



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**ALTICE NV GROUP**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

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## Overview

### *Our Business*

We deliver fixed services, mobile telephony services and media and advertising services to B2C and B2B customers in all of the territories in which we operate. In addition, we offer a variety of wholesale and other services across our footprint. We also invest in specific content to supplement and enrich the services that we are providing to our customers. Our footprint extends across 10 territories through a fiber-rich broadband network with approximately 33.2 million homes passed as of March 31, 2018.

We have 7 reportable segments for which we discuss the results of operations for our business:

- **France:** The Group controls Altice France S.A., the second largest telecom operator in France, which provides services to residential (B2C) and business clients (B2B) as well as wholesale customers, providing mobile and high speed internet services using SFR and the associated brands. As of 2018, this segment also comprises of French Overseas Territories (FOT), Altice Technical Services France (ATS) and Intelcia customer services.
- **Portugal:** Altice owns Portugal Telecom (“PT Portugal”), the largest telecom operator in Portugal. PT Portugal caters to fixed and mobile B2C, B2B and wholesale clients using the Meo brand. As of 2018, this segment also includes Altice Technical Services entities in Portugal.
- **Israel:** Fixed and mobile services are provided using the HOT and HOT Mobile brands to B2C, B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network. As of 2018, this segment also includes Altice Technical Services entities in Israel.
- **Dominican Republic:** The Group provides fixed and mobile services to B2C, B2B and wholesale clients using the Tricom (cable network) and Altice brands. As of 2018, this segment also includes Altice Technical Services entities in the Dominican Republic.
- **Teads:** Provides digital advertising solutions.
- **Altice TV:** Content business from the use of content rights in France.
- **Others:** This segment includes all corporate entities and i24 US LLC. The Board of Directors believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under “Others”.

Historically, we have made substantial investments in our network and the development of new and innovative products and other service offerings for our customers as a way of differentiating ourselves from our competitors and may continue to do so in the future. Our fixed services (high-quality pay TV, broadband Internet and fixed line telephony) are mainly provided over its cable- and fiber-based network infrastructure which are either DOCSIS 3.0, DOCSIS 2.0 or FTTH enabled, offering download speeds of between 30 Mbps and 1 Gbps depending on geography. As of March 31, 2018, we had a total of 9.0 million unique fixed B2C customers. We also offer mobile services in the geographies in which we operate, through 2G, 3G and 4G Long-Term-Evolution (“LTE”) technology, and, on a blended basis, as of March 31, 2018, we had 25.6 million mobile B2C customers (of which 17.5 million were post-paid customers).

In all territories in which we provide mobile telephony services, we are focused on the convergence of fixed and mobile services by cross-selling and up-selling our offerings to further increase our multiplay penetration (except for Israel, where the regulator does not allow it). Our cable, fiber and mobile technologies enable it to offer premium digital services, attractive interactive features (such as its ‘MEO Go!’ offering in Portugal) and local content (e.g., through its ‘HOT 3’ channel in Israel) to our subscribers, including exclusive football rights in France and Netflix. We have leveraged our network advantage to drive our multiplay strategy and offer an attractive combination of content, speed and functionality. We offer our B2C customers bundled double- and triple-play services, which comprises paying for a combination of TV, broadband Internet access and fixed line telephony services (e.g., through its ‘Box Home de SFR’ offering in France) at what we believe are attractive prices. We believe the demand for our multi-play packages is primarily driven by the inherent quality of the

various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe that our products offer the best value for money and cost-savings for customers when purchased as part of multi-play packages, the we typically also offer most of these services on a stand-alone basis in most of its geographies. In some markets, such as France and Portugal, we offer quad-play bundles including mobile services, as well.

The Group is also focused on strategically developing content to complement its fixed and mobile services with exclusive or high-quality content offerings.

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and our results of operations include, among others, network upgrades, competition, acquisitions and integration of acquired businesses, disposals, macro-economic and political risks in the areas where we operate, our pricing and cost structure, churn and the introduction of new products and services, including multi-play services.

### ***Recent Transactions***

On January 8, 2018, we announced that - after due and careful consideration of several options - we approved plans for the separation of Altice USA from the Company (which will be renamed “Altice Europe”). As a result, Altice USA, including ATS USA, were classified as held for sale as of March 31, 2018 and its related depreciation and amortization had stopped as of January 8, 2018.

The below table presents the impacts of discontinued operations of Altice USA business in the statement of income for the three months period ended March 31, 2018 and March 31, 2017:

<b>Disposal groups held for sale (€m)</b>	<b>Altice USA</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Revenue	1,895.7	2,166.0
Operating profit	749.6	210.2
Finance costs	(399.0)	(346.0)
Share earnings of associates	(8.5)	(2.6)
Income tax	(96.7)	42.1
<b>Net income/(loss) related to discontinued operation</b>	<b>245.4</b>	<b>(96.4)</b>

In December 2017, we decided to sell the Group’s International Wholesale business. The scope of the sale is the transits and international outgoing traffic in Portugal and Dominican Republic. Additionally, on March 12, 2018, the we announced that we had entered into exclusivity with Tofane Global, a Paris-based telecommunications and digital player specializing in international carrier services, for the sale of its international wholesale voice carrier business in France, Portugal and the Dominican Republic As a result, the working capital related to this business was classified as a disposal group held for sale as of March 31, 2018, in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The results from these operations are included in the respective segments discussed in the Discussion and Analysis of Our Results of Operations.

In the prior year, Green and Greendatacenter had been classified as held for sale. The sale was completed in February 12, 2018.

Please also refer to Note 3 of consolidated financial statements as of and for the three months ended March 31,2018 for a complete overview of the changes in the scope of consolidation during the three months ended March 31, 2018 and March 31, 2017. In addition, please refer to *Discussion and Analysis of Our Results of Operations*— for the three months ended March 3, 2018 *compared to the three months ended March 31, 2017* —*Significant Events Affecting Historical Results*”

*Disclaimers:*

*The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read together with the consolidated financial statements of Altice NV as of and for the three months ended March 31, 2018, 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, 2018, even though we may not have owned such business for the entire duration of the periods presented.*

*The Group applies International Financial Reporting Standards (IFRS) as endorsed in the European Union. Adjusted EBITDA and Capex are not defined in IFRS, they are “non-GAAP measures”. Management believes that these measures are useful to readers of Altice’s financial statements as they provide 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-GAAP 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. Moreover, our debt covenants are based on Adjusted EBITDA and other associated metrics.*

## Key Factors Affecting Our Results of Operations

Our future performance is dependent, to a large extent, on the impact of direct competition, general economic conditions (including capital and credit market conditions), our ability to manage our businesses effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers. We operate in a highly competitive, consumer and technology driven and rapidly changing business that is affected by government regulation and economic, strategic, technological, political and social conditions. Various factors could adversely affect our operations, business or financial results in the future and cause our actual results to differ materially from those contained in the forward-looking statements. In addition, important factors that could cause our actual results to differ materially from those in our forward-looking statements include:

- competition for broadband, pay television and telephony customers from existing competitors (such as broadband communications companies, DBS providers and Internet-based providers) and new competitors entering our footprint;
- changes in consumer preferences, laws and regulations or technology that may cause us to change our operational strategies;
- increased difficulty negotiating programming agreements on favourable terms, if at all, resulting in increased costs to us and/or the loss of popular programming;
- increasing programming costs and delivery expenses related to our products and services;
- our ability to achieve anticipated customer and revenue growth, to successfully introduce new products and services and to implement our growth strategy;
- our ability to complete our capital investment plans on time and on budget, including our plan to build a FTTH network, and deploy Altice One, our new home communications hub;
- our ability to develop and deploy mobile voice and data;
- the effects of economic conditions or other factors which may negatively affect our customers' demand for our products and services;
- the effects of industry conditions;
- demand for advertising on our cable systems;
- our substantial indebtedness and debt service obligations;
- adverse changes in the credit market;
- changes as a result of any tax reforms that may affect our business;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate;
- the restrictions contained in our financing agreements;
- our ability to generate sufficient cash flow to meet our debt service obligations;
- fluctuations in interest rates which may cause our interest expense to vary from quarter to quarter;
- technical failures, equipment defects, physical or electronic break-ins to our services, computer viruses and similar problems; the disruption or failure of our network, information systems or technologies as a result of computer hacking, computer viruses, "cyber-attacks," misappropriation of data, outages, natural disasters and other material events;
- our ability to obtain necessary hardware, software, communications equipment and services and other items from our vendors at reasonable costs;
- our ability to effectively integrate acquisitions and to maximize expected operating efficiencies from our acquisitions or as a result of the transactions, if any;
- significant unanticipated increases in the use of bandwidth-intensive Internet-based services;
- the outcome of litigation, government investigations and other proceedings;
- our ability to successfully operate our business following the completion of our separation from Altice N.V., and

- other risks and uncertainties inherent in our cable and other broadband communications businesses and our other businesses.

**Basis of Presentation**

The discussion and analysis for each of the periods presented is based on the financial information derived from the audited consolidated financial statements of Altice N.V. as of and for the three months ended March 31, 2018.

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

## Discussion and Analysis of Our Results of Operations

### For the three months ended March 31, 2018 compared to the three months ended March 31, 2017

The below table sets forth our consolidated statement of income for the three months ended March 31, 2018 and 2017, in millions of Euros. Due to the approval of the plans for the separation of Altice USA from the Company on January 8, 2018, the financial results of Altice USA and ATS USA for both periods are shown in the caption “Profit / loss after tax from discontinued operations”.

### Significant Events Affecting Historical Results

Our results of operations as of and for the three months ended March 31, 2018 and the three months ended March 31, 2017 were significantly impacted by the following events:

- On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12.3 million. SPORT TV is a sports broadcaster based in Portugal. Following this investment, SPORT TV’s shareholders are PT Portugal, NOS, Olivedesportos and Vodafone, each of which with a 25% stake. This new structure benefits, above all, PT Portugal’s customers and the Portuguese market, guaranteeing all the operators access to the sports content considered essential in fair and non-discriminatory market conditions.
- On March 2, 2017, Altice USA acquired Audience Partners, a leading provider of data-driven, audience-based digital advertising solutions worldwide. Altice USA has a successful TV data and addressable advertising track record in the N

Consolidated Statement of Income (€m)	For the three months ended March 31, 2018	For the three months ended March 31, 2017 (* revised)	Change
<b>Revenues</b>	<b>3,599.1</b>	<b>3,734.4</b>	<b>-3.6%</b>
Purchasing and subcontracting costs	(1,116.6)	(1,168.8)	-4.5%
Other operating expenses	(862.9)	(846.0)	2.0%
Staff costs and employee benefits	(367.3)	(414.8)	-11.5%
Depreciation, amortization and impairment	(1,005.2)	(925.2)	8.6%
Other expenses and income	(106.1)	(78.2)	35.7%
<b>Operating profit</b>	<b>141.0</b>	<b>301.4</b>	<b>-53.2%</b>
Interest relative to gross financial debt	(476.6)	(529.7)	-10.0%
Other financial expenses	(93.6)	(25.7)	264.0%
Finance income (expense)	1.7	97.3	-98.3%
<b>Finance costs, net</b>	<b>(568.6)</b>	<b>(458.2)</b>	<b>24.1%</b>
Share of earnings of associates	(1.6)	1.3	NM
<b>Loss before income tax from continuing operations</b>	<b>(429.2)</b>	<b>(155.6)</b>	<b>175.8%</b>
Income tax benefit	72.5	38.2	89.7%
<b>Loss for the period from continuing operations</b>	<b>(356.7)</b>	<b>(117.4)</b>	<b>203.7%</b>
<b>Discontinued operations</b>			
Profit/loss after tax for the year from discontinued operations <sup>1</sup>	245.4	(96.4)	-354.7%
<b>Loss for the period</b>	<b>(111.2)</b>	<b>(213.8)</b>	<b>-48.0%</b>
<i>Attributable to equity holders of the parent</i>	<i>(179.3)</i>	<i>(165.8)</i>	<i>8.2%</i>
<i>Attributable to non-controlling interests</i>	<i>68.1</i>	<i>(48.0)</i>	<i>-241.7%</i>

New York designated market area, and this will expand to include the digital capabilities of Audience Partners to deliver seamless multiscreen addressable solutions.

- As noted in the annual consolidated financial statements, SFR and Marc Laufer had begun exclusive negotiations for a new partnership between SFR, NewsCo and l’Etudiant. In accordance to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the associated disposal group was classified as



held for sale in the consolidated statement of financial position, assets of €59 million and liabilities of €46 million, as at December 31, 2017. On April 28, 2017, SFR Group completed the sale of the companies. SFR Group subsequently acquired a 25% stake in this holding, this is classified as an investment in associate. As part of the transaction, the vendor loan contracted during the acquisition of Altice Media Group for €100 million was fully reimbursed. The Group recorded a €28.3 million capital gain.

In addition, the Group entered into the following transactions in the three months ended March 31, 2018:

- On February 12, 2018, Altice N.V. announced the closing of the transaction to sell its telecommunications solutions business and Data Center operations in Switzerland, green.ch AG and Green Datacenter AG, to InfraVia Capital Partners. The transaction values the business at an enterprise value of approximately 214 million CHF (9.9x LTM Adjusted EBITDA). The capital gain recorded in Q1 2018 amounts to €72.2 million, net of tax. The total proceeds received related to the sale amount to €156.4 million.

## Revenue

For the three months ended March 31, 2018, we generated total revenues of €3,599.1 million, a 3.6% decrease compared to €3,734.4 million for the three months ended March 31, 2017. This decrease in revenues was recorded in all lines of activities, except for the Mobile business, in general as a result of increased competition and the associated impact on the subscriber base and ARPU's, in addition to an unfavourable development of the Foreign currency rates for the Dominican Peso and the Israel Shekel. These unfavourable effects on revenue are partly offset by the additional revenue recorded by Teads, which was acquired on June 22, 2017.

The tables below set forth the Group's revenue by lines of activity in the various geographical segments in which the Group operates for the years ended December 31, 2018 and December 31, 2017, respectively:

Three months ended March 31, 2018								
Revenue (€m)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Revenue Fixed - B2C	665.6	155.3	150.2	24.4	-	-	-	995.4
Revenue Mobile - B2C	1,055.5	134.9	61.8	86.0	-	-	-	1,338.1
B2B	453.8	145.4	29.6	20.1	-	-	-	648.7
Wholesale	290.5	53.3	-	16.5	-	-	-	360.3
Other revenue	176.5	32.3	-	.4	67.7	20.3	.5	297.7
<b>Total standalone revenues</b>	<b>2,641.7</b>	<b>521.1</b>	<b>241.5</b>	<b>147.4</b>	<b>67.7</b>	<b>20.3</b>	<b>.5</b>	<b>3,640.4</b>
Intersegment eliminations	(11.2)	(11.9)	(.2)	(.3)	(.5)	(15.8)	(1.5)	(41.3)
<b>Total consolidated revenues</b>	<b>2,630.5</b>	<b>509.3</b>	<b>241.4</b>	<b>147.1</b>	<b>67.3</b>	<b>4.5</b>	<b>(1.0)</b>	<b>3,599.1</b>

Three months ended March 31, 2017 (* revised)								
Revenue (€m)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Fixed - B2C	696.6	176.2	170.0	28.7	-	-	17.1	1,088.7
Mobile - B2C	1,026.6	140.7	55.9	107.5	-	-	.3	1,331.0
B2B	492.5	151.8	35.3	23.9	-	-	3.5	706.9
Wholesale	345.7	71.9	-	22.0	-	-	.0	439.6
Other	174.5	32.2	-	(.7)	-	88.2	44.4	338.6
<b>Total standalone revenues</b>	<b>2,735.8</b>	<b>572.8</b>	<b>261.3</b>	<b>181.4</b>	<b>-</b>	<b>88.2</b>	<b>65.4</b>	<b>3,904.7</b>
Intersegment eliminations	(34.2)	(9.3)	(.3)	(1.0)	-	(88.5)	(37.1)	(170.4)
<b>Total consolidated revenues</b>	<b>2,701.6</b>	<b>563.5</b>	<b>261.0</b>	<b>180.3</b>	<b>-</b>	<b>(.3)</b>	<b>28.2</b>	<b>3,734.4</b>

Revenues for the Group's fixed services decreased from €1,088.7 million for the three months ended March 31, 2017 to €995.4 million for the three months ended March 31, 2018, an 8.6% decrease compared to the three months ended March 31, 2017. This decrease was driven primarily by growing competition and associated impact on subscriber numbers and pricing pressure.

The Group's mobile services revenue increased to €1,338.1 million for the three months ended March 31, 2018, a 0.5% increase compared to €1,331.0 million for the three months ended March 31, 2017, mainly due to an

increase in France resulting from an increase of Mobile post-paid subscribers. This increase was partly offset by a decrease in mobile revenues in the Dominican Republic resulting from price erosion.

The Group's B2B services revenue decreased to €648.7 million for the three months ended March 31, 2018, a 8.2% decrease compared to €706.9 million for the three months ended March 31, 2017, mainly due to a decrease in France as a result of price reductions which were implemented during Q2 2017.

The Group's Wholesale services revenue decreased to €360.3 million for the three months ended March 31, 2018, a 18.0% decrease compared to €439.6 million for the three months ended March 31, 2017, mainly due to decreases in France and Portugal due to lower international voice traffic.

Revenues from the Group's other activities totalled €297.7 million for three months ended March 31, 2018, a 12.1% decrease as compared to €338.6 million for the three months ended March 31, 2017. The decrease in other revenues was mainly due to a reduction of intersegment recharging of services provided to group companies. These decreases are partly offset by an increase of revenues related to Teads, which was acquired on June 22, 2017.

### Geographical segments

*France:* For the three months ended March 31, 2018, the Group generated external revenue in France of €2,630.5 million, a 2.6% decrease compared to €2,701.6 million for the three months ended March 31, 2017. This decrease is mainly attributable to a decrease in B2B and wholesale revenues.

Revenues from the Group's fixed business decreased by 4.5% on a quarter to quarter basis compared to the three months ended March 31, 2018 (€665.6 million compared to €696.6 million for the three months ended March 31, 2017) due to competitive pressure and resulting customer losses and price erosion.

The Group's mobile business posted a net revenue increase of 1.4% on a quarter to quarter basis (€1,055.5 million compared to €1,026.6 million for the three months ended March 31, 2017). The Group increased the number of Mobile post-paid subscribers, despite ongoing pressure due to the competitive environment.

Revenues from the Group's B2B business decreased by 7.9% on a quarter to quarter basis compared to the three months ended March 31, 2018 (€453.8 million compared to €492.5 million for the three months ended March 31, 2017). B2B revenues were impacted by price reductions in the first half of 2017.

Revenues from the Group's Wholesale business decreased by 16.0% on a quarter to quarter basis compared to the three months ended March 31, 2018 (€290.5 million compared to €345.7 million for the three months ended March 31, 2017). Wholesale revenues decreased mainly due to lower international voice traffic.

Other revenues mainly include the contribution of the media assets during the three months period ended March 31, 2018 (€176.5 million in 2018 compared to €174.5 million for the three months ended March 31, 2017, an increase of 1.1%). Revenue growth at NextRadioTV continues to be supported by strong and improving TV and radio audiences boosting advertising revenues.

*Portugal:* For the three months ended March 31, 2018, the Group generated revenues in Portugal of €509.3 million, a 9.6% decrease compared to €563.5 million for the three months ended March 31, 2017. This decrease was mainly due to a decline in the fixed revenues, reflecting the competitive pressure in the market and the resulting price erosion notwithstanding an improved performance in customer net additions in the period. In addition, wholesale revenues decreased due to lower international voice traffic.

*Israel:* For the three months ended March 31, 2018, the Group generated revenue in Israel of €241.4 million, a 7.5% decrease compared to €261.0 million for the three months ended March 31, 2017. On a constant currency basis, revenues slightly decreased by 1.0%. This was mainly due to a decrease in fixed revenues as a result of a decrease in subscriber base following high competition in the fixed sector, partly offset by an increase in mobile revenues due to an increased in mobile subscriber base.

*Dominican Republic:* For the three months ended March 31, 2018, the Group generated total revenue of €147.1 million, a 18.4% decrease compared to €180.3 million for the three months ended March 31, 2017. On a constant currency basis, revenues decreased by 3.0%. This was mainly due to a decrease in mobile B2C

revenues as a result of voice erosion, partially offset by an increase of B2C post-paid ARPU as a result of an increase in data usage and the implementation of our upgrade strategy.

*Teads*: Due to the fact that Teads was acquired on June 22, 2017, no comparative financial information is available.

*Altice TV*: For the three months ended March 31, 2018, the Group generated total revenue in Altice TV of €4.5 million, compared to negative €0.3 million for the three months ended March 31, 2017.

*Others*: For the three months ended March 31, 2018, the Group generated total revenue in Others (which comprises of the Group's corporate entities) of negative €1.0 million, a 103.7% decrease compared to €28.2 million for the three months ended March 31, 2017.

## Adjusted EBITDA

For the three months ended March 31, 2018, our Adjusted EBITDA was €1,260.0 million, a decrease of 3.7% compared to the three months ended March 31, 2017 (€1,308.6 million). This decrease can be attributed to lower revenue, as explained above, and higher other operating expenses, partially offset by decreased purchasing and subcontracting expenses and staff costs and employee benefits.

- Purchasing and subcontracting costs decreased by 4.5%, from €1,168.8 million in the three months ended March 31, 2017 to €1,116.7 million in the three months ended March 31, 2018.
- Other operating expenses increased by 2.0% to €862.9 million in the three months ended March 31, 2018 from €846.0 million in the three months ended March 31, 2017.
- Staff costs and employee benefit expenses decreased by 11.5%, from €414.8 million in the three months ended March 31, 2017 to €367.3 million in the three months ended March 31, 2018.

For the three months ended March 3, 2018									
(€m)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	IC eliminations	Total
<b>Revenues</b>	<b>2,641.7</b>	<b>521.1</b>	<b>241.5</b>	<b>147.4</b>	<b>67.7</b>	<b>20.3</b>	<b>.5</b>	<b>(41.3)</b>	<b>3,599.1</b>
Purchasing and subcontracting costs	(837.8)	(136.3)	(64.0)	(41.3)	-	(72.4)	(.9)	36.0	(1,116.7)
Other operating expenses	(641.6)	(96.4)	(54.7)	(23.5)	(44.2)	(2.7)	(3.9)	4.2	(862.9)
Staff costs and employee benefits	(245.8)	(67.2)	(15.7)	(6.5)	(18.1)	(1.2)	(13.6)	.8	(367.3)
<b>Total</b>	<b>916.6</b>	<b>221.2</b>	<b>107.1</b>	<b>76.2</b>	<b>5.4</b>	<b>(56.0)</b>	<b>(17.9)</b>	<b>(.4)</b>	<b>1,252.1</b>
Stock option expense	-	-	-	-	-	-	7.9	-	7.9
<b>Adjusted EBITDA</b>	<b>916.6</b>	<b>221.2</b>	<b>107.1</b>	<b>76.2</b>	<b>5.4</b>	<b>(56.0)</b>	<b>(10.0)</b>	<b>(0.4)</b>	<b>1,260.0</b>
Depreciation, amortisation and impairment	(671.4)	(164.4)	(78.2)	(28.3)	(15.6)	(46.4)	(.9)	-	(1,005.2)
Stock option expense	-	-	-	-	-	-	(7.9)	-	(7.9)
Other expenses and income	(340.3)	(7.3)	(4.8)	(2.0)	-	285.1	(36.8)	-	(106.1)
<b>Operating profit</b>	<b>(95.1)</b>	<b>49.5</b>	<b>24.1</b>	<b>45.9</b>	<b>(10.2)</b>	<b>182.6</b>	<b>(55.6)</b>	<b>(0.4)</b>	<b>141.0</b>

For the three months ended March 3, 2017 (* revised)									
(€m)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	IC eliminations	Total
<b>Revenues</b>	<b>2,735.8</b>	<b>572.8</b>	<b>261.3</b>	<b>181.4</b>	<b>-</b>	<b>88.2</b>	<b>64.7</b>	<b>(169.7)</b>	<b>3,734.4</b>
Purchasing and subcontracting costs	(977.4)	(144.1)	(64.6)	(47.7)	-	(29.6)	(11.4)	106.0	(1,168.8)
Other operating expenses	(666.4)	(100.2)	(58.6)	(28.0)	-	(1.2)	(51.3)	59.6	(846.0)
Staff costs and employee benefits	(291.9)	(70.6)	(19.0)	(8.1)	-	(1.4)	(23.8)	.1	(414.8)
<b>Total</b>	<b>800.1</b>	<b>257.8</b>	<b>119.0</b>	<b>97.6</b>	<b>-</b>	<b>56.1</b>	<b>(21.8)</b>	<b>(4.0)</b>	<b>1,304.8</b>
Stock option expense	.4	-	-	-	-	-	3.4	-	3.8
<b>Adjusted EBITDA</b>	<b>800.5</b>	<b>257.8</b>	<b>119.0</b>	<b>97.6</b>	<b>-</b>	<b>56.1</b>	<b>(18.4)</b>	<b>(4.0)</b>	<b>1,308.6</b>
Depreciation, amortisation and impairment	(595.6)	(161.4)	(84.7)	(38.8)	-	(36.4)	(8.4)	-	(925.2)
Stock option expense	(.4)	-	-	-	-	-	(3.4)	-	(3.8)
Other expenses and income	(201.8)	(19.0)	(4.3)	(7.0)	-	85.3	68.4	-	(78.2)
<b>Operating profit/(loss)</b>	<b>2.7</b>	<b>77.5</b>	<b>30.0</b>	<b>51.9</b>	<b>-</b>	<b>105.0</b>	<b>38.2</b>	<b>(4.0)</b>	<b>301.4</b>

## Geographical segments

*France:* For the three months ended March 31, 2018, the Group's Adjusted EBITDA in France was €916.6 million, an increase of 14.5% from €800.5 million compared to the three months ended March 31, 2017. This increase is attributable to a decrease in operating expenses, partly offset by a reduction of revenues.

*Portugal:* For the three months ended March 31, 2018, the Group's Adjusted EBITDA in Portugal was €221.2 million, a decrease of 14.2% from €257.8 million compared to the three months ended March 31, 2017. This decrease is attributable to a decline in gross margin reflecting primarily the reduction in fixed revenues, which was only partially offset by lower staff expenses, reflecting headcount reductions, and lower general and administrative expenses.

*Israel:* For the three months ended March 31, 2018, the Group's Adjusted EBITDA in Israel was €107.1 million, a decrease of 10.0% compared to €119.0 million for the three months ended March 31, 2017. Adjusted EBITDA on a constant currency basis decreased by 2.7% compared to 2017, mainly due to a decrease in revenues and increases in purchasing and sub-contracting costs and other operating expenses (mainly costs of handsets and inter-connect in the mobile sector), which are only partly offset by a reduction in staff costs and employee benefits as a result of the departure plan which was implemented during the third quarter of 2017. .

*Dominican Republic:* For the three months ended March 31, 2018, the Group's Adjusted EBITDA in the Dominican Republic decreased by 22.0% from €97.6 million for the three months ended March 31, 2017 to €76.2 million (6.3% on a constant currency basis). This decrease is mainly attributable to a decline in revenues, which are only partially offset by reductions in operating expenses.

*Teads:* Due to the fact that Teads was acquired on June 22, 2017, no comparative financial information is available.

*Altice TV:* For the three months ended March 31, 2018, the Group's Adjusted EBITDA for Altice TV decreased by 199.9% from €56.1 million for the three months ended March 31, 2017 to a negative Adjusted EBITDA of €56.0 million. This decrease is mainly attributable to a reduction of intersegment recharging of services provided to group companies.

*Others:* For the three months ended March 31, 2018, the Group's Adjusted EBITDA in Others was a negative amount of €10.0 million, an increase of 45.6% from a negative amount of €18.4 million for the three months ended March 31, 2017.

### **Depreciation and Amortization and Impairment**

For the three months ended March 31, 2018, depreciation and amortization totalled €1,005.2 million, an 8.6% increase compared to €925.2 million for the three months ended March 31, 2017.

### **Other expenses and income**

For the three months ended March 31, 2018, our other expenses and income totalled €106.1 million, a 35.7% increase compared to €78.2 million for the three months ended March 31, 2017. A detailed breakdown of other expenses income is provided below:

<b>Other expenses and income</b>	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017 (* revised)</b>	<b>Change</b>
<b>(€m)</b>			
Stock option expense	7.9	3.8	106.7%
<b>Items excluded from adjusted EBITDA</b>	<b>7.9</b>	<b>3.8</b>	<b>106.7%</b>
Restructuring costs	2.9	23.6	-87.5%
Onerous contracts	11.0	-	nm
Loss on disposals of assets	1.9	27.2	-93.1%
Disputes and litigation	(0.9)	-	nm
Penalties	124.5	-	nm
Gain on sale of consolidated entities	(72.2)	-	nm
Deal fees	3.2	1.6	103.2%
Other expenses and income (net)	35.7	25.9	37.8%
<b>Other expenses and income</b>	<b>106.1</b>	<b>78.2</b>	<b>35.7%</b>

- Stock option expenses: Under the Long Term Incentive Plan (“LTIP”) and stock option plan (“SOP”), as described in the annual consolidated financial statements, including the options granted to Next Alt. During the three months ended March 31, 2018, the Group incurred stock option expenses of €7.9 million.
- Restructuring costs: Restructuring costs mainly relates to the restructuring plan in PT Portugal (€2.4 million for the three months ended March 31, 2018).
- Onerous contracts: The expenses recognised for onerous contracts largely mainly relate to the expected vacancy of the current SFR campus in Saint Denis (T2 transition), following the move to the new Altice campus in Paris for €5.2 million and double rent for Quadrans (Nord & Ouest) of €4.7 million.
- Loss on disposal of assets: The loss on disposal of asset primarily relates to losses on scrapped property, plant and equipment, assets related to France (€0.6 million) and in PT Portugal due to forest fires damages (€1.3 million).
- Penalties: Penalties correspond to the fine imposed to the Group following the European Commission’s investigation on gun jumping during the acquisition of PT Portugal by the Group. The €124.5 million fine was recorded in Portugal segment.
- Gain on sale of consolidated entities: Relates to the gain on the sale of telecommunications solutions business and Data Center operations in Switzerland, green.ch AG and Green Datacenter AG.
- Other expenses and income (net) consisted mainly of expenses in Altice France related to settlements of operational litigation with Orange of €15 million and €7.0 million of indemnity expense to Intelcia. Additionally, Altice Holdings recorded €13.0 million of settled warrants with management of OMT, PT Portugal recorded €1.6 million related to penalty under the termination of a real estate rental agreement. RedGreen recorded expenses of liquidation of €4.2 million. Management fee income for the three month period ended March 31, 2018 was €6.1 million, which corresponds to the corporate costs charged by AMI to Altice USA.

### **Finance costs (net)**

Net finance costs amounted to €568.5 million for the three months ended March 31, 2018, registering an increase of 24.1% compared to €458.2 million for the three months ended March 31, 2017. A detailed breakdown of Finance costs (net) is provided below:

<b>Finance costs, net</b>	<b>For the three months ended March 31, 2018</b>	<b>For the three months ended March 31, 2017 (* revised)</b>	<b>Change</b>
<b>(€m)</b>			
Interest relative to gross financial debt	(476.6)	(529.7)	-10.0%
Other financial expenses	(93.6)	(25.7)	264.0%
Finance income (expense)	1.7	97.3	-98.3%
<b>Finance costs, net</b>	<b>(568.6)</b>	<b>(458.2)</b>	<b>24.1%</b>

### **Interest relative to gross financial debt**

For the three months ended March 31, 2018, our interest relative to gross financial debt totalled €476.6 million, a 10.0% decrease compared to €529.7 million for the three months ended March 31, 2017. Interest relative to gross financial debt includes the variation in the mark to market of our derivative financial instruments, which was a main driver of the variation in this line item from the three months ended March 31, 2018.

### **Other financial expenses**

For the three months ended March 31, 2018, our other financial expenses totalled €93.6 million, an 264% increase compared to €25.7 million for the three months ended March 31, 2017.

### **Finance Income (Expense)**

For the three months ended March 31, 2018, our Finance income totalled €1.7 million, a 98.3% decrease compared to Finance income of €97.3 million for the three months ended March 31, 2017. The change in Finance Income is largely driven by fluctuations in exchange rates.

### **Share of earnings of associates**

For the three months ended March 31, 2018, our share of loss of associates totalled €1.6 million compared to a profit of €1.3 million in the three months ended March 31, 2017.

### **Income tax benefit**

For the three months ended March 31, 2018, the income tax benefit totalled €72.5 million compared to an income tax benefit of €38.2 million in the three months ended March 31, 2017.

## Capital Expenditures

For the three months ended March 31, 2018, our total capital expenditures were €821.6 million (representing 22.8% of revenue), a 4.9% decrease compared to €864.1 million (representing 23.1% of revenue) for the three months ended March 31, 2017.

For the three months ended	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
March 31, 2018									
€m									
Capital expenditure (accrued)	568.8	104.7	58.1	27.6	-	3.8	-	(2.3)	760.7
Capital expenditure - working capital items	48.7	13.8	4.6	(10.7)	-	4.5	-	-	60.9
Payments to acquire tangible and intangible assets	617.4	118.5	62.7	16.9	-	8.3	-	(2.3)	821.6

For the three months ended	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
March 31, 2017 (revised*)									
€m									
Capital expenditure (accrued)	478.8	111.6	62.2	23.3	-	2.9	6.7	1.3	686.8
Capital expenditure - working capital items	148.1	19.1	.6	(2.9)	-	12.3	-	-	177.3
Payments to acquire tangible and intangible assets	627.0	130.7	62.8	20.4	-	15.2	6.7	1.3	864.1

*France:* For the three months ended March 31, 2018, total capital expenditure in France was €617.4 million (representing 23.5% of revenue in France), a 1.5% decrease compared to €627.0 million for the three months ended March 31, 2017 (representing 23.2% of revenue in France).

*Portugal:* For the three months ended March 31, 2018, PT Portugal's total capital expenditures were €118.5 million (representing 23.3% of revenue in Portugal), a 9.3% decrease compared to €130.7 million for the three months ended March 31, 2017 (representing 23.2% of revenue in Portugal). The reduction in capex is explained by lower fixed network related capex as a result of a lower number of homes passed, partially offset by an increase in mobile network related capex reflecting the deployment of the single RAN technology.

*Israel:* Capital expenditure in Israel slightly decreased by 0.2%, from €62.8 million (representing 24.1% of our revenue in Israel) in the three months ended March 31, 2017 to €62.7 million (representing 26.0% of our revenue in Israel) in the three months ended March 31, 2018. On a constant currency basis, capital expenditure increased by 2.6%.

*Dominican Republic:* For the three months ended March 31, 2018, our total capital expenditures were €16.9 million (representing 11.5% of our revenue in the Dominican Republic), a 17.1% decrease compared to €20.4 million for the three months ended March 31, 2017 (representing 11.3% of revenue in the Dominican Republic). On a constant currency basis, accrued capital expenditures increased by 34.4%, to a large extent driven by mobile related purchase of equipment and services for the migration to single RAN technology.

*Teads:* Due to the fact that Teads was acquired on June 22, 2017, no comparative financial information is available. In general Teads has limited capital expenditures due to the nature of the business.

*Altice TV:* For the three months ended March 31, 2018, our total capital expenditures were €8.3 million (representing 183.7% of our revenue in Altice TV), a 45.4% decrease compared to €15.2 million for the three months ended March 31, 2017.

*Others:* For the three months ended March 31, 2018, our total capital expenditures were nil, compared to €6.7 million for the three months ended March 31, 2017.

## Liquidity and Capital Resources

### Cash and Debt Profile

As of March 31, 2018, our consolidated cash and cash equivalents amounted to €961.4 million on an actual basis. Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to-day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2013 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. Our total third-party debt (excluding certain other long term and short-term liabilities, finance leases, of the Group, any intercompany loans among the Group and preferred equity certificates issued to certain minority shareholders of our subsidiaries) as of March 31, 2018 was €23,136.5 million relating to debentures and €9,645.7 million relating to loans from financial institutions, including drawings under the Existing Revolving Credit Facilities. As of March 31, 2018, we have €610.0 million drawn and outstanding under the Existing Revolving Credit Facilities and can borrow a further €1,626.0 million in aggregate thereunder. The following table presents the maturity profile of the Group's debt.

Maturity of debentures (€m)	Less than one year	One year or more	March 31, 2018	December 31, 2017 (revised*)
Alice France	-	10,740.6	10,740.6	10,956.3
Alice USA	-	-	-	13,192.9
Alice Luxembourg	-	6,298.9	6,298.9	6,385.1
Alice Financing	-	4,357.3	4,357.3	4,454.7
Alice Finco	-	1,546.9	1,546.9	1,562.7
HOT Telecom	192.8	-	192.8	199.0
<b>Total</b>	<b>192.8</b>	<b>22,943.7</b>	<b>23,136.5</b>	<b>36,750.8</b>

Maturity of loans from financial institutions (€m)	Less than one year	One year or more	March 31, 2018	December 31, 2017 (revised*)
Alice France (including RCF)	385.8	4,850.7	5,236.6	5,036.4
Alice USA (including RCF)	-	-	-	3,862.5
Alice Corporate Financing	-	2,353.0	2,353.0	2,353.0
Alice Financing (including RCF)	297.7	1,732.8	2,030.4	1,911.8
Others	3.9	21.8	25.7	26.3
<b>Total</b>	<b>687.4</b>	<b>8,958.3</b>	<b>9,645.7</b>	<b>13,190.0</b>

The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

### Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and, if required, borrowings under the Existing Revolving Credit Facilities. As of March 31, 2018, our drawings under the Existing Revolving Credit Facilities amounted to €610.0 million. We expect 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 availability of borrowings under the Existing Revolving Credit Facilities is conditioned upon compliance with specified leverage ratios. Our ability to generate cash from our operations will depend on our 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 our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Existing Revolving Credit Facilities will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and



debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete the Refinancing Transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

The debt issued by the subsidiaries of the Company is subject to certain restrictive covenants, which apply in the case of debt issued by:

- Altice Luxembourg, to Altice Luxembourg and its restricted subsidiaries,
- Altice Financing S.A. and Altice Finco S.A., to Altice International S.à r.l. and its restricted subsidiaries,
- SFR Group, to SFR Group and its restricted subsidiaries,

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

To be able to incur additional debt under an applicable debt instrument, the relevant restricted group must either meet the ratio test described below (on a pro forma basis for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

Senior Secured Debt and Senior Debt is subject to an incurrence test as following:

- Senior Secured debt of Altice International is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Debt) and Senior Debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Debt),
- Secured Debt of SFR Group is subject to an incurrence test of 3.25:1 (Adjusted EBITDA to Net Debt),

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

The Group has access to various revolving credit facilities, which are subject to maintenance covenants. The terms of these facilities are no more restrictive than the incurrence covenants contained in other debt instruments.

The Issuer is a holding company with no direct source of operating income. Therefore, the Issuer will be dependent on dividends and other payments from its operating subsidiaries to meet its liquidity requirements.

### ***Working Capital***

As of March 31, 2018, the Group had net current liability position of €4,957.0 million (mainly due to trade payables amounting to €7,207.3 million) and a negative working capital of €2,150.1 million. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding, and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect that our operating cash flows and, if required, available borrowings under the Existing Revolving Credit Facilities will be sufficient to meet our working capital requirements during the next 12 months.

<b>Net Cash Flows</b> <b>(€m)</b>	<b>For the three months</b> <b>ended March 31, 2018</b>	<b>For the three months</b> <b>ended March 31, 2017 (*</b> <b>revised)</b>	<b>Change</b>
Net cash flow from operating activities	847.3	969.2	-12.6%
Net cash flow from investing activities	(687.8)	(883.2)	-22.1%
Net cash flow from financing activities	(157.5)	(181.5)	-13.2%
<b>Changes in cash and cash equivalents</b>	<b>2.0</b>	<b>(95.5)</b>	<b>-102.1%</b>
Classification of cash as held for sale	(274.4)	(.9)	nm
Effects of exchange rate changes on cash held in foreign currencies	(5.2)	(1.0)	nm
<b>Net changes in cash and cash equivalents</b>	<b>(277.6)</b>	<b>(97.3)</b>	<b>185.3%</b>

#### *Net cash provided by operating activities*

Net cash provided by operating activities decreased by 12.5% to €847.3 million for the three months ended March 31, 2018 compared to €969.2 million for the three months ended March 31, 2017. The decrease in net cash provided by operations was mainly related to a higher operating loss.

#### *Net cash used in investing activities*

Net cash used in investing activities decreased by 22.1% to €687.8 million for the three months ended March 31, 2018 compared to €883.2 million for the three months ended March 31, 2017. The decrease in the three months ended March 31, 2018 can be attributed to the receipt of the proceeds of €156.4 for the sale of green.ch AG and Green Datacenter during the three months ended March 31, 2018.

#### *Net cash provided by (used in) financing activities*

Net cash used in financing activities decreased by 13.2% to €157.5 million for the three months ended March 31, 2018 compared to €181.5 million for the three months ended March 31, 2017. The increase for the three months ended March 3, 2018 can primarily be attributed to higher cash inflows resulting from additional debt, which is partly offset by lower cash inflows related to the issuance of commercial paper and factoring arrangements compared the three months ended March 31, 2017.

## Key Operating Measures

We use several key operating measures, including number of homes passed, Cable/Fiber Customer Relationships, RGUs, RGUs per Cable/Fiber Customer Relationship and ARPUs to track the financial and operating performance of our 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 our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

<b>Q1 2018</b> (numbers * 1,000, except for ARPU)	<b>As and for the quarter ended March 31, 2018</b>					
	<b>France</b>	<b>FOT</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Total</b>
<b>Homes passed</b>	<b>24,599</b>	<b>178</b>	<b>5,066</b>	<b>2,525</b>	<b>788</b>	<b>33,155</b>
Fiber / cable homes passed	11,239	172	4,168	2,525	750	18,853
<b>FIXED B2C</b>						
<b>Fiber / cable unique customers</b>	<b>2,327</b>	<b>59</b>	<b>669</b>	<b>1,002</b>	<b>200</b>	<b>4,257</b>
Fiber / cable customer net adds	96	0	49	1	(4)	143
<b>Total fixed B2C unique customers</b>	<b>6,014</b>	<b>83</b>	<b>1,559</b>	<b>1,002</b>	<b>322</b>	<b>8,979</b>
Total fixed B2C customer net adds	71	0	4	1	(1)	75
Fixed ARPU (€/month)	€ 34.7	€ 45.6	€ 32.7	€ 51.6	€ 25.2	-
<b>MOBILE B2C</b>						
<b>Postpaid subscribers</b>	<b>12,774</b>	<b>198</b>	<b>2,851</b>	<b>1,159</b>	<b>530</b>	<b>17,513</b>
Postpaid net adds	239	7	34	7	(5)	282
<b>Prepaid subscribers</b>	<b>1,666</b>	<b>54</b>	<b>3,504</b>	<b>150</b>	<b>2,688</b>	<b>8,062</b>
<b>Total mobile B2C subscribers</b>	<b>14,440</b>	<b>252</b>	<b>6,356</b>	<b>1,309</b>	<b>3,219</b>	<b>25,575</b>
Postpaid Mobile ARPU	€ 24.1	€ 35.2	€ 9.5	€ 12.4	€ 20.8	-
<b>Q1 2017</b> (numbers * 1,000, except for ARPU)	<b>As and for the quarter ended March 31, 2017</b>					
	<b>France</b>	<b>FOT</b>	<b>Portugal</b>	<b>Israel</b>	<b>Dominican Republic</b>	<b>Total</b>
<b>Homes passed</b>	<b>25,744</b>	<b>178</b>	<b>4,997</b>	<b>2,465</b>	<b>758</b>	<b>34,143</b>
Fiber / cable homes passed	9,634	172	3,403	2,465	659	16,332
<b>FIXED B2C</b>						
<b>Fiber / cable unique customers</b>	<b>2,083</b>	<b>59</b>	<b>509</b>	<b>1,014</b>	<b>208</b>	<b>3,873</b>
Fiber / cable customer net adds	45	0	31	(3)	4	76
<b>Total fixed B2C unique customers</b>	<b>6,079</b>	<b>85</b>	<b>1,571</b>	<b>1,014</b>	<b>319</b>	<b>9,068</b>
Total fixed B2C customer net adds	(35)	(3)	(28)	(3)	(1)	(70)
Fixed ARPU (€/month)	€ 35.9	€ 46.0	€ 34.6	€ 58.5	€ 30.0	-
<b>MOBILE B2C</b>						
<b>Postpaid subscribers</b>	<b>12,405</b>	<b>170</b>	<b>2,708</b>	<b>1,104</b>	<b>557</b>	<b>16,943</b>
Postpaid net adds	68	8	(15)	22	(8)	76
<b>Prepaid subscribers</b>	<b>2,108</b>	<b>59</b>	<b>3,455</b>	<b>116</b>	<b>2,910</b>	<b>8,647</b>
<b>Total mobile B2C subscribers</b>	<b>14,514</b>	<b>228</b>	<b>6,162</b>	<b>1,220</b>	<b>3,466</b>	<b>25,590</b>
Postpaid Mobile ARPU	€ 25.5	€ 36.7	€ 10.0	€ 12.7	€ 22.7	-

## Notes to the Key Operating Measures

- (1) FOT (“French Overseas Territories”) is reported within the Altice France financial segment.
- (2) Total homes passed in France includes unbundled DSL homes outside of SFR’s fiber / cable (FTTH / FTTB) footprint. Portugal total homes passed includes DSL homes enabled for IPTV outside of MEO’s fiber footprint and fiber homes passed figures include homes where MEO has access through wholesale fiber operators (c.0.3m in Q1 2018). In Israel, the total number of homes passed is equal to the total number of Israeli homes.
- (3) Fiber / cable unique customers represents the number of individual end users who have subscribed for one or more of our fiber / cable based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Fiber / cable customers for France excludes white-label wholesale subscribers. For Israel, it refers to the total number of unique customer relationships, including both B2C and B2B.
- (4) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel and Dominican Republic, ARPU has been calculated by using the following exchange rates: average rate for Q1 2018, €1.00 = ILS 4.2537, €1.00 = 60.1939 DOP. Please note that the ARPU definition has not changed compared to previous periods and therefore does not include the financial impact of the adoption of the accounting standard IFRS 15 *Revenue from Contracts with Customers*.
- (5) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile networks. In Israel, the split between iDEN and UMTS (B2C only, including prepaid) services as follows: 7k iDEN and 1,302k UMTS as of 31 March 2018, and 9k iDEN and 1,210k UMTS as of 31 March 2017.

## **Other disclosures**

### ***Unrecognized Contractual Commitments***

We have other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. See Note 12 to the audited consolidated financial statements of Altice NV as of and for the three months ended March 31, 2018.

### **Post-Balance Sheet Date Events**

The following is an overview of key transactions since March 31, 2018 which may have a significant impact on the Group's financial condition and results of operations.

#### ***European Commission's Investigation***

On April 24, 2018, the European Commission has notified the Group of its decision to impose upon it a fine for an amount of €124.5 million. The Commission found that the Group infringed the prior notification obligation of a concentration under Article 4(1) of the EU Merger Regulation, and the stand-still obligation under Article 7(1) of the EU Merger Regulation. The Group fully disagrees with the Commission's decision and will file an appeal against the Commission's decision before the EU General Court to request that the decision as a whole be annulled or, at the very least, that the sanction be significantly reduced.

#### ***Exercise call option ATS***

In April 2018, the Group has exercised the call option for the acquisition of 49% in ATS for a fixed price of €147 million, carrying interest at an annual rate of EURIBOR 1 month plus 3.5%. This amount will be paid in November 2018. As a result of the exercise of the call option, the company ownership in ATS increased to 100%.

### **Related Party Transactions**

Please refer to Note 14 to the audited consolidated financial statements of Altice NV as of and for the three months ended March 31, 2018.

### **Off Balance Sheet Arrangements**

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the contractual commitments relating to purchase of property plant, and equipment, operating leases or as disclosed below or in the audited consolidated financial statements of Altice Luxembourg as of and for the three months ended March 31, 2018.

### **Critical Accounting Policies, Judgments and Estimates**

For details regarding the Group's critical accounting policies, judgments and estimates, see Note 2 to the audited consolidated financial statements of Altice NV as of and for the three months ended March 31, 2018.

## Key Income Statement Items

### Revenue

Revenue consists of income generated from the delivery of fixed-based services to our B2C and B2B customers, mobile services to our B2C and B2B customers, wholesale and other services. 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.

*Fixed-based B2C services:* Revenue from fixed-based services consists of revenue from pay television services, including related services such as Video on Demand (“VoD”), broadband internet services, fixed-line telephony services and ISP services to our customers. This primarily includes (i) recurring subscription revenue for pay television 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.

*Mobile B2C services:* Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our post-paid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our pre-paid 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), (iv) revenue from the sale of handsets (which are recognized on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

*Wholesale and B2B fixed and mobile services:* Revenue from wholesale services primarily consists of revenues derived from renting our network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators, including mobile virtual network operations (“MVNOs”) as well as related maintenance services. Revenue from B2B services is the same as the above fixed and mobile services, but for the business sector.

*Others:* Revenue from our other services primarily consists of revenue from other businesses, such as (i) datacenter activities, (ii) content production and distribution, (iii) advertising, (iv) customer services, (v) technical services, and (vi) other activities that are not related to our core fixed or mobile businesses.

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

### Purchasing and subcontracting services

Purchasing and subcontracting services consist of direct costs associated with the delivery of fixed-based services to our B2C and B2B customers, mobile services to our B2C and B2B customers, wholesale and other services. We present purchasing and subcontracting services paid for the procurement of the following services:

*Fixed-based services:* Purchasing and subcontracting services 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 accounting variations arising from changes in inventories of customer premises equipment (such as modems, set-top boxes and decoders).

*Mobile services:* Purchasing and subcontracting services associated with mobile services consist primarily of mobile interconnection fees, including roaming charges and accounting variations arising from the changes in inventories of mobile handsets.

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

*Others:* Other purchasing and subcontracting services consist of the (i) cost of renting space for datacenters (subject to certain exceptions), (ii) utility costs related to the operation of datacenters (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 operational 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 debts and recovery costs associated therewith.

*Technical and maintenance:* Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and datacenter 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 rent and 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, 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 and amortization***

Depreciation and amortization includes depreciation of tangible assets related to production, sales and administrative functions and the amortization of intangible assets.

### ***Impairment losses***

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 includes any one-off or non-recurring income or expenses incurred during the ongoing 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.

#### ***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 finance leases) incurred by the Group. Such expenses mainly include interest costs of finance leases, variations in the fair value of non-hedged derivative instruments and the inefficient portion of hedged derivative instruments.

#### ***Financial income***

Financial income consists of changes in the net fair value of the financial derivatives, gains from the disposal of financial assets, net exchange rate differences, and other financial income.

#### ***Net result on disposal of businesses***

Net result on disposal of businesses includes the gain/loss recognized on the disposal of our subsidiaries. This line item is presented separately in the consolidated statement of income for the years ended December 31, 2015 and 2017 and for the three months ended March 31, 2017. For the three months ended March 31, 2018, the net result on disposal of businesses is booked under other expenses and income.

#### ***Share of profit of associates***

Share of profit 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 income statement 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***

Adjusted EBITDA is defined as operating profit before depreciation and amortization, impairment and losses, other operating and non-recurring items and other adjustments (equity-based compensation expenses) in EBITDA. 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 our financial 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 and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies.



### ***Capital expenditure***

We classify our capital expenditures in the following categories.

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

Mobile services: Includes capital expenditures related to improving or expanding our mobile networks and platforms and other investments relating to our mobile business.

Others: Includes capital expenditures relating to our content rights and other non-core fixed-based or mobile activities, such as capital expenditures relation to our datacentres and backbone network.