

Altice International S.à r.l.



**MANAGEMENT DISCUSSION
AND ANALYSIS**

**FOR THE THREE-MONTH PERIOD ENDED
MARCH 31, 2021**

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1. BASIS OF PRESENTATION

The management discussion and analysis for each of the periods presented is based on the financial information derived from the unaudited consolidated interim financial statements as of and for the three-month period ended March 31, 2021.

Please refer to the Glossary in section 13 for a definition of the key financial terms discussed and analysed in this document.

Disclaimers:

The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the unaudited consolidated interim financial statements of Altice International as of and for the three-month period ended March 31, 2021, including the accompanying notes. Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties.

Unless the context otherwise requires, when used in this section, the terms "we," "our," "Company," the "Group," and "us" refer to the business constituting the Group as of March 31, 2021, even though we may not have owned such business for the entire duration of the periods presented.

The Group applies International Financial Reporting Standards as endorsed in the EU ("IFRS"). Adjusted EBITDA, and measures derived therefrom, are not defined in IFRS and are "non-IFRS measures". Management believes Adjusted EBITDA is useful to readers of the Historical Consolidated Financial Information as it provides a measure of operating results excluding certain items that we believe are either outside of our recurring operating activities, or items that are non-cash. Excluding such items enables trends in our operating results and cash flow generation to be more easily observable. We use the non-IFRS measures internally to manage and assess the results of our operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in our industry, and thus are a basis for comparability between us and our peers. Further, Adjusted EBITDA, Working Capital and Total Capital Expenditures, as used herein, are not necessarily comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA, Working Capital and Total Capital Expenditures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS.

2. PRINCIPAL ACTIVITIES OF THE GROUP

2.1. Overview of the Group's business

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.

The Group is a multinational group operating across two sectors: (i) telecom (broadband and mobile communications) and (ii) content and media. The Group operates in Portugal, Israel and the Dominican Republic. The Group also has a global presence through its online advertising business Teads. The Group had expanded internationally in previous years through several acquisitions of telecommunications businesses, including MEO in Western Europe; HOT in Israel; and Orange Dominicana and Tricom in the Dominican Republic. The Group's acquisition strategy has allowed it to target cable, FTTH or mobile operators with what it believes to be high-quality networks in markets the Group finds attractive from an economic, competitive and regulatory perspective. Furthermore, the Group is focused on growing its businesses by focusing on cost optimization, increasing economies of scale and operational synergies and improving quality of its network and services.

As part of its innovative strategy, the Group is focusing on investment in its proprietary best-in-class infrastructure, both in fibre and mobile, commensurate with the Group's position as a number one or number two operator in each market. The Group continues to improve its competitiveness in fixed-mobile convergence and maintains its focus on improving customer experience, reflected in a sustained commercial momentum achieved in 2019 and continued in the years 2020 and 2021.

Teads, the digital advertising business acquired in 2017, continues to be a leading player in the digital advertising space, empowering the most renowned publishers in the world to connect to an audience of 1.9 billion people every month.

2.2. Products, services and brands

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

The Group's fixed services (high-quality pay-TV, broadband Internet and fixed-line telephony) are mainly provided over its proprietary fibre- and cable-based network infrastructure which are either FTTH, FTTB, DOCSIS 3.1 or DOCSIS 3.0 enabled, offering download speeds of between 200 Mbps and 10 Gbps depending on geography. On a blended basis, as of March 31, 2021, the Group's high-speed broadband services passed 8.7 million fibre/cable homes, with 2.4 million fibre/cable unique customers. The Group offers xDSL/DSL/DTH services, with 3.0 million residential

fixed unique customers as of March 31, 2021. The Group also offers mobile services in the geographies in which it operates, through 2G, 3G, 4G Long-Term-Evolution (“LTE”) technology (with 1 Gbps achieved in the second quarter of 2019) and 5G to its HOT customers in Israel. On a blended basis, as of March 31, 2021, the Group had 10.2 million residential mobile subscribers (of which 5.0 million were postpaid subscribers).

The Group is focused on the convergence of fixed and mobile services by cross-selling and up-selling its offerings to further increase its multi-play penetration. The Group’s fibre and mobile technologies enable it to offer premium digital services, attractive interactive features (e.g., ‘MEO Go!’ offering in Portugal) and local content (e.g., through its ‘HOT 3’ channel in Israel) to its customers. The Group has leveraged its network advantage to drive its multi-play strategy and offer an attractive combination of content, speed and functionality. The Group offers to its residential customers bundled double- and triple-play fixed services, which comprises paying for a combination of TV, broadband Internet access and fixed-line telephony services together with customer premise equipment at what the Group believes are attractive prices. The Group believes the demand for its multi-play packages is primarily driven by the inherent quality of the various products included within them, which the Group believes are among the best available in the markets in which it operates. Although the Group is convinced its products offer the best value for money and cost-savings for customers when purchased as part of multi-play packages, the Group also offers most of these services on a stand-alone basis in most of its geographies. In some markets, such as Portugal, the Group offers quad-play bundles including both fixed and mobile services.

The Group is focused on strategically developing content to complement its fixed and mobile services with high-quality content offerings on its own networks and to external partners. The Group continues to broadcast and distribute various sports events in selected countries, including the Portuguese Liga in Portugal.

Teads is a leading digital video advertising business and distributes ads to over 1.9 billion people every month. Teads solutions combine high-quality inventory with smart uses of data, along with creative artificial intelligence. This makes marketing more precise and more efficient, whilst enabling brands to deliver the optimal advertising experience personalized to the user.

The Group markets its products and services under multiple brands, including but not limited to the following brands: ‘HOT’ in Israel; ‘MEO’ and ‘MOCHE’ in Portugal; ‘Altice’ in the Dominican Republic, and, in each case, several associated trademarks.

2.3. Activities

The Group tracks the performance of its business by geography and further analyses its revenue by activity. The Group has identified the following activities: residential services, business services and media (targeted advertising).

2.3.1. Residential services

2.3.1.1. Fixed residential services

The Group offers a variety of fixed residential services, primarily as part of multi-play packages, with available offerings depending on the bandwidth capacity of its cable and fibre networks in a particular geography, which consist of FTTH, hybrid fibre coaxial (“HFC”) and copper line (“xDSL”).

The Group has a high-quality fibre- and cable-based network infrastructure across the geographies in which it operates. The Group has already rolled-out and secured plugs in FTTH in Portugal and will enable an acceleration in fibre rollout in Israel through the IBC transaction (please see note 4.2.1.2). The Group’s fixed services (high-quality pay-TV, broadband Internet and fixed-line telephony) are mainly provided over its proprietary fibre- and cable-based network infrastructure which are either FTTH, FTTB, DOCSIS 3.1 or DOCSIS 3.0 enabled.

2.3.1.2. Broadband Internet access and fixed-line telephony

The Group provides broadband Internet access and fixed-line telephony services across its fibre (and in certain areas xDSL) and cable footprint. Large portions of its networks that are FTTH-enabled or DOCSIS 3.1 enabled can offer

download speeds of up to 10 Gbps with limited network and customer premise equipment upgrades given the existing technological capability of its networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable it to better meet the needs of its residential customers who demand higher download speeds. Across Portugal, the Group is upgrading its networks for next-generation FTTH technology which will deliver more download speeds in the mid-term as well as reducing operating costs of running and maintaining its networks and services. As of March 31, 2021, the Group provides broadband Internet to 3.0 million residential fixed customers across its geographies.

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

In its fixed residential business, the Group believes advanced customer premise equipment is playing an increasingly crucial role as it enhances customer experience by facilitating access to a wide range of user-friendly features, offers a reliable channel for selling add-on and on-demand services, allows for multi-screen television viewing and broadband Internet usage by multiple parties. Furthermore, when set-top boxes, modems and other customer premise equipment are combined in one box, it allows cable operators to significantly reduce customer service expenses.

2.3.1.3. Pay TV

The Group is focused on strategically developing content to complement its fixed and mobile services with exclusive or high-quality content offerings. The Group produces and broadcasts a diverse range of content including live broadcasts of sports events and other sports- and lifestyle-related programs as well as the sports programming for which the Group has acquired broadcasting rights, including the Portuguese Liga in Portugal.

Terrestrial TV channels

Across its geographies, the Group offers digital television services which include basic and premium programming, and, in most markets, incremental product and service offerings such as VoD, and, in some cases, exclusive content. The Group's pay-TV offerings include content and channels purchased from a variety of local and foreign producers and the Group continues to focus on broadcasting high-quality content over all of its networks as well as producing its own original content.

2.3.1.4. Mobile residential services

The Group owns and operates mobile infrastructure in all of its geographies. Depending on geography and network technology deployed, the Group offers 2G, 3G, 4G, 4G-LTE and/or 5G services in each market in which it operates, on a variety of plans, from 'no frills' offers with no commitment or handset, to premium mobile telephony offers with varying voice and data limits, if any, at attractive prices. In Israel, the 5G spectrum auction has been concluded during the third quarter of 2020 and HOT has been awarded a license to operate the new network. We launched 5G services in Israel in the first quarter of 2021. In Portugal, the 5G spectrum auction bidding started on December 22, 2020 and the main auction is ongoing. The expected allocation of rights of use for frequencies is scheduled for the third quarter of 2021. In the Dominican Republic, the 5G spectrum auction started in February 2021 and the auction is ongoing. The expected allocation of rights of use for frequencies is scheduled for the third quarter of 2021.

During 2020, the mobile residential services segment was impacted by the COVID-19 pandemic. The closure of physical borders and the drop of international traffic led to a strong decline in roaming out from our customers, as well as roaming in. As a result of the evolution of the COVID-19 pandemic and government measures, this activity remained impacted in the first quarter of 2021.

As of March 31, 2021, the Group offered mobile services to 10.2 million residential customers on a blended basis, across the geographies where it is active. In Israel, due to regulations, earlier the Group offered its mobile services either on a stand-alone basis or in a bundle with ISP or international call services. According to a regulatory

amendment as of February 2021, we are entitled to include our mobile services in our other multi-services packages, subject to the approval of the Ministry of Communications for such packages.

2.3.2. Business services

2.3.2.1. Fixed business services

The Group offers focused fixed business services to large, medium, small and very small business customers in Portugal and the Dominican Republic. In Israel, the Group's business services primarily consist of enhanced versions of the Group's residential products, which are adapted to meet the needs of its business customers.

2.3.2.2. Mobile business services

The Group offers focused mobile business services to large, medium, small and very small business customers in all its geographies. The Group's mobile business services products often include professional telephony services (such as business directory services, fleet management customer areas, usage alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service.

2.3.2.3. Wholesale services

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

In addition, the Group offers original channels, which include premium sport rights, exclusive or original films and series, to other telecommunications operators or third parties, therefore becoming a wholesale player in both telecom infrastructure and content.

2.3.2.4. R&D services

The Group has implemented the 'Altice Labs' initiative, which is the Group's state-of-the-art research and development centre that aims to centralize and streamline innovative technological solutions development for the entire Group ("Altice Labs").

2.3.2.5. Other services

The Group offers several other services, depending on geography, such as bulk services to housing associations and multiple-dwelling unit managers, cloud storage such as on-demand IaaS services, computer security services and storage and backup solutions. In various jurisdictions in which the Group operates, it also generates revenue from selling advertising time to national, regional and local customers.

2.3.3. Media

Targeted advertising (Teads)

Founded in 2011, Teads is a global media platform and leading digital video advertising business. Publishers use Teads' technology to create engaging video and display advertising experiences on their website and in their Apps. Those publishers can monetize the advertising inventory through their own sales force or Teads' salesforce. As a global media platform, Teads unites and empowers the best publishers in the world to connect advertisers to an audience of over 1.9 billion people every month. Teads' made-for-mobile ad experiences deliver attention and guaranteed outcomes across the marketing funnel. Through its end-to-end platform, Teads provides demand-side, sell-side and creative technology to deliver better media effectiveness for brands, better monetization solutions for publishers, and better experiences for consumers.

In 2019, supported by its positioning as a leading strategic partner for top-tier publishers, Teads signed global advertising partnerships with several of the top 100 global ad spenders. A number of new initiatives were introduced in 2019 including the successful launch of an enterprise suite for publishers, which will continue to position Teads as

a strategic partner for top-tier publishers, as well as inRead Social, a new product which easily allows brands and agencies to repurpose campaign assets for distribution via the Teads platform. During 2019, Teads continued to invest in various cookie-less targeting solutions, including contextual and machine learning based solutions.

In 2020, a wider adoption of Teads self-serve ad platform, Teads Ad Manager, and new machine learning algorithms helped improve the business efficiency. Additionally, despite impacts of the COVID-19 pandemic, many advertisers shifted a larger share of their spend into performance advertising across the marketplace. Teads benefitted from this trend through the Teads Performance offering which represented a growing share of Teads revenue. Simultaneously, a variety of cost-saving measures were implemented across technology infrastructure and general and administrative expenses, the impact of the COVID-19 pandemic, which led to accelerated Adjusted EBITDA growth in 2020 and the first quarter of 2021.

2.4. Marketing and sales

The Group's marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain customers. It markets its business services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. The Group's primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door-to-door marketing, billboards, newspaper advertising and targeted mail solicitation. The Group's marketing strategy is based on increasing the penetration of multi-play services within its subscriber base, increasing distribution of television-based value-added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. The Group's marketing and sales efforts are always geared towards demonstrating the high-quality and speed of its networks.

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

2.5. Customers

2.5.1. Customer contracts and billing

The Group typically enters into standard form contracts with its residential customers. The Group reviews the standard rates of its services on an on-going basis. In certain geographies, in addition to the monthly fees the Group charges, customers generally pay an installation fee upon connection or re-connection to the Group's fibre/cable network. The terms and conditions of the Group's contracts, including duration, termination rights, the ability to charge early exit fees, and the ability to increase prices during the life of the contract, differ across the Group's operations primarily due to the different regulatory regimes it is subject to in each of the jurisdictions in which it operates.

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

2.5.2. Customer service

The Group's customer service strategy is to increase customer satisfaction and decrease churn with high product quality. Building on 2018 and 2019 achievements, further improved customer service resulted in the reduction of churn within the Group's key geographies, which continued in 2020 and the first quarter of 2021. The Group has continued to improve its customers' experience, including enhanced customer relationship management systems, which have allowed the Group to better manage new customers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers. The Group aimed to integrate operations and centralize functions in order to optimize processes and to correlate sales incentives to churn, net promoter score ("NPS") and average revenue per user ("ARPU") as opposed to more

traditional criteria of new sales, in order to refocus the organization away from churn retention to churn prevention. The Group has remained disciplined and focused on further improving customer service in all markets. This has resulted in ongoing churn reduction across products, building on the significant progress that was already made in 2018, 2019 and continued in 2020.

2.6. Competition

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

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

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

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

Portugal: In the broadband and mobile market, the Group faces competition from Vodafone, NOS and Nowo, the latter operating through a MVNO with MEO. In the fixed telephony market, the Group faces an erosion of market share of both access lines and outgoing domestic and international traffic due to the trend towards the use of mobile services instead of fixed telephone services. Competition in the fixed telephony market is intensified by mobile operators such as NOS and Vodafone who can bypass MEO's international wireline network by interconnecting directly with fixed-line and mobile networks either in its domestic network or abroad. Through FastFiber, the Portuguese operation continues expanding its proprietary fixed fibre infrastructure and rollout of FTTH, competing with Vodafone and NOS. In the business services market, competitors such as Vodafone and NOS are taking market share from MEO in traditional connectivity services, partly offset by MEO introducing new ICT services to its business customers.

Israel: In the broadband market, the Group competes primarily with Bezeq, which provides high speed broadband Internet access over DSL and holds the highest market share in broadband Internet infrastructure access in Israel. In the pay-TV market, the Group's main competitor is D.B.S. Satellite Services (1998) Ltd, a subsidiary of Bezeq, which provides satellite technology-based television services under the brand "YES". Bezeq is also the Group's main competitor in the fixed-line telephony market as the largest provider of fixed-line telephony services. Cellcom and Partner also provide broadcasting offers to OTT subscribers.

HOT Mobile competes with several principal mobile network operators, including Cellcom, Partner, Pelephone and Golan Telecom, and MVNOs. The telecom market in Israel has changed significantly in recent years to become more fragmented, including 9 players in the mobile market, underlying an increase of competition. During 2020 there was

a very high level of promotions in the market. This included significant competition within the TV “skinny bundle” segment with aggressively priced residential offers. HOT remains a premium brand in the market, supported by its superior fixed network infrastructure, premium content packages, and superior customer service.

Dominican Republic: The Group’s key competitors in the fixed market are Claro (America Movil) and to a lesser extent, local players such as Viva and Aster. Altice Dominicana has approximately 34% market share in mobile and 27% in fixed Internet. In the mobile market, Altice Dominicana mainly competes with Claro (with which it shares a comparable spectrum range and 4G-LTE population coverage), and with Viva in the low-end segment. Altice Dominicana also competes with niche actors Wind and Sky. In the pay-TV segment, the market is still deeply fragmented with several regional cable operators.

The Dominican Republic government is focused on economy on accelerating an economic recovery by focusing on two main pillars: propelling tourism sector as it plays an important role in the GDP of the country and foreign currency generation, as well as increasing employment generation, including through foreign investment.

Finally, after highly volatile period of the exchange rate between the Euros and the Dominican peso in the months following COVID-19 restrictions (from May 2020 to August 2020), the government has implemented controls to stabilize the currency fluctuations and the exchange rate is currently exhibiting more stable trend.

3. STRATEGY AND PERFORMANCE

3.1. Objectives

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

The Group has contributed to long-term value creation in the past financial years, through multiple factors. The operational and financial turnaround in Portugal was achieved under the leadership of a new local management team put in place in 2018, which is still effective as of the first quarter of 2021. The Group has delivered sustained investment at an accelerated pace into upgrading its fixed and mobile networks for better quality services to improve the customer experience and drive future growth. In addition, the Group has successfully executed on the monetization of part of the Group companies’ infrastructure at attractive valuations in prior years. The Group has deleveraged through a combination of organic and inorganic actions. The Group intends to maintain a strong balance sheet, with the stated leverage target range remaining a strategic focus.

3.2. Strategy of the Group

At the core of the Group’s strategy is customer, revenue, profitability and cash flow growth by efficiently running telecom assets, creating underlying organic growth, and as a result, achieving a leverage profile consistent with the stated target leverage range. The Group benefits from a unique asset base which is fully convergent, fiber rich, active across residential consumers and businesses and holds number one or number two positions in each of its markets with nationwide coverage. The reinforced operational focus offers significant value creation potential. Key elements of the Group’s growth strategy include:

- building on the operational and financial turnaround in Portugal;
- optimizing the performance in each market with a particular focus on customer services;

- continuing to invest in best-in-class infrastructure commensurate with the Group’s market position;
- growing advertising revenues; and
- the potential monetization of part of the Group companies’ infrastructure and assets at attractive valuations.

4. GROUP FINANCIAL REVIEW

4.1. General

The following discussion and analysis is intended to assist in providing an understanding of the Group’s financial condition, changes in financial condition and results of operations and should be read together with the consolidated financial statements for the three-month ended March 31, 2021, including the accompanying notes.

The below table sets forth the Group’s consolidated statement of income for the three months ended March 31, 2021 and March 31, 2020.

Consolidated Statement of Income (€m)	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenues	1,014.5	990.9
Purchasing and subcontracting costs	(282.3)	(246.7)
Other operating expenses	(196.5)	(220.9)
Staff costs and employee benefits	(133.4)	(115.6)
Depreciation, amortization and impairment	(302.1)	(302.5)
Other (expenses) and income ¹	(244.7)	89.7
Operating profit	(144.5)	194.9
Interest relative to gross financial debt	(90.0)	(140.1)
Realized and unrealized (losses)/gains on derivative instruments linked to financial debt	127.3	192.8
Other financial expenses	(117.7)	(176.6)
Finance income	47.5	27.8
Net result on extinguishment and remeasurement of financial liabilities	-	589.7
Finance 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)	23.9	16.6
Profit/(loss) for the year from continuing operations	(158.9)	704.3
<i>Attributable to equity holders of the parent</i>	(167.7)	706.0
<i>Attributable to non-controlling interests</i>	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 4.2.3.

The Group has 5 operating segments for which the results of operations of the business will be discussed:

- **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, amongst others. 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. Significant events affecting historical results

A summary of the significant events that had a material impact on the consolidated interim financial statements as of March 31, 2021 and March 31, 2020 is given below:

4.2.1. Acquisitions and disposals completed for the three months ended 31 March, 2021

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 infeasible 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*.

4.2.2. Acquisitions and disposals completed for the three months ended March 31, 2020

4.2.2.1. 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 7.2.2).

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.

4.2.2.2. 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 8.1.5). 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.

4.2.3. Other significant events completed for the three months ended 31 March, 2021

Portugal pre-retirement program

In connection with an ongoing transformation process of the Group in Portugal, in a severe context resulting mainly from the COVID-19 pandemic, 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.

4.2.4. Other significant events completed for the three months ended 31 March, 2020

4.2.4.1. Redemption of notes

The Group undertook the following redemptions of notes since January 1, 2020:

- On January 13, 2020, Altice Finco redeemed in full the then outstanding Altice Finco 2023 Notes, in an aggregate principal amount of €250 million, in accordance with the indenture governing the Altice Finco 2023 Notes
- On February 10, 2020, Altice Finco redeemed in full the then outstanding Altice Finco 2024 Notes, in an aggregate principal amount of \$400 million, in accordance with the indenture governing the Altice Finco 2024 Notes; and
- On February 18, 2020, Altice Financing redeemed in full the then outstanding Altice Financing 2023 Notes, in an aggregate principal amount of €2,400 million equivalent, in accordance with the indenture governing the Altice Financing 2023 Notes.

4.2.4.2. Issuance of the Altice Financing 2028 Notes and Altice Financing 2025 Notes

On January 22, 2020, Altice Financing issued (i) \$1,200 million aggregate principal amount of 5.000% Senior Secured Notes due January 15, 2028, (ii) €1,100 million aggregate principal amount of 3.000% Senior Secured Notes due January 15, 2028 (together, the "Altice Financing 2028 Notes") and (iii) €600 million aggregate principal amount of 2.250% Senior Secured Notes due January 15, 2025 (the "Altice Financing 2025 Notes").

4.2.4.3. Amendment of 2014 Altice Financing Revolving Credit Facility

On February 20, 2020, all of the lenders under the 2014 Altice Financing Revolving Credit Facility Agreement agreed to amend the 2014 Altice Financing Revolving Credit Facility Agreement to extend the maturity date to February 20, 2025, reduce the margin and make certain other changes.

4.2.4.4. Bridge facility

On March 3, 2020, Altice Finco entered into a term loan credit agreement providing for, among other things, a euro denominated term loan in an aggregate principal amount of €500 million (the “2020 Altice Finco Bridge Credit Facility”). The term loan bears interest at a rate per annum equal to the weighted average rate of two-month and three-month EURIBOR for the period between the funding date of the 2020 Altice Finco Bridge Credit Facility (March 5, 2020) and the maturity date of the 2020 Altice Finco Bridge Credit Facility (May 29, 2020), plus the applicable margin of 2.5% per annum. The proceeds from the term loan borrowed under the 2020 Altice Finco Bridge Credit Facility were used to fund in part the redemption of the Altice Lux 2025 Notes. On April 17, 2020, Altice Finco fully repaid the 2020 Altice Finco Bridge Credit Facility.

5. REVENUE

5.1. Group

For the three months ended March 31, 2021, the Group generated total revenue of €1,014.5 million, a 2.4% increase compared to €990.9 million for the three months ended March 31, 2020.

The tables below elaborate on the Group’s revenue by lines of activity in the various reportable segments in which the Group operates for the three months ended March 31, 2021 and March 31, 2020, respectively:

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

This increase in revenue was mainly the consequence of positive performances in residential equipment, business services and media, but partially offset by a decrease in residential fixed and residential mobile. Revenue was also negatively impacted by the unfavourable development of the foreign currency rate for the Israeli Shekel and

Dominican Peso. The Israeli Shekel average exchange rate decreased by 2.2% compared to the Euro and the Dominican Peso average exchange rate decreased by 18.2% compared to the Euro.

5.2. Operating segments

Portugal: For the three months ended March 31, 2021, Portugal generated revenue of €547.0 million, a 4.8% increase compared to €521.8 million for the three months ended March 31, 2020.

Revenue from Portugal's fixed residential service increased by 6.0% from €155.1 million for the three months ended March 31, 2020 to €164.4 million for the three months ended March 31, 2021. The increase in revenues is explained by market share gains over the recent quarters and the higher contributions from high-value convergent package fees, including migrations from customers being served by our DSL network to fibre.

Portugal's mobile residential service business reported a net revenue decrease of 2.1% from €117.6 million for the three months ended March 31, 2020, to €115.1 million for the three months ended March 31, 2021. This decline is the consequence of lower pre-paid revenues, primarily driven by migrations to both post-paid and convergent packages and lower roaming-out revenues, further impacted by the effects of the COVID-19 pandemic, all of which was partially offset by the increase in post-paid revenues.

Portugal reported a residential equipment revenue increase of 12.0% from €23.4 million for the three months ended March 31, 2020, to €26.2 million for the three months ended March 31, 2021. This increase was largely driven by the increasing commercial momentum after the opening of MEO shops from the end of the first quarter of 2021.

Revenue from Portugal's business services increased by 7.6% from €226.2 million for the three months ended March 31, 2020 to €243.4 million for the three months ended March 31, 2021. This increase is primarily explained by higher equipment sales from Altice Labs, equipment sales of laptops to schools and handsets to corporates.

Israel: For the three months ended March 31, 2021, Israel generated revenue of €247.2 million, a 0.3% increase compared to €246.5 million for the three months ended March 31, 2020. The negative impact of the COVID-19 pandemic on revenues in the three months ended March 31, 2021, was higher compared to the corresponding period in 2020 with two weeks of lockdown in the three months ended March 31, 2020, compared to almost two months of lockdown in the three months ended March 31, 2020. The lower reported growth rate in comparison to the local currency growth rate is additionally partially driven by the unfavourable development of the foreign currency rate for the Israeli Shekel during the first quarter of 2021 in comparison to the first quarter of 2020.

On a local currency basis, revenue increased by 2.5%. Fixed residential service revenue decreased by 4.6%, which was mainly driven by fierce competition in both fixed and mobile market. Mobile residential service revenue decreased by 2.8% on a local currency basis due a stabilization in the mobile subscriber base and an increasing price competition. Israel's residential equipment revenue increased by 36.9% largely due to the increase in digital sales channels as a consequence of the COVID-19 pandemic which was offset by the store closures. Business services revenue increased by 28.2%, mainly due to the increase in B2B equipment sales.

Dominican Republic: For the three months ended March 31, 2021, the Dominican Republic generated total revenue of €117.9 million, an 11.1% decrease compared to €132.6 million for the three months ended March 31, 2020. On a local currency basis, revenue increased by 5.1%. Therefore, the decrease in reported revenue was mainly driven by the unfavourable development of the foreign currency rate for the Dominican Peso.

On a local currency basis, fixed residential service revenue increased by 5.6% due to a growth in the subscriber base, stabilizing ARPU and decrease in churn. Mobile residential service revenue grew by 2.6% due to an increase in prepaid – and postpaid subscriber base as a result of positive net additions. The Dominican Republic's residential equipment revenue increased by 15.5%, largely due to the reopening of shops and stands in the first three months of 2021. Business services revenue grew by 8.0%, largely due to an increase in revenues from fixed television as a result of the revenue generated pursuant to the contract for transmission of educational content, with the Ministry of Education, as well as internet driven by customers increased demand for higher capacity plans.

Teads: For the three months ended March 31, 2021, Teads generated revenue of €102.1 million, compared to €89.7 million for the three months ended March 31, 2020. The increase in media revenue was mainly driven by a strong first quarter for Teads, where several geographies contributed positively to the growth.

6. ADJUSTED EBITDA

6.1. Group

For the three months ended March 31, 2021	Portugal	Israel	Dominican Republic	Teads	Others	Inter- segment elimination	Total
€m							
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	Portugal	Israel	Dominican Republic	Teads	Others	Inter- segment elimination	Total
€m							
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 which impacts are included in Adjusted EBITDA following the definition stated in note 4.2.2.1 to the condensed interim consolidated financial statements.

For the three months ended March 31, 2021, the Group's Adjusted EBITDA amounted to €371.1 million, a decrease of 1.1% compared to €375.4 million for the three months ended 31, 2020. This decrease can be attributed by a higher percentage increase in purchasing and subcontracting costs and staff costs and employee benefit expenses compared to total revenue.

6.2. Operating segments

Portugal: For the three months ended March 31, 2021 the Adjusted EBITDA in Portugal was €204.3 million, a decrease of 2.8% from €210.2 million for the three months ended March 31, 2020. This decrease can be attributed to a higher percentage increase in purchasing and subcontracting costs and staff costs and employee benefit expenses compared to total revenue (please see note 5.2). The increase in purchasing and contracting costs is mainly related to higher cost of goods sold and higher raw materials consumption as a consequence the increase in residential equipment and B2B equipment sales from Altice Labs. The increase in staff costs reflects primarily the effect of the consolidation

of Intelcia in the financial statements since March 2020. The decrease in other operating expenses is primarily explained by lower sales and marketing costs, reflecting lower commercial activity due to the COVID-19 pandemic impacts and lower call centre expenses reflecting the internalization of some of these operations in Intelcia, partially offset by higher provisions for bad debt and higher general and administration expenses compared to pre-pandemic levels.

Israel: For the three months ended March 31, 2021, the Adjusted EBITDA in Israel was €79.2 million, a decrease of 12.7% compared to €90.7 million for the three months ended March 31, 2020. Adjusted EBITDA on a local currency basis decreased by 10.7% compared to the three months ended March 31, 2020. The decrease in Adjusted EBITDA is largely attributable to an increase in cost of goods sold as a consequence of the increase in mobile equipment related sales.

Dominican Republic: For the three months ended March 31, 2021, the Adjusted EBITDA in the Dominican Republic decreased by 10.6% from €66.5 million for three months ended March 31, 2020 to €59.4 million for the three months ended March 31, 2020 (an increase of 5.6% on a local currency basis). On a local currency basis, the increase in Adjusted EBITDA is largely attributable to the reactivation of commercial activity and residential customer base increase.

Teads: For the three months ended March 31, 2021, the Adjusted EBITDA for Teads amounted to €29.3 million, compared to €8.6 million for the three months ended March 31, 2020, an increase of 240.7%. The increase is explained by an increase in revenues and a reduction in operating expenses due to the renegotiation of contracts with advertisers, lower marketing costs and lower travel and entertainment expenses as a result of the COVID-19 pandemic.

7. OPERATING PROFIT OF THE GROUP

7.1. Depreciation, amortization and impairment

For the three months ended March 31, 2021, depreciation, amortization and impairment totalled €302.1 million, stable compared to €302.4 million for the three months ended March 31, 2020.

7.2. Other expenses and income

For the three months period ended March 31, 2021, the Group's other expenses totalled €244.7 million compared to other income of €89.7 million for the three months ended March 31, 2020. A detailed breakdown of other expenses and income is provided below:

Other expenses and income (€m)	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Restructuring costs (including 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)

7.2.1. Restructuring costs (including termination employee benefit costs)

For the three-month period ended March 31, 2021 termination employee benefit costs of €241.1 million were recognized as part of the pre-retirement program launched in March 2021 (please refer to note 4.2.3).

7.2.2. Net gain on sale of interests 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 4.2.2.1).

7.2.3. Operating profit

As a result of the above-mentioned factors, the Group recorded an operating loss of €144.5 million for the three months ended March 31, 2021 compared to an operating profit of €194.9 million for the three months ended March 31, 2020.

8. RESULT FOR THE GROUP – ITEMS BELOW OPERATING EXPENSES

8.1. Finance costs (net)

Net finance costs amounted to €32.9 million for the three months ended March 31, 2021 compared to finance income of €493.6 million for the three months ended March 31, 2020. A detailed breakdown of net finance costs is provided below:

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

8.1.1. Interest relative to gross financial debt

For the three months ended March 31, 2021 the Group's interest relative to gross financial debt totalled €90.0 million, a 35.8% decrease compared to €140.1 million for the three months ended March 31, 2020. The decrease is mainly explained by lower interest costs and a reduction in permanent debt related to various financing activities in 2020.

8.1.2. Realized and unrealized (losses) gains on derivative instruments

For the three months ended March 31, 2021, the Group's realized and unrealized loss on derivative instruments totalled €127.3 million compared to a realized and unrealized gain on derivative instruments of €192.9 million for the three months ended March 31, 2020. This decrease is mainly driven foreign currency variations and floating interest rate fluctuations related to the Group's derivative financial instruments in Altice Financing.

8.1.3. Other financial expenses

For the three months ended March 31, 2021, the Group's other financial expenses totalled €117.7 million compared to €176.6 million for the three months ended March 31, 2020. This variation is mainly related to the decrease in the foreign exchange loss due to the revaluation of U.S. Dollar denominated intercompany debt in the Dominican Republic as at March 31, 2021.

8.1.4. Finance income

For the three months ended March 31, 2021, the Group's other financial income totaled €47.5 million compared to €27.8 million for the three months ended March 31, 2020. The increase in other financial income is mostly explained by an increase of interest income on interest bearing loans receivable from other Altice group companies and the revaluation of Teads minority call option of €10.8 million in 2020 which is nil for three months ended March 31, 2021.

8.1.5. Net result on extinguishment of a financial liability

For the three months ended March 31, 2021, the Group's net gain on extinguishment of a financial liability amounted to nil, compared to a net gain on extinguishment of a financial liability of €589.7 million for the three months ended March 31, 2020. The gain on extinguishment of financial liability for the three months ended March 31, 2020, was the result of the derecognition of the net present value of future interest payments for the Altice Luxembourg mandatory convertible note and redemptions of a portion of the Group's debt 2020. Please refer to note 8.7.6 in the condensed interim consolidated financial statements.

8.2. Share of earnings/(losses) of associates

For the three months ended March 31, 2021, the Group's share of losses of associates totalled €5.4 million compared to a loss of €0.8 million for the three months ended March 31, 2020.

8.3. Income tax benefit/(expense)

The Group recorded an income tax benefit of €23.9 million for the three months ended March 31, 2021, reflecting an effective tax rate of 13% compared to an income tax benefit of €16.6 million for the three months ended March 31, 2020.

8.4. Profit/(Loss) after tax for the period

For the three months ended March 31, 2021, the loss after tax totalled €158.9 million compared to a profit after tax of €704.3 million for the three months ended March 31, 2020. The reasons for this decrease are disclosed in the sections above.

9. CAPITAL EXPENDITURES

9.1. General

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

The table below elaborates on the Group's capital expenditures for the three months ended March 31, 2021 and 2020, respectively, for each of the Group's operating segments:

For the three months ended March 31, 2021	Portugal	Israel	Dominican Republic	Teads	Others	Eliminations	Total
€m							
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	Portugal	Israel	Dominican Republic	Teads	Others	Eliminations	Total
€m							
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

9.2. Operating segments

Portugal: For the three months ended March 31, 2021, Portugal’s total capital expenditures were €114.1 million, an 8.5% decrease compared to €124.7 million for the three months ended March 31, 2020. Accrued capital expenditures have increased by €7.0 million for the three months ended March 31, 2021 reflecting mainly higher network-related capital expenditures reflecting mainly investments in the mobile network and the acquisition of satellite capacity. Working capital related items have decreased by €17.6 million for the three months ended March 31, 2021 in relation to March 31, 2020 due to phasing of capital expenditures.

Israel: Capital expenditures for Israel amount to €70.6 million for the three months ended March 31, 2021 compared to €61.4 million for the three months ended March 31, 2020. On a local currency basis, capital expenditures increased by 17.6%, which was mainly driven by fixed customer and installation capital expenditure, in preparation of the launch of the fibre commercial offers and network investments due to new deployment and rerouting projects.

Dominican Republic: For the three months ended March 31, 2021, the total capital expenditures were €20.2 million, a 40.5% decrease compared to €34.0 million for the three months ended March 31, 2020. On a local currency basis, the capital expenditures decreased by 29.7%, mainly driven by a decrease in mobile network related capex due to phasing of Mobile Rollout and an improved network planning.

Teads: In general, Teads has limited capital expenditures due to the nature of its business.

10. LIQUIDITY, CAPITAL RESOURCES AND CASH FLOW

10.1. Liquidity and capital resources

The Group’s principal sources of liquidity are (i) operating cash flow generated by the Group’s subsidiaries and (ii) various revolving credit facilities and guarantee facilities that are available to the Group, for any requirements not covered by the operating cash flow generated.

As of March 31, 2021, Altice International’s restricted group had an aggregate of €538.0 million (equivalent) available borrowings under the Guarantee Facility Agreements, the 2014 Altice Financing Revolving Credit Facility Agreement and the 2015 Altice Financing Revolving Credit Facility Agreement, of which nil was drawn as at March 31, 2021.

The Group expects to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. The Group’s ability to generate cash from the Group’s operations will depend on the Group’s future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Group’s control. As the Group’s debt matures in later years, the Group anticipates that it will seek to refinance or otherwise extend the Group’s debt maturities from time to time. See below an overview of the Group’s borrowings and loans from lenders:

	Amount in millions (local currency)	Actual	Coupon / Margin	Maturity
Senior Secured Notes	EUR 600	600	2.250%	2025
Senior Secured Notes	USD 2,471	2,103	7.500%	2026
Senior Secured Notes	EUR 1,100	1,100	3.000%	2028
Senior Secured Notes	USD 1,200	1,021	5.000%	2028
Term Loan	USD 876	745	L+2.75%	2025
Term Loan	USD 871	741	L+2.75%	2026
Term Loan	EUR 290	290	E+2.75%	2026
Drawn RCF	-	-	E+3.00%	2025
Other debt & leases	-	24	-	-
Swap Adjustment	-	151	-	-
Secured Debt		6,777		
Senior Notes	EUR 675	675	4.750%	2028
Gross Debt		7,452		
Total cash		(302)		
Net Debt		7,150		

10.2. Cash flow

The following table presents primary components of the Group's cash flows (net) for the three months ended March 31, 2021 and March 31, 2020 respectively. Please refer to the consolidated statement of cash flows in the consolidated financial statements of the Company for additional details.

Consolidated Statement of Cash Flows	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
(€m)			
Profit/(loss) for the period		(158.9)	704.3
<i>Net cash provided by operating activities</i>		<i>376.1</i>	<i>345.1</i>
<i>Net cash used in investing activities</i>		<i>(251.9)</i>	<i>(544.8)</i>
<i>Net cash from/(used in) financing activities</i>		<i>(179.9)</i>	<i>39.6</i>
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

The Group recorded a net decrease of €52.3 million in cash and cash equivalents for the three months ended March 31, 2021, compared to a net decrease of €163.0 million for the three months ended March 31, 2020.

10.2.1. Net cash provided by operating activities

Net cash provided by operating activities increased by 9.0% to €376.1 million for the three months ended March 31, 2021 compared to €345.1 million for the three months ended March 31, 2020. The increase in net cash provided by operating activities, on a recurring business basis, is largely explained by an increase in working capital from €25.3 million working capital investment for the three months ended March 31, 2020 to €11.8 million working capital inflow for the three months ended March 31, 2021.

10.2.2. Net cash used in investing activities

Net cash used in investing activities was €251.9 million for the three months ended March 31, 2021 compared to net cash used by investing activities of €544.8 million for the three months ended March 31, 2020.

For the three months ended March 31, 2021 the cash used for investing activities consisted mainly of €205.8 million of payments to acquire tangible, intangible assets and contract costs and €44.6 million payment related to the acquisition of 23.3% stake in IBC in Israel (refer to note 4.2.1).

For the three months ended March 31, 2020, the cash used in investing activities related to €222.3 million of payments to acquire tangible, intangible assets and contract costs, and a payment of €527.0 million upstreamed by the Group to Altice Luxembourg which was offset by €201.0 million proceeds for the sale of Portugal's 25% equity stake in Belmont.

10.2.3 Net cash used in financing activities

Net cash used in financing activities increased to net cash from financing activities of €179.9 million for the three months ended March 31, 2021, compared to net cash received from financing activities of €39.6 million for the three months ended March 31, 2020.

For the three months ended March 31, 2021 the cash used in financing activities consisted mainly of €142.0 million of interest paid on long term gross debt.

For the three months ended March 31, 2020, the cash used for financing activities consisted mainly of (i) net proceeds and redemptions relating to refinancing activities which resulted in a net inflow of cash of €335.8 million, (ii) interest paid of €202.2 million, and (iii) €61.8 million cash used as a result of call premia and transaction costs related to the redemptions of bonds as part of the refinancing transactions which occurred during the three months ended March 31, 2020.

11. KEY OPERATING MEASURES

The Group uses several key operating measures, such as number of fibre homes passed, fibre unique customers, fixed B2C unique customers, prepaid and postpaid mobile B2C subscribers and mobile B2C subscribers, to track the financial and operating performance of its business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. These measures are derived from the Group's internal operating and financial systems. As defined by the Company's management, these terms may not be directly comparable to similar terms used by competitors or other companies.

Three months ended March 31, 2021				
<i>000's unless stated otherwise</i>	Portugal	Israel	Dom. Rep.	Altice International
Fibre homes passed	5,699	2,212	796	8,707
Total fibre customers	1,135	1,027	204	2,366
Total B2C fixed customers	1,630	1,027	354	3,011
Total postpaid customers	3,203	1,179	627	5,008
Total prepaid customers	2,747	199	2,205	5,151
Total mobile B2C customers	5,950	1,378	2,831	10,159

Notes to the Key Operating Measures:

- Portugal fibre homes passed figures include homes where MEO has access through wholesale fibre operators (c.0.6 million as of March 31, 2021).
- Fibre unique customers represents the number of individual end users who have subscribed for one or more of the Group's fibre / cable-based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premise basis. For Israel, it refers to the total number of unique customer relationships, including both B2C and B2B.
- Mobile subscribers are equal to the net number of lines or SIM cards that have been activated on the Group's mobile networks and excludes M2M.

12. OTHER DISCLOSURES

12.1 Critical accounting policies, judgments and estimates

For details regarding the Group's critical accounting policies, judgments and estimates, please refer to note 2 of the consolidated interim financial statements of the Company for three months ended March 31, 2021.

12.2 Contractual obligations and commercial commitments

For details regarding the Group's contractual obligations and commercial commitments, please refer to note 12 of the consolidated interim financial statements of the Company for three months ended March 31, 2021.

12.3 Post-balance sheet date events

12.3.1 Omega Sales Transaction

On May 26, 2021, PT Portugal entered into an exclusivity agreement with Cellnex Telecom S.A. ("Cellnex") for the sale of 100% in a business unit to be carved out including a set of mobile towers and other passive mobile infrastructure for an implied enterprise value of approximately €209 million (the "Omega Sale Transaction"). The Omega Sale Transaction is expected to close in the second half of 2021, subject to customary regulatory approvals.

13. GLOSSARY

Revenue

Revenue consists of income generated from the delivery of fixed-based services to our B2C customers, mobile services to our B2C customers, equipment sales to residential customers, fixed, mobile and wholesale service and other revenues to our B2B customers and media service revenues. Revenue is recognized at the fair value of the consideration received or receivable net of value added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group.

Residential-Fixed services: Revenue from residential fixed-based services consists of revenue from our B2C customers for pay TV services, including related services such as VoD, broadband internet, fixed-line telephony and ISP services. This primarily includes (i) recurring subscription revenue for pay TV services, broadband internet and fixed-line telephony (which are recognized in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from VoD and fixed-line telephony calls (which are recognized in revenue when the service is rendered), (iii) installation fees (which are recognized in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

Residential-Mobile services: Revenue from residential mobile services from our B2C customers primarily consists of (i) recurring subscription revenue for our postpaid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our prepaid mobile services (which are recognized in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognized in revenue when the service is rendered) and (iv) interconnection revenue received for calls that terminate on our mobile network.

Residential equipment: Revenue from the sale of handsets and fixed equipment (which are recognized on the date of transfer of ownership).

Business services: Revenue from business services primarily consists of (i) revenue from the same services as the above fixed and mobile services and residential equipment, but for the business sector, (ii) revenue from wholesale services derived from renting our network infrastructure, including IRUs and bandwidth capacity on our network, to other telecommunications operators, including MVNOs as well as related maintenance services and (iii) revenue from other services consisting of: (a) data center activities, (b) content production and distribution, (c) advertising, (d) customer services, (e) technical services, (f) construction and (g) other activities that are not related to our core fixed or mobile businesses.

Media services: Revenue from media services consists of advertisement revenue in Teads.

Intersegment Eliminations: Intersegment costs, which primarily relate to services rendered by certain centralized Group functions (such content production and customer service) to the reportable segments of the Group, are eliminated in consolidation.

Purchasing and subcontracting costs

Purchasing and subcontracting costs consist of direct costs associated with the delivery of fixed-based services to the Group's B2C and B2B customers, mobile services to its B2C and B2B customers, wholesale and other services. Purchasing and subcontracting costs consist of the following subcategories:

Fixed-based services: Purchasing and subcontracting costs associated with fixed-based services consist of all direct costs related to the (i) procurement of non-exclusive television content, royalties and licenses to broadcast, (ii) transmission of data services and (iii) interconnection costs related to fixed-line telephony. In addition, it includes costs incurred in providing VoD or other interactive services to subscribers and cost of goods sold of customer premises equipment (such as modems, set-top boxes and decoders).

Mobile services: Purchasing and subcontracting costs associated with mobile services consist primarily of mobile interconnection fees, including roaming charges and cost of goods sold of mobile handsets.

Wholesale: Purchasing and subcontracting costs associated with wholesale primarily consist of costs associated with delivering wholesale services to other operators.

Others: Other purchasing and subcontracting costs consist of (i) cost of renting space for data centers (subject to certain exceptions), (ii) utility costs related to the operation of data centers (such as power and water supply costs), (iii) in relation to the content activity of the Group, technical costs associated with the delivery of content, such as satellite rental costs, (iv) in our technical services business, the cost of raw materials used in the technical activities related to the construction and maintenance of the network, cables for customer connections, etc., and sub-contractor fees associated with the performance of basic field work and the supervision of such sub-contractors and (v) direct costs related to our call center operations, such as service expenses, telecom consumption subscriptions and energy costs, in our customer services functions.

Intersegment Eliminations: Intersegment costs, which primarily relate to services rendered by certain centralized Group functions (such content production and customer service) to the reportable segments of the Group, are eliminated in consolidation.

Other operating expenses

Other operating expenses mainly consist of the following subcategories:

Customer service costs: Customer service costs include all costs related to billing systems, bank commissions, external costs associated with operating call centers, allowances for bad customer debt and recovery costs associated therewith.

Technical and maintenance: Technical and maintenance costs include all costs related to infrastructure rental not under the scope of IFRS 16, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and data center equipment, maintenance and upkeep of the fixed-based and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not capitalized (such as service visits, disconnection and reconnection costs).

Business taxes: Business taxes include all costs related to payroll and professional taxes or fees.

General and administrative expenses: General and administrative expenses consist of office maintenance, professional and legal advice, recruitment and placement, welfare and other administrative expenses.

Other sales and marketing expenses: Other sales and marketing expenses consist of advertising and sales promotion expenses, office rent and maintenance not in the scope of IFRS 16, commissions for marketers, external sales and storage and other expenses related to sales and marketing efforts.

Staff costs and employee benefits

Staff costs and employee benefits are comprised of all costs related to wages and salaries, bonuses, social security, pension contributions and other outlays paid to Group employees.

Depreciation, amortization and impairment

Depreciation, amortization and impairment includes depreciation of tangible assets related to production, sales and administrative functions, the amortization of intangible assets and contract costs. Impairment losses include the write-off of any goodwill or tangible and intangible assets that have been recognized on the acquisition of assets based upon a re-evaluation of the cash generating capacity of such assets compared to the initial valuation thereof.

Other expenses and income

Other expenses and income include any one-off or non-recurring income or expenses incurred during the on-going financial year. This includes deal fees paid to external consultants for merger and acquisition activities, restructuring and other non-recurring costs related to those acquisitions or the business in general, any non-cash operating gains or losses realized on the disposal of tangible and intangible assets and management fees paid to related parties.

Interest relative to gross financial debt

Interest relative to gross financial debt includes interest expenses recognized on third party debt (excluding other long-term liabilities, short term liabilities and other finance leases) incurred by the Group.

Realized and unrealized gains on derivative instruments

Realized and unrealized gains on derivative instruments include variations in the fair value of financial derivative instruments.

Other financial expenses

Other financial expenses include other financial expenses not related to the third-party debt (excluding other long-term liabilities and short-term liabilities, other than lease liabilities under IFRS 16 Leases) incurred by the Group, net exchange rate losses and other financial expenses.

Financial income

Financial income consists of gains from the disposal of financial assets, net exchange rate gains, and other financial income.

Share of earnings of associates

Share of earnings of associates consists of the net result arising from activities that are accounted for using the equity method in the consolidation perimeter of the Group.

Income tax expenses

Income tax expenses are comprised of current tax and deferred tax. Taxes on income are recognized in the statement of income except when the underlying transaction is recognized in other comprehensive income, at which point the associated tax effect is also recognized under other comprehensive income or in equity.

Adjusted EBITDA

Following the application of IFRS 16, Adjusted EBITDA is defined as operating profit before depreciation, amortization and impairment, other expenses and income (capital gains, non-recurring litigation, restructuring costs), 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) allowing comparability for each of the periods presented.

Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is useful to readers of the Historical Consolidated Financial Information as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results that allows investors to better identify trends in our financial performance. Adjusted EBITDA should not be considered as a substitute measure for net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS and may not be comparable to similarly titled measures used by other companies. Further, this measure should not be considered as an alternative for operating profit as the effects of depreciation, amortization and impairment excluded from this

measure do ultimately affect the operating results, which is also presented within the annual consolidated financial statements in accordance with IAS 1 (Presentation of Financial Statements).

Capital expenditures

The Group classifies its capital expenditures in the following categories.

Fixed-based services: 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 services: 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.

Others: other Capex is mainly related to costs incurred in acquiring content rights.