Altice International S.à r.l.

altice

Condensed Interim Consolidated Financial Statements

As of and for the three-month period ended March 31, 2021

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Interim Consolidated Statement of Income (€m)	**Notes**	**Three months ended March 31, 2021**	**Three months ended March 31, 2020**
Revenues	4	**1,014.5**	**990.9**
Purchasing and subcontracting costs	4	(282.3)	(246.7)
Other operating expenses	4	(196.5)	(220.9)
Staff costs and employee benefits	4	(133.4)	(115.6)
Depreciation, amortisation and impairment	4	(302.1)	(302.5)
Other (expenses) and income[1]	4	(244.7)	89.7
Operating (loss) / profit	4	**(144.5)**	**194.9**
Interest relative to gross financial debt	11	(90.0)	(140.1)
Realized and unrealized (losses) / gains on derivative instruments linked to financial debt	11	127.3	192.8
Other financial expenses	11	(117.7)	(176.6)
Finance income	11	47.5	27.8
Net result on extinguishment and remeasurement of financial liabilities	11	-	589.7
Finance income / (costs), net		**(32.9)**	**493.6**
Share of gain / (loss) of associates and joint ventures		(5.4)	(0.8)
Profit/(loss) before income tax		**(182.8)**	**687.7**
Income tax benefit / (expense)	10	23.9	16.6
Profit/(loss) for the year from continuing operations		**(158.9)**	**704.3**
Attributable to equity holders of the parent		(167.7)	706.0
Attributable to non-controlling interests		8.8	(1.7)

1 Other (expenses) and income for the three months ended March 31, 2021 include mainly the termination employee benefit costs of €241.1 million recognised as part of the pre-retirement program for Portugal, please refer to note 3.3.

Interim Consolidated Statement of Comprehensive Income (€m)	**Three months ended March 31, 2021**	**Three months ended March 31, 2020**
Profit/(loss) for the period	**(158.9)**	**704.3**
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(1.0)	(0.7)
Cash flow hedges - effective portion of changes in fair value	0.3	37.0
Cash flow hedges - reclassified to profit or loss	1.1	89.8
Fair value of financial assets through OCI	-	(0.6)
Related taxes	(0.3)	(42.0)
Item that will not be reclassified subsequently to profit or loss		
Change of fair value of equity instruments at fair value through OCI	(0.4)	-
Actuarial gain/(loss)	18.8	54.5
Related taxes	(4.0)	(11.5)
Total other comprehensive income	**14.5**	**126.5**
Total comprehensive income / (loss) for the period	**(144.4)**	**830.8**
Attributable to equity holders to the parent	(153.4)	832.5
Attributable to non-controlling interests	9.0	(1.7)

The accompanying notes on pages 5 to 22 form an integral part of these condensed interim consolidated financial statements.

Interim Consolidated Statement of Financial Position (€m)	Notes	As of March 31, 2021	As of December 31, 2020
Non-current assets			
Goodwill	5	3,175.2	3,139.1
Other intangible assets		1,101.7	1,159.9
Property, plant & equipment		3,453.3	3,438.6
Right-of-use assets		810.3	802.4
Contract costs		109.5	107.8
Investment in associates and joint ventures		53.5	15.2
Financial assets	6	2,604.1	2,562.2
Deferred tax assets		220.8	153.9
Other non-current assets		177.5	182.4
Total non-current assets		**11,705.9**	**11,561.5**
Current assets			
Inventories		127.6	119.1
Contract assets		39.9	36.9
Trade and other receivables		1,373.4	1,415.8
Current tax assets		13.5	22.8
Financial assets	6	226.2	207.5
Cash and cash equivalents		301.7	354.0
Restricted cash		39.0	39.3
		2,121.3	2,195.4
Assets classified as held for sale[1]		5.4	-
Total current assets		**2,126.7**	**2,195.4**
Total assets		**13,832.6**	**13,756.9**
Equity			
Issued capital	7.1	309.3	309.3
Other reserves	7.2	(144.9)	(159.1)
Accumulated gains/(losses)	7	446.6	605.9
Equity attributable to equity holders of the parent		**611.1**	**756.1**
Non-controlling interests	3.4	(11.1)	(20.1)
Total equity		**600.0**	**736.0**
Non-current liabilities			
Long-term borrowings, financial liabilities and related hedging instruments	8	7,440.0	7,395.9
Other financial liabilities	8.7	1,038.6	1,033.6
Non-current lease liabilities	8.7	818.5	805.5
Provisions		1,062.7	861.4
Deferred tax liabilities		86.7	88.0
Non-current contract liabilities		53.0	54.4
Other non-current liabilities		25.8	25.9
Total non-current liabilities		**10,525.3**	**10,264.7**
Current liabilities			
Short-term borrowings, financial liabilities and related hedging instruments	8	92.8	92.3
Other financial liabilities	8.7	773.6	808.4
Current lease liabilities	8.7	80.8	83.7
Trade and other payables		1,339.4	1,371.6
Contract liabilities		112.4	106.4
Current tax liabilities		205.8	189.4
Provisions		84.5	87.7
Other current liabilities		14.3	16.7
		2,703.6	2,756.2
Liabilities directly associated with assets classified as held for sale[1]		4.1	-
Total current liabilities		**2,707.6**	**2,756.2**
Total liabilities		**13,232.7**	**13,020.9**
Total equity and liabilities		**13,832.6**	**13,756.9**

1 The asset classified as held for sale and liability directly associated held for sale as of March 31, 2021 relates to Altice Pay S.A., a subsidiary in Portugal.

The accompanying notes on pages 5 to 22 form an integral part of these condensed interim consolidated financial statements.

Interim Consolidated Statement of Changes in Equity (€m)	Number of shares on issue Common Shares A	Share capital	(Accumulated losses)/retained earnings	Currency translation reserve	Cash flow hedge reserve	Fair value through OCI	Employee benefits	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2021	**30,925,700,000**	**309.3**	**605.9**	**(33.1)**	**(16.8)**	**3.5**	**(112.7)**	**756.1**	**(20.1)**	**736.0**
Profit for the period		-	(167.6)	-	-	-	-	**(167.7)**	**8.8**	**(158.9)**
Other comprehensive profit/(loss)		-	-	(1.3)	1.0	(0.4)	14.9	**14.2**	**0.3**	**14.5**
Comprehensive profit/(loss)		**-**	**(167.6)**	**(1.3)**	**1.0**	**(0.4)**	**14.9**	**(153.4)**	**9.0**	**(144.4)**
Transactions with non-controlling interests		-	(0.8)	-	-	-	-	**(0.8)**	-	**(0.8)**
Dividends		-	-	-	-	-	-	**-**	-	**-**
Other		-	9.1	-	-	-	-	**9.1**	-	**9.1**
Equity at March 31, 2021	**30,925,700,000**	**309.3**	**446.6**	**(34.4)**	**(15.8)**	**3.1**	**(97.8)**	**611.1**	**(11.1)**	**600.0**

Interim Consolidated Statement of Changes in Equity (€m)	Number of shares on issue Common Shares A	Share capital	(Accumulated losses)/retained earnings	Currency translation reserve	Cash flow hedge reserve	Fair value through OCI	Employee benefits	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2020	**30,925,700,000**	**309.3**	**(583.1)**	**(38.5)**	**(94.7)**	**1.9**	**(124.7)**	**(529.8)**	**(12.3)**	**(542.1)**
Loss for the period		**-**	**706.0**	**-**	**-**	**-**	**-**	**706.0**	**(1.7)**	**704.3**
Other comprehensive (loss)/profit		**-**	**-**	**(0.7)**	**84.8**	**(0.6)**	**43.0**	**126.5**	**-**	**126.5**
Comprehensive profit/(loss)		**-**	**706.0**	**(0.7)**	**84.8**	**(0.6)**	**43.0**	**832.5**	**(1.7)**	**830.8**
Transactions with non-controlling interests	-	**-**	**(2.0)**	**-**	**-**	**-**	**-**	**(2.0)**	**-**	**(2.0)**
Other		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Equity at March 31, 2020	**30,925,700,000**	**309.3**	**120.9**	**(39.2)**	**(9.9)**	**1.3**	**(81.7)**	**300.7**	**(14.1)**	**286.6**

The accompanying notes on pages 5 to 22 form an integral part of these condensed interim consolidated financial statements.

Interim Consolidated Statement of Cash Flows (€m)	**Note**	**Three months ended March 31, 2021**	**Three months ended March 31, 2020**
Profit/(loss) for the period		**(158.9)**	**704.3**
adjustments for:			
Share of (gain)/loss of associates and joint ventures		5.4	0.8
Depreciation, amortization and impairment		302.1	302.5
Expenses related to share-based payments	4.3.1	1.0	0.1
Loss/(gain) on disposal of consolidated entities		-	-
Gain on sale of interest in associates		-	(97.7)
Other non-cash operating gains, net[1]		245.4	18.6
Finance costs, net recognised in the statement of income	11	32.9	(493.6)
Income tax expense recognised in the statement of income	10	(23.9)	(16.6)
Changes in:			
Pension plan liability payments		(22.6)	(25.3)
Income tax paid		(17.1)	(22.7)
Changes in working capital[2]		11.8	(25.3)
Net cash provided by operating activities		**376.1**	**345.1**
Payments to acquire tangible, intangible assets and contract costs	4.3.4	(205.8)	(222.3)
(Payments)/proceeds related to disposal or acquisition of financial assets		-	-
Proceeds from disposal of consolidated entities, net of cash disposals		(0.3)	(2.9)
Payments related to disposal of financial assets		-	-
Proceeds from disposal of tangible and intangible assets		0.7	5.6
Proceeds/(payments) related to sale or acquisition of interests in associates[3]	3.1	(44.6)	201.0
Payments to acquire subsidiaries, net of cash		-	-
Transfers from restricted cash		(0.4)	-
Dividend received		0.5	0.8
Advances paid to group companies[4]		(2.0)	(527.0)
Net cash used in investing activities		**(251.9)**	**(544.8)**
Proceeds from issuance of debt instruments	8.2	125.0	3,455.3
Payments to redeem debt instruments	8.2	(129.5)	(3,119.5)
Payments to non-controlling interests		(0.8)	-
Proceeds from the sale of minority stake		-	-
Payments made to suppliers through factoring arrangements		136.4	77.6
Payments made to factoring companies		(121.7)	(100.9)
Lease payment (principal) related to ROU[5]		(24.5)	(20.8)
Lease payment (interest) related to ROU[5]		(17.3)	(17.7)
Interest paid[6]		(142.0)	(202.2)
Proceeds from the monetization of swaps		(0.7)	36.8
Dividends paid to non-controlling interests		-	-
Other cash used by financing activities[7]		(4.8)	(69.0)
Net cash from / (used in) financing activities		**(179.9)**	**39.6**
Classification of cash as held for sale		-	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		3.4	(3.0)
Net change in cash and cash equivalents		**(52.3)**	**(163.0)**
Cash and cash equivalents at beginning of the period		354.0	395.5
Cash and cash equivalents at end of the period		**301.7**	**232.4**

1 Other non-cash items include allowances and writebacks for provisions and gains and losses recorded on the disposal of tangible and intangible assets. For the three months ended March 31, 2021, other non-cash items include mainly the termination employee benefit costs of €241.1 million recognised as part of the pre-retirement for Portugal, please refer to note 3.3.
2 Changes in working capital relate to payments and receipts related to inventories, trade and other receivables and trade and other payables.
3 Payments related to the sale or acquisition of interests in associates mainly relate to the acquisition of 23.3% of IBC by HOT. The transaction was closed on February 11, 2021 following the regulatory and third-party approvals. Please refer to 3.1 for more information.
4 Advances paid to Group companies are included in investing activities in the consolidated interim financial statements, and the comparative figures as of March 31, 2020 have been restated by reclassifying the amount of €527.0 million from financing activities to investing activities.
5 Repayment of lease liabilities (IFRS 16 lease payment and the interest related to right-of-use ("ROU")) are reported under financing activities upon adoption of IFRS 16 *Leases*.
6 Interest paid on debt includes interest received from / paid on interest derivatives.
7 Other cash used in financing activities includes €4.8 million interest on factoring arrangements.

The accompanying notes on pages 5 to 22 form an integral part of these condensed interim consolidated financial statements.

1. About Altice International S.à r.l. and the Altice Group

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

The Company is a wholly-owned subsidiary of Altice Luxembourg S.A. ("Altice Luxembourg"), which is itself indirectly controlled by New Altice Europe B.V. ("Altice Europe"), whose address is Oostsingel 1, 3441 GB Woerden, The Netherlands. Altice Europe is the parent entity of the Altice Europe consolidated group (the "Altice Group"). The controlling shareholder of Altice Europe is Next Alt S.à r.l., which is itself controlled by Mr. Patrick Drahi. As of March 31, 2021, Next Alt S.à r.l. indirectly held 95.63% of the share capital of the Company.

The Company is part of the Altice Group, a convergent leader in telecoms, content, media, entertainment and advertising. The Altice Group delivers innovative, customer-centric products and solutions that connect and unlock the limitless potential of its customers over fibre networks and mobile broadband. The Altice Group 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. The Altice Group delivers live broadcast premium sports events and enables its customers to enjoy the most well-known media and entertainment.

2. Accounting policies

2.1. Basis of preparation

These condensed interim consolidated financial statements of the Group as of March 31, 2021 and for the three-month period then ended were approved by the Board of Managers and authorized for issue on May 25, 2021.

These condensed interim consolidated financial statements of the Group as of March 31, 2021 and for the three-month period then ended, are presented in millions of Euros, except as otherwise stated, and have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. They should be read in conjunction with the annual consolidated financial statements of the Group and the notes thereto as of and for the year ended December 31, 2020 which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS-EU") (the "annual consolidated financial statements").

The accounting policies applied for the condensed interim consolidated financial statements as of March 31, 2021 do not differ from those applied in the annual consolidated financial statements as of and for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021.

These condensed interim consolidated financial statements of the Group as of March 31, 2021 have been prepared on a going concern basis. For COVID-19 details, please refer to note 1.4 of the annual consolidated financial statements as of and for the year ended December 31, 2020.

2.1.1. Standards applicable for the reporting period

The following standards have mandatory application for periods beginning on or after January 1, 2021 as described in note 1.3.2 to the annual consolidated financial statements:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after January 1, 2021.

The application of the Interest Rate Benchmark Reform – Phase 2 had no material impact on the amounts recognised and on the disclosures in these condensed interim consolidated financial statements.

2.1.2. Standards and interpretations not applicable as of reporting date

The Group has not early adopted the following standards and interpretations, for which application is not mandatory for periods starting from January 1, 2021 and that may impact the amounts reported:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, effective date of the amendments has not yet been determined by the IASB;
- Amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), effective on or after January 1, 2023; and

- Annual Improvements to IFRS Standards 2018-2020, effective on or after January 1, 2022.

The Board of Managers anticipates that the application of those amendments will not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2.1.3. Significant accounting judgments and estimates

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

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

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

As of March 31, 2021, there were no changes in the key areas of judgements and estimates.

3. Significant events

The following changes occurred during the three-month period ended March 31, 2021, which impacted the scope of consolidation compared to that presented in the annual consolidated financial statements.

3.1. Acquisitions and disposals in the current period

IBC Acquisition Israel

On September 15, 2020, HOT Telecommunications Systems Ltd (HOT) announced that it has taken a minority stake in IBC Israel Broadband (IBC). Post-closing, HOT became an equal partner in the IBC Partnership (that holds 70% of IBC's share capital), together with Cellcom and Israel Infrastructure Fund (IIF) and HOT holds indirectly 23.3% of IBC's share capital, through an investment in the company of €44.6 million, substantially equal to the investment made by each of Cellcom and IIF. There is an agreement between IBC and HOT, under which HOT undertakes to purchase an indefeasible right, or IRU, to use IBC's fibre-optic network. There is also a service agreement between IBC and HOT, under which IBC undertakes to purchase certain services from HOT. The transaction was closed on February 11, 2021 following the regulatory and third-party approvals. Following the closing of the transaction, HOT exercises a significant influence over IBC, that is accounted for under the equity method based on the provisions of IAS 28 *Investments in Associates and Joint Ventures*.

3.2. Acquisitions and disposals in the prior period

3.2.1. Sale of a 25% equity stake in OMTEL

On January 2, 2020, Altice Europe announced the sale of the 25% equity interest held by PT Portugal in Belmont Infra Holding S.A. (“Belmont”), that owns 100% in a tower company OMTEL, to Cellnex Telecom S.A.. Total cash proceeds amounted to €201.0 million. The total capital gain recorded for the three-month period ended March 31, 2020 amounted to €97.7 million (please refer to note 4.3.2.2).

The sale by PT Portugal of its 25% equity interest in OMTEL is part of a larger transaction pursuant to which Cellnex Telecom S.A. acquired 100% of the share capital of OMTEL. In September 2018, at the time of its sale of OMTEL to a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners, PT Portugal had reinvested €108.8 million for a 25% equity interest in OMTEL.

3.2.2. Closing of the partnership with Morgan Stanley Infrastructure Partners and the sale of 49.99% interest in FastFiber (formerly known as Altice Portugal FTTH)

On December 12, 2019, PT Portugal entered into an agreement with Morgan Stanley Infrastructure Partners regarding the sale of a 49.99% interest in the Portuguese fibre business to be carved-out into a dedicated wholesale vehicle, FastFiber (formerly known as Altice Portugal FTTH), comprising of the fibre passive infrastructure assets and rights, related contracts and underlying agreements, thereby creating a nationwide fibre wholesaler in Portugal. On April 17, 2020, the transaction was closed and the Group received €1,576.0 million of proceeds from this transaction, for the sale of 49.99% of the share capital of FastFiber (€773.3 million) and for the sale of 49.99% of the existing intercompany loan (€799.8 million), which was simultaneously converted into mandatory convertible notes (refer to note 8.7.5). The proceeds from the transaction were partly used to further deleverage the Group's debt. Furthermore, the Group recorded a receivable representing the net present value of an earnout of €375 million due December 2021. A second earnout is due in December 2026 subject to some performance conditions and the Company did not take into consideration this second earnout in the valuation of the purchase price and thus the capital gain recognised at closing of the transaction. Following the closing of the transaction, PT Portugal continues to control and fully consolidate FastFiber. The transaction resulted in the recognition of a non-controlling interest of €4.0 million and a gain of €1,111.5 million in equity.

FastFiber will sell wholesale services to all operators at the same financial terms. MEO will sell technical services to FastFiber for the construction, the subscriber connection and the maintenance of its fibre network.

3.3. Other significant events

Portugal pre-retirement program

In connection with an ongoing transformation process of the Group in Portugal, in a severe context resulting not only from the COVID-19 pandemic but also from a hostile and troubled regulatory environment, some of the Group companies in Portugal have launched a voluntary employee reduction program in March 2021. This program is aimed at employees of 50 years old or more and those that decide to enroll in the program, subject to the companies' acceptance, have their employment agreements terminated and will be entitled to receive a monthly fixed compensation up to retirement age corresponding to a percentage of their previous remuneration. The deadline for employees to enroll in the program has finished in the second quarter, but the selection process of the employees that will be allowed to terminate their employment agreements under this pre-retirement scheme is still ongoing. As of March 31, 2021, management considered that the conditions for recording a liability were met under IAS 19 *Employee benefits* and thus a liability was recognised in the caption "provisions" in the statement of financial position and in the caption "other (expense) and income" of the income statement for an amount of €241.1 million, relating to approximately 750 employees and corresponding primarily to the present value of salaries payable up to retirement age to the employees that agreed to terminate their employment agreements under pre-retirement schemes. Based on information up to date, the Company expects to record an additional liability in the second quarter of 2021 relating to approximately 200 employees.

3.4. Variation in non-controlling interest

Variations in non-controlling interests (€m)	**Altice Technical Services**	**Fastfiber**	**Other**	**Group**
Opening balance at January 1, 2020	**(27.4)**	**-**	**15.1**	**(12.3)**
(Loss)/gain for the period	(3.4)	11.7	6.0	**14.3**
Other comprehensive income	(1.0)	-	(0.4)	**(1.4)**
Sale of Tnord and Sudtel to Portugal	3.4	-	(3.4)	**-**
FastFiber transaction	-	15.0	(11.0)	**4.0**
Teads NCI cancellation	-	-	(14.4)	**(14.4)**
Teads put option	-	-	(2.0)	**(2.0)**
Dividends	(6.4)	-	(2.1)	**(8.5)**
Other	-	(0.0)	0.2	**0.2**
Closing at December 31, 2020	**(34.8)**	**26.7**	**(12.0)**	**(20.1)**
(Loss)/gain for the period	(1.1)	9.3	0.7	**8.8**
Other comprehensive income	0.3	-	0.0	**0.3**
Closing at March 31, 2021	**(35.6)**	**35.9**	**(11.3)**	**(11.1)**

The main changes in non-controlling interests ("NCI") as at March 31, 2021 were:

- net income attributable to the non-controlling interest for the three-month period ended March 31, 2021 of €9.1 million, mainly in Portugal;
- other comprehensive income to the non-controlling interest for the three-month period ended March 31, 2021 of €0.3m.

4. Segment reporting

4.1. Definition of segments

Given the geographical spread of the entities within the Group, analysis by geographical area is fundamental in determining the Group's strategy and managing its different businesses. The Group's chief operating decision maker is the Board of Managers. The Board of Managers analyses the Group's results across geographies, and certain key areas by activity. The presentation of the segments here is consistent with the reporting used internally by the Board of Managers 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 residential and business services, which can show significant changes in sales at year end and at the end of the summer season (the "back to school" period). The business services are also impacted by the timing of preparation of the annual budgets of public and private sector companies. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The segments that are presented are detailed below:

- **Portugal**: The Group owns Portugal Telecom ("PT Portugal"), the largest telecom operator in Portugal. PT Portugal caters to fixed residential, mobile residential and business services clients using the MEO brand. This segment also includes the Altice Technical Services entities in Portugal.
- **Israel**: Fixed and mobile services are provided using the HOT telecom, HOT mobile and HOT net brands to residential and business services clients. HOT also produces award winning exclusive content that it distributes using its fixed network, as well as content application called Next and OTT services through Next Plus. This segment also includes the Altice Technical Services entity in Israel.
- **Dominican Republic**: The Group provides fixed residential, mobile residential and business services using the Altice brand. This segment also includes the Altice Technical Services entity in the Dominican Republic.
- **Teads**: Provides digital advertising solutions.
- **Others**: Corporate entities are reported under "Others".

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.

The financial KPIs tracked by the Board of Managers are:

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

4.2.1. Revenues

Additional information on the revenue split is presented as follows:

- Residential revenue
    - Fixed: revenues from fixed services to B2C customers;
    - Mobile: revenues from mobile services to B2C subscribers;
    - Equipment business to B2C subscribers;
- Business services: revenues from B2B customers, wholesale and other revenues; and
- Media: media and advertisement revenues in Teads.

Intersegment revenues mainly relate to services rendered by certain centralized Group functions (relating to centralized research) to the operational segments of the Group.

4.2.2. Non-GAAP measures

Adjusted EBITDA, Capex and OpFCF are non-GAAP measures. These measures are useful to readers of the condensed interim consolidated financial statements as they provide a measure of operating results excluding certain items that the Group's management believe are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in the Group's operating results and cash flow generation to be more easily observable. The non-GAAP measures are used by the Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in the same industry as the Group and thus are a basis for comparability between the Group and its peers. Moreover, the debt covenants of the Group are based on the Adjusted EBITDA and other associated metrics. The definition of Adjusted EBITDA used in the covenants has not changed with the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* by the Group.

4.2.2.1. Adjusted EBITDA

Following the application of IFRS 16 *Leases*, Adjusted EBITDA is defined as operating income before depreciation and amortization, other expenses and income (capital gains, non-recurring litigation, restructuring costs) and share-based expenses and after operating lease expenses (i.e., straight-line recognition of the rent expense over the lease term as performed under IAS 17 *Leases* for operating leases). This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from Adjusted EBITDA, do ultimately affect the operating results. Operating results presented in the condensed interim consolidated financial statements are in accordance with IAS 1 *Presentation of Financial Statements*.

4.2.2.2. 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 Premises 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.

4.2.2.3. 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 7 *Statement of Cashflows*.

4.3. Segment results

4.3.1. Operating profit by segment

For the three months ended March 31, 2021 €m	Portugal	Israel	Dominican Republic	Teads	Others	Inter-segment elimination	Total
Revenues	**549.1**	**247.2**	**117.9**	**102.5**	**0.2**	**(2.5)**	**1,014.5**
Purchasing and subcontracting costs	(161.6)	(94.1)	(27.9)	-	(0.1)	1.5	**(282.3)**
Other operating expenses	(84.2)	(47.4)	(18.4)	(46.5)	(0.6)	0.4	**(196.5)**
Staff costs and employee benefit expenses	(80.9)	(20.0)	(7.4)	(25.2)	(0.1)	0.0	**(133.4)**
Total	**222.4**	**85.8**	**64.2**	**30.8**	**(0.5)**	**(0.6)**	**402.3**
Share-based expense	0.4	0.3	0.3	-	-	-	**1.0**
Rental expense operating lease[1]	(18.5)	(6.9)	(5.2)	(1.5)	-	-	**(32.2)**
Adjusted EBITDA	**204.3**	**79.2**	**59.4**	**29.3**	**(0.5)**	**(0.6)**	**371.1**
Depreciation, amortisation and impairment	(182.2)	(81.5)	(32.0)	(6.4)	-	-	**(302.1)**
Share-based expense	(0.4)	(0.3)	(0.3)	-	-	-	**(1.0)**
Other expenses and income	(242.5)	(1.0)	(0.5)	0.1	(0.8)	0.1	**(244.7)**
Rental expense operating lease[1]	18.5	6.9	5.2	1.5	-	-	**32.2**
Operating profit/(loss)	**(202.3)**	**3.3**	**31.7**	**24.5**	**(1.3)**	**(0.5)**	**(144.5)**

For the three months ended March 31, 2020 €m	Portugal	Israel	Dominican Republic	Teads	Others	Inter-segment elimination	Total
Revenues	**522.3**	**246.5**	**132.7**	**89.9**	**0.2**	**(0.7)**	**990.9**
Purchasing and subcontracting costs	(137.1)	(78.5)	(31.6)	-	-	0.5	**(246.7)**
Other operating expenses	(92.5)	(50.5)	(21.0)	(56.4)	(0.7)	0.2	**(220.9)**
Staff costs and employee benefit expenses	(65.5)	(18.2)	(8.0)	(23.9)	-	-	**(115.6)**
Total	**227.2**	**99.3**	**72.1**	**9.6**	**(0.5)**	**-**	**407.7**
Share-based expense	0.1	-	-	-	-	-	**0.1**
Rental expense operating lease[1]	(17.1)	(8.7)	(5.6)	(1.0)	-	-	**(32.4)**
Adjusted EBITDA	**210.2**	**90.6**	**66.5**	**8.6**	**(0.5)**	**-**	**375.4**
Depreciation, amortisation and impairment	(182.2)	(83.4)	(31.9)	(5.0)	-	-	**(302.5)**
Share-based expense	(0.1)	-	-	-	-	-	**(0.1)**
Other expenses and income	93.9	(2.4)	(1.3)	(0.1)	(0.4)	-	**89.7**
Rental expense operating lease[1]	17.1	8.7	5.6	1.0	-	-	**32.4**
Operating profit/(loss)	**138.9**	**13.5**	**38.9**	**4.5**	**(0.9)**	**-**	**194.9**

1 This line corresponds to the operating lease expenses whose impacts are included in Adjusted EBITDA following the definition stated in note 4.2.2.1.

4.3.2. Other expenses and income

Other expenses and income mainly relate to provisions for ongoing and announced restructuring and other expenses (for example gains and losses on disposal of assets, deal fees on acquisitions of entities and provisions for litigations).

Details of costs incurred during the three-month periods ended March 31, 2021 and 2020 are provided in the following table:

Other expenses and income (€m)	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Termination employee benefit costs	241.4	1.4
Net (gain)/loss on disposal of assets	-	(1.5)
Disputes and litigation	(2.4)	2.1
Net gain on sale of interest in associates	0.4	(97.7)
Management fees	3.0	1.3
Other, net	2.4	4.7
Other expenses and (income)	**244.7**	**(89.7)**

4.3.2.1. Termination employee benefit costs

For the three-month period ended March 31, 2021 termination employee benefit costs (restructuring costs) of €241.1 million were recognised as part of the pre-retirement program launched in March 2021 (please refer to note 3.3).

4.3.2.2. Net gain on sale of interest in associates

For the three-month period ended March 31, 2020, this related to the capital gain of €97.7 million from the sale of Portugal's 25% equity stake in Belmont (please refer to note 3.2.1).

4.3.3. Revenues by activity

The tables below provide the split of revenues by activity as defined in note 4.2.1.

For the three months ended March 31, 2021 €m	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Others**	**Total**
Fixed	164.4	136.2	22.5	-	-	**323.1**
Mobile	115.1	51.4	65.4	-	-	**231.9**
Residential service	279.5	187.6	87.9	-	-	**555.0**
Residential equipment	26.2	20.3	8.9	-	-	**55.4**
Total Residential	305.7	207.9	96.8	-	-	**610.4**
Business services	243.4	39.3	21.1	-	0.2	**304.0**
Media	-	-	-	102.5	-	**102.5**
Total standalone revenues	**549.1**	**247.2**	**117.9**	**102.5**	**0.2**	**1,016.9**
Intersegment elimination	(2.1)	-	-	(0.4)	-	**(2.5)**
Total consolidated	**547.0**	**247.2**	**117.9**	**102.1**	**0.2**	**1,014.5**

For the three months ended March 31, 2020 €m	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Others**	**Total**
Fixed	155.1	146.0	25.2	-	-	**326.3**
Mobile	117.6	54.0	75.3	-	-	**246.9**
Residential service	272.7	200.0	100.5	-	-	**573.2**
Residential equipment	23.4	15.2	9.1	-	-	**47.7**
Total Residential	296.1	215.2	109.6	-	-	**620.9**
Business services	226.2	31.3	23.1	-	0.2	**280.8**
Media	-	-	-	89.9	-	**89.9**
Total standalone revenues	**522.3**	**246.5**	**132.7**	**89.9**	**0.2**	**991.6**
Intersegment elimination	(0.4)	-	(0.1)	(0.2)	-	**(0.7)**
Total consolidated	**521.8**	**246.5**	**132.6**	**89.7**	**0.2**	**990.9**

The table below provides the standalone and consolidated revenues in accordance with IFRS 15 *Revenue from Contracts with Customers* for the three-month period ended March 31, 2021 and 2020.

Revenues split IFRS 15 (€m)	**For the three months ended March 31, 2021**	**For the three months ended March 31, 2020**
Fixed residential	323.1	326.3
Mobile residential	231.9	246.9
Business services	270.7	260.6
Total telecom excluding equipment sales	**825.7**	**833.8**
Equipment sales	88.7	67.9
Media	102.5	89.9
Total standalone revenues	**1,016.9**	**991.6**
Intersegment elimination	(2.5)	(0.7)
Total consolidated	**1,014.5**	**990.9**

4.3.4. Capital expenditure

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

For the three months ended March 31, 2021 €m	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Others**	**Eliminations**	**Total**
Capital expenditure - accrued	111.3	69.1	28.9	1.7	-	(0.5)	**210.5**
Capital expenditure - working capital items	2.8	1.5	(8.7)	-	-	(0.3)	**(4.7)**
Payments to acquire tangible and intangible assets	**114.1**	**70.6**	**20.2**	**1.7**	**-**	**(0.8)**	**205.8**

For the three months ended March 31, 2020 €m	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Others**	**Eliminations**	**Total**
Capital expenditure - accrued	104.3	63.0	35.2	2.3	-	(0.1)	**204.7**
Capital expenditure - working capital items	20.4	(1.6)	(1.2)	-	-	-	**17.6**
Payments to acquire tangible and intangible assets	**124.7**	**61.4**	**34.0**	**2.3**	**-**	**(0.1)**	**222.3**

4.3.5. Adjusted EBITDA less accrued Capex

For the three months ended March 31, 2021 €m	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Others**	**Eliminations**	**Total**
Adjusted EBITDA	204.3	79.2	59.4	29.3	(0.5)	(0.5)	**371.1**
Capital expenditure - accrued	(111.3)	(69.1)	(28.9)	(1.7)	-	0.5	**(210.5)**
Operating free cash flow (OpFCF)	**93.0**	**10.1**	**30.5**	**27.6**	**(0.5)**	**-**	**160.6**

For the three months ended March 31, 2020 €m	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Others**	**Eliminations**	**Total**
Adjusted EBITDA	210.2	90.6	66.5	8.6	(0.5)	-	**375.4**
Capital expenditure - accrued	(104.3)	(63.0)	(35.2)	(2.3)	-	0.1	**(204.7)**
Operating free cash flow (OpFCF)	**105.9**	**27.6**	**31.3**	**6.3**	**(0.5)**	**0.1**	**170.7**

5. Goodwill

Goodwill is tested at the level of each GCGU ("Group Cash-Generating Unit") or CGU annually for impairment and whenever changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill was tested at the CGU/GCGU level for impairment as of December 31, 2020. The CGU/GCGU is at the country level where the subsidiaries operate. The recoverable amounts of the GCGUs are determined based on their value in use. The Group determined value in use for purposes of its impairment testing and, accordingly, did not determine the fair value less cost of disposal of the GCGUs. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate, revenue, Adjusted EBITDA and capital expenditures. Following the application of IFRS 16 *Leases*, Adjusted EBITDA is defined as operating income before depreciation and amortization, other expenses and incomes (capital gains, non-recurring litigation, restructuring costs) and share-based expenses and after operating lease expenses (i.e., straight-line recognition of the rent expense over the lease term as performed under IAS 17 *Leases* for operating lease).

The Board of Managers and the Group's senior executives have determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable. In addition, there were no significant changes in assets or liabilities in any CGU/GCGU. Therefore, no updated impairment testing was performed, nor any impairment recorded, for the three-month period ended March 31, 2021.

6. Financial assets

Financial assets (€m)	**As of March 31, 2021**	**As of December 31, 2020**
Derivative financial assets	89.3	78.1
Loans and receivables	2,510.6	2,498.3
Call options with non-controlling interests	162.7	162.7
Equity instruments at fair value through OCI	5.3	5.8
Other financial assets	62.4	24.8
Total	**2,830.3**	**2,769.7**
Current	226.2	207.5
Non-current	2,604.1	2,562.2

6.1. Derivative financial assets

The Group has significant borrowings and executes derivative contracts to hedge its position in compliance with its treasury policy. All derivatives are measured at their fair value at March 31, 2021. The total asset position as of March 31, 2021 was €89.3 million (December 31, 2020: €78.1 million). Please also refer to note 8.3 for details on each of these derivatives held by the Group and to note 9 for information on the fair value of the derivatives, including the fair value hierarchy.

6.2. Loans and receivables

As at March 31, 2021, loans and receivables of the Group were €2,510.6 million. The Group's loans and receivables as of December 31, 2020, mainly consisted of loans in Altice Financing S.A. ("Altice Financing") for €1,371.2 million, the Company for €789.3 million and Altice Holdings S.à r.l. for €312.7 million granted to entities within the Altice Group (mainly Altice Group Lux S.à r.l., Altice Luxembourg and Altice Corporate Financing S.à r.l.).

6.3. Call options with non-controlling interests

Through the various acquisitions that the Group has completed in recent years, the Company signed agreements whereby it has a call option to acquire certain residual non-controlling interests in entities in which it has not acquired 100%. The call options are derivative financial instruments and are re-measured to their fair value at 31 March 31, 2021. Please also refer to note 9.1.1.

6.4. Other financial assets

The increase in other financial assets is mainly related to an increase in accrued interest on loans receivable from €0.1 million as at December 31, 2020 to €37.7 million as at March 31, 2021.

7. Shareholders' equity

Equity attributable to owners of the Company (€m)	**Notes**	**As of March 31, 2021**	**As of December 31, 2020**
Issued capital	7.1	309.3	309.3
Other reserves	7.2	(144.9)	(159.1)
Accumulated gains/(losses)		446.6	605.9
Total		**611.1**	**756.1**

7.1. Issued capital

For the three-month period ended March 31, 2021, there were no changes in the issued capital of the Company. Total issued capital of the Company as at March 31, 2021 was €309.3 million, comprising 30,925,700,000 outstanding ordinary shares, with a nominal value of € 0.01 each.

7.2. Other reserves

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

Other reserves	**March 31, 2021**			**December 31, 2020**		
(€m)	**Pre-tax amount**	**Tax effect**	**Net amount**	**Pre-tax amount**	**Tax effect**	**Net amount**
Actuarial gains and losses	(123.5)	25.7	(97.8)	(142.3)	29.6	(112.7)
Items not reclassified to profit or loss	**(123.5)**	**25.7**	**(97.8)**	**(142.3)**	**29.6**	**(112.7)**
Fair value through OCI	3.1	-	3.1	3.5	-	3.5
Currency translation reserve	(34.4)	-	(34.4)	(33.1)	-	(33.1)
Cash flow hedge reserve	(21.2)	5.4	(15.8)	(22.6)	5.8	(16.8)
Items potentially reclassified to profit or loss	**(52.5)**	**5.4**	**(47.1)**	**(52.2)**	**5.8**	**(46.4)**
Total	**(176.0)**	**31.0**	**(144.9)**	**(194.5)**	**35.4**	**(159.1)**

8. Borrowings, other financial liabilities and lease liabilities

Borrowings, other financial liabilities and lease liabilities (€m)	Notes	March 31, 2021	December 31, 2020
Long term borrowings, financial liabilities and related hedging instruments		**7,440.0**	**7,395.9**
- Debentures	8.1	*5,471.2*	*5,348.7*
- Loans from lenders	8.1	*1,751.3*	*1,698.3*
- Derivative financial instruments	8.3	*217.5*	*348.9*
Other non-current financial liabilities	8.7	**1,038.6**	**1,033.6**
Lease liabilities non-current		**818.5**	**805.5**
Non-current liabilities		**9,297.1**	**9,235.0**
Short term borrowing, financial liabilities and related hedging instruments		**92.8**	**92.3**
- Debentures	8.1	-	-
- Loans from lenders	8.1	*18.4*	*17.8*
- Derivative financial instruments	8.3	*74.4*	*74.5*
Other financial liabilities	8.7	**773.6**	**808.4**
- Other financial liabilities		*689.3*	*669.0*
- Bank overdraft		-	*0.2*
- Accrued interest		*84.3*	*139.2*
Lease liabilities current		**80.8**	**83.7**
Current liabilities		**947.2**	**984.4**
Total		**10,244.3**	**10,219.4**

8.1. Debentures and loans from lenders

Debentures and loans from lenders (€m)	Notes	March 31, 2021	December 31, 2020
Debentures	8.1.1	5,471.2	5,348.7
Loans from lenders	8.1.2	1,769.7	1,716.1
Total		**7,240.9**	**7,064.8**

The increase in debentures and loans from lenders is mainly due to foreign exchange differences as of March 31, 2021 compared to December 31, 2020.

8.1.1. Debentures

Maturity of debentures (€m)	Less than one year	One year or more	March 31, 2021	December 31, 2020
Altice Financing	-	4,797.6	4,797.6	4,675.2
Altice Finco	-	673.6	673.6	673.5
Total	**-**	**5,471.2**	**5,471.2**	**5,348.7**

8.1.2. Loans from lenders

Maturity of loans from lenders (€m)	Less than one year	One year or more	March 31, 2021	December 31, 2020
Altice Financing (including RCF)	18.4	1,751.3	1,769.7	1,716.1
Others	-	-	-	-
Total	**18.4**	**1,751.3**	**1,769.7**	**1,716.1**

8.2. Financing activities

On January 13, 2021, the Group has drawn down €125.0 million of the Altice Financing S.A. Revolving Credit Facility. Consequently, on March 15, 2021 and March 31, 2021, the Group repaid €100.0 million and €25.0 million respectively of the Altice Financing S.A. Revolving Credit Facility.

8.3. Derivatives and hedge accounting

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

Recognition and Measurement (the Group continues to apply the requirement of IAS 39 related to hedge accounting, as allowed under IFRS 9 Financial Instruments).

8.3.1. CCIRS

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

Entity Maturity	**Notional amount due from counterparty (millions)**	**Notional amount due to counterparty (millions)**	**Interest rate due from counterparty**	**Interest rate due to counterparty**	**Accounting treatment[1]**
Altice Financing S.A.					
May 2022	USD 350	EUR 306	7.50%	5.25%	FVTPL
May 2026	USD 1,012	EUR 884	10.50%	7.91%	FVTPL
May 2026	USD 930	EUR 853	7.50%	7.40%	FVTPL
July 2025	USD 485	EUR 449	3m LIBOR+2.75%	3m EURIBOR+2.55%	FVTPL
July 2024[2]	USD 1,580	EUR 1,341	7.50%	6.09%	FVTPL/CFH
May 2026	EUR 1,190	USD 1,362	7.91%	10.50%	FVTPL
January 2028	USD 1,200	EUR 1,079	5.00%	3.04%	FVTPL

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 is recognised in the cash flow hedge reserve. The derivatives for which no hedge accounting has been applied have the change in fair value recognised immediately in profit or loss ("FVTPL").

2 Contains a derivative instrument with notional amount of $779 million / €686 million which is classified as cash flow hedge.

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the three-month period ended March 31, 2021. Before the impact of taxes, gains of €1.4 million were recorded in other comprehensive income (€1.1 million net of taxes).

8.3.2. Interest rate swaps

The Group enters into interest rate swaps to cover its interest rate exposure in line with its treasury policy. These swaps cover the Group's debt portfolio and do not necessarily relate to specific debt issued by the Group.
The details of the instruments are provided 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**
Altice Financing S.A.					
April 2021	USD 878	USD 878	1m LIBOR	3m LIBOR - 0.200%	FVTPL
April 2021	USD 883	USD 883	1m LIBOR	3m LIBOR - 0.200%	FVTPL
January 2030	EUR 750	EUR 750	3m EURIBOR	-0.44%	FVTPL

8.4. Reconciliation to swap adjusted debt

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

Net debt reconciliation (€m)	**March 31, 2021**	**December 31, 2020**
Debentures and loans from lenders	**7,240.9**	**7,064.8**
Transaction costs	34.8	36.1
Total (including transaction costs)	**7,275.7**	**7,100.9**
Conversion of debentures and loans in foreign currency (at closing spot rate)	(8,166.6)	(7,924.6)
Conversion of debentures and loans in foreign currency (at hedged rates)	8,318.7	8,215.4
Total swap adjusted debt	**7,427.7**	**7,391.7**
Finance lease liabilities	24.1	24.5
Gross debt	**7,451.8**	**7,416.2**
Cash and cash equivalents	(301.7)	(354.0)
Net financial debt	**7,150.1**	**7,062.3**

Net financial debt is a non-GAAP measure which is useful to the readers of the condensed interim consolidated financial statements as they provide meaningful information regarding the financial position of Group and its ability to pay its financial debt obligations compared to its liquid assets.

8.5. Reconciliation between net financial liabilities and net financial debt

The following table shows the reconciliation between net financial liabilities in the consolidated statement of financial position and the net financial debt.

Reconciliation between net financial liabilities and net financial debt (€m)	**March 31, 2021**	**December 31, 2020**
Financial liabilities	10,244.3	10,219.4
Derivative assets	(89.3)	(78.1)
Cash and cash equivalents	(301.7)	(354.0)
Net financial liabilities - consolidated statement of financial position	**9,853.3**	**9,787.3**
Reconciliation:		
Transaction costs	34.8	36.1
Rate impact derivative instruments	(15.8)	(18.4)
Lease liabilities	(899.3)	(889.2)
Reverse factoring and securitisation	(295.7)	(277.2)
Accrued interest	(84.3)	(139.2)
Mandatory Convertible Notes Portugal	(848.8)	(848.8)
Mandatory Convertible Notes Altice Luxembourg	(356.7)	(354.0)
Put options with non-controlling interests	(212.7)	(212.7)
Deposits received	(0.4)	(0.4)
Other debts and liabilities	(24.2)	(21.3)
Net financial debt	**7,150.1**	**7,062.3**

8.6. Available credit facilities

Available credit facilities (€m)	**Total facility**	**Drawn**
Altice Financing S.A.	538.0	-
Revolving credit facilities	**538.0**	**-**

8.7. Other financial liabilities and lease liabilities

Other financial liabilities	**March 31, 2021**			**December 31, 2020**		
(€m)	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Lease liabilities	80.8	818.5	899.3	83.7	805.5	889.2
Reverse factoring	295.7	-	295.7	277.2	-	277.2
Accrued interest	84.3	-	84.3	139.2	-	139.2
Put options with non-controlling interests	205.9	6.8	212.7	205.9	6.8	212.7
Deposits received	-	0.4	0.4	-	0.4	0.4
Bank overdraft	-	-	-	0.2	-	0.2
Mandatory Convertible Notes Altice Portugal	-	848.8	848.8	-	848.8	848.8
Mandatory Convertible Notes Altice Luxembourg	181.7	175.0	356.7	180.0	173.9	354.0
Other debts and liabilities	6.0	7.5	13.5	5.8	3.7	9.5
Total	**854.4**	**1,857.1**	**2,711.5**	**892.1**	**1,839.1**	**2,731.2**

The current portion of other financial liabilities amounts to €854.4 million as at March 31, 2021, a decrease of €37.7 million compared to December 31, 2020. The non-current portion of other financial liabilities amounts to

€1,857.1 million as at March 31, 2021, an increase of €18.0 million compared to December 31, 2020. Details of the main items within the caption, and the movements from the prior period, are detailed below.

8.7.1. Lease liabilities

Leases relate to the current and non-current lease liabilities recorded in accordance with IFRS 16 *Leases*.

8.7.2. Reverse factoring

Through the use of reverse factoring structures, the Group extends its payment terms up to 360 days, reducing its requirements for working capital. The contractual arrangements in place permit the supplier to obtain the amounts invoiced at agreed payment terms with the amounts paid by the banks that participate in the reverse factoring structure. The Group will repay the banks the full invoice amount, with interest, on the scheduled payment date as required by the reverse factoring agreement. Based on the scheduled payment dates, the amounts payable under this arrangement are accounted for as current liabilities. As the amounts are payable to the participating banks, the amounts have been presented under Other financial liabilities. In the consolidated statement of cash flows, the cash flows related to reverse factoring are presented under Changes in working capital or Payments to acquire tangible and intangible assets depending on the nature of the expenditure, and in addition in the financing flows are presented under Payments made to suppliers through factoring arrangements and Payments made to factoring companies. The increase in reverse factoring as at March 31, 2021 compared to December 31, 2020 is due to the combination of timing of reverse factoring capacity with the banks.

8.7.3. Accrued interest

Accrued interest is the amount of interest due at the reporting date regarding the Company's outstanding debentures and loans from financial institutions. The decrease in accrued interest is the consequence of the refinancing transactions in 2020 which have led to permanent interest cost savings and consequently a decrease in accrued interest.

8.7.4. Put options with non-controlling interests

The Group executes agreements with the non-controlling interests in certain acquisitions whereby the non-controlling interests have the option to sell their non-controlling interests to the Group. These instruments are measured at their fair value at the reporting date.

8.7.5. Mandatory Convertible Notes Portugal

On April 17, 2020, PT Portugal and Morgan Stanley Infrastructure Partners entered into a subscription agreement regarding the issuance and subscription of €1,600.0 million mandatory convertible notes in which the parties subscribed considering the percentage of interest in equity of FastFiber. The €848.8 million relates to the financial liability of the Group towards Morgan Stanley Infrastructure Partners, consisting of the notional amount of €799.8 million and an additional subscription of €49.0 million. The notes bear interest on their aggregate principal amount at the fixed rate of 6.00% per annum. Interest is due in May and November of each year. At any time on or after the date that is twenty years after the date of issue, all or part of the notes issued can be converted into shares with mutual consent. The principle of the convertible notes do not have a stated maturity and will never become payable in cash.

8.7.6. Mandatory Convertible Notes Altice Luxembourg

The Mandatory Convertible Notes ("MCN") were issued for an aggregate amount of €2,055 million, which were entirely subscribed by the Company's sole shareholder, Altice Luxembourg. These instruments are compound financial instruments that contain both a liability and an equity component. As a result of the full reimbursement of Altice Luxembourg senior debt in the first quarter of 2020, the Company obtained the right to convert all or part of the MCN issued into shares with no limitation in time up until the maturity date. The Company had no obligation to pay the MCN interest beyond the conversion date. As a result, the net present value of future interest payments for the period after March 31, 2020 was released from Other financial liabilities to Net result on extinguishment of a financial liability for an amount of €661.3 million in the condensed consolidated statement of income.

On December 30, 2020, the existing agreement was amended with a revised maturity date of December 31, 2023 and an interest rate which is based on the annual interest rate accrued on the Company's Senior Debt. Following the amended agreement, the existing liability was derecognised and a new liability was recorded, resulting in the recognition of an interest expense of €17.9 million and an extinguishment of debt of €478.3 million. The non-current portion of the MCN liability recorded at March 31, 2021 and December 31, 2020 are €181.7 million and €180.0 million respectively. The current portion of the MCN liability recorded at March 31, 2021 and December 31, 2020 are €175.0 million and €173.9 million respectively.

9. Fair value of financial assets and liabilities

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

Fair values of financial assets and liabilities	**March 31, 2021**		**December 31, 2020**	
(€m)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	301.7	301.7	354.0	354.0
Restricted cash	39.0	39.0	39.3	39.3
Derivatives	29.5	29.5	48.3	48.3
Call options on non-controlling interests	158.0	158.0	158.0	158.0
Other financial assets	38.7	38.7	1.2	1.2
Current financial assets	**566.9**	**566.9**	**600.8**	**600.8**
Derivatives	59.8	59.8	29.8	29.8
Call options on non-controlling interests	4.7	4.7	4.7	4.7
Equity instruments at fair value through OCI	5.3	5.3	5.8	5.8
Loans and receivables with group companies	2,510.6	2,510.6	2,498.3	2,498.3
Other financial assets	23.7	23.7	23.6	23.6
Non-current financial assets	**2,604.1**	**2,604.1**	**2,562.2**	**2,562.2**
Short term borrowings and financial liabilities	18.4	18.4	17.8	17.8
Derivatives	74.4	74.4	74.5	74.5
Lease liabilities	80.8	80.8	83.7	83.7
Reverse factoring	295.7	295.7	277.2	277.2
Accrued interest	84.3	84.3	139.2	139.2
Put options with non-controlling interests	205.9	205.9	205.9	205.9
Mandatory Convertible Notes Altice Luxembourg	181.7	181.7	180.0	180.0
Other financial liabilities	6.0	6.0	6.1	6.1
Current financial liabilities	**947.2**	**947.2**	**984.4**	**984.4**
Long term borrowings and financial liabilities	7,222.5	7,220.3	7,047.0	7,092.1
Put options with non-controlling interests	6.8	6.8	6.8	6.8
Derivatives	217.5	217.5	348.9	348.9
Lease liabilities	818.5	818.5	805.5	805.5
Mandatory Convertible Notes Portugal	848.8	848.8	848.8	848.8
Mandatory Convertible Notes Altice Luxembourg	175.0	175.0	173.9	173.9
Other financial liabilities	7.9	7.9	4.1	4.1
Non-current financial liabilities	**9,297.1**	**9,294.9**	**9,235.0**	**9,280.1**

During the three-month period ended March 31, 2021, there were no transfers of financial assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements. The table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

9.1.1. New put and call options

During the three-month period ended March 31, 2021, the Group did not enter into any new call-put option contracts.

9.1.2. Fair value hierarchy

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

Fair value measurement (€m)	Fair value hierarchy	Valuation technique	March 31, 2021	December 31, 2020
Financial Liabilities				
Derivative financial instruments	Level 2	Discounted cash flows	291.9	423.4
Minority Put Option - Teads	Level 3	Discounted cash flows	205.9	205.9
Minority Put Option - Intelcia Portugal	Level 3	Discounted cash flows	6.8	6.8
Financial Assets				
Derivative financial instruments	Level 2	Discounted cash flows	89.3	78.1
Minority Call option - Teads	Level 3	Black and Scholes model	158.0	158.0
Minority Call option - Intelcia Portugal	Level 3	Black and Scholes model	4.7	4.7
Equity instruments at FVOCI - Partner Co. Ltd.	Level 1	Quoted share price	5.3	5.8

9.1.3. Information on valuation techniques

9.1.3.1. Investments in listed entities

Quoted prices directly available from an active market are used to source the fair value, i.e. the quoted share price of the listed investments in Partner Co. These valuations are directly observable in an open market and therefore the Group has concluded that these instruments should be classified within Level 1 of the fair value hierarchy.

9.1.3.2. 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.

9.1.3.3. 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. 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.

9.1.3.4. 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, the strike price and maturity in the contract, and the risk-free rate and dividend yield. 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.

9.1.4. 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

9.1.5. Change 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	Total
Opening balance at January 1, 2021	**-**	**(212.7)**	**162.7**	**(50.0)**
Additions	-	-	-	-
Change in value of minority put options recorded in equity	-	-	-	-
Gains or losses recognised in profit or loss	-	-	-	-
Closing balance at March 31, 2021	**-**	**(212.7)**	**162.7**	**(50.0)**

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	Total
Opening balance at January 1, 2020	**-**	**(153.4)**	**113.6**	**(39.8)**
Additions		(6.8)	4.7	(2.1)
Change in value of minority put options recorded in equity	-	(52.5)	-	(52.5)
Gains or losses recognised in profit or loss	-	-	44.4	44.4
Closing balance at December 31, 2020	**-**	**(212.7)**	**162.7**	**(50.0)**

10. Taxation

Tax expense (€m)	Three months ended March 31, 2021	Three months ended March 31, 2020
Profit / (loss) before income tax and share of earnings of associates and joint ventures	(177.4)	688.5
Income tax benefit / (expense)	23.9	16.6
Effective tax rate	**13%**	**(2)%**

The Group is required to use an estimated annual effective tax rate to measure the income tax benefit or expense recognised in an interim period.

The Group recorded an income tax benefit of €23.9 million for the three-month period ended March 31, 2021, reflecting an effective tax rate of 13% compared to an income tax benefit of €16.6 million for the three-month period ended March 31, 2020, reflecting an effective tax rate of 2%. The non-deductible financial expenses and other permanent differences had the effect of lowering the Group's effective tax rate for the three-month period ended March 31, 2021. Without the effect of the capital gain in Portugal related to the disposal of a 25% equity stake in OMTEL on January 2, 2020 (please refer to note 3.2.1) and the gain resulting from the derecognition of the net present value of future interest payments for the MCN (please refer to note 8.7.6), the effective tax rate for the three-month period ended March 31, 2020 would have been 24%.

Income tax litigation

There was no significant development in existing tax litigations since the publication of the annual consolidated financial statements that have had, or that may have, a significant effect on the financial position of the Group, except the following:

- In the context of the VAT audit conducted by the Israeli VAT Authority for the tax years 2013-2019, Cool Holdings Ltd and Hadaros 2012 Ltd received on April 29, 2021, a VAT reassessment notice for a total amount of €151.4 million. The VAT assessment is related to accrued interest on intercompany bonds issued by Cool Holdings Ltd and Hadaros 2012 Ltd. Based on advice received, the Company's management believes it has good arguments to counter the reassessment. As of March 31, 2021, no provision has been recorded in the condensed interim financial statements.

- MEO has received a preliminary tax inspection report for the year 2018 where tax authorities are proposing a stamp tax correction of approximately €29 million relating to the demerger of the mobile tower business unit in that year, following which PT Portugal disposed of a 75% stake in that business. MEO expects to submit its preliminary defense until May 24, 2021, after which tax authorities will decide to include or not this matter in the final inspection report. MEO believes it has good arguments to counter the possible correction. As of March 31, 2021, no provision has been recorded in the condensed interim financial statements.

11. Net finance income/(costs)

Net finance (costs)/income (€m)	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest relative to gross financial debt	**(90.0)**	**(140.1)**
Realized and unrealized (losses) / gains on derivative instruments linked to financial debt	**127.3**	**192.9**
Interest on lease liabilities	(17.6)	(18.0)
Net foreign exchange losses	-	-
Impairment of available for sale financial assets	-	0.2
Other	(23.2)	(14.1)
Net foreign exchange losses	(76.9)	(144.7)
Other financial expenses	**(117.7)**	**(176.6)**
Interest income	40.4	27.8
Other financial income	7.1	-
Finance income	**47.5**	**27.8**
Net result on extinguishment and remeasurement of financial liabilities	**-**	**589.7**
Finance (costs)/income	**(32.9)**	**493.6**

The net finance costs for the three-month period ended March 31, 2021 was €32.9 million compared to net income of €493.6 million for the same period in 2020. The change was mainly attributed to:

- lower interest relative to gross financial debt due to refinancing activities in 2020, reflecting lower interest on long term debt;
- lower realized and unrealized gains on derivative instruments of €90.0 million compared to gains of €192.9 million for the same period in 2020 due to lower positive variation in the mark to market of the swaps of Altice Financing;
- lower net foreign exchange losses of €76.9 million compared to losses of €144.7 million for the same period in 2020 as a result on the foreign exchange effect on long term debt of the Dominican Republic;
- gain on extinguishment of financial liability for the three months ended March 31, 2020, which amounted to €589.7 million as a result of the derecognition of the net present value of future interest payments for the MCN (please refer to note 8.7.6) and redemptions of the Group's notes in Altice Financing and Altice Finco in 2020.

12. Contractual obligations and commercial commitments

During the three-month period ended March 31, 2021, no significant contractual obligations and commercial commitments have been signed as compared to the year ended December 31, 2020.

13. Litigation

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

During the three-month period ended March 31, 2021, there was no significant new proceedings or developments in existing litigations that have occurred since the publication of the annual consolidated financial statements as of December 31, 2020 and that have had or that may have a significant effect on the financial position of the Group.

14. Events after the reporting period

There were no events subsequent to balance sheet date that had an impact on these condensed interim consolidated financial statements.