applicant to pay the costs. The said Defence was notified to Altice Europe N.V. on

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

December 14, 2018. On December 20, 2018, Altice Europe N.V. requested an extension of one month to lodge its Reply. The extension was granted on January 4, 2019, until February 25, 2019.

On February 25, 2019 Altice Europe N.V. filed its Reply to the Commission's Defence adhering to the conclusions and orders sought in its Application for annulment.

As of December 31, 2018, a liability of €124.5 million is recorded at Altice Portugal, as it is the acquiring entity of PT Portugal. On July 25, 2018, the Altice Group issued a bank guarantee to the European Commission.

#### *30.1.2. Vodafone – Network Sharing Agreement*

Vodafone and PT Comunicações (currently MEO) signed, on July 21, 2014, an agreement for the acquisition of exclusive rights of use of the PON Network, which consisted in the possibility of access to the installed infrastructure owned by each of the parties to offer new generation services and integrated offerings (voice, internet and television) autonomously in the retail market. On November 4, 2015, MEO informed Vodafone that it has decided to individually develop a new, ambitious plan for the expansion of its fiber optic network, both in geographical areas already covered by a new generation network and in other geographical areas, while continuing to comply with the agreed. Notwithstanding Vodafone states that this was a breach of the agreement and is claiming an amount of approximately €132 million from MEO for damages and losses allegedly caused by that non-compliance with the agreed.

MEO submitted its defense to these claims in June 2018, stating that (i) Vodafone did not have a contractual right to prevent MEO from developing its network autonomously and independently from the agreement, (ii) all of Vodafone rights, resulting from the agreement, were respected by MEO, and Vodafone was in no way limited by MEO in the investment in the construction of its own network, which it developed freely and voluntarily, choosing to invest where it found greater profitability for its business, and (iii) Vodafone's claims for damages and losses were not factually sustainable.

The arbitral court should schedule the date for the preliminary hearing, the next steps of the action and any expert reports to be made.

#### *30.1.3. TV Tel - Restricted access to the telecommunication ducts*

In March 2004, TV TEL Grande Porto - Comunicações, S.A. ("TVTEL", subsequently acquired by NOS), a telecommunication company based in Oporto, filed a claim against PT Comunicações in the Lisbon Judicial Court. TV TEL alleged that, since 2001, PT Comunicações has unlawfully restricted and/or refused access to its telecommunication ducts in Oporto, thereby undermining and delaying the installation and development of TV TEL's telecommunications network. TV TEL is claiming an amount of approximately €15 million from MEO for damages and losses allegedly caused and yet to be sustained as a result of the delay in the installation of its telecommunications network in Oporto. PT Comunicações submitted its defense to these claims in June 2004, stating that (1) TV TEL did not have a general right to install its network in PT Comunicações's ducts, (2) all of TV TEL's requests were lawfully and timely responded to by PT Comunicações according to its general infra-structure management policy, and (3) TV TEL's claims for damages and losses were not factually sustainable.

In the end of 2016, MEO was notified to present the list of witnesses, which it did, and the witnesses were heard in the trial that took place in April and May 2017. In September 2017, MEO was notified of a unfavourable decision (for an amount significantly lower than the gross claim and for which there is a provision), as a result of which it has filed an appeal. In June 2018, MEO was notified of the unfavourable decision of the appeal to the Lisbon Court of Appeal, which confirmed the previous decision from the first instance court. MEO filed an appeal to the Supreme Court in July 2018.

In December 2018, MEO received the Supreme Court decision with the final conviction of MEO in the amount of €0.7 million (€1.6 million with interest added). Payment by MEO to NOS occurred in January 2019.

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

#### *30.1.4. Optimus - Interconnection agreement*

This legal action is dated from 2001 and relates to the price that Telecomunicações Móveis Nacionais (“TMN”, PT Portugal’s mobile operation at that time) charged Optimus - Comunicações S.A. (“Optimus”, one of MEO’s mobile competitors at that time, currently NOS) for mobile interconnection services, price that Optimus did not agree with. TMN transferred to PT Comunicações (PT Portugal’s fixed operation at that time, currently named MEO) the receivables from Optimus, and subsequently PT Comunicações offset those receivables with payables due to Optimus. NOS argues for the annulment of the offset made by PT Comunicações and accordingly claims from PT Comunicações the settlement of the payables due before the offset plus accrued interest. In August 2015, the court decided that the transfer of the interconnection receivables from TMN to PT Comunicações and consequently the offset of those receivables with payables due by PT Comunicações to Optimus were not legal and therefore sentenced MEO to settle those payables plus interest up to date in the total amount of approximately €35 million. MEO appealed this decision in October 2015 to the Court of Appeal of Lisbon. In September 2016, MEO was notified of the decision from the Court of Appeal of Lisbon, which confirmed the initial ruling against MEO, as a result of which MEO decided to appeal to the Supreme Court. On March 13, 2017, MEO was notified of the Supreme Court’s decision of dismissal of its appeal and as a result MEO decided to appeal to the Constitutional Court. In January 8, 2018, MEO was notified of the Constitutional Court decision of dismissal of the appeal, after which MEO appealed to the Constitutional Court Conference. MEO was notified that the Constitutional Court Conference did not accept and consequently will not analyse the appeal. In July 2018, MEO paid €41 million to settle the action which had been accrued for in 2015.

NOS claimed an additional amount of interests during the judicial procedure and is now claiming an additional payment of €5 million. The contestation of the legal action by MEO was submitted and preliminary hearing should be scheduled.

#### *30.1.5. Anacom litigation*

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

#### *30.1.6. Zon TV Cabo Portugal – Violation of portability rules*

Zon TV Cabo Portugal (currently NOS) claims that MEO has not complied with the applicable rules for the portability of fixed numbers, as a result of which claims for an indemnity of €22 million corresponding to profits lost due to unreasonable rejections and the delay in providing the portability of the number. An expert indicated by each party and a third-party expert evaluated this matter and presented the final report to the court, which decided to change the scope of the work to be performed by the experts, and accordingly the action moved back again. The experts presented the new final report to the court in January 2019 and the parties are waiting for the appointment date of the preliminary hearing.

#### *30.1.7. Municipal taxes and rights-of-way*

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

Law 5/2004, dated 10 February 2004, established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infra-structures are located in each such municipality. Meanwhile, Decree-Law 123/2009, dated 21 May 2009, clarified that no other tax should be levied by the municipalities in addition to the tax established by Law 5/2004. This interpretation was confirmed by the Supreme Administrative Court of Portugal in several legal actions. Some

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

municipalities continue to perceive that the Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish, because Law 5/2004 is not applicable to the public municipality domain.

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

#### *30.1.8. Invesfundo II - Disposal of plots of land*

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

#### *30.1.9. Opway— Construction of Covilhã Data Center*

In connection with construction of the Data Center in Covilhã, PT Data Center had contracted Opway-Somague consortium as its main contractor responsible for the project, while Opway-Somague contracted Isolux as a subcontractor. Isolux filed an action against the Opway-Somague consortium for alleged delays in the construction works and changes to the initial project that resulted in higher costs for Isolux. The amount of this action is approximately €17.4 million. PT Data Center is only an accessory intervener in this action and thus no amount can be directly claim from it as a result of this action. Following the action filed by Isolux, the Opway-Somague consortium filed an action against PT Data Center in late 2016 for an amount of €16.7 million, claiming that PT Data Center orientations caused changes to the work plan and other vicissitudes in the realization of the construction plan that were never paid and caused damages to the Opway-Somague consortium.

By an extra judicial agreement between Opway and the PT Data Center, closed in December 2018, with a broader scope than the facts that were being discussed in the judicial process, it was possible to close all the issues that involved the construction of the Covilhã Data Center, and the final reception of the contract took place. PT Data Center made a single payment, in face of the commitment of both parties that there was nothing more to claim from each other, and that they would desist from all legal proceedings.

The process has been finalized since the beginning of February 2019, as the request by Opway to the court for the process to be terminated occurred.

## **31. Going concern**

As of December 31, 2018, the Group had net current liability position of €624.4 million (mainly due to trade payables amounting to €1,210.8 million) and a negative working capital of €149.0 million. During the year ended December 31, 2018, the Group registered a net loss of €884.0 million from continued operations and generated cash flows of €1,345.1 million from continued operations.

As at December 31, 2018, the Group had a positive equity position of €25.0 million compared to a negative equity of €633.7 million as at December 31, 2017. The equity position increased from the prior period mainly due to the profit for the year ended December 31, 2018, which was partly offset by the capital loss of €172.2 million, net of tax related to the transfer of the shares of Altice Content to Altice Group Lux S.à r.l., which was recorded in shareholders' equity (within the transaction with Altice's shareholder).

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding and suppliers are paid under standard commercial terms, thus generating a negative working capital. This is evidenced by the difference in the level of receivables and payables; €943.6 million compared to €1,210.8 million for the year ended December 31, 2018, as compared to €960.6 million and €1,228.0 million for the year ended December 31, 2017. Payables due the following month are covered by revenues and cash flows from operations (if needed).

## **Altice International S.à r.l.**

### Notes to the consolidated financial statements

As of December 31, 2018, the Group's short-term borrowings comprised mainly loans from financial institutions for Altice Financing for €18.8 million. As of December 31, 2017, the Group's short-term borrowings amounted to €357.3 million. The short-term obligations are expected to be covered by the operating cash flows of the operating subsidiaries. As at December 31, 2018, the amount drawn on the revolving credit facilities at Altice Financing amounted to nil. A listing of available credit facilities is provided in note 17.5 and the amounts available per segments are sufficient to cover the short-term debt and interest expense needs of each of these segments if needed.

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

- The Group's performance on Adjusted EBITDA and operating cash flows:
  - o Adjusted EBITDA amounted to €1,616.1 million, a decrease of 27.8% compared to the same period last year. This decrease in adjusted EBITDA is mainly linked to lower performance in the Portugal, Israel, the Dominican Republic and the change in the consolidation scope.
  - o Operating cash flows for the year ended December 31, 2018 were €1,345.1 million.
- The Group had unrestricted cash reserves of €597.3 million as of December 31, 2018, compared to €253.2 million as of December 31, 2017, which would allow it to cover any urgent cash needs. The Group can move its cash from one segment to another under certain conditions as allowed by its debentures and debt covenants. Cash reserves in operating segments carrying debt obligations were as follows:
  - o Altice International: €597.3 million
- Additionally, as of December 31, 2018, the Group had access to revolving credit facilities of up to €831.0 million (of which nil was drawn as of December 31, 2018) and has access to an equity market where it can issue additional equity.

The Group's senior management team tracks operational key performance indicators (KPIs) on a weekly basis, thus tracking top line trends closely. This allows the Board of Managers 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.

Altice Europe has undertaken a strategic review of its fiber infrastructure to further accelerate its deployment and is exploring financial partnerships. No final decision with respect to any strategic transaction involving its fiber infrastructure has been taken. In case a transaction will be closed, it is expected that this will result in a material inflow of funds.

Based on the above, the Board is of the view that the Group will continue to act as a going concern for twelve months after December 31, 2018 and has hence deemed it appropriate to prepare the Consolidated Financial Statements using the going concern assumption.

## **32. Events after the reporting period**

### **32.1. Voluntary employee reduction program in Portugal**

In connection with their transformation process and their innovation and business process simplification, some of the Group companies in Portugal have launched a voluntary employee reduction program in January 2019. This program was aimed at employees of 50 years old or more; accordingly, their employment agreements shall be terminated, and those employees will be entitled to receive a monthly fixed compensation up to retirement age corresponding to a percentage of their previous remuneration that varies based on the age of the employees. In connection with this program, the Group companies in Portugal have reached agreements with approximately 800 employees up to the end of March 2019, as a result of which these Group companies will recognise in the first quarter of 2019 a liability corresponding to the present value of salaries payable to those employees up to retirement age.

## Altice International S.à r.l.

Notes to the consolidated financial statements

### 33. Revised information

The statement of income had been revised as of and for the year ended December 31, 2017 to take into account the impacts of the adoption of IFRS 15 *Revenue from Contracts with Customers* by the Group.

<b>Consolidated Statement of Income</b>	<b>Year ended December 31, 2017 reported</b>	<b>Revision IFRS 15</b>	<b>Year ended December 31, 2017 revised</b>
<b>(€m)</b>			
<b>Revenues</b>	<b>4,933.3</b>	<b>(22.6)</b>	<b>4,910.7</b>
Purchasing and subcontracting costs	(1,262.4)	(31.0)	(1,293.3)
Other operating expenses	(953.7)	40.4	(913.4)
Staff costs and employee benefits	(493.8)	-	(493.8)
Depreciation, amortization and impairment	(1,508.5)	18.7	(1,489.9)
Other expenses and income	(243.3)	-	(243.3)
<b>Operating profit/(loss)</b>	<b>471.6</b>	<b>5.5</b>	<b>477.1</b>
Interest relative to gross financial debt	(744.5)	-	(744.5)
Other financial expenses	(65.5)	-	(65.5)
Finance income	42.6	-	42.6
Net result on extinguishment of a financial liability	(87.2)	-	(87.2)
<b>Finance costs, net</b>	<b>(854.6)</b>	<b>-</b>	<b>(854.6)</b>
Net result on disposal of business	-	-	-
Share of earnings of associates	(6.0)	-	(6.0)
<b>Loss before income tax from continuing operations</b>	<b>(389.0)</b>	<b>5.5</b>	<b>(383.5)</b>
Income tax benefit/(expense)	(25.5)	(0.3)	(25.7)
<b>Loss for the period from continuing operations</b>	<b>(414.5)</b>	<b>5.2</b>	<b>(409.2)</b>
<b>Discontinued operations</b>			
Profit/loss after tax for the period from discontinued operations	(7.9)	-	(7.9)
<b>Loss for the period</b>	<b>(422.4)</b>	<b>5.2</b>	<b>(417.0)</b>
<i>Attributable to equity holders of the parent</i>	<i>(438.2)</i>	<i>5.2</i>	<i>(432.7)</i>
<i>Attributable to non-controlling interests</i>	<i>15.8</i>	<i>-</i>	<i>15.8</i>

# Altice International S.à r.l.

## Notes to the consolidated financial statements

Table below presents the revised statement of financial position as of December 31, 2017 to take into account the adjustments to reflect the impact of new accounting standards IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial instruments* and a restatement adjustment. With regards to IFRS 9, the Group adopted the IFRS 9 standard based on the simplified retrospective approach; the transition impact was recorded in equity as of January 1, 2018 with no impact in 2017. The statement of financial position as of December 31, 2017 was restated to take into account the misclassification between non-current and current other financial liabilities of €131.6 million, the misclassification of goodwill of Altice Technical Service entities in Portugal, Israel and the Dominican Republic as assets held for sale of €70.8 million and Altice Customer Services of €2.2 million. Additionally, goodwill in the Dominican Republic and currency translation reserves were adjusted by (€114.4) million to reflect the correct currency translation impact as at December 31, 2017.

Consolidated Statement of Financial Position (€m)	As of December 31, 2017 Reported	Restatement	Revision IFRS15	As of December 31, 2017 Revised	Adjustment IFRS 9	As of January 1, 2018 Adjusted IFRS9
<b>Non-current assets</b>						
Goodwill	3,256.2	(41.5)	-	3,214.7	-	3,214.7
Intangible assets	2,116.4	-	(75.7)	2,040.7	-	2,040.7
Property, plant & equipment	3,728.5	-	-	3,728.5	-	3,728.5
Contract costs	-	-	89.3	89.3	-	89.3
Investment in associates	26.4	-	-	26.4	-	26.4
Financial assets	976.0	-	-	976.0	-	976.0
Deferred tax assets	134.3	-	(5.0)	129.3	8.6	138.0
Other non-current assets	182.7	-	-	182.7	(4.1)	178.5
<b>Total non-current assets</b>	<b>10,420.5</b>	<b>(41.5)</b>	<b>8.6</b>	<b>10,387.6</b>	<b>4.5</b>	<b>10,392.1</b>
<b>Current assets</b>						
Inventories	112.1	-	-	112.8	-	112.8
Contract assets	-	-	36.0	36.0	(0.3)	35.7
Trade and other receivables	960.6	-	-	960.6	(25.6)	935.0
Current tax assets	8.7	-	-	8.7	-	8.7
Financial assets	33.5	-	-	33.5	-	33.5
Cash and cash equivalents	253.2	-	-	253.2	-	253.2
Restricted cash	33.7	-	-	33.7	-	33.7
<b>Total current assets</b>	<b>1,401.8</b>	<b>-</b>	<b>36.0</b>	<b>1,438.5</b>	<b>(25.9)</b>	<b>1,412.6</b>
<i>Assets classified as held for sale</i>	<i>1,785.1</i>	<i>(73.0)</i>	<i>-</i>	<i>1,712.2</i>	<i>-</i>	<i>1,712.2</i>
<b>Total assets</b>	<b>13,607.4</b>	<b>(114.5)</b>	<b>44.6</b>	<b>13,538.3</b>	<b>(21.4)</b>	<b>13,516.9</b>
<b>Equity</b>						
Issued capital	309.3	-	-	309.3	-	309.3
Additional paid in capital	53.2	-	-	53.2	-	53.2
Other reserves	561.0	(114.4)	(3.9)	442.9	-	442.9
Accumulated losses	(1,510.8)	-	(6.6)	(1,466.6)	(21.3)	(1,487.8)
<b>Equity attributable to owners of the Company</b>	<b>(587.3)</b>	<b>(114.4)</b>	<b>40.0</b>	<b>(661.3)</b>	<b>(21.3)</b>	<b>(682.5)</b>
Non-controlling interests	27.5	-	0.1	27.6	-	27.6
<b>Total equity</b>	<b>(559.8)</b>	<b>(114.4)</b>	<b>39.9</b>	<b>(633.7)</b>	<b>(21.3)</b>	<b>(654.9)</b>
<b>Non-current liabilities</b>						
Long term borrowings, financial liabilities and related hedging instruments	8,457.6	-	-	8,457.6	-	8,457.6
Other financial liabilities	1,119.6	(131.6)	-	988.5	-	988.5
Provisions	818.6	-	-	818.6	-	818.6
Deferred tax liabilities	74.5	-	4.1	78.6	(0.1)	78.5
Contract liabilities	-	-	11.0	11.0	-	11.0
Other non-current liabilities	25.3	-	(11.0)	14.3	-	14.3
<b>Total non-current liabilities</b>	<b>10,495.6</b>	<b>(131.6)</b>	<b>4.1</b>	<b>10,368.6</b>	<b>(0.1)</b>	<b>10,368.5</b>
<b>Current liabilities</b>						
Short-term borrowings, financial liabilities	357.3	-	-	357.3	-	357.3
Other financial liabilities	491.1	131.6	-	622.2	-	622.2
Trade and other payables	1,227.9	-	-	1,228.0	-	1,228.0
Contract liabilities	-	-	185.3	185.3	-	185.3
Current tax liabilities	89.1	-	-	89.1	-	89.1
Provisions	65.3	-	-	65.3	-	65.3
Other current liabilities	489.3	-	(184.7)	304.6	-	304.6
<b>Total current liabilities</b>	<b>2,720.0</b>	<b>131.6</b>	<b>0.6</b>	<b>2,851.8</b>	<b>-</b>	<b>2,851.8</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	<i>951.6</i>	<i>-</i>	<i>-</i>	<i>951.6</i>	<i>-</i>	<i>951.6</i>
<b>Total liabilities</b>	<b>14,167.2</b>	<b>-</b>	<b>4.7</b>	<b>14,172.0</b>	<b>(0.1)</b>	<b>14,171.9</b>
<b>Total equity and liabilities</b>	<b>13,607.4</b>	<b>(114.4)</b>	<b>44.6</b>	<b>13,538.3</b>	<b>(21.4)</b>	<b>13,516.9</b>

# Altice International S.à r.l.

## Notes to the consolidated financial statements

Table below presents the revised statement of financial position as of December 31, 2016 to take into account the adjustments to reflect the impact of new accounting standards IFRS 15 *Revenue from Contracts with Customers* a restatement adjustment relating to the goodwill in the Dominican Republic and currency translation reserves that were adjusted by (€96.7) million to reflect the correct currency translation impact as at December 31, 2016.

Consolidated Statement of Financial Position (€m)	As of December 31, 2016 Published	Adjustment	Revision IFRS 15	As of January 1, 2017 Revised
<b>Non-current assets</b>				
Goodwill	3,642.3	(96.7)	-	3,545.6
Intangible assets	2,927.6	-	(15.5)	2,912.2
Property, plant & equipment	4,164.5	-	-	4,164.5
Contract costs	-	-	27.4	27.4
Investment in associates	14.1	-	-	14.1
Financial assets	170.8	-	-	170.8
Deferred tax assets	91.8	-	-	91.8
Other non-current assets	135.4	-	-	135.4
<b>Total non-current assets</b>	<b>11,146.5</b>	<b>(96.7)</b>	<b>11.9</b>	<b>11,061.7</b>
<b>Current assets</b>				
Inventories	158.0	-	-	158.0
Contracts assets	-	-	36.3	36.3
Trade and other receivables	1,291.5	-	-	1,291.5
Current tax assets	16.9	-	-	16.9
Financial assets	571.5	-	-	571.5
Cash and cash equivalents	266.0	-	-	266.0
Restricted cash	19.4	-	-	19.4
<b>Total current assets</b>	<b>2,323.4</b>	<b>-</b>	<b>36.3</b>	<b>2,359.7</b>
<i>Assets classified as held for sale</i>	<i>416.7</i>	<i>-</i>	<i>-</i>	<i>416.7</i>
<b>Total assets</b>	<b>13,886.6</b>	<b>(96.7)</b>	<b>48.3</b>	<b>13,838.2</b>
Issued capital	309.3	-	-	309.3
Additional paid in capital	251.1	-	-	251.1
Other reserves	453.2	(94.0)	-	359.2
Accumulated losses	(1,072.6)	-	38.8	(1,033.9)
<b>Equity attributable to owners of the Company</b>	<b>(59.0)</b>	<b>(94.0)</b>	<b>38.8</b>	<b>(114.2)</b>
Non-controlling interests	26.9	(2.7)	-	24.2
<b>Total equity</b>	<b>(32.0)</b>	<b>(96.7)</b>	<b>38.8</b>	<b>(90.0)</b>
<b>Non-current liabilities</b>				
Long term borrowings, financial liabilities and related hedging instruments	8,295.1	-	-	8,295.1
Other financial liabilities	964.5	-	-	964.5
Provisions	945.4	-	-	945.4
Deferred tax liabilities	103.4	-	10.3	113.7
Contract liabilities	-	-	0.3	0.3
Other non-current liabilities	165.4	-	(0.3)	165.1
<b>Total non-current liabilities</b>	<b>10,473.8</b>	<b>-</b>	<b>10.3</b>	<b>10,484.1</b>
<b>Current liabilities</b>				
Short-term borrowings, financial liabilities	351.7	-	-	351.7
Other financial liabilities	704.4	-	-	704.4
Trade and other payables	1,831.8	-	-	1,831.8
Contract liabilities	-	-	245.6	245.6
Current tax liabilities	87.2	-	-	87.2
Provisions	82.3	-	-	82.3
Other current liabilities	344.6	-	(246.5)	98.1
<b>Total current liabilities</b>	<b>3,402.0</b>	<b>-</b>	<b>(0.9)</b>	<b>3,401.1</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	<i>42.9</i>	<i>-</i>	<i>-</i>	<i>42.9</i>
<b>Total liabilities</b>	<b>13,918.7</b>	<b>-</b>	<b>9.5</b>	<b>13,928.2</b>
<b>Total equity and liabilities</b>	<b>13,886.6</b>	<b>(96.7)</b>	<b>48.3</b>	<b>13,838.2</b>

# Altice International S.à r.l.

## Notes to the consolidated financial statements

The statement of cash flow had been revised for the year ended December 31, 2017 following the adoption of IFRS 15 adjustments.

Consolidated Statement of Cash Flows	Year ended December 31, 2017 Reported	IFRS15 Adjustment For the year ended December 31, 2017	Year ended December 31, 2017 Revised
<b>(€m)</b>			
<b>Net (loss) including non-controlling interests</b>	<b>(422.4)</b>	<b>5.2</b>	<b>(417.2)</b>
Adjustments for:	-	-	-
Depreciation, amortization and impairment	1,508.5	(18.7)	1,489.8
Share in income of associates	6.0	-	6.0
Gains and losses on disposals	-	-	-
Expenses related to share based payment	-	-	-
Other non-cash operating (losses)/gains, net	(126.8)	-	(126.8)
Pension liability payments	(129.1)	-	(129.1)
Finance costs recognized in the statement of income	854.6	-	854.6
Income tax credit recognized in the statement of income	25.5	0.3	25.8
Income tax paid	(114.7)	-	(114.7)
Changes in working capital	21.4	(1.7)	19.7
<b>Net cash provided by operating activities</b>	<b>1,623.0</b>	<b>(14.9)</b>	<b>1,608.1</b>
Payments to acquire tangible and intangible assets	(986.9)	14.9	(972.0)
Prepayments for content rights	(70.5)	-	(70.5)
Payments to acquire financial assets	(30.9)	-	(30.9)
Proceeds from the disposal of businesses	302.9	-	302.9
Proceeds from disposal of tangible, intangible and financial assets	0.3	-	0.3
Payments to acquire interests in associates	(12.3)	-	(12.3)
Payment to acquire subsidiaries, net	(158.0)	-	(158.0)
<b>Net cash used in investing activities</b>	<b>(955.4)</b>	<b>14.9</b>	<b>(940.5)</b>
Proceeds from issuance of debts	3,132.3	-	3,132.3
Transaction with non-controlling interest	(24.8)	-	(24.8)
Payments to redeem debt instruments	(2,666.0)	-	(2,666.0)
Advances to group entities	(366.0)	-	(366.0)
Transfers from / (to) restricted cash	(18.8)	-	(18.8)
Dividends paid	(5.7)	-	(5.7)
Interest paid	(618.6)	-	(618.6)
Other cash provided by financing activities	(38.1)	-	(38.1)
<b>Net cash (used)/generated in financing activities</b>	<b>(605.8)</b>	<b>-</b>	<b>(605.8)</b>
Classification of cash as held for sale	(64.1)	-	(64.1)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(10.6)	-	(10.6)
<b>Net change in cash and cash equivalents</b>	<b>(12.9)</b>	<b>-</b>	<b>(12.9)</b>
Cash and cash equivalents at beginning of the year	266.0	-	266.0
<b>Cash and cash equivalents at end of the year</b>	<b>253.1</b>	<b>-</b>	<b>253.1</b>

**Altice International S.à r.l.**

Notes to the consolidated financial statements

**34. List of entities included in the scope of consolidation**

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

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
Altice International S.à r.l.	Luxembourg	Parent entity	Parent entity
Altice Africa S.à r.l.	Luxembourg	FC	100.0%
Altice Bahamas S.à r.l.	Luxembourg	FC	100.0%
Altice Caribbean S.à r.l.	Luxembourg	FC	100.0%
Altice Dominicana, S.A.	Dominican Republic	FC	100.0%
Altice Financing S.A.	Luxembourg	FC	100.0%
Altice Finco S.A.	Luxembourg	FC	100.0%
Altice Holdings S.à r.l.	Luxembourg	FC	100.0%
Altice Labs, S.A.	Portugal	FC	100.0%
Altice Portugal, S.A.	Portugal	FC	100.0%
Altice Teads S.A.	Luxembourg	FC	96.2%
Altice Technical Services S.A.	Luxembourg	FC	100.0%
Altice West Europe S.à r.l.	Luxembourg	FC	100.0%
Auberimmo S.A.S.	France	FC	100.0%
Auto Venda Já, S.A.	Portugal	EM	50.0%
Belmont Infra Holding S.A.	Portugal	FC	25.0%
BRTLC Holding S.A. (previously Portugal Telecom Brasil, S.A.)	Portugal	FC	100.0%
BRTLC Media, Ltda. (previously Pt Multimédia.Com Brasil, Ltda.)	Portugal	FC	100.0%
Coditel Holding II S.à r.l.	Luxembourg	FC	100.0%
Coditel Holding S.A.	Luxembourg	FC	100.0%
Contact Cabo Verde - Telemarketing E Serviços De Informação, S.A.	Portugal	FC	100.0%
Cool Holdings Limited S.A.	Israel	FC	100.0%
Ericsson Inovação S.A.	Portugal	EM	49.0%
Global Interlink, Ltd.	Bahamas	FC	100.0%
H. Hadaros 2012 Ltd.	Israel	FC	100.0%
Hot Eidan Holdings	Israel	FC	100.0%
Hot Mobile Ltd.	Israel	FC	100.0%
Hot Net Internet Services Ltd.	Israel	FC	100.0%
Hot Telecom Ltd.	Israel	FC	100.0%
Hot Telecom Ltd Partnership	Israel	FC	100.0%
Hot Telecommunications Systems Ltd.	Israel	FC	100.0%
Hungaro Digitel Kft (Hdt)	Portugal	EM	44.6%
Isracable Ltd.	Israel	FC	100.0%
Janela Digital-Informática E Telecomunicações, Lda.	Portugal	EM	50.0%
Meo-Serviços De Comunicações E Multimédia, S.A.	Portugal	FC	100.0%
Multicert - Serviços De Certificação Electrónica, S.A.	Portugal	EM	20.0%
NEW POST - Atividades e serviços de telecomunicações, de linha de apoio e de administração e operação de sistemas, A.C.E.	Portugal	FC	51.0%
OMT Océan 4	France	FC	100.0%
Open Labs Pesquisa E Desenvolvimento Ltda.	Portugal	FC	100.0%
Openidea Tecnologias De Telecomunicações E Sistemas De Informação, S.A.	Portugal	FC	100.0%
Openidea, Tecnologias De Telecomunicações E Sistemas De Informação Lda. (Angola)	Portugal	FC	100.0%
OpenLabs S.A. (Brazil) (previously Portugal Telecom Inovação Brasil, S.A.)	Portugal	FC	100.0%
OTR2 S.à r.l.	Luxembourg	FC	100.0%
Phi	Israel	EM	50.0%
Portugal Telecom Data Center, S.A.	Portugal	FC	100.0%
Previsão-Sociedade Gestora De Fundos De Pensões, Sa	Portugal	FC	82.1%
PT Blueclip -Serviços De Gestão, S.A.	Portugal	FC	100.0%
PT Cloud E Data Centers, S.A.	Portugal	FC	100.0%
PT Contact-Telemarketing E Serviços De Informação, S.A.	Portugal	FC	100.0%
PT Imobiliária, Sa	Portugal	FC	100.0%
PT Móveis, Sgps, Sa	Portugal	FC	100.0%
PT Pay, S.A.	Portugal	FC	100.0%
PT Portugal, Sgps, S.A.	Portugal	FC	100.0%
PT Prestações - Mandatária De Aquisições E Gestão De Bens, S.A.	Portugal	FC	100.0%
PT Sales - Serviços De Telecomunicações E Sistemas De Informação, S.A.	Portugal	FC	100.0%

**Altice International S.à r.l.**

## Notes to the consolidated financial statements

Name of subsidiary	Country of incorporation	Method of consolidation	Economic Interest
S.G.P.I.C.E., S.A. (previously Yunit Serviços, S.A.)	Portugal	EM	33.3%
Sadotel S.A.S.	Dominican Republic	FC	60.0%
Siresp, Gestão Redes Digitais Segurança E Emergência, S.A.	Portugal	FC	52.1%
South Sharon Communications (1990) Ltd.	Israel	FC	100.0%
Sport TV Portugal, S.A.	Portugal	EM	25.0%
Sportinvest Multimedia S.A.	Portugal	EM	50.0%
Sportinvest Multimédia, Sgps, S.A.	Portugal	EM	50.0%
Sudtel S.A.	Portugal	FC	70.0%
Sudtel France S.A.	France	FC	70.0%
TAT Ltd.	Israel	FC	51.0%
Teads Argentina S.A.	Argentina	FC	96.2%
Teads Brasil Solucoes Em Propaganda e Video Ltd.	Brazil	FC	96.2%
Teads Canada Inc.	Canada	FC	96.2%
Teads Colombia S.A.S.	Colombia	FC	96.2%
Teads Deutschland GmbH	Germany	FC	96.2%
Teads Espana SLU	Spain	FC	96.2%
Teads France S.A.S.	France	FC	96.2%
Teads Inc.	USA	FC	96.2%
Teads Italia SRL	Italy	FC	96.2%
Teads Japan	Japan	FC	96.2%
Teads Korea	Korea	FC	96.2%
Teads Latam LLC	USA	FC	96.2%
Teads Ltd.	UK	FC	96.2%
Teads Mexico SA de CV	Mexico	FC	96.2%
Teads Rus LLC	Russia	FC	96.2%
Teads S.A.	Luxembourg	FC	96.2%
Teads Schweiz GmbH	Switzerland	FC	96.2%
Teads Sing. Pte	Singapore	FC	96.2%
Teads Studio Ltd.	United Kingdom	FC	96.2%
Teads Studio SRL	Romania	FC	96.2%
Tnord S.A.	Portugal	FC	60.0%
Zira Ltd.	Israel	EM	20.0%

To the sole Partner of  
Altice International S.à r.l.  
5 rue Eugène Ruppert  
L-2453 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Altice International S.à r.l. and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Basis for Opinion**

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

## **Responsibilities of the Board of Managers for the Consolidated Financial Statements**

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Responsibilities of the “Réviseur d’Entreprises Agréé” for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “Réviseur d’Entreprises Agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.

- Conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Managers regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de Révision Agréé*

David Osville, *Réviseur d'Entreprises Agréé*  
Partner

April 30, 2019