
**ANNUAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

CABLEVISION SYSTEMS CORPORATION

1 Court Square West
Long Island City, NY 11101

(516) 803-2300

CSC HOLDINGS, LLC

1 Court Square West
Long Island City, NY 11101

(516) 803-2300

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PART I

This combined Annual Report is separately provided by Cablevision Systems Corporation and its consolidated subsidiaries ("Cablevision") and CSC Holdings, LLC and its consolidated subsidiaries ("CSC Holdings" and collectively with Cablevision, the "Company"). Cablevision is a Delaware corporation which was organized in 1997. Cablevision is a wholly owned subsidiary of Altice USA, Inc. ("Altice USA"). Cablevision owns all of the outstanding membership interests in CSC Holdings LLC. Unless otherwise indicated or the context otherwise requires, the terms "we," "us," "our" or other similar terms refer to the Company.

We incorporate by reference information related to the Company from the Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") by our parent, Altice USA, Inc. which means that we can disclose information to you by referring you to those documents. Information related to other subsidiaries or businesses of Altice USA which is included in its Annual Report on Form 10-K is not incorporated by reference herein and should not be relied upon. The information that is incorporated by reference is considered to be part of this annual report. We incorporate by reference into this annual report the following:

Part I	Item 1.....	Business
	Item 1A.....	Risk Factors
	Item 2.....	Properties
	Item 3.....	Legal Proceedings
	Item 4.....	Mine Safety Disclosures

Altice USA Inc.'s Annual Report on Form 10-K can be found through its investor relations section at website, <http://www.alticeusa.com> or the SEC's website, <http://www.sec.gov>.

PART II

Item 6. Selected Historical Financial Data

The operating and balance sheet data included in the following selected financial data have been derived from the consolidated financial statements of Cablevision and CSC Holdings. The selected financial data presented below should be read in conjunction with the audited consolidated financial statements of Cablevision and CSC Holdings and the notes thereto included in Item 8 of this Annual Report.

As a result of push down accounting in connection with the Cablevision Acquisition (see Note 3 of our consolidated financial statements), Cablevision's and CSC Holdings' financial statements are presented in two distinct periods to indicate the application of the different bases of accounting between the periods presented: (1) the periods up to the date of the Cablevision Acquisition, January 1, 2016 through June 20, 2016 and the years ended December 31, 2015 and 2014 labeled "Predecessor" and (2) the period from the Cablevision Acquisition date, June 21, 2016 through December 31, 2016 and for the years ended December 31, 2018 and 2017 labeled "Successor". The Predecessor periods represent the financial information of the Company prior to the Cablevision Acquisition, while the Successor periods represent the financial information of the Company subsequent to the Cablevision Acquisition. The accompanying selected financial data includes a black line division to indicate the application of the bases of accounting utilized by the Predecessor and Successor reporting entities. As a result, the financial statements for the Predecessor periods and for the Successor periods are not comparable.

Additionally, in November 2018, in connection with the credit silo combination described in Note 11 to the consolidated financial statements included herein, (i) Cequel Communications Holdings I, LLC ("CCHI") merged into Cablevision, with Cablevision as the surviving entity (the "Holdco Merger"), and (ii) Cequel Communications Holdings II, LLC ("CCHII") merged into CSC Holdings, with CSC Holdings as the surviving entity (the "CCHII Merger"). As a result of the Holdco Merger, the balance sheet and operating results of CCHI have been presented on a combined basis with Cablevision beginning January 1, 2016 as these entities were under common control. In addition, as a result of the

CCHII Merger, the balance sheet and operating results of CCHII have been presented on a combined basis with CSC Holdings beginning January 1, 2016 as these entities were under common control.

The summary consolidated historical balance sheet and operating data presented below have been recast to reflect the adoption of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2017-07 *Compensation-Retirement Benefits (Topic 715)*.

The selected historical results presented below are not necessarily indicative of the results to be expected for any future period. This information should be read in conjunction with the audited consolidated financial statements and the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations included herein.

Cablevision Systems Corporation						
	Successor Periods			Predecessor Periods (a)		
	Years ended December 31,			January 1, 2016 to June 20, 2016	Years ended December 31,	
	2018	2017	2016	(unaudited)	2015	2014
	(in thousands)			(in thousands)		
Revenue	\$ 9,566,608	\$ 9,306,950	\$ 6,017,212	\$ 3,137,604	\$ 6,545,545	\$ 6,508,557
Operating expenses	7,884,229	8,465,824	5,553,917	2,658,667	5,684,713	5,571,115
Operating income.....	1,682,379	841,126	463,295	478,937	860,832	937,442
Other income (expense):						
Interest expense, net.....	(1,543,048)	(1,505,173)	(1,331,712)	(285,508)	(584,839)	(575,580)
Gain (loss) on investments and sale of affiliate interests, net.....	(261,536)	237,354	142,102	129,990	(30,208)	129,659
Gain (loss) on derivative contracts, net	218,848	(138,920)	(53,696)	(36,283)	104,927	(45,055)
Gain (loss) on interest rate swap contracts	(61,697)	5,482	(72,961)	—	—	—
Loss on extinguishment of debt and write-off of deferred financing costs ..	(48,804)	(86,517)	(127,649)	—	(1,735)	(10,120)
Other income (expense), net	(12,274)	(13,651)	980	1,224	(6,316)	(11,196)
Income (loss) from continuing operations before income taxes.....	(26,132)	(660,299)	(979,641)	288,360	342,661	425,150
Income tax benefit (expense) (b)	57,417	2,809,817	216,430	(124,848)	(154,872)	(115,768)
Income (loss) from continuing operations, net of income taxes.....	31,285	2,149,518	(763,211)	163,512	187,789	309,382
Income (loss) from discontinued operations, net of income taxes (c)	—	—	—	—	(12,541)	2,822
Net income (loss)	31,285	2,149,518	(763,211)	163,512	175,248	312,204
Net loss (income) attributable to noncontrolling interests.....	(1,761)	(1,587)	(551)	236	201	(765)
Net income (loss) attributable to Cablevision Systems Corporation stockholders	\$ 29,524	\$ 2,147,931	\$ (763,762)	\$ 163,748	\$ 175,449	\$ 311,439

Cablevision Systems Corporation

	Successor Periods			Predecessor Periods (a)		
	Years ended December 31,			January 1, 2016 to June 30, 2016	Years ended December 31,	
	2018	2017	2016		2015	2014
				(unaudited)	(unaudited)	(unaudited)
INCOME (LOSS) PER SHARE:						
Basic income (loss) per share attributable to Cablevision Systems Corporation stockholder(s):						
Income from continuing operations, net of income taxes				\$ 0.60	\$ 0.70	\$ 1.17
Income (loss) from discontinued operations, net of income taxes				\$ —	\$ (0.05)	\$ 0.01
Net income				\$ 0.60	\$ 0.65	\$ 1.18
Basic weighted average common shares (in thousands)				272,035	269,388	264,623
Diluted income (loss) per share attributable to Cablevision Systems Corporation stockholder(s):						
Income from continuing operations, net of income taxes				\$ 0.58	\$ 0.68	\$ 1.14
Income (loss) from discontinued operations, net of income taxes				\$ —	\$ (0.05)	\$ 0.01
Net income				\$ 0.58	\$ 0.63	\$ 1.15
Diluted weighted average common shares (in thousands)				280,199	276,339	270,703
Cash dividends declared and paid per common share				\$ —	\$ 0.45	\$ 0.60
Amounts attributable to Cablevision Systems Corporation stockholder(s):						
Income (loss) from continuing operations, net of income taxes	\$ 29,524	\$ 2,147,931	\$ (763,762)	\$ 163,748	\$ 187,990	\$ 308,617
Income (loss) from discontinued operations, net of income taxes	—	—	—	—	(12,541)	2,822
Net income (loss)	<u>\$ 29,524</u>	<u>\$ 2,147,931</u>	<u>\$ (763,762)</u>	<u>\$ 163,748</u>	<u>\$ 175,449</u>	<u>\$ 311,439</u>

- (a) Represents the operating results of the Company for the periods prior to the Cablevision Acquisition (Predecessor periods).
- (b) Pursuant to the enactment of the Tax Reform on December 22, 2017, the Company recorded a non-cash deferred tax benefit of \$2,545,880 to remeasure the net deferred tax liability to adjust for the reduction in the corporate income tax rate from 35% to 21% which is effective on January 1, 2018. In 2018, the Company recorded a non-cash deferred tax benefit of \$53,989 based on a remeasurement of the Company's net deferred tax liability. See Note 14 to the consolidated financial statements for further details.
- (c) Loss from discontinued operations for 2015 primarily reflects an expense related to the decision in a case relating to Rainbow Media Holdings LLC, a business whose operations were previously discontinued. Income from discontinued operations for 2014 resulted primarily from the settlement of a contingency related to Montana property taxes related to Bresnan Cable.

CSC Holdings

	Successor Periods			Predecessor Periods (a)		
	Years ended December 31,			January 1, 2016 to June 30, 2016	Years ended December 31,	
	2018	2017	2016	2016	2015	2014
				(unaudited)	(unaudited)	(unaudited)
	(in thousands)			(in thousands)		
Revenue	\$ 9,566,608	\$ 9,306,950	\$ 6,017,212	\$ 3,137,604	\$ 6,545,545	\$ 6,508,557
Operating expenses	7,884,229	8,465,824	5,553,917	2,658,667	5,684,713	5,571,115
Operating income	1,682,379	841,126	463,295	478,937	860,832	937,442
Other income (expense):						
Interest expense, net	(1,239,948)	(1,127,278)	(1,004,038)	(157,343)	(313,952)	(304,831)
Gain (loss) on investments and sale of affiliate interests, net	(261,536)	237,354	142,102	129,990	(30,208)	129,659
Gain (loss) on derivative contracts, net	218,848	(138,920)	(53,696)	(36,283)	104,927	(45,055)
Gain (loss) on interest rate swap contracts	(61,697)	5,482	(72,961)	—	—	—
Loss on extinguishment of debt and write-off of deferred financing costs ..	(7,883)	(53,988)	(127,649)	—	(1,735)	(9,618)
Other income (expense), net	(12,274)	(13,651)	980	1,224	(6,316)	(11,196)
Income (loss) from continuing operations before income taxes	317,889	(249,875)	(651,967)	416,525	613,548	696,401
Income tax benefit (expense) (b)	(57,563)	2,827,751	86,036	(179,658)	(269,356)	(236,450)
Income (loss) from continuing operations, net of income taxes	260,326	2,577,876	(565,931)	236,867	344,192	459,951
Income (loss) from discontinued operations, net of income taxes (c)	—	—	—	—	(12,541)	2,822
Net income (loss)	260,326	2,577,876	(565,931)	236,867	331,651	462,773
Net loss (income) attributable to noncontrolling interests	(1,761)	(1,587)	(551)	236	201	(765)
Net income (loss) attributable to CSC Holdings' sole member	<u>\$ 258,565</u>	<u>\$ 2,576,289</u>	<u>\$ (566,482)</u>	<u>\$ 237,103</u>	<u>\$ 331,852</u>	<u>\$ 462,008</u>
Amounts attributable to CSC Holdings, LLC's sole member:						
Income from continuing operations, net of income taxes	\$ 258,565	\$ 2,576,289	\$ (566,482)	\$ 237,103	\$ 344,393	\$ 459,186
Income (loss) from discontinued operations, net of income taxes	—	—	—	—	(12,541)	2,822
Net income (loss)	<u>\$ 258,565</u>	<u>\$ 2,576,289</u>	<u>\$ (566,482)</u>	<u>\$ 237,103</u>	<u>\$ 331,852</u>	<u>\$ 462,008</u>

- (a) Represents the operating results of the Company for the periods prior to the Cablevision Acquisition (Predecessor periods).
- (b) Pursuant to the enactment of the Tax Reform on December 22, 2017, the Company recorded a non-cash deferred tax benefit of \$2,731,324 to remeasure the net deferred tax liability to adjust for the reduction in the corporate income tax rate from 35% to 21% which is effective on January 1, 2018. In 2018, the Company recorded a non-cash deferred tax benefit of \$53,493 relating to an update of the blended state tax rate and remeasurement of the Company's net deferred tax liability. See Note 14 to the consolidated financial statements for further details.
- (c) Loss from discontinued operations for 2015 primarily reflects an expense related to the decision in a case relating to Rainbow Media Holdings LLC, a business whose operations were previously discontinued. Income from discontinued operations for 2014 resulted primarily from the settlement of a contingency related to Montana property taxes related to Bresnan Cable.

Balance Sheet Data:

Cablevision Systems Corporation					
(dollars in thousands)					
	Successor Periods			Predecessor Periods	
	December 31,			December 31,	
	2018	2017	2016	2015	2014
				(unaudited)	(unaudited)
Total assets	\$ 33,605,182	\$ 34,894,089	\$ 36,491,864	\$ 6,813,445	\$ 6,695,292
Credit facility debt.....	5,915,559	4,643,523	3,444,790	2,514,454	2,769,153
Collateralized indebtedness.....	1,406,182	1,349,474	1,286,069	1,191,324	986,183
Senior guaranteed notes and senior notes and debentures	15,359,561	15,860,432	17,507,325	5,801,011	5,784,213
Notes payable	106,108	65,902	13,726	14,544	23,911
Capital lease obligations	25,190	21,980	28,155	45,966	46,412
Total debt.....	22,812,600	21,941,311	22,280,065	9,567,299	9,609,872
Redeemable equity	130,007	231,290	68,147	—	8,676
Stockholders' equity (deficiency).....	3,175,605	5,088,393	3,526,049	(4,905,955)	(5,036,108)
Noncontrolling interest.....	9,295	1,539	287	(268)	779
Total equity.....	3,184,900	5,089,932	3,526,336	(4,906,223)	(5,035,329)

Balance Sheet Data:

CSC Holdings					
(dollars in thousands)					
	Successor Periods			Predecessor Periods	
	December 31,			December 31,	
	2018	2017	2016	2015	2014
				(unaudited)	(unaudited)
Total assets	\$ 33,586,165	\$ 34,911,822	\$ 36,491,490	\$ 6,788,712	\$ 6,612,091
Credit facility debt.....	5,915,559	4,643,523	3,444,790	2,514,454	2,769,153
Collateralized indebtedness.....	1,406,182	1,349,474	1,286,069	1,191,324	986,183
Senior guaranteed notes and senior notes and debentures	14,264,368	11,271,580	11,589,113	3,032,252	3,024,411
Notes payable	106,108	65,902	13,726	14,544	23,911
Capital lease obligations	25,190	21,980	28,155	45,966	46,412
Total debt.....	21,717,407	17,352,459	16,361,853	6,798,540	6,850,070
Redeemable equity	130,007	231,290	68,147	—	8,676
Member's equity (deficiency).....	3,989,846	9,444,737	8,858,483	(2,445,863)	(2,522,937)
Noncontrolling interest.....	9,295	1,539	287	(268)	779
Total equity.....	3,999,141	9,446,276	8,858,770	(2,446,131)	(2,522,158)

The following table sets forth certain customer metrics for the Company (unaudited):

	December 31,		
	2018	2017	2016
	(in thousands, except per customer amounts)		
Homes passed (a)	8,737.3	8,620.9	8,523.6
Total customers relationships (b)(c)	4,919.6	4,906.3	4,891.8
Residential	4,542.1	4,535.0	4,528.2
SMB	377.5	371.3	363.6
Residential customers:			
Pay TV	3,307.5	3,405.5	3,534.5
Broadband	4,118.1	4,046.2	3,962.5
Telephony	2,531.2	2,557.4	2,559.0
Residential triple product customers penetration (d)	49.5%	50.2%	50.5%
Penetration of homes passed (e)	56.3%	56.9%	57.4%
ARPU (f)	\$ 142.44	\$ 139.75	\$ 138.07

- (a) Represents the estimated number of single residence homes, apartments and condominium units passed by the cable distribution network in areas serviceable without further extending the transmission lines. In addition, it includes commercial establishments that have connected to our cable distribution network. Broadband services were not available to approximately 100 homes passed and telephony services were not available to approximately 500 homes passed.
- (b) Represents number of households/businesses that receive at least one of the Company's services.
- (c) Customers represent each customer account (set up and segregated by customer name and address), weighted equally and counted as one customer, regardless of size, revenue generated, or number of boxes, units, or outlets. In calculating the number of customers, we count all customers other than inactive/disconnected customers. Free accounts are included in the customer counts along with all active accounts, but they are limited to a prescribed group. Most of these accounts are also not entirely free, as they typically generate revenue through pay-per-view or other pay services and certain equipment fees. Free status is not granted to regular customers as a promotion. In counting bulk residential customers, such as an apartment building, we count each subscribing family unit within the building as one customer, but do not count the master account for the entire building as a customer. We count a bulk commercial customer, such as a hotel, as one customer, and do not count individual room units at that hotel.
- (d) Represents the number of customers that subscribe to three of our services divided by total residential customer relationships.
- (e) Represents the number of total customer relationships divided by homes passed.
- (f) Calculated by dividing the average monthly revenue for the respective quarter (fourth quarter for annual periods) presented derived from the sale of broadband, pay television and telephony services to residential customers for the respective quarter by the average number of total residential customers for the same period.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Annual Report contains statements that constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Act of 1934, as amended. In this Annual Report there are statements concerning our future operating results and future financial performance. Words such as "expects", "anticipates", "believes", "estimates", "may", "will", "should", "could", "potential", "continue", "intends", "plans" and similar words and terms used in the discussion of future operating results, future financial performance and future events identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors.

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 favorable 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 fiber-to-the-home ("FTTH") network, and deploy Altice One, our home communications hub;
- our ability to develop and deploy mobile voice and data services pursuant to the agreement we entered into with Sprint in the fourth quarter of 2017, and our ability to attract customers to these services;
- the effects of economic conditions or other factors which may negatively affect our customers' demand for our current and future products and services;
- the effects of industry conditions;
- demand for digital and linear advertising products and services;
- 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 the separation of our parent, Altice USA from its parent, Altice Europe, a public company with limited liability (naamloze vennootschap) under Dutch law; and
- other risks and uncertainties inherent in our cable and other broadband communications businesses and our other businesses, including those listed under the caption "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein.

These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could cause our actual results to differ materially from those expressed in any of our forward-looking statements.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements are made only as of the date of this annual report. Except to the extent required by law, we do not undertake, and specifically decline any obligation, to update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

You should read this annual report with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all forward-looking statements by these cautionary statements.

Certain numerical figures included in this annual report have been subject to rounding adjustments. Accordingly, such numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

CABLEVISION SYSTEMS CORPORATION

Overview

All dollar amounts, except per customer and per share data, included in the following discussion, are presented in thousands.

Our Business

We deliver broadband, pay television, telephony services, proprietary content and advertising services to approximately 4.9 million residential and business customers in and around the New York metropolitan area and in the south-central United States, with the majority of our customers located in the ten states of Texas, West Virginia, Louisiana, Arkansas, North Carolina, Oklahoma, Arizona, California, Missouri and Ohio. Our footprint extends across 21 states through a fiber-rich broadband network with approximately 8.7 million homes passed as of December 31, 2018.

Key Factors Impacting Operating Results and Financial Condition

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. For more information see "Risk Factors" and "Business-Competition" included herein.

We derive revenue principally through monthly charges to residential customers of our pay television, broadband, and telephony services. We also derive revenue from DVR, VOD, pay-per-view, installation and home shopping commissions. Our residential pay television, broadband, and telephony services accounted for approximately 43%, 30% and 7%, respectively, of our consolidated revenue for the year ended December 31, 2018. We also derive revenue from the sale of a wide and growing variety of products and services to both large enterprise and SMB customers, including broadband, telephony, networking and pay television services. For the year ended December 31, 2018, 14% of our consolidated revenue was derived from these business services. In addition, we derive revenues from the sale of advertising time available on the programming carried on our cable television systems, digital advertising and data analytics revenue, which accounted for approximately 5% of our consolidated revenue for the year ended December 31, 2018. Our other revenue for the year ended December 31, 2018 accounted for less than 1% of our consolidated revenue.

Revenue is impacted by rate increases, changes in the number of customers to our services, including additional services sold to our existing customers, programming package changes by our pay television customers, speed tier changes by our broadband customers, and acquisitions of cable systems that result in the addition of new customers.

Our ability to increase the number of customers to our services is significantly related to our penetration rates.

We operate in a highly competitive consumer-driven industry and we compete against a variety of broadband, pay television and telephony providers and delivery systems, including broadband communications companies, wireless data and telephony providers, satellite-delivered video signals, Internet-delivered video content and broadcast television signals available to residential and business customers in our service areas. Our competitors include AT&T and its DirecTV subsidiary, CenturyLink, DISH, Frontier and Verizon. Consumers' selection of an alternate source of service, whether due to economic constraints, technological advances or preference, negatively impacts the demand for our services. For more information on our competitive landscape, see "Risk Factors" and "Business-Competition" incorporated by reference herein.

Our programming costs, which are the most significant component of our operating expenses, have increased and are expected to continue to increase primarily as a result of contractual rate increases and new channel launches. See “-Results of Operations” below for more information regarding our key factors impacting our revenues and operating expenses.

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. We are constructing a FTTH network, which will enable us to deliver more than 10 Gbps broadband speeds across our entire Optimum footprint and part of our Suddenlink footprint. In addition, in 2019 we will begin offering full service mobile voice and data services to our customers. We may incur greater than anticipated capital expenditures in connection with these initiatives, fail to realize anticipated benefits, experience delays and business disruptions or encounter other challenges to executing them as planned. See “-Liquidity and Capital Resources-Capital Expenditures” for additional information regarding our capital expenditures.

Certain Transactions

In addition to the Cablevision Acquisition, the following transactions occurred during the periods covered by this Management's Discussion and Analysis of Financial Condition and Results of Operations:

In November 2018, in connection with the credit silo combination described in Note 11, (i) Cequel Communications Holdings I, LLC (“CCHI”) merged into Cablevision, with Cablevision as the surviving entity (the “Holdco Merger”), and (ii) Cequel Communications Holdings II, LLC (“CCHII”) merged into CSC Holdings, with CSC Holdings as the surviving entity (the “CCHII Merger”). As a result of the Holdco Merger, the balance sheet and operating results of CCHI have been presented on a combined basis with Cablevision beginning January 1, 2016 as these entities were under common control. In addition, as a result of the CCHII Merger, the balance sheet and operating results of CCHII have been presented on a combined basis with CSC Holdings beginning January 1, 2016 as these entities were under common control.

As discussed in Note 1 of the Company's consolidated financial statements, the Company completed the ATS Acquisition in January 2018. ATS was previously owned by Altice Europe and a member of ATS's management through a holding company. As the acquisition is a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of ATS for all periods since the formation of ATS.

In April 2018, Altice Europe transferred its ownership of i24NEWS, a 24/7 international news and current affairs channels, to the Company for minimal consideration. As the acquisition was a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of i24NEWS as of April 1, 2018. Operating results for periods prior to April 1, 2018 and the balance sheet as of December 31, 2017 have not been revised to reflect the combination of i24NEWS as the impact was deemed immaterial.

On June 21, 2016, Altice USA acquired Cablevision for a total purchase price of approximately \$9,958,323. The operating results for the year ended December 31, 2016 include the operating results of Cablevision from the date of acquisition.

In July 2016, we completed the sale of a 75% interest in Newsday LLC and retained the remaining 25% ownership interest. Effective July 7, 2016, the operating results of Newsday are no longer consolidated with our results and our

25% interest in the operating results of Newsday is recorded on the equity basis. In April 2018, the Company redeemed a 24% interest in Newsday.

Consolidated Results of Operations - Cablevision Systems Corporation

Basis of Presentation

As a result of push down accounting in connection with the Cablevision Acquisition, Cablevision's and CSC Holdings' financial statements are presented in two distinct periods to indicate the application of the different bases of accounting between the periods presented: (1) the period up to the Cablevision Acquisition date, January 1, 2016 through June 20, 2016, labeled "Predecessor" and (2) the period from the Cablevision Acquisition date, June 21, 2016 through December 31, 2016 and the years ended December 31, 2018 and 2017 labeled "Successor". The Predecessor periods represent the financial information of the Company prior to the Cablevision Acquisition, while the Successor periods represent the financial information of the Company subsequent to the Cablevision Acquisition. The accompanying selected financial data includes a black line division to indicate the application of the bases of accounting utilized by the Predecessor and Successor reporting entities. As a result, the financial information for the Predecessor periods and for the Successor periods are not comparable.

Certain reclassifications have been made in the 2016 and 2017 financial statements to conform to the 2018 presentation.

Non-GAAP Financial Measures

We define Adjusted EBITDA, which is a non-GAAP financial measure, as net income (loss) excluding income taxes, income (loss) from discontinued operations, non-operating income or expenses, loss on extinguishment of debt and write-off of deferred financing costs, gain (loss) on interest rate swap contracts, gain (loss) on derivative contracts, gain (loss) on investments and sale of affiliate interests, net, interest expense (including cash interest expense), interest income, depreciation and amortization (including impairments), share-based compensation expense or benefit, restructuring expense or credits and transaction expenses. We believe Adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company. Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in our industry. Internally, we use revenue and Adjusted EBITDA measures as important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. We believe Adjusted EBITDA provides management and investors a useful measure for period-to-period comparisons of our core business and operating results by excluding items that are not comparable across reporting periods or that do not otherwise relate to the Company's ongoing operating results. Adjusted EBITDA should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), and other measures of performance presented in accordance with GAAP. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

Results of Operations

	Cablevision Systems Corporation			
	Successor			Predecessor
	Years Ended December 31,			January 1, 2016 to June 20, 2016
	2018	2017	2016	
Revenue:				
Residential:				
Pay TV.....	\$ 4,156,428	\$ 4,274,122	\$ 2,788,873	\$ 1,494,186
Broadband	2,887,455	2,608,595	1,651,574	702,811
Telephony	652,895	700,765	465,771	286,161
Business services and wholesale	1,362,758	1,298,213	819,541	411,102
Advertising	482,649	391,866	252,049	125,419
Other	24,423	33,389	39,404	117,925
Total revenue	9,566,608	9,306,950	6,017,212	3,137,604
Operating expenses:				
Programming and other direct costs	3,173,076	3,035,655	1,911,229	1,088,555
Other operating expenses.....	2,290,266	2,347,315	1,702,255	1,133,339
Restructuring and other expense.....	38,548	152,283	240,127	22,223
Depreciation and amortization (including impairments).....	2,382,339	2,930,571	1,700,306	414,550
Operating income	1,682,379	841,126	463,295	478,937
Other income (expense):				
Interest expense, net.....	(1,543,048)	(1,505,173)	(1,331,712)	(285,508)
Gain (loss) on investments and sale of affiliate interests, net	(261,536)	237,354	142,102	129,990
Gain (loss) on derivative contracts, net	218,848	(138,920)	(53,696)	(36,283)
Gain (loss) on interest rate swap contracts	(61,697)	5,482	(72,961)	—
Loss on extinguishment of debt and write-off of deferred financing costs	(48,804)	(86,517)	(127,649)	—
Other income (expense), net	(12,274)	(13,651)	980	1,224
Income (loss) before income taxes	(26,132)	(660,299)	(979,641)	288,360
Income tax benefit (expense)	57,417	2,809,817	216,430	(124,848)
Net income (loss)	31,285	2,149,518	(763,211)	163,512
Net loss (income) attributable to noncontrolling interests	(1,761)	(1,587)	(551)	236
Net income (loss) attributable to Cablevision Systems Corporation stockholders	\$ 29,524	\$ 2,147,931	\$ (763,762)	\$ 163,748

The following is a reconciliation of net income (loss) to Adjusted EBITDA:

	Cablevision Systems Corporation			Predecessor
	Successor			
	Years Ended December 31,			January 1, 2016 to June 20, 2016
	2018	2017	2016	
Net income (loss)	\$ 31,285	\$ 2,149,518	\$ (763,211)	\$ 163,512
Income tax (benefit) expense	(57,417)	(2,809,817)	(216,430)	124,848
Other expense (income), net (a)	12,274	13,651	(980)	(1,224)
Loss (gain) on interest rate swap contracts	61,697	(5,482)	72,961	—
Loss (gain) on derivative contracts, net (b)	(218,848)	138,920	53,696	36,283
Loss (gain) on investments and sale of affiliate interests, net	261,536	(237,354)	(142,102)	(129,990)
Loss on extinguishment of debt and write-off of deferred financing costs	48,804	86,517	127,649	—
Interest expense, net	1,543,048	1,505,173	1,331,712	285,508
Depreciation and amortization	2,382,339	2,930,571	1,700,306	414,550
Restructuring and other expense	38,548	152,283	240,127	22,223
Share-based compensation	59,812	57,430	14,368	25,231
Adjusted EBITDA	\$ 4,163,078	\$ 3,981,410	\$ 2,418,096	\$ 940,941

- (a) Includes the non-service cost components of the Company's pension expense, net of dividends received on Comcast common stock owned by the Company.
- (b) Consists of unrealized and realized losses (gains) due to the change in the fair value of derivative contracts.

The following table sets forth certain customer metrics for the Company (unaudited):

	As of December 31, 2018			As of December 31, 2017			Increase (Decrease)
	Cablevision	Cequel	Total	Cablevision	Cequel	Total	
	(in thousands, except per customer amounts)						
Homes passed (a)	5,209.4	3,527.9	8,737.3	5,163.9	3,457.1	8,620.9	116.4
Total customers relationships (b)(c)	3,149.1	1,770.4	4,919.6	3,156.0	1,750.2	4,906.3	13.3
Residential	2,886.1	1,656.0	4,542.1	2,893.4	1,641.5	4,535.0	7.1
SMB	263.0	114.4	377.5	262.6	108.7	371.3	6.2
Residential customers:							
Pay TV	2,290.5	1,017.0	3,307.5	2,363.2	1,042.4	3,405.5	(98.0)
Broadband	2,694.6	1,423.5	4,118.1	2,670.0	1,376.2	4,046.2	71.9
Telephony	1,941.3	589.8	2,531.2	1,965.0	592.3	2,557.4	(26.2)
Residential triple product customers penetration (d)	63.2%	25.6%	49.5%	64.2%	25.7%	50.2%	
Penetration of homes passed (e)	60.5%	50.2%	56.3%	61.1%	50.6%	56.9%	
ARPU(f)	\$ 157.36	\$ 116.43	\$ 142.44	\$ 155.39	\$ 112.21	\$ 139.75	

- (a) Represents the estimated number of single residence homes, apartments and condominium units passed by the cable distribution network in areas serviceable without further extending the transmission lines. In addition, it includes commercial establishments that have connected to our cable distribution network. For Cequel, broadband services were not available to approximately 100 homes passed and telephony services were not available to approximately 500 homes passed.
- (b) Represents number of households/businesses that receive at least one of the Company's services.

- (c) Customers represent each customer account (set up and segregated by customer name and address), weighted equally and counted as one customer, regardless of size, revenue generated, or number of boxes, units, or outlets. In calculating the number of customers, we count all customers other than inactive/disconnected customers. Free accounts are included in the customer counts along with all active accounts, but they are limited to a prescribed group. Most of these accounts are also not entirely free, as they typically generate revenue through pay-per-view or other pay services and certain equipment fees. Free status is not granted to regular customers as a promotion. In counting bulk residential customers, such as an apartment building, we count each subscribing family unit within the building as one customer, but do not count the master account for the entire building as a customer. We count a bulk commercial customer, such as a hotel, as one customer, and do not count individual room units at that hotel.
- (d) Represents the number of customers that subscribe to three of our services divided by total residential customer relationships.
- (e) Represents the number of total customer relationships divided by homes passed.
- (f) Calculated by dividing the average monthly revenue for the respective quarter (fourth quarter for annual periods) derived from the sale of broadband, pay television and telephony services to residential customers for the respective quarter by the average number of total residential customers for the same period.

Comparison of Results for the Year Ended December 31, 2018 compared to the Year Ended December 31, 2017 and for the Year Ended December 31, 2017 compared to the Year Ended December 31, 2016

Pay Television Revenue

Pay television revenue for the years ended December 31, 2018, 2017 and 2016 was \$4,156,428, \$4,274,122 and \$2,788,873, respectively. Pay television revenue is derived principally through monthly charges to residential customers of our pay television services. Revenue is impacted by rate increases, changes in the number of customers, including additional services sold to our existing customers, and changes in programming packages.

Pay television revenue decreased \$117,694 (3%) for the year ended December 31, 2018 compared to the year ended December 31, 2017. The decrease was due primarily to a decline in pay television customers, partially offset by higher average revenue per pay television customer primarily due to rate increases.

Pay television revenue increased \$1,485,249 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include pay television revenue of \$1,494,186 recognized by Cablevision for the period from January 1, 2016 through June 20, 2016. Pay television revenue declined \$8,937 as compared to the prior year due to a decline in pay television customers, net of increases resulting from rate increases for certain video services implemented in 2016 and 2017, an increase in late fees and an increase in pay-per-view revenue.

We believe our pay television customer declines noted in the table above are largely attributable to competition, particularly from Verizon in our Optimum footprint and DBS providers in our Suddenlink footprint, as well as competition from companies that deliver video content over the Internet directly to customers. These factors are expected to continue to impact our ability to maintain or increase our existing customers and revenue in the future.

Broadband Revenue

Broadband revenue for the years ended December 31, 2018, 2017 and 2016 was \$2,887,455, \$2,608,595 and \$1,651,574, respectively. Broadband revenue is derived principally through monthly charges to residential subscribers of our broadband services. Revenue is impacted by rate increases, changes in the number of customers, including additional services sold to our existing subscribers, and changes in speed tiers.

Broadband revenue increased \$278,860 (11%) for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increases were due primarily to higher average recurring broadband revenue per broadband customer, primarily driven by certain rate increases and service level changes, and an increase in broadband customers.

Broadband revenue increased \$957,021 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include broadband revenue of \$702,811 recognized by Cablevision for the period January 1, 2016 through June 20, 2016. Broadband revenue also increased \$254,210 as a result of higher average recurring broadband revenue per broadband customer (driven by rate increases, the impact of service level changes, and an increase in late fees) and an increase in broadband customers.

Telephony Revenue

Telephony revenue for the years ended December 31, 2018, 2017 and 2016 was \$652,895, \$700,765 and \$465,771, respectively. Telephony revenue is derived principally through monthly charges to residential customers of our telephony services. Revenue is impacted by changes in rates for services, changes in the number of customers, and additional services sold to our existing customers.

Telephony revenue decreased \$47,870 (7%) for the year ended December 31, 2018 compared to the year ended December 31, 2017. The decrease is due to lower average revenue per telephony customer and a decline in telephony customers.

Telephony revenue increased \$234,994 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include telephony revenue of \$286,161 recognized by Cablevision for the period January 1, 2016 through June 20, 2016. Partially offsetting this increase was a net decrease of \$51,167 due primarily to lower average revenue per telephony customer, a decline in international calling and a decline in telephony customers.

Business Services and Wholesale Revenue

Business services and wholesale revenue for the years ended December 31, 2018, 2017 and 2016 was \$1,362,758, \$1,298,213, \$819,541, respectively. Business services and wholesale revenue is derived primarily from the sale of fiber based telecommunications services to the business market, and the sale of broadband, pay television and telephony services to SMB customers.

Business services and wholesale revenue increased \$64,545 (5%) for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase was primarily due to higher average recurring broadband revenue per SMB customer, higher Ethernet and managed services revenue and an increase in the number of customers, partially offset by reduced traditional voice and data services for commercial customers.

Business services and wholesale revenue increased \$478,672 for the year ended December 31, 2017 compared to the year ended December 31, 2016. The increase is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include revenue of \$411,102 recognized by Cablevision for the period January 1, 2016 through June 20, 2016. Business services revenue also increased \$67,570 primarily due to higher average recurring telephony and broadband revenue per SMB customer and an increase in Ethernet revenue resulting from a larger number of services installed, and increases in commercial carrier services, partially offset by reduced traditional voice and data services for commercial customers.

Advertising Revenue

Advertising revenue for the years ended December 31, 2018, 2017 and 2016, net of inter-segment revenue, was \$482,649, \$391,866 and \$252,049, respectively. Advertising revenue is primarily derived from the sale of advertising time available on the programming carried on our cable television systems, digital advertising and data analytics revenue.

Advertising revenue increased \$90,783 (23%) for the year ended December 31, 2018 compared to the year ended December 31, 2017. The increase was primarily due to an increase in digital advertising, higher political spending, and an increase in data analytics revenue.

Advertising revenue increased \$139,817 for the year ended December 31, 2017 as compared to the year ended December 31, 2016. The increase is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include advertising revenue of \$125,419 recognized by Cablevision for the period January 1, 2016 through June 20, 2016. The remaining increase in advertising revenue of \$14,398 was due primarily to an increase in digital advertising revenue and an increase in data and analytics revenue, partially offset by a decrease in political, auto, retail, and restaurant advertising.

Other Revenue

Other revenue for the years ended December 31, 2018, 2017 and 2016 was \$24,423, \$33,389 and \$39,404, respectively. Other revenue includes other miscellaneous revenue streams.

Programming and Other Direct Costs

Programming and other direct costs for the years ended December 31, 2018, 2017 and 2016 amounted to \$3,173,076, \$3,035,655 and \$1,911,229, respectively. Programming and other direct costs include cable programming costs, which are costs paid to programmers (net of amortization of any incentives received from programmers for carriage) for cable content (including costs of VOD and pay-per-view) and are generally paid on a per - customer basis. These costs typically rise due to increases in contractual rates and new channel launches and are also impacted by changes in the number of customers receiving certain programming services. These costs also include interconnection, call completion, circuit and transport fees paid to other telecommunication companies for the transport and termination of voice and data services, which typically vary based on rate changes and the level of usage by our customers. These costs also include franchise fees which are payable to the state governments and local municipalities where we operate and are primarily based on a percentage of certain categories of revenue derived from the provision of pay television service over our cable systems, which vary by state and municipality. These costs change in relation to changes in such categories of revenues or rate changes.

The increase of \$137,421 (5%) for the year ended December 31, 2018, as compared to the prior year is primarily attributable to the following:

Increase in programming costs due primarily to contractual rate increases, partially offset by lower pay television customers and lower video-on-demand and pay-per-view costs	\$	87,341
Increase primarily in costs of digital media and linear advertising spots for resale.....		42,635
Other net increases (including an increase of \$4,201 in costs related to i24NEWS)		7,445
	\$	<u>137,421</u>

The increase of \$1,124,426 for the year ended December 31, 2017 as compared to the prior year is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include \$1,088,555 of programming and other direct costs recognized by Cablevision for the period January 1, 2016 through June 20, 2016. The remaining increase of \$35,871 is attributable to the following:

Increase in programming costs due primarily to contractual rate increases and an increase in pay-per-view costs primarily from an event in August 2017, partially offset by lower pay television customers and lower video-on-demand costs	\$	81,764
Increase in costs of digital media advertising spots for resale.....		23,601
Decrease in costs primarily related to the sale of Newsday in July 2016.....		(33,888)
Decrease in call completion and transport costs primarily due to lower level of activity		(19,684)
Decrease in cost of sales (which includes the bulk sale of handset inventory of \$5,445 during the first quarter of 2016)		(11,579)
Other net increases.....		(4,343)
	\$	<u>35,871</u>

Programming costs

Programming costs aggregated \$2,620,585, \$2,533,244 and \$1,567,688 for the years ended December 31, 2018, 2017 and 2016, respectively. The 2016 amount does not include programming costs of \$883,792 recognized during the predecessor period January 1, 2016 through June 20, 2016. Our programming costs in 2019 will continue to be impacted by changes in programming rates, which we expect to increase by high single digits, and by changes in the number of pay television customers.

Other Operating Expenses

Other operating expenses for the years ended December 31, 2018, 2017 and 2016 amounted to \$2,290,266, \$2,347,315 and \$1,702,255, respectively. Other operating expenses include staff costs and employee benefits including salaries of company employees and related taxes, benefits and other employee related expenses, as well as third-party labor costs. Other operating expenses also include network management and field service costs, which represent costs associated

with the maintenance of our broadband network, including costs of certain customer connections and other costs associated with providing and maintaining services to our customers.

Customer installation and repair and maintenance costs may fluctuate as a result of changes in the level of activities and the utilization of contractors as compared to employees. Also, customer installation costs fluctuate as the portion of our expenses that we are able to capitalize changes. Costs associated with the initial deployment of new customer premise equipment necessary to provide broadband, pay television and telephony services are capitalized (asset-based). The redeployment of customer premise equipment is expensed as incurred. Network repair and maintenance and utility costs also fluctuate as capitalizable network upgrade and enhancement activity changes.

Other operating expenses also include costs related to the operation and maintenance of our call center facilities that handle customer inquiries and billing and collection activities and sales and marketing costs, which include advertising production and placement costs associated with acquiring and retaining customers. These costs vary period to period and certain of these costs, such as sales and marketing, may increase with intense competition. Additionally, other operating expenses include various other administrative costs, including legal fees, and product development costs.

The decrease in other operating expenses of \$57,049 (2%) for the year ended December 31, 2018 as compared to the prior year is attributable to the following:

Decrease in labor costs and benefits (net of an increase in costs related to i24NEWS of \$18,786), and an increase in capitalizable activity	\$ (84,118)
Decrease in management fee relating to certain executive, administrative and managerial services provided to the Company from Altice Europe prior to separation in June 2018.....	(16,750)
Decrease in legal fees.....	(6,495)
Decrease in share-based compensation and long-term incentive plan awards expense.....	(2,548)
Increase in marketing costs.....	34,683
Increase in commissions primarily relating to the NY Interconnect business.....	10,438
Increase in insurance costs.....	1,740
Other net increases (includes an increase in costs related to i24NEWS of \$9,936).....	6,001
	<u>\$ (57,049)</u>

The increase in other operating expenses of \$645,060 for the year ended December 31, 2017 as compared to the prior year is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include \$1,133,339 of other operating expenses recognized by Cablevision for the period January 1, 2016 through June 20, 2016. The remaining decrease of \$488,279 is attributable to the following:

Decrease primarily in employee related costs related to the elimination of certain positions in connection with the initiatives to simplify the Company's organizational structure, lower net benefits, an increase in capitalizable activity, partially offset by merit increases.....	\$ (425,210)
Decrease in costs primarily related to the sale of Newsday in July 2016.....	(95,262)
Decrease primarily related to maintenance agreements for equipment, as well as lower repairs and maintenance costs relating to our operations.....	(50,780)
Decrease in rent and insurance.....	(21,314)
Increase in consulting and professional fees.....	50,241
Increase in contractor costs.....	19,774
Increase in share-based compensation and long-term incentive plan awards expense.....	17,653
Increase in fees for certain executive services provided by Altice Europe (twelve months in 2017 compared to approximately six months in 2016).....	9,444
Increase in sales and marketing costs.....	5,359
Other net increases.....	1,816
	<u>\$ (488,279)</u>

Restructuring and Other Expense

Restructuring and other expense for the year ended December 31, 2018 amounted to \$38,548 as compared to \$152,283 for the year ended December 31, 2017 and \$240,127 for the year ended December 31, 2016. These amounts primarily relate to severance and other employee related costs resulting from headcount reductions related to initiatives which commenced in 2016 that are intended to simplify the Company's organizational structure. We currently anticipate that additional restructuring expenses will be recognized as we continue to analyze our organizational structure.

Depreciation and Amortization

Depreciation and amortization for the years ended December 31, 2018, 2017 and 2016 amounted to \$2,382,339, \$2,930,571 and \$1,700,306, respectively.

The decrease in depreciation and amortization of \$548,232 (19%) in 2018 as compared to the prior year is due primarily to certain fixed assets and intangible assets becoming fully depreciated or amortized. These decreases were partially offset by depreciation of new asset additions.

The increase in depreciation and amortization of \$1,230,265 in 2017 as compared to the prior year is primarily due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition. Our 2016 results do not include \$414,550 of depreciation and amortization recognized for the predecessor period January 1, 2016 through June 20, 2016. The remaining increase of \$815,715 is primarily attributable to the acceleration of amortization of its trade name intangible assets in connection with the announcement, on May 23, 2017, of the adoption of a global brand to replace the Optimum brand in the future, as well as depreciation on new asset additions. In December 2017, the Company made a decision to postpone the adoption of a global brand that would have replaced the Optimum brand, increasing the useful life of the Optimum trade name intangible asset to 5 years.

Adjusted EBITDA

Adjusted EBITDA amounted to \$4,163,078, \$3,981,410 and \$2,418,096 for the years ended December 31, 2018, 2017 and 2016, respectively.

Adjusted EBITDA is a non-GAAP measure that is defined as net income (loss) excluding income taxes, income (loss) from discontinued operations, non-operating income or expenses, loss on extinguishment of debt and write-off of deferred financing costs, gain (loss) on interest rate swap contracts, gain (loss) on derivative contracts, gain (loss) on investments and sale of affiliate interests, net, interest expense (including cash interest expense), interest income, depreciation and amortization (including impairments), share-based compensation expense or benefit, restructuring expense or credits and transaction expenses. See reconciliation of net income (loss) to adjusted EBITDA above.

The increase in adjusted EBITDA for the year ended December 31, 2018 as compared to the prior year was due to the increases in revenue and decreases in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation), as discussed above.

The increase in adjusted EBITDA for the year ended December 31, 2017 as compared to the prior year was due to the consolidation of the Cablevision results as of June 21, 2016, the date of the Cablevision Acquisition and the increases in revenue and decreases in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation), as discussed above.

Interest Expense, net

Interest expense, net was \$1,543,048, \$1,505,173 and \$1,331,712, for the years ended December 31, 2018, 2017 and 2016, respectively, and includes interest on debt issued to finance the Cablevision Acquisition and Cequel Acquisition, as well as interest on debt assumed in connection with these acquisitions. The increase of \$37,875 and \$173,461 for the years ended December 31, 2018 and 2017, respectively, as compared to the prior year are attributable to the following:

	2018	2017
Increase (decrease) due to changes in average debt balances and interest rates on our indebtedness and collateralized debt	\$ (4,770)	\$ 157,409
Lower (higher) interest income	(12,182)	12,738
Other net increases, primarily amortization of deferred financing costs and original issue discounts	54,827	3,314
	<u>\$ 37,875</u>	<u>\$ 173,461</u>

Gain (Loss) on Investments and Sale of Affiliate Interests, net

Gain (loss) on investments, net for the years ended December 31, 2018, 2017 and 2016, of \$(261,536), \$237,354 and \$142,102 consists primarily of the increase (decrease) in the fair value of Comcast common stock owned by the Company for the periods. For 2016, the gain is for the successor period June 21, 2016 through December 31, 2016. The effects of these gains (losses) are partially offset by the losses (gains) on the related equity derivative contracts, net described below.

Gain (Loss) on Derivative Contracts, net

Gain (loss) on derivative contracts, net for the year ended December 31, 2018 amounted to \$218,848 compared to \$(138,920) for the year ended December 31, 2017 and \$(53,696) for the year ended December 31, 2016, and includes realized and unrealized gains or losses due to the change in fair value of equity derivative contracts relating to the Comcast common stock owned by the Company. For 2016, the loss is for the successor period June 21, 2016 through December 31, 2016. The effects of these gains (losses) are offset by losses (gains) on investment securities pledged as collateral, which are included in gain (loss) on investments, net discussed above.

Gain (loss) on Interest Rate Swap Contracts

Gain (loss) on interest rate swap contracts was \$(61,697), \$5,482 and \$(72,961) for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts represent the increase or decrease in fair value of interest rate swaps. These swap contracts are not designated as hedges for accounting purposes.

Loss on Extinguishment of Debt and Write-off of Deferred Financing Costs

Loss on extinguishment of debt and write-off of deferred financing costs amounted to \$48,804, \$86,517 and \$127,649 for the years ended December 31, 2018, 2017 and 2016, respectively. The 2018 amount primarily includes the write-off of unamortized discount and deferred financing costs and the premium paid in connection with early redemption of the Cequel 2020 Notes in the second quarter of 2018, the write-off of unamortized premium and deferred financing costs and the premium paid in connection with early redemption of the \$750,000 7.75% Cablevision senior notes due in April 2018 in the first quarter of 2018, and write-off of unamortized deferred financing costs on the early repayment of the Cequel credit facility in November 2018.

The 2017 amount includes \$18,976 related to the Cablevision Extension Amendment and the redemption of senior notes, \$28,684 related to the Cequel Extension Amendment and the redemption of senior notes and \$38,858 related to premiums paid upon the early repayment of certain senior notes outstanding.

The 2016 amount includes primarily the write-off of unamortized deferred financing costs and the unamortized discount relating to the prepayment of \$1,290,500 outstanding under the term credit facility at Cablevision.

Other Income (Expense), Net

Other income (loss), net amounted to \$(12,274), \$(13,651) and \$980, for the years ended December 31, 2018, 2017 and 2016, respectively. These amounts include the non-service cost components of the Company's pension expense of \$9,529, \$11,863 and \$3,143, net of dividends received on Comcast common stock owned by the Company.

Income Tax Benefit

The Company recorded income tax benefit of \$57,417 for the year ended December 31, 2018. During 2018, the Company determined that it met the definition of a Qualified Technology Company for New York State tax purposes and thereby was eligible for the reduced tax rate. Additionally, during 2018, the state of New Jersey enacted significant tax law changes imposing a 2.5% surtax for tax years beginning January 1, 2018 and mandating combined return filing

requirements for unitary corporations for tax years beginning January 1, 2019. Accordingly, the Company recorded a net non-cash deferred tax benefit of \$53,989 based on an update of the blended state rate and remeasurement of the net deferred tax liability.

The Company recorded income tax benefit of \$2,809,817 for the year ended December 31, 2017. Pursuant to the enactment of Tax Cuts and Jobs Act on December 22, 2017, the Company recorded a non-cash deferred tax benefit of \$2,545,880 to remeasure the net deferred tax liability to adjust for the reduction in the corporate federal income tax rate from 35% to 21% which is effective on January 1, 2018. Nondeductible share-based compensation expense for the year ended December 31, 2017 reduced income tax benefit by \$20,451.

The Company recorded income tax benefit of \$216,430 for the year ended December 31, 2016. Nondeductible share-based compensation expense for the year ended December 31, 2016 reduced income tax benefit by \$5,029. On June 9, 2016 the common stock of Cequel was contributed to the Company. On June 21, 2016, the Company completed its acquisition of Cablevision. Accordingly, Cequel and Cablevision joined the federal consolidated and certain state combined income tax returns of the Company. As a result, the applicable tax rate used to measure deferred tax assets and liabilities increased, resulting in a non-cash deferred income tax charge of \$153,660 in the second quarter of 2016. In addition, there was no state income tax benefit on the pre-merger accrued interest at an indirect wholly-owned subsidiary of Altice Europe formed to complete the financing for the Cablevision Acquisition and the merger with CSC Holdings, resulting in additional deferred tax expense of \$18,542 for the year ended December 31, 2016.

CSC HOLDINGS, LLC

The consolidated statements of operations of CSC Holdings are essentially identical to the consolidated statements of operations of Cablevision, except for the following:

	Successor			Predecessor
	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	January 1, 2016 through June 20, 2016
Net income (loss) attributable to Cablevision Systems Corporation stockholders	\$ 29,524	\$ 2,147,931	\$ (763,762)	\$ 163,748
Interest expense relating to Cablevision senior notes included in Cablevision's consolidated statements of operations	303,106	377,908	326,340	105,492
Interest income related to cash held at Cablevision	(6)	(13)	(1)	(19)
Interest income included in CSC Holdings' consolidated statements of operations related to interest on Cablevision's senior notes held by Newsday Holdings, through the date of sale in July 2016 (this interest income is eliminated in the consolidated statements of operations of Cablevision)	—	—	1,335	22,692
Loss on extinguishment of debt relating to Cablevision senior notes	40,921	32,529	—	—
Income tax expense (benefit) included in Cablevision's consolidated statements of operations	(114,980)	17,934	(130,394)	(54,810)
Net income (loss) attributable to CSC Holdings, LLC's sole member	<u>\$ 258,565</u>	<u>\$ 2,576,289</u>	<u>\$ (566,482)</u>	<u>\$ 237,103</u>

Refer to Cablevision's Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

LIQUIDITY AND CAPITAL RESOURCES

Cablevision has no operations independent of its subsidiaries. Funding for our subsidiaries has generally been provided by cash flow from their respective operations, cash on hand and borrowings under their revolving credit facilities and the proceeds from the issuance of securities and borrowings under syndicated term loans in the capital markets. Our decision as to the use of cash generated from operating activities, cash on hand, borrowings under the revolving credit facility or accessing the capital markets has been based upon an ongoing review of the funding needs of the business, the optimal allocation of cash resources, the timing of cash flow generation and the cost of borrowing under the revolving

credit facility, debt securities and syndicated term loans. We manage our business to a year-end leverage target of 4.5x to 5.0x. We calculate our consolidated net leverage ratio as net debt to L2QA EBITDA (Adjusted EBITDA for the two most recent consecutive fiscal quarters multiplied by 2.0).

We expect to utilize free cash flow and availability under the revolving credit facility, as well as future refinancing transactions, to further extend the maturities of, or reduce the principal on, our debt obligations. The timing and terms of any refinancing transactions will be subject to, among other factors, market conditions. Additionally, we may, from time to time, depending on market conditions and other factors, use cash on hand and the proceeds from other borrowings to repay the outstanding debt securities through open market purchases, privately negotiated purchases, tender offers, or redemptions.

We believe existing cash balances, operating cash flows and availability under our revolving credit facility will provide adequate funds to support our current operating plan, make planned capital expenditures and fulfill our debt service requirements for the next twelve months. However, our ability to fund our operations, make planned capital expenditures, make scheduled payments on our indebtedness and repay our indebtedness depends on our future operating performance and cash flows and our ability to access the capital markets, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control. However, competition, market disruptions or a deterioration in economic conditions could lead to lower demand for our products, as well as lower levels of advertising, and increased incidence of customers' inability to pay for the services we provide. These events would adversely impact our results of operations, cash flows and financial position. Although we currently believe that amounts available under the revolving credit facility will be available when, and if, needed, we can provide no assurance that access to such funds will not be impacted by adverse conditions in the financial markets or other conditions. The obligations of the financial institutions under the revolving credit facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

In the longer term, we may not be able to generate sufficient cash from operations to fund anticipated capital expenditures, meet all existing future contractual payment obligations and repay our debt at maturity. As a result, we could be dependent upon our continued access to the capital and credit markets to issue additional debt or equity or refinance existing debt obligations. We intend to raise significant amounts of funding over the next several years to fund capital expenditures, repay existing obligations and meet other obligations, and the failure to do so successfully could adversely affect our business. If we are unable to do so, we will need to take other actions including deferring capital expenditures, selling assets, seeking strategic investments from third parties or reducing or eliminating stock repurchases and discretionary uses of cash.

Credit Silo Combination

In October 2018, Altice USA combined its Suddenlink and Optimum businesses under a single credit silo (the "Combination"). The integration of the Suddenlink and Optimum businesses was aimed at aligning Altice USA's debt capital structure and to simplify Altice USA's financing strategy and financial reporting requirements. The Combination was effected mainly by the following transactions:

- In October 2018, Altice US Finance, Cequel Capital Corporation and Cequel Communications Holdings I, LLC ("CCHI") commenced an offer to exchange (the "Exchange Offer") any and all outstanding senior notes and senior secured notes issued by them (the "Original Cequel Notes") for up to \$5,520,000 aggregate principal amount of new notes (the "New Cequel Notes") and, in the case of the 5.375% senior secured notes due 2023 and 5.500% senior secured notes due 2026, and cash of \$6,500. The Exchange Offer was accompanied by a consent solicitation to amend the terms of each series of the notes subject to the Exchange Offer (except the 5.125% senior notes due 2021) and the indentures governing such notes. Approximately \$5,500,050 of the outstanding notes subject to the Exchange Offer were exchanged into corresponding series of New Cequel Notes. The proposed amendments in the consent solicitation, which have become operative effective November 27, 2018 (the "Combination Date"), eliminated or waived substantially all of the restrictive covenants, eliminated certain events of default, and modified or eliminated certain other provisions governing the Original Cequel Notes (except the 5.125% senior notes due 2021) to the extent that they remain outstanding.
- In October 2018, CSC Holdings entered into a Sixth Amendment to the CSC Credit Facilities Agreement (the "Combination Incremental Term Loan Agreement"). The Combination Incremental Term Loan Agreement

provided for, among other things, new incremental term loan commitments in an aggregate principal amount of \$1,275,000.

On or following the Combination Date the following transactions were completed:

- The Company redeemed \$5,206 principal amount of the Original Cequel Notes that were outstanding after the consummation of the Exchange Offer.
- New Cequel Notes with an aggregate principal balance of \$5,500,050 were converted into \$5,499,156 principal amount of CSC Holdings senior notes (see detail below).
- Pursuant to the Combination Incremental Term Loan Agreement, on the Combination Date, CSC Holdings entered into a \$1,275,000 7-year incremental term loan maturing January 2026 (the “Incremental Term Loan B-3”). The proceeds from the Incremental Term Loan B-3 were used to repay the entire principal amount of loans under Cequel’s existing Term Loan Facility and other transaction costs related to the Combination. The Incremental Term Loan B-3 has a margin of 2.25% over LIBOR and was issued with an original issue discount of 25 basis points. The Company is required to make scheduled quarterly payments equal to 0.25% (or \$3,188) of the principal amount of the Incremental Term Loan B-3, beginning with the fiscal quarter ended June 30, 2019, with the remaining balance scheduled to be paid on January 15, 2026.
- The Combination was implemented by a series of corporate transactions, including: (i) CCHI merging into Cablevision, with Cablevision as the surviving entity (the “Holdco Merger”), and (ii) Cequel Communications Holdings II, LLC (the direct parent of Cequel) merging into CSC Holdings, with CSC Holdings as the surviving entity. In connection with the Holdco Merger, Cablevision assumed all of the obligations of CCHI that remained outstanding after giving effect to the Combination Exchange under the indentures governing the outstanding Original Cequel Notes.

The following is a summary of the results of the Exchange Offer:

	Original Cequel Notes	Remaining Original Cequel Notes	Notes Redeemed in Cash	Principal of New CSC Holdings Notes
5.375% Senior Secured Notes due 2023	\$ 1,100,000	\$ —	\$ 4,157	\$ 1,095,825
5.5% Senior Secured Notes due 2026	1,500,000	—	1,049	1,498,806
5.125% Senior Notes due 2021	1,250,000	8,886	—	1,240,762
7.75% Senior Notes due 2025	620,000	1,740	—	617,881
7.5% Senior Notes due 2028	1,050,000	4,118	—	1,045,882
	<u>\$ 5,520,000</u>	<u>\$ 14,744</u>	<u>\$ 5,206</u>	<u>\$ 5,499,156</u>

Debt Outstanding

The following tables summarize the carrying value of our outstanding debt, net of unamortized deferred financing costs, discounts and premiums (excluding accrued interest), as well as interest expense.

	As of December 31, 2018		
	CSC Holdings	Cablevision	Consolidated Cablevision
Debt outstanding:			
Credit facility debt.....	\$ 5,915,559	\$ —	\$ 5,915,559
Senior guaranteed notes.....	5,847,758	—	5,847,758
Senior notes and debentures	8,416,610	1,095,193	9,511,803
Subtotal	<u>20,179,927</u>	<u>1,095,193</u>	<u>21,275,120</u>
Capital lease obligations.....	25,190	—	25,190
Notes payable	106,108	—	106,108
Subtotal	<u>20,311,225</u>	<u>1,095,193</u>	<u>21,406,418</u>
Collateralized indebtedness relating to stock monetizations (a)	1,406,182	—	1,406,182
Total debt	<u>\$ 21,717,407</u>	<u>\$ 1,095,193</u>	<u>\$ 22,812,600</u>
Interest expense:			
Credit facility debt, senior notes, capital leases and notes payable.....	\$ 1,189,713	\$ 303,106	\$ 1,492,819
Collateralized indebtedness and notes payable relating to stock monetizations (a)	63,463	—	63,463
Total interest expense.....	<u>\$ 1,253,176</u>	<u>\$ 303,106</u>	<u>\$ 1,556,282</u>

- (a) This indebtedness is collateralized by shares of Comcast common stock. We intend to settle this debt by (i) delivering shares of Comcast common stock and the related equity contracts, or (ii) delivering cash from the net proceeds on new monetization contracts.

The following table provides details of our outstanding credit facility debt, net of unamortized discounts and deferred financing costs as of December 31, 2018:

	Maturity Date	Interest Rate	Principal	Carrying Value
CSC Holdings Revolving Credit Facility (a).....	\$20,000 on October 9, 2020, remaining balance on November 30, 2021	5.71%	\$ 250,000	\$ 231,425
CSC Holdings Term Loan B.....	July 17, 2025	4.71%	2,955,000	2,939,425
CSC Holdings Incremental Term Loan B-2	January 25, 2026	4.96%	1,492,500	1,475,778
CSC Holdings Incremental Term Loan B-3 (b).....	January 15, 2026	4.75%	1,275,000	1,268,931
			<u>\$ 5,972,500</u>	<u>\$ 5,915,559</u>

- (a) At December 31, 2018, \$147,564 of the revolving credit facility was restricted for certain letters of credit issued on behalf of the Company and \$1,902,436 of the facility was undrawn and available, subject to covenant limitations.
- (b) Proceeds from the CSC Holdings term loan were used to repay the outstanding amount under the Cequel Term loan in November 2018 in connection with the Combination. See discussion above.

Payment Obligations Related to Debt

As of December 31, 2018, total amounts payable by us in connection with our outstanding obligations, including related interest, as well as capital lease obligations, notes payable, and the value deliverable at maturity under monetization contracts are as follows:

	CSC Holdings	Cablevision
2019.....	\$ 1,999,918	\$ 2,078,947
2020.....	1,422,161	1,981,190
2021 (a).....	5,306,939	5,354,854
2022.....	1,205,074	1,892,672
2023.....	4,013,746	4,014,190
Thereafter.....	16,634,298	16,641,816
Total.....	<u>\$ 30,582,136</u>	<u>\$ 31,963,669</u>

- (a) Includes \$1,542,266 related to the Company's collateralized indebtedness (including related interest). This indebtedness is collateralized by shares of Comcast common stock. We intend to settle this debt by (i) delivering shares of Comcast common stock and the related equity contracts or (ii) delivering cash from the net proceeds on new monetization contracts.

The amounts in the table above do not include the effects of the debt transactions discussed in Note 21.

CSC Holdings Restricted Group

CSC Holdings and those of its subsidiaries which conduct our broadband, pay television and telephony services operations, as well as Lightpath, which provides Ethernet-based data, Internet, voice and video transport and managed services to the business market, comprise the "Restricted Group" as they are subject to the covenants and restrictions of the credit facility and indentures governing the notes and debentures issued by CSC Holdings. In addition, the Restricted Group is also subject to the covenants of the debt issued by Cablevision.

Sources of cash for the Restricted Group include primarily cash flow from the operations of the businesses in the Restricted Group, borrowings under its credit facility and issuance of securities in the capital markets, contributions from its parent, and, from time to time, distributions or loans from its subsidiaries. The Restricted Group's principal uses of cash include: capital spending, in particular, the capital requirements associated with the upgrade of its digital broadband, pay television and telephony services, including costs to build a FTTH network and enhancements to its service offerings such as Wi-Fi; debt service, including distributions made to Cablevision to service interest expense and principal repayments on its debt securities; other corporate expenses and changes in working capital; and investments that it may fund from time to time.

CSC Holdings Credit Facility

On October 9, 2015, Finco, which merged with and into CSC Holdings on June 21, 2016, entered into a senior secured credit facility, which currently provides U.S. dollar term loans currently in an aggregate principal amount of \$3,000,000 (\$2,955,000 outstanding at December 31, 2018) (the "CSC Term Loan Facility", and the term loans extended under the CSC Term Loan Facility, the "CSC Term Loans") and U.S. dollar revolving loan commitments in an aggregate principal amount of \$2,300,000 (the "CSC Revolving Credit Facility" and, together with the CSC Term Loan Facility, the "CSC Credit Facilities"), which are governed by a credit facilities agreement entered into by, *inter alios*, CSC Holdings certain lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent and security agent (as amended, restated, supplemented or otherwise modified on June 20, 2016, June 21, 2016, July 21, 2016, September 9, 2016, December 9, 2016, March 15, 2017, January 12, 2018, and October 15, 2018, respectively, and as further amended, restated, supplemented or otherwise modified from time to time, the "CSC Credit Facilities Agreement").

In January 2018, CSC Holdings entered into a new \$1,500,000 incremental term loan facility (the "Incremental Term Loan B-2") under its existing credit facilities agreement. The Incremental Term Loan B-2 was priced at 99.5% and will mature on January 25, 2026. The Incremental Term Loan B-2 is comprised of eurodollar borrowings or alternate base rate borrowings, and bears interest at a rate per annum equal to the adjusted LIBOR or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 1.50% per annum and (ii) with respect to any eurodollar loan, 2.50% per annum. The Company is required to make scheduled quarterly payments equal to 0.25% (or \$3,750) of the principal amount of the Incremental Term Loan B-2, beginning with the fiscal quarter ended September 30, 2018, with the remaining balance scheduled to be paid on January 26, 2026.

See discussion above under "Credit Silo Combination" regarding the Sixth Amendment to the CSC Credit Facilities Agreement, which provided for, among other things, new incremental term loan commitments in an aggregate principal amount of \$1,275,000.

In January 2019, CSC Holdings obtained commitments to refinance its existing revolving credit facility, subject to customary closing conditions. After the refinancing, the total size of the new revolving credit facility is \$2,562,500, including \$2,170,000 extended to January 2024 and priced at LIBOR plus 2.25%. The remaining \$392,500 matures in November 2021.

In January and March 2019, CSC Holdings borrowed \$200,000 and \$200,000, respectively, under its revolving credit facility and in February 2019, repaid \$250,000 of amounts outstanding under the revolving credit facility from the proceeds of the issuance of an additional \$250,000 principal amount of CSC Holdings 2029 Guaranteed Notes discussed below.

In February 2019, CSC Holdings entered into a \$1,000,000 senior secured Term Loan B ("Incremental Term Loan B-4") maturing on April 15, 2027, the proceeds of which were used to redeem \$894,700 in aggregate principal amount of CSC Holdings' 10.125% senior notes due 2023, representing the entire aggregate principal amount outstanding, and paying related fees, costs and expenses. The Incremental Term Loan B-4 bears interest at a rate per annum equal to LIBOR plus 3.0% and was issued with an original issue discount of 1.0%.

During the year ended December 31, 2018, CSC Holdings borrowed \$725,000 under its revolving credit facility (and used a portion of the proceeds to repay the \$500,000 principal amount of senior notes due July 15, 2018) and made voluntary repayments aggregating \$925,000 with cash on hand.

The Company was in compliance with all of its financial covenants under the CSC Credit Facilities Agreement as of December 31, 2018.

See Note 11 to our consolidated financial statements for further information regarding the CSC Credit Facilities Agreement.

Cequel Credit Facilities

In October 2018, in connection with the Combination described above, amounts outstanding pursuant to the Cequel credit facilities aggregating \$1,249,188 were repaid from the proceeds of the CSC Holdings Senior Secured Term Loan B-3 and all commitments pursuant to the Cequel Credit Facilities were cancelled.

Senior Guaranteed Notes and Senior Notes

In January 2018, CSC Holdings issued \$1,000,000 aggregate principal amount of 5 3/8% senior guaranteed notes due February 1, 2028 (the "2028 Guaranteed Notes"). The 2028 Guaranteed Notes are senior unsecured obligations and rank pari passu in right of payment with all of the existing and future senior indebtedness, including the existing senior notes and the Credit Facilities and rank senior in right of payment to all of existing and future subordinated indebtedness.

The proceeds from the 2028 Guaranteed Notes, together with proceeds from the Incremental Term Loan (discussed above), borrowings under the CVC revolving credit facility and cash on hand, were used in February 2018 to repay \$300,000 principal amount of CSC Holdings' senior notes due in February 2018 and \$750,000 principal amount of Cablevision senior notes due in April 2018 and a portion was used to fund the dividend of \$1,499,935 to the Company's stockholders on June 6, 2018.

In July 2018, CSC Holdings repaid \$500,000 aggregate principal amount of its 7 5/8% Senior Debentures upon maturity with borrowings under CSC Holdings' revolving credit facility agreement.

See Note 11 of our consolidated financial statements for further details of the Company's outstanding senior guaranteed notes and senior notes.

As of December 31, 2018, the Company was in compliance with all of its financial covenants under the indentures under which these notes were issued.

In January 2019, CSC Holdings issued \$1,500,000 in aggregate principal amount of senior guaranteed notes due 2029 ("CSC Holdings 2029 Guaranteed Notes"). The notes bear interest at a rate of 6.5% and will mature on February 1, 2029. The net proceeds from the sale of the notes was used to repay certain indebtedness, including to repay at maturity

\$526,000 aggregate principal amount of CSC Holdings' 8.625% senior notes due February 2019, redeem approximately \$905,300 of the aggregate outstanding amount of CSC Holdings' 10.125% senior notes due 2023 at a redemption price of 107.594% plus accrued interest, and paid fees and expenses associated with the transactions.

In February 2019, CSC Holdings issued an additional \$250,000 CSC Holdings 2029 Guaranteed Notes at a price of 101.75% of the principal value. The proceeds of these notes were to repay the outstanding balance on the CSC Revolving Credit Facility.

Capital Expenditures

	Years Ended December 31,		
	2018	2017	2016
Customer premise equipment	\$ 369,236	\$ 308,500	\$ 232,254
Network infrastructure	395,074	311,730	168,878
Support and other	226,409	189,209	128,489
Business services	162,870	141,910	95,920
Capital purchases (cash basis)	<u>\$ 1,153,589</u>	<u>\$ 951,349</u>	<u>\$ 625,541</u>
Capital purchases (including accrued not paid and financed capital).....	<u>\$ 1,305,104</u>	<u>\$ 1,020,761</u>	<u>\$ 700,679</u>

Customer premise equipment includes expenditures for set-top boxes, cable modems, routers and other equipment that is placed in a customer's home, as well as installation costs for placing assets into service. Network infrastructure includes: (i) scalable infrastructure, such as headend equipment, (ii) line extensions, such as fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering, and (iii) upgrade and rebuild, including costs to modify or replace existing fiber/coaxial cable networks, including enhancements. Support and other capital expenditures includes costs associated with the replacement or enhancement of non-network assets, such as office equipment, buildings and vehicles. Business services capital expenditures include primarily equipment, installation, support, and other costs related to our fiber based telecommunications business.

Cash Flow Discussion

Cablevision

Operating Activities

Net cash provided by operating activities amounted to \$2,622,600, \$2,204,102 and \$1,218,287 for the years ended December 31, 2018, 2017 and 2016 (Successor), respectively.

The 2018 cash provided by operating activities resulted from \$2,649,408 of income before depreciation and amortization and non-cash items, an increase in deferred revenue of \$72,426, an increase in liabilities related to derivative contracts of \$53,101, and a net increase in amounts due from affiliates of \$105,471, partially offset by an increase in accounts receivable of \$144,079, a decrease in accounts payable and accrued expenses of \$91,292, and an increase in current and other assets of \$22,435.

The 2017 cash provided by operating activities resulted from \$2,333,934 of income before depreciation and amortization and non-cash items, an increase in deferred revenue of \$20,634, and a net increase in amounts due to affiliates of \$19,349, offset by an increase in accounts payable and accrued expenses of \$54,440, a net increase in current and other assets of \$114,454, and a decrease in liabilities related to interest rate swap contracts of \$921.

The 2016 cash provided by operating activities resulted from \$833,092 of income before depreciation and amortization and non-cash items, \$318,521 as a result of an increase in accounts payable, deferred revenue and other liabilities, \$78,823 resulting from an increase in liabilities related to interest rate swap contracts, and a net increase in amounts due to affiliates of \$5,996, offset by \$18,145 resulting from a net decrease in current and other assets.

Investing Activities

Net cash used in investing activities for the years ended December 31, 2018, 2017 and 2016 (Successor) was \$1,160,184, \$994,789 and \$610,545, respectively.

The 2018 investing activities consisted primarily of capital expenditures of \$1,153,589, partially offset by other net cash receipts of \$6,595.

The 2017 investing activities consisted primarily of capital expenditures of \$951,349, payments for acquisitions, net of cash acquired of \$46,703, partially offset by \$3,263 in other net cash proceeds.

The 2016 investing activities consisted primarily of \$625,541 of capital expenditures, partially offset by cash receipt of \$13,825 from the sale of an affiliate interest and other net cash receipts of \$1,171.

Financing Activities

Net cash used in financing activities amounted to \$1,482,202, \$1,308,576 and \$421,954 for the years ended December 31, 2018, 2017, and 2016 (Successor), respectively.

In 2018, the Company's financing activities consisted primarily of the redemption and repurchase of senior notes, including premiums and fees of \$2,628,962, distributions to Altice USA of \$2,142,000, payments of collateralized indebtedness and related derivatives of \$516,513, net repayment of notes payable of \$32,632, contingent payment for acquisition of \$30,000, additions to deferred financing costs of \$28,468, and principal payments on capital lease obligations of \$10,228, partially offset by net proceeds from credit facility debt of \$1,268,138, proceeds from the issuance of senior notes of \$2,050,000, proceeds from collateralized indebtedness of \$516,513, proceeds from contributions from Altice USA of \$50,000, proceeds from notes payable of \$15,955 and contributions from noncontrolling interests of \$5,995.

In 2017, the Company's financing activities consisted primarily of the repayment of senior notes, including premiums and fees, of \$1,729,400, cash distributions paid to Altice USA of \$1,539,962, principal payments on capital lease obligations of \$15,157, additions to deferred financing costs of \$8,600 and distributions to noncontrolling interests of \$335, partially offset by net proceeds from credit facility debt of \$1,182,094, net proceeds from collateralized indebtedness and related derivative contracts of \$7,735, contributions from Altice USA of \$761,316, and proceeds from notes payable of \$33,733.

In 2016, the Company's financing activities consisted of net repayments of credit facility debt of \$2,712,844, distributions to Altice USA of \$332,878, payments of deferred financing costs of \$203,712, and principal payments on capital lease obligations of \$18,837. Partially offsetting these increases were \$2,810,000 from the issuance of senior notes, net proceeds from collateralized indebtedness of \$36,286, and an excess tax benefit related to share-based awards of \$31.

CSC Holdings

Operating Activities

Net cash provided by operating activities amounted to \$2,766,075, \$2,061,935 and \$1,555,282 for the years ended December 31, 2018, 2017 and 2016 (Successor), respectively.

The 2018 cash provided by operating activities resulted from \$2,628,133 of income before depreciation and amortization and non-cash items, an increase in deferred revenue of \$72,426, an increase in liabilities related to derivative contracts of \$53,101, a net increase in amounts due from affiliates of \$175,159, and an increase in accounts payable and accrued expenses of \$5,273, partially offset by an increase in accounts receivable of \$144,079 and an increase in current and other assets of \$23,938.

The 2017 cash provided by operating activities resulted from \$2,593,941 of income before depreciation and amortization and non-cash items and an increase in deferred revenue of \$20,634, offset by a net decrease in amounts due to affiliates of \$413,930, an increase in accounts receivable of \$89,683, a decrease in accounts payable and accrued expenses of \$23,264, a net decrease in current and other assets of \$24,842, and a decrease in liabilities related to interest rate swap contracts of \$921.

The 2016 cash provided by operating activities resulted from \$1,202,818 of income before depreciation and amortization and non-cash items, \$296,073 as a result of an increase in accounts payable, deferred revenue and other liabilities, and \$78,823 resulting from an increase in liabilities related to interest rate swap contracts, offset by \$21,355 resulting from a net decrease in account receivable, other receivables and prepaid expenses and other assets and a net decrease in amounts due from affiliates of \$1,077.

Investing Activities

Net cash used in investing activities for the years ended December 31, 2018, 2017 and 2016 (Successor) was \$1,160,184, \$994,789 and \$610,545, respectively.

The 2018 investing activities consisted primarily of capital expenditures of \$1,153,589, partially offset by other net cash receipts of \$6,595.

The 2017 investing activities consisted primarily of capital expenditures of \$951,349, payments for acquisitions, net of cash acquired of \$46,703, partially offset by \$3,263 in other net cash proceeds.

The 2016 investing activities consisted primarily of \$625,541 of capital expenditures, partially offset by cash receipt of \$13,825 from the sale of an affiliate interest and other net cash receipts of \$1,171.

Financing Activities

Net cash used in financing activities amounted to \$1,625,199, \$1,166,402 and \$758,971 for the years ended December 31, 2018, 2017 and 2016 (Successor), respectively.

In 2018, the Company's financing activities consisted primarily of distributions to Cablevision of \$3,058,750, the redemption and repurchase of senior notes, including premiums and fees of \$805,206, payments of collateralized indebtedness and related derivatives of \$516,513, net repayment of notes payable of \$32,632, contingent payment for acquisition of \$30,000, additions to deferred financing costs of \$28,471, and principal payments on capital leases of \$10,228, partially offset by net proceeds from credit facility debt of \$1,268,138, proceeds from the issuance of senior notes of \$1,000,000, proceeds from collateralized indebtedness of \$516,513, proceeds from contributions from Cablevision of \$50,000, proceeds from notes payable of \$15,955, and contributions from noncontrolling interests of \$5,995.

In 2017, the Company's financing activities consisted primarily of cash distributions paid to Cablevision of \$2,777,497, the repayment of senior notes, including premiums and fees, of \$350,120, principal payments on capital lease obligations of \$15,157, additions to deferred financing costs of \$8,171 and distributions to noncontrolling interests of \$335, partially offset by net proceeds from credit facility debt of \$1,182,094, contributions from Cablevision of \$761,316, proceeds from notes payable of \$33,733, and net proceeds from collateralized indebtedness and related derivative contracts of \$7,735.

In 2016, the Company's financing activities consisted of net repayments of credit facility debt of \$2,712,844, distributions to Cablevision of \$619,742, payments of deferred financing costs of \$203,546, tax withholding associated with shares issued for equity-based awards of \$50,288, and principal payments on capital lease obligations of \$18,837. Partially offsetting these increases were \$2,810,000 from the issuance of senior notes and net proceeds from collateralized indebtedness of \$36,286.

Settlements of Collateralized Indebtedness

The following table summarizes the settlement of the Company's collateralized indebtedness relating to Comcast shares that were settled by delivering cash equal to the collateralized loan value, net of the value of the related equity derivative contracts during the year ended December 31, 2018:

Number of shares	16,139,868
Collateralized indebtedness settled	\$ (516,537)
Derivative contracts settled	24
	(516,513)
Proceeds from new monetization contracts.....	516,513
Net cash received	\$ —

The cash to settle the collateralized indebtedness was obtained from the proceeds of new monetization contracts covering an equivalent number of Comcast shares. The terms of the new contracts allow the Company to retain upside participation in Comcast shares up to each respective contract's upside appreciation limit with downside exposure limited to the respective hedge price.

In April 2017, the Company entered into new monetization contracts related to 32,153,118 shares of Comcast common stock held by us, which synthetically reversed the then existing contracts related to these shares (the "Synthetic Monetization Closeout"). As the then existing collateralized debt matured, the Company settled the contracts with proceeds received from the new monetization contracts. The new monetization contracts mature on April 28, 2021. The new monetization contracts provide the Company with downside protection below the hedge price of \$35.47 and upside benefit of stock price appreciation up to \$44.72 per share.

Contractual Obligations and Off Balance Sheet Commitments

Our contractual obligations to affiliates and non-affiliates as of December 31, 2018, which consist primarily of our debt obligations and the effect such obligations are expected to have on our liquidity and cash flow in future periods, are summarized in the following table:

	Payments Due by Period					Other
	Total	Year 1	Years 2-3	Years 4-5	More than 5 years	
Off balance sheet arrangements:						
Purchase obligations (a)	\$ 8,906,134	\$ 3,190,028	\$ 4,940,814	\$ 742,931	\$ 32,361	\$ —
Operating lease obligations (b)...	369,680	47,905	93,718	60,116	167,941	—
Guarantees (c).....	36,912	36,912	—	—	—	—
Letters of credit (d).....	147,564	120	147,444	—	—	—
	9,460,290	3,274,965	5,181,976	803,047	200,302	—
Contractual obligations reflected on the balance sheet:						
Debt obligations (e)	31,934,892	2,071,890	7,325,438	5,898,170	16,639,394	—
Capital lease obligations (f).....	28,777	7,057	10,606	8,692	2,422	—
Taxes (g).....	4,900	—	—	—	—	4,900
	31,968,569	2,078,947	7,336,044	5,906,862	16,641,816	4,900
Total.....	\$ 41,428,859	\$ 5,353,912	\$ 12,518,020	\$ 6,709,909	\$ 16,842,118	\$ 4,900

- (a) Purchase obligations primarily include contractual commitments with various programming vendors to provide video services to our customers and minimum purchase obligations to purchase goods or services, including

contracts to acquire handsets and other equipment. Future fees payable under contracts with programming vendors are based on numerous factors, including the number of customers receiving the programming. Amounts reflected above related to programming agreements are based on the number of customers receiving the programming as of December 31, 2018 multiplied by the per customer rates or the stated annual fee, as applicable, contained in the executed agreements in effect as of December 31, 2018. See Note 17 to our consolidated financial statements for a discussion of our program rights obligations. The amounts reflected in the table above also include obligations entered into by Altice USA.

- (b) Operating lease obligations represent primarily future minimum payment commitments on various long-term, noncancelable leases, at rates now in force, for office, production and storage space. Operating lease obligations presented in the table above do not include rent related to utility poles used in our operations. The Company's pole rental agreements are for varying terms, and management anticipates renewals as they expire. Rent expense incurred for pole rental attachments for the years ended December 31, 2018, 2017 and 2016 (Successor) was \$33,082, \$31,308, and \$22,432, respectively. Rent expense incurred for pole rental attachments for the period January 1, 2016 through June 20, 2016 (Predecessor) amounted to \$7,973. See Note 9 to our consolidated financial statements for a discussion of our operating leases.
- (c) Includes franchise and performance surety bonds primarily for our cable television systems. Also includes outstanding guarantees primarily by CSC Holdings in favor of certain financial institutions in respect of ongoing interest expense obligations in connection with the monetization of our holdings of shares of Comcast common stock. Payments due by period for these arrangements represent the year in which the commitment expires.
- (d) Consists primarily of letters of credit obtained by CSC Holdings and Cequel in favor of insurance providers and certain governmental authorities. Payments due by period for these arrangements represent the year in which the commitment expires.
- (e) Includes interest and principal payments due on our (i) credit facility debt, (ii) senior guaranteed notes, senior secured notes, and senior notes and debentures, (iii) notes payable and (iv) collateralized indebtedness. See Notes 11 and 12 to our consolidated financial statements for a discussion of our long-term debt. These amounts do not include the effects of the debt transactions discussed in Note 21.
- (f) Reflects the principal amount of capital lease obligations, including related interest.
- (g) Represents tax liabilities, including accrued interest, relating to uncertain tax positions. See Note 14 to our consolidated financial statements for a discussion of our income taxes.

The table above does not include obligations for payments required to be made under multi-year franchise agreements based on a percentage of revenues generated from pay television services per year. For the years ended December 31, 2018, 2017 and 2016, the amount of franchise fees and certain other taxes and fees included as a component of revenue aggregated \$257,467, \$259,075 and \$154,732, respectively. For the period January 1, 2016 through June 20, 2016 (Predecessor), the amount of franchise fees and certain other taxes and fees included as a component of revenue aggregated \$95,432.

Dividends and Distributions

The Company made cash distributions of \$2,142,000 to Altice USA during the year ended December 31, 2018 and was funded with cash at CSC Holdings from financings completed in January 2018 and cash generated from operations.

The Company made cash distributions of \$1,539,962 to Altice USA during the year ended December 31, 2017, \$500,000 of which were funded with proceeds from borrowings under CSC Holdings' revolving credit facility.

Managing our Interest Rate and Equity Price Risk

Interest Rate Risk

Interest rate risk is primarily a result of exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Our exposure to interest rate risk results from changes in short-term interest rates. Interest rate risk exists primarily with respect to our credit facility debt, which bears interest at variable rate

To manage interest rate risk, we have from time to time entered into interest rate swap contracts to adjust the proportion of total debt that is subject to variable and fixed interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to provide an economic hedge against the risk of rising rates and/or effectively convert fixed rate borrowings to variable rates to permit the Company to realize lower interest expense in a declining interest rate environment. We monitor the financial institutions that are counterparties to our interest rate swap contracts and we only enter into interest rate swap contracts with financial institutions that are rated investment grade. All such contracts are carried at their fair market values on our consolidated balance sheet, with changes in fair value reflected in the consolidated statement of operations.

See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for a summary of interest rate swap contracts outstanding at December 31, 2018. As of December 31, 2018, our outstanding interest rate swap contracts in a liability position had an aggregate fair value and carrying value of \$132,908 reflected in "Liabilities under derivative contracts" on our consolidated balance sheet. Our outstanding interest rate swap contracts in an asset position had an aggregate fair value and carrying value of \$1,975 reflected in "Derivative contracts" in our consolidated balance sheet. These outstanding swap contracts are not designated as hedges for accounting purposes. Accordingly, the changes in the fair value of these interest rate swap contracts are recorded through the statement of operations. For the year ended December 31, 2018, the Company recorded a loss on interest rate swap contracts of \$61,697. As of December 31, 2018, we did not hold and have not issued derivative instruments for trading or speculative purposes.

See discussion above for further details of our credit facility debt and See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" below for a discussion regarding the fair value of our debt.

Equity Price Risk

We have entered into derivative contracts to hedge our equity price risk and monetize the value of our shares of common stock of Comcast. These contracts, at maturity, are expected to offset declines in the fair value of these securities below the hedge price per share while allowing us to retain upside appreciation from the hedge price per share to the relevant cap price. If any one of these contracts is terminated prior to its scheduled maturity date due to the occurrence of an event specified in the contract, we would be obligated to repay the fair value of the collateralized indebtedness less the sum of the fair values of the underlying stock and equity collar, calculated at the termination date. As of December 31, 2018 we did not have an early termination shortfall relating to any of these contracts. The underlying stock and the equity collars are carried at fair value in our consolidated balance sheets and the collateralized indebtedness is carried at its principal value, net of discounts and the unamortized fair value adjustment for contracts that existed at the date of the Cablevision Acquisition. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for information on how we participate in changes in the market price of the stocks underlying these derivative contracts.

All of our monetization transactions are obligations of our wholly-owned subsidiaries that are not part of the Restricted Group; however, CSC Holdings provides guarantees of the subsidiaries' ongoing contract payment expense obligations and potential payments that could be due as a result of an early termination event (as defined in the agreements). The guarantee exposure approximates the net sum of the fair value of the collateralized indebtedness less the sum of the fair values of the underlying stock and the equity collar. All of our equity derivative contracts are carried at their current fair value in our consolidated balance sheets with changes in value reflected in our consolidated statements of operations, and all of the counterparties to such transactions currently carry investment grade credit ratings.

Critical Accounting Policies

In preparing its financial statements, the Company is required to make certain estimates, judgments and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented.

The significant accounting policies, which we believe are the most critical to aid in fully understanding and evaluating our reported financial results, include the following:

Impairment of Long-Lived and Indefinite-Lived Assets

The Company's long-lived and indefinite-lived assets at December 31, 2018 include goodwill of \$8,012,416, other intangible assets of \$17,212,905 (\$13,020,081 of which are indefinite-lived intangible assets), and \$5,828,881 of property,

plant and equipment. Such assets accounted for approximately 92% of the Company's consolidated total assets. Goodwill and identifiable indefinite-lived intangible assets, which primarily represent the Company's cable television franchises are tested annually for impairment during the fourth quarter ("annual impairment test date") and upon the occurrence of certain events or substantive changes in circumstances.

The Company is operated as two reporting units for the goodwill impairment test and one unit of accounting for the indefinite-lived asset impairment test. We assess qualitative factors and other relevant events and circumstances that affect the fair value of the reporting unit and its identifiable indefinite-lived intangible assets, such as:

- macroeconomic conditions;
- industry and market conditions;
- cost factors;
- overall financial performance;
- changes in management, strategy or customers;
- relevant specific events such as a change in the carrying amount of net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit or unit of accounting; and
- sustained decrease in share price, as applicable.

The Company assesses these qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. This quantitative test is required only if the Company concludes that it is more likely than not that the reporting unit's fair value is less than its carrying amount.

When the qualitative assessment is not used, or if the qualitative assessment is not conclusive, the Company is required to determine goodwill impairment using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill utilizing an enterprise-value based premise approach. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

The Company assesses the qualitative factors discussed above to determine whether it is necessary to perform the one-step quantitative identifiable indefinite-lived intangible assets impairment test. This quantitative test is required only if the Company concludes that it is more likely than not that a unit of accounting's fair value is less than its carrying amount. When the qualitative assessment is not used, or if the qualitative assessment is not conclusive, the impairment test for identifiable indefinite-lived intangible assets requires a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. At December 31, 2018 the Company had indefinite-lived cable television franchises of \$13,020,081, reflecting agreements we have with state and local governments that allow us to construct and operate a cable business within a specified geographic area and allow us to solicit and service potential customers in the service areas defined by the franchise rights currently held by the Company.

For other long-lived assets, including intangible assets that are amortized such as customer relationships and trade names, the Company evaluates assets for recoverability when there is an indication of potential impairment. If the undiscounted cash flows from a group of assets being evaluated is less than the carrying value of that group of assets, the fair value of the asset group is determined and the carrying value of the asset group is written down to fair value.

In assessing the recoverability of the Company's goodwill and other long-lived assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Estimates of fair value are primarily determined using discounted cash flows and comparable market transactions. These valuations

are based on estimates and assumptions including projected future cash flows, discount rate, determination of appropriate market comparables and determination of whether a premium or discount should be applied to comparables. These valuations also include assumptions for average annual revenue per customer, number of homes passed, operating margin and market penetration as a percentage of homes passed, among other assumptions. Further, the projected cash flow assumptions consider contractual relationships, customer attrition, eventual development of new technologies and market competition. If these estimates or material related assumptions change in the future, the Company may be required to record impairment charges related to its long-lived assets.

During the fourth quarter of 2018, the Company assessed the qualitative factors described above to determine whether it was necessary to perform the two-step quantitative goodwill impairment test and concluded that it was not more likely than not that the reporting unit's fair value was less than its carrying amount. The Company also assessed these qualitative factors to determine whether it was necessary to perform the one-step quantitative identifiable indefinite-lived intangible assets impairment test and concluded that it was not more likely than not that the unit of accounting's fair value was less than its carrying amount.

Plant and Equipment

Costs incurred in the construction of the Company's cable systems, including line extensions to, and upgrade of, the Company's HFC infrastructure and construction of the parallel FTTH infrastructure, are capitalized. This includes initial placement of the feeder cable to connect a customer that had not been previously connected, and headend facilities are capitalized. These costs consist of materials, subcontractor labor, direct consulting fees, and internal labor and related costs associated with the construction activities. The internal costs that are capitalized consist of salaries and benefits of the Company's employees and the portion of facility costs, including rent, taxes, insurance and utilities, that supports the construction activities. These costs are depreciated over the estimated life of the plant (10 to 25 years) and headend facilities (5 to 25 years). Costs of operating the plant and the technical facilities, including repairs and maintenance, are expensed as incurred.

Costs associated with the initial deployment of new customer premise equipment necessary to provide broadband, pay television and telephony services are also capitalized. These costs include materials, subcontractor labor, internal labor, and other related costs associated with the connection activities. The departmental activities supporting the connection process are tracked through specific metrics, and the portion of departmental costs that is capitalized is determined through a time weighted activity allocation of costs incurred based on time studies used to estimate the average time spent on each activity. These installation costs are amortized over the estimated useful lives of the CPE necessary to provide broadband, pay television and telephony services. The portion of departmental costs related to disconnecting services and removing CPE from a customer, costs related to connecting CPE that has been previously connected to the network, and repair and maintenance are expensed as incurred.

The estimated useful lives assigned to our property, plant and equipment are reviewed on an annual basis or more frequently if circumstances warrant and such lives are revised to the extent necessary due to changing facts and circumstances. Any changes in estimated useful lives are reflected prospectively.

Refer to Note 2 to our consolidated financial statements for a discussion of our accounting policies.

Business Combinations

The Company applied business combination accounting for the Cablevision Acquisition and the Cequel Acquisition. Business combination accounting requires that the assets acquired and liabilities assumed be recorded at their respective estimated fair values at the date of acquisition. The excess purchase price over fair value of the net assets acquired is recorded as goodwill. In determining estimated fair values, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, discount rates, remaining useful lives of long-lived assets, useful lives of identified intangible assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges in certain instances if the asset becomes impaired, and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. See Note 5 for a summary of the application of business combination accounting.

Recently Issued But Not Yet Adopted Accounting Pronouncements

See Note 3 to the accompanying consolidated financial statements contained in “Part II. Item 8. Financial Statements and Supplementary Data” for a discussion of recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

All dollar amounts, except per share data, included in the following discussion are presented in thousands.

Equity Price Risk

We are exposed to market risks from changes in certain equity security prices. Our exposure to changes in equity security prices stems primarily from the shares of Comcast common stock we hold. We have entered into equity derivative contracts consisting of a collateralized loan and an equity collar to hedge our equity price risk and to monetize the value of these securities. These contracts, at maturity, are expected to offset declines in the fair value of these securities below the hedge price per share while allowing us to retain upside appreciation from the hedge price per share to the relevant cap price. The contracts' actual hedge prices per share vary depending on average stock prices in effect at the time the contracts were executed. The contracts' actual cap prices vary depending on the maturity and terms of each contract, among other factors. If any one of these contracts is terminated prior to its scheduled maturity date due to the occurrence of an event specified in the contract, we would be obligated to repay the fair value of the collateralized indebtedness less the sum of the fair values of the underlying stock and equity collar, calculated at the termination date. As of December 31, 2018, we did not have an early termination shortfall relating to any of these contracts.

The underlying stock and the equity collars are carried at fair value on our consolidated balance sheet and the collateralized indebtedness is carried at its principal value, net of discounts, and the unamortized fair value adjustment for contracts that existed at the date of the Cablevision Acquisition. The fair value adjustment is being amortized over the term of the related indebtedness. The carrying value of our collateralized indebtedness amounted to \$1,406,182 at December 31, 2018. At maturity, the contracts provide for the option to deliver cash or shares of Comcast common stock, with a value determined by reference to the applicable stock price at maturity.

As of December 31, 2018, the fair value and the carrying value of our holdings of Comcast common stock aggregated \$1,462,626. Assuming a 10% change in price, the potential change in the fair value of these investments would be approximately \$146,263. As of December 31, 2018, the net fair value and the carrying value of the equity collar component of the equity derivative contracts entered into to partially hedge the equity price risk of our holdings of Comcast common stock aggregated \$109,344, a net asset position. For the year ended December 31, 2018, we recorded a net gain of \$218,848 related to our outstanding equity derivative contracts and recorded an unrealized loss of \$261,993 related to the Comcast common stock that we held.

Fair Value of Equity Derivative Contracts

Fair value as of December 31, 2017, net liability position.....	\$	(109,504)
Fair value of new equity derivative contracts.....		—
Change in fair value, net.....		218,848
Fair value as of December 31, 2018, net asset position	\$	<u>109,344</u>

The maturity, number of shares deliverable at the relevant maturity, hedge price per share, and the lowest and highest cap prices received for the Comcast common stock monetized via an equity derivative prepaid forward contract are summarized in the following table:

# of Shares Deliverable (a)	Maturity	Hedge Price per Share (a)	Cap Price (b)	
			Low	High
42,955,236	2021	\$29.25- \$35.47	\$ 43.88	\$ 44.80

- (a) Represents the price below which we are provided with downside protection and above which we retain upside appreciation. Also represents the price used in determining the cash proceeds payable to us at inception of the contracts.
- (b) Represents the price up to which we receive the benefit of stock price appreciation.

Fair Value of Debt

At December 31, 2018, the fair value of our fixed rate debt of \$17,263,072 was higher than its carrying value of \$16,871,851 by \$391,221. The fair value of these financial instruments is estimated based on reference to quoted market prices for these or comparable securities. Our floating rate borrowings bear interest in reference to current LIBOR-based market rates and thus their principal values approximate fair value. The effect of a hypothetical 100 basis point decrease in interest rates prevailing at December 31, 2018 would increase the estimated fair value of our fixed rate debt by \$593,424 to \$17,856,496. This estimate is based on the assumption of an immediate and parallel shift in interest rates across all maturities.

Interest Rate Risk

To manage interest rate risk, we have from time to time entered into interest rate swap contracts to adjust the proportion of total debt that is subject to variable and fixed interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to provide an economic hedge against the risk of rising rates and/or effectively convert fixed rate borrowings to variable rates to permit the Company to realize lower interest expense in a declining interest rate environment. We monitor the financial institutions that are counterparties to our interest rate swap contracts and we only enter into interest rate swap contracts with financial institutions that are rated investment grade. All such contracts are carried at their fair market values on our consolidated balance sheet, with changes in fair value reflected in the consolidated statement of operations.

The following is a summary of interest rate swap contracts outstanding at December 31, 2018:

<u>Trade Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Company Pays</u>	<u>Company Receives</u>
May 2016.....	May 2026.....	\$ 750,000	Six- month LIBOR	Fixed rate of 1.665%
June 2016.....	May 2026.....	750,000	Six- month LIBOR	Fixed rate of 1.68%
May 2018.....	April 2019	2,970,000	Three- month LIBOR	One- month LIBOR plus 0.226%
May 2018.....	April 2019	1,496,250	Three- month LIBOR	One- month LIBOR plus 0.226%
April 2018	April 2019	1,255,513	Three- month LIBOR minus 0.225%	One- month LIBOR
December 2018	January 2022	500,000	Fixed rate of 2.7177%	Three-month LIBOR
December 2018	January 2022	500,000	Fixed rate of 2.733%	Three-month LIBOR
December 2018	January 2022	500,000	Fixed rate of 2.722%	Three-month LIBOR
December 2018	December 2026	750,000	Fixed rate of 2.9155%	Three-month LIBOR
December 2018	December 2026	750,000	Fixed rate of 2.9025%	Three-month LIBOR

These swap contracts are not designated as hedges for accounting purposes. Accordingly, the changes in the fair value of these interest rate swap contracts are recorded through the statement of operations. For the year ended December 31, 2018, the Company recorded a loss on interest rate swap contracts of \$61,697.

As of December 31, 2018, our outstanding interest rate swap contracts in a liability position had an aggregate fair value and carrying value of \$132,908 reflected in “Liabilities under derivative contracts” on our consolidated balance sheet. Our outstanding interest rate swap contracts in an asset position had an aggregate fair value and carrying value of \$1,975 reflected in “Derivative contracts” in our consolidated balance sheet.

As of December 31, 2018, we did not hold and have not issued derivative instruments for trading or speculative purposes.

Item 8. Financial Statements and Supplementary Data

For information required by Item 8, refer to the Index to Financial Statements on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART IV

SIGNATURE

Cablevision and CSC Holdings have duly caused this Annual Report to be signed on their behalf by the undersigned, thereunto duly authorized on the 28th day of March, 2019.

CABLEVISION SYSTEMS CORPORATION
CSC HOLDINGS, LLC

By: /s/ Charles Stewart

Name: Charles Stewart

Title: Co-President and Chief Financial Officer of Cablevision
Systems Corporation and CSC Holdings, LLC

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Independent Auditors' Report

The Board of Directors
Cablevision Systems Corporation:

We have audited the accompanying consolidated financial statements of Cablevision Systems Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficiency), and cash flows for the years ended December 31, 2018, 2017, and 2016, and for the period from January 1, 2016 to June 20, 2016 (Predecessor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cablevision Systems Corporation and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years ended December 31, 2018, 2017, and 2016, and for the period from January 1, 2016 to June 20, 2016 (Predecessor), in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

- As discussed in Notes 1 and 4 to the consolidated financial statements, a substantial portion of the Company's technical workforce at the Cablevision and Cequel segments became employees of ATS in the second and fourth quarters of 2017, respectively. Subsequent to December 31, 2017 the Company acquired 100% of ATS. As a result of the acquisition of ATS, an entity under common control, the Company has retroactively consolidated the results of operations and related assets and liabilities of ATS for all periods ATS was under common control.

- As discussed in Notes 3 and 4, the Company adopted ASC 606 - Revenue from Contracts with Customers and ASU No. 2017-07 Compensation - Retirement Benefits (Topic 715). As a result of the adoption, the Company has retroactively applied to the standard to all periods presented in the consolidated financial statements.

- As discussed in Notes 1, 4 and 5, Cequel Communications Holdings I, LLC ("CCHI") merged into Cablevision with Cablevision as the surviving entity. As a result of the merger, the Company has retroactively consolidated the results of

operations and related assets and liabilities of CCHI for all periods Cablevision and CCHI were under common control in the consolidated financial statements.

/s/ KPMG LLP

New York, New York

March 28, 2019

Independent Auditors' Report

The Board of Directors
CSC Holdings, LLC:

We have audited the accompanying consolidated financial statements of CSC Holdings, LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017 and the related consolidated statements of operations, comprehensive income (loss), changes in total members' equity (deficiency), and cash flows for the years ended December 31, 2018, 2017, and 2016, and for the period from January 1, 2016 to June 20, 2016 (Predecessor), and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CSC Holdings, LLC and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years ended December 31, 2018, 2017, and 2016, and for the period from January 1, 2016 to June 20, 2016 (Predecessor), in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

- As discussed in Notes 1 and 4 to the consolidated financial statements, a substantial portion of the Company's technical workforce at the Cablevision and Cequel segments became employees of ATS in the second and fourth quarters of 2017, respectively. Subsequent to December 31, 2017 the Company acquired 100% of ATS. As a result of the acquisition of ATS, an entity under common control, the Company has retroactively consolidated the results of operations and related assets and liabilities of ATS for all periods ATS was under common control.

- As discussed in Notes 3 and 4, the Company adopted ASC 606 - Revenue from Contracts with Customers and ASU No. 2017-07 Compensation - Retirement Benefits (Topic 715). As a result of the adoption, the Company has retroactively applied to the standard to all periods presented in the consolidated financial statements.

- As discussed in Notes 1, 4 and 5, Cequel Communications Holdings II, LLC ("CCHII") merged into CSC Holdings, with CSC Holdings as the surviving entity. As a result of the merger, the Company has retroactively consolidated the

results of operations and related assets and liabilities of CCHII for all periods CSC Holdings and CCHII were under common control in the consolidated financial statements.

/s/ KPMG LLP

New York, New York

March 28, 2019

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017
(In thousands)
(See Note 4)

	December 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 298,527	\$ 318,344
Restricted cash	257	252
Accounts receivable, trade (less allowance for doubtful accounts of \$13,520 and \$13,420)	448,399	370,765
Prepaid expenses and other current assets	141,085	126,608
Amounts due from affiliates	4,385	33,695
Derivative contracts	1,975	52,545
Total current assets	894,628	902,209
Property, plant and equipment, net of accumulated depreciation of \$4,044,671 and \$2,599,579	5,828,881	6,023,826
Amounts due from affiliates	—	88,496
Investment securities pledged as collateral	1,462,626	1,720,357
Derivative contracts	109,344	—
Other assets	84,382	52,805
Amortizable intangibles, net of accumulated amortization of \$2,882,787 and \$2,008,573	4,192,824	5,066,454
Indefinite-lived cable television franchises	13,020,081	13,020,081
Goodwill	8,012,416	8,019,861
Total assets	\$ 33,605,182	\$ 34,894,089

See accompanying notes to consolidated financial statements.

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2018 and 2017
(In thousands, except share and per share amounts)
(See Note 4)

	December 31, 2018	December 31, 2017
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Accounts payable	\$ 857,502	\$ 795,128
Accrued liabilities:		
Interest	386,475	397,422
Employee related costs	139,806	147,727
Other accrued expenses	301,806	406,782
Amounts due to affiliates	157,689	131,393
Deferred revenue	140,053	111,197
Liabilities under derivative contracts	70	52,545
Credit facility debt	54,563	42,650
Senior guaranteed notes and senior notes and debentures	—	507,744
Capital lease obligations	5,928	9,539
Notes payable	98,134	33,424
Total current liabilities	2,142,026	2,635,551
Defined benefit plan obligations	96,794	103,163
Liabilities under derivative contracts	132,908	187,406
Other liabilities	174,756	144,310
Deferred tax liability	5,089,816	5,150,904
Credit facility debt	5,860,996	4,600,873
Collateralized indebtedness	1,406,182	1,349,474
Senior guaranteed notes and senior notes and debentures	15,359,561	15,352,688
Capital lease obligations	19,262	12,441
Notes payable	7,974	32,478
Deficit investments in affiliates	—	3,579
Total liabilities	30,290,275	29,572,867
Commitments and contingencies (Note 17)		
Redeemable equity	130,007	231,290
Stockholder's Equity		
Common Stock, \$.01 par value, 1,000 shares authorized, 100 shares issued and outstanding	—	—
Paid-in capital	2,965,917	3,534,261
Retained earnings	221,471	1,564,154
	3,187,388	5,098,415
Accumulated other comprehensive loss	(11,783)	(10,022)
Total stockholder's equity	3,175,605	5,088,393
Noncontrolling interest	9,295	1,539
Total equity	3,184,900	5,089,932
	\$ 33,605,182	\$ 34,894,089

See accompanying notes to consolidated financial statements.

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(See Note 4)

	Successor			Predecessor
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	January 1, 2016 to June 20, 2016
Revenue (including revenue from affiliates of \$2,575, \$1,100, \$1,086 and \$2,088, respectively) (See Note 16)	\$ 9,566,608	\$ 9,306,950	\$ 6,017,212	\$ 3,137,604
Operating expenses:				
Programming and other direct costs (including charges from affiliates of \$7,261, \$4,176, \$1,947 and \$84,636, respectively) (See Note 16)	3,173,076	3,035,655	1,911,229	1,088,555
Other operating expenses (including charges from affiliates of \$16,307, \$33,140, \$18,854 and \$2,182, respectively) (See Note 16)	2,290,266	2,347,315	1,702,255	1,133,339
Restructuring and other expense	38,548	152,283	240,127	22,223
Depreciation and amortization (including impairments)	2,382,339	2,930,571	1,700,306	414,550
	<u>7,884,229</u>	<u>8,465,824</u>	<u>5,553,917</u>	<u>2,658,667</u>
Operating income	<u>1,682,379</u>	<u>841,126</u>	<u>463,295</u>	<u>478,937</u>
Other income (expense):				
Interest expense	(1,556,282)	(1,506,225)	(1,345,502)	(287,098)
Interest income (including interest income from affiliates and related parties of \$1,829 and \$6,496 in 2018 and 2017)	13,234	1,052	13,790	1,590
Gain (loss) on investments and sale of affiliate interests, net	(261,536)	237,354	142,102	129,990
Gain (loss) on derivative contracts, net	218,848	(138,920)	(53,696)	(36,283)
Gain (loss) on interest rate swap contracts	(61,697)	5,482	(72,961)	—
Loss on extinguishment of debt and write-off of deferred financing costs	(48,804)	(86,517)	(127,649)	—
Other income (expense), net	(12,274)	(13,651)	980	1,224
	<u>(1,708,511)</u>	<u>(1,501,425)</u>	<u>(1,442,936)</u>	<u>(190,577)</u>
Income (loss) before income taxes	(26,132)	(660,299)	(979,641)	288,360
Income tax benefit (expense)	57,417	2,809,817	216,430	(124,848)
Net income (loss)	<u>31,285</u>	<u>2,149,518</u>	<u>(763,211)</u>	<u>163,512</u>
Net loss (income) attributable to noncontrolling interests	<u>(1,761)</u>	<u>(1,587)</u>	<u>(551)</u>	<u>236</u>
Net income (loss) attributable to Cablevision Systems Corporation stockholders	<u>\$ 29,524</u>	<u>\$ 2,147,931</u>	<u>\$ (763,762)</u>	<u>\$ 163,748</u>
INCOME PER SHARE:				
Basic income per share attributable to Cablevision Systems Corporation stockholder(s):				
Net income				\$ 0.60
Basic weighted average common shares (in thousands)				<u>272,035</u>
Diluted income per share attributable to Cablevision Systems Corporation stockholder(s):				
Net income				\$ 0.58
Diluted weighted average common shares (in thousands)				<u>280,199</u>

See accompanying notes to consolidated financial statements.

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(See Note 4)

	Successor			Predecessor
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	January 1, 2016 to June 20, 2016
Net income (loss).....	\$ 31,285	\$ 2,149,518	\$ (763,211)	\$ 163,512
Other comprehensive income (loss):				
Defined benefit pension plans:.....				
Unrecognized actuarial gain (loss)	830	(18,632)	3,452	68
Applicable income taxes	(220)	7,441	(1,381)	(28)
Unrecognized gain (loss) arising during period, net of income taxes	610	(11,191)	2,071	40
Amortization of actuarial losses	—	—	—	929
Applicable income taxes.....	—	—	—	(388)
Amortization of actuarial losses, net of income taxes	—	—	—	541
Settlement loss (gain) included in other expense, net	1,268	1,845	(154)	1,655
Applicable income taxes	(342)	(738)	62	(679)
Settlement loss (gain) included in other expense, net, net of income taxes	926	1,107	(92)	976
Curtailment loss	—	(3,195)	—	—
Applicable income taxes	—	1,278	—	—
Curtailment loss, net of income taxes.....	—	(1,917)	—	—
Foreign currency translation adjustment	967	—	—	—
Applicable income taxes	(261)	—	—	—
Foreign currency translation adjustment, net of income taxes ..	706	—	—	—
Other comprehensive gain (loss)	2,242	(12,001)	1,979	1,557
Comprehensive income (loss)	33,527	2,137,517	(761,232)	165,069
Comprehensive loss (income) attributable to noncontrolling interests.....	(1,761)	(1,587)	(551)	236
Comprehensive income (loss) attributable to Cablevision Systems Corporation stockholders.....	\$ 31,766	\$ 2,135,930	\$ (761,783)	\$ 165,305

See accompanying notes to consolidated financial statements.

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
(In thousands)
(See Note 4)

	CNYG Class A Common Stock	CNYG Class B Common Stock	Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficiency)	Non- controlling Interests	Total Equity (Deficiency)
Predecessor:									
Balance at January 1, 2016..	\$ 3,042	\$ 541	\$ 792,351	\$ (4,059,411)	\$ (1,610,167)	\$ (37,672)	\$ (4,911,316)	\$ (268)	\$ (4,911,584)
Net income attributable to Cablevision Systems Corporation stockholders.....	—	—	—	163,748	—	—	163,748	—	163,748
Net loss attributable to noncontrolling interests.....	—	—	—	—	—	—	—	(236)	(236)
Pension and postretirement plan liability adjustments, net of income taxes..	—	—	—	—	—	1,557	1,557	—	1,557
Proceeds from exercise of options and issuance of restricted shares .	15	—	14,544	—	—	—	14,559	—	14,559
Share-based compensation expense	—	—	24,997	—	—	—	24,997	—	24,997
Treasury stock acquired from forfeiture and acquisition of restricted shares .	—	—	1	—	(41,470)	—	(41,469)	—	(41,469)
Tax withholding associated with shares issued for equity-based compensation.....	(4)	—	(6,030)	—	—	—	(6,034)	—	(6,034)
Excess tax benefit on share-based awards.....	—	—	82	—	—	—	82	—	82
Contributions from noncontrolling interests.....	—	—	—	—	—	—	—	240	240
Balance at June 20, 2016	<u>\$ 3,053</u>	<u>\$ 541</u>	<u>\$ 825,945</u>	<u>\$ (3,895,663)</u>	<u>\$ (1,651,637)</u>	<u>\$ (36,115)</u>	<u>\$ (4,753,876)</u>	<u>\$ (264)</u>	<u>\$ (4,754,140)</u>

See accompanying notes to consolidated financial statements.

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY) (continued)
(In thousands)
(See Note 4)

	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficiency)	Non- controlling Interests	Total Equity (Deficiency)
Successor:						
Balance at June 21, 2016.....	\$ 5,110,240	\$ (102,824)	\$ —	\$ 5,007,416	\$ (264)	\$ 5,007,152
Adjustment in connection with the transfer of entities	—	(27,962)	—	(27,962)	—	(27,962)
Net loss attributable to stockholder.....	—	(763,762)	—	(763,762)	—	(763,762)
Net income attributable to noncontrolling interests	—	—	—	—	551	551
Pension liability adjustments, net of income taxes.....	—	—	1,979	1,979	—	1,979
Contributions from Altice USA.....	5,920	—	—	5,920	—	5,920
Distributions to Altice USA	(647,746)	—	—	(647,746)	—	(647,746)
Share-based compensation expense	14,399	—	—	14,399	—	14,399
Change in fair value of redeemable equity	(68,147)	—	—	(68,147)	—	(68,147)
Tax impact related to the Newsday Holdings, LLC transactions	3,952	—	—	3,952	—	3,952
Balance at December 31, 2016.....	<u>4,418,618</u>	<u>(894,548)</u>	<u>1,979</u>	<u>3,526,049</u>	<u>287</u>	<u>3,526,336</u>
Net income attributable to stockholder	—	2,147,931	—	2,147,931	—	2,147,931
Net income attributable to noncontrolling interests	—	—	—	—	1,587	1,587
Pension liability adjustments, net of income taxes.....	—	—	(12,001)	(12,001)	—	(12,001)
Share-based compensation expense	57,430	—	—	57,430	—	57,430
Change in redeemable equity	(163,141)	—	—	(163,141)	—	(163,141)
Contributions from Altice USA.....	761,316	—	—	761,316	—	761,316
Distributions to Altice USA	(1,539,962)	—	—	(1,539,962)	—	(1,539,962)
Distributions to non-controlling interest	—	—	—	—	(335)	(335)
Recognition of previously unrealized excess tax benefits related to share-based awards in connection with the adoption ASU No. 2016-09	—	310,771	—	310,771	—	310,771
Balance at December 31, 2017.....	<u>\$ 3,534,261</u>	<u>\$ 1,564,154</u>	<u>\$ (10,022)</u>	<u>\$ 5,088,393</u>	<u>\$ 1,539</u>	<u>\$ 5,089,932</u>

See accompanying notes to consolidated financial statements.

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY) (continued)
(In thousands)
(See Note 4)

	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non- controlling Interests	Total Equity
Balance at January 1, 2018	\$ 3,534,261	\$ 1,564,154	\$ (10,022)	\$ 5,088,393	\$ 1,539	\$ 5,089,932
Net income attributable to stockholders	—	29,524	—	29,524	—	29,524
Net income attributable to noncontrolling interests	—	—	—	—	1,761	1,761
Contributions from noncontrolling interests	—	—	—	—	5,995	5,995
Pension liability adjustments, net of income taxes	—	—	1,536	1,536	—	1,536
Foreign currency translation adjustment, net of income taxes.....	—	—	706	706	—	706
Share-based compensation expense.....	59,812	—	—	59,812	—	59,812
Redeemable equity vested	169,452	—	—	169,452	—	169,452
Change in redeemable equity.....	(68,169)	—	—	(68,169)	—	(68,169)
Distributions to Altice USA.....	(841,208)	(1,300,792)	—	(2,142,000)	—	(2,142,000)
Contributions from Altice USA.....	50,000	—	—	50,000	—	50,000
Impact of i24 Acquisition	61,769	(73,578)	(1,840)	(13,649)	—	(13,649)
Adoption of ASU No. 2018-02.....	—	2,163	(2,163)	—	—	—
Balance at December 31, 2018	<u>\$ 2,965,917</u>	<u>\$ 221,471</u>	<u>\$ (11,783)</u>	<u>\$ 3,175,605</u>	<u>\$ 9,295</u>	<u>\$ 3,184,900</u>

See accompanying notes to consolidated financial statements.

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(See Note 4)

	Successor			Predecessor
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	January 1, 2016 to June 20, 2016
Cash flows from operating activities:				
Net income (loss)	\$ 31,285	\$ 2,149,518	\$ (763,211)	\$ 163,512
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization (including impairments)	2,382,339	2,930,571	1,700,306	414,550
Impairment of assets included in restructuring charges	—	—	2,445	—
Equity in net loss of affiliates	10,849	10,040	1,132	—
Loss (gain) on investments and sale of affiliate interests, net	261,536	(237,354)	(142,102)	(129,990)
Loss (gain) on derivative contracts, net	(218,848)	138,920	53,696	36,283
Loss on extinguishment of debt and write-off of deferred financing costs	48,804	86,517	127,649	—
Amortization of deferred financing costs and discounts (premiums) on indebtedness	85,121	31,046	27,452	11,673
Share-based compensation expense	59,812	57,430	14,368	24,778
Settlement loss related to pension and postretirement plans	1,268	1,845	3,298	2,584
Deferred income taxes	(84,184)	(2,908,782)	(245,159)	116,150
Provision for doubtful accounts	71,426	74,183	53,249	13,240
Excess tax benefit on share-based awards	—	—	(31)	(82)
Change in assets and liabilities, net of effects of acquisitions and dispositions:				
Accounts receivable, trade	(144,079)	(89,683)	(71,712)	(18,162)
Other receivables	4,048	(12,636)	(2,723)	—
Prepaid expenses and other assets	(26,483)	(12,135)	56,290	(844)
Amounts due from and due to affiliates	105,471	19,349	5,996	(5,082)
Accounts payable	12,455	73,888	(11,813)	36,147
Accrued liabilities	(103,747)	(128,328)	320,499	(160,937)
Deferred revenue	72,426	20,634	9,835	(9,726)
Liabilities related to interest rate swap contracts	53,101	(921)	78,823	—
Net cash provided by operating activities	2,622,600	2,204,102	1,218,287	494,094
Cash flows from investing activities:				
Capital expenditures	(1,153,589)	(951,349)	(625,541)	(330,131)
Payment for acquisitions, net of cash acquired	(10,753)	(46,703)	—	—
Proceeds related to sale of equipment, including costs of disposal	10,779	9,743	5,885	1,106
Sale of affiliate interest	(3,537)	—	13,825	—
Decrease (increase) in other investments	(2,500)	(4,773)	(4,608)	610
Additions to other intangible assets	(584)	(1,707)	(106)	(1,709)
Net cash used in investing activities	(1,160,184)	(994,789)	(610,545)	(330,124)

CABLEVISION SYSTEMS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(In thousands)
(See Note 4)

	Successor			Predecessor
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	January 1, 2016 to June 20, 2016
Cash flows from financing activities:				
Proceeds from credit facility debt, net of discounts.....	\$ 3,489,313	\$ 5,593,675	\$ 3,910,000	\$ —
Repayment of credit facility debt.....	(2,221,175)	(4,411,581)	(6,622,844)	(14,953)
Issuance of senior notes and debentures	2,050,000	—	2,810,000	—
Proceeds from collateralized indebtedness, net	516,513	838,794	179,388	337,149
Repayment of collateralized indebtedness and related derivative contracts, net	(516,513)	(831,059)	(143,102)	(281,594)
Repayment of senior notes, including premiums and fees	(2,628,962)	(1,729,400)	—	—
Proceeds from notes payable.....	15,955	33,733	—	(1,291)
Repayment of notes payable	(32,632)	—	—	—
Proceeds from stock option exercises	—	—	—	14,411
Tax withholding associated with shares issued for equity-based awards	—	—	—	(6,034)
Distributions to Altice USA in 2018 and 2017 and common stockholders in 2016	(2,142,000)	(1,539,962)	(332,878)	(4,066)
Contribution from Altice USA	50,000	761,316	—	—
Principal payments on capital lease obligations	(10,228)	(15,157)	(18,837)	(11,552)
Deemed repurchases of restricted stock.....	—	—	—	(41,469)
Additions to deferred financing costs	(28,468)	(8,600)	(203,712)	—
Contingent payment for acquisition.....	(30,000)	—	—	—
Contributions from (distributions to) noncontrolling interests, net	5,995	(335)	—	240
Excess tax benefit on share-based awards	—	—	31	82
Net cash used in financing activities	(1,482,202)	(1,308,576)	(421,954)	(9,077)
Net increase (decrease) in cash and cash equivalents from continuing operations.....	(19,786)	(99,263)	185,788	154,893
Effect of exchange rate changes on cash and cash equivalents	(26)	—	—	—
Cash flows of discontinued operations:				
Net cash used in operating activities.....	—	—	—	(21,000)
Net decrease in cash and cash equivalents from discontinued operations	—	—	—	(21,000)
Cash, cash equivalents and restricted cash at beginning of period.....	318,596	417,859	232,071	1,003,279
Cash, cash equivalents and restricted cash at end of period.....	\$ 298,784	\$ 318,596	\$ 417,859	\$ 1,137,172

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017
(In thousands)
(See Note 4)

	December 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 298,527	\$ 317,866
Restricted cash	257	252
Accounts receivable, trade (less allowance for doubtful accounts of \$13,520 and \$13,420)	448,399	370,765
Prepaid expenses and other current assets	141,267	126,790
Amounts due from affiliates	4,385	51,724
Derivative contracts	1,975	52,545
Total current assets	894,810	919,942
Property, plant and equipment, net of accumulated depreciation of \$4,044,671 and \$2,599,579	5,828,881	6,023,826
Amounts due from affiliates	—	88,496
Investment securities pledged as collateral	1,462,626	1,720,357
Derivative contracts	109,344	—
Other assets	65,183	52,805
Amortizable intangibles, net of accumulated amortization of \$2,882,787 and \$2,008,573	4,192,824	5,066,454
Indefinite-lived cable television franchises	13,020,081	13,020,081
Goodwill	8,012,416	8,019,861
Total assets	\$ 33,586,165	\$ 34,911,822

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED BALANCE SHEETS (continued)
December 31, 2018 and 2017
(In thousands)
(See Note 4)

	December 31, 2018	December 31, 2017
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Accounts payable	\$ 857,502	\$ 795,128
Accrued liabilities:		
Interest	366,644	321,184
Employee related costs	139,806	147,727
Other accrued expenses	301,713	406,974
Amounts due to affiliates	179,417	11,099
Deferred revenue	140,053	111,197
Liabilities under derivative contracts	70	52,545
Credit facility debt	54,563	42,650
Senior guaranteed notes and senior notes and debentures	—	507,744
Capital lease obligations	5,928	9,539
Notes payable	98,134	33,424
Total current liabilities	2,143,830	2,439,211
Defined benefit plan obligations	96,794	103,163
Other liabilities	174,757	144,316
Deferred tax liability	5,349,947	5,597,485
Liabilities under derivative contracts	132,908	187,406
Credit facility debt	5,860,996	4,600,873
Collateralized indebtedness	1,406,182	1,349,474
Senior guaranteed notes and senior notes and debentures	14,264,368	10,763,836
Capital lease obligations	19,262	12,441
Notes payable	7,974	32,478
Deficit investments in affiliates	—	3,579
Total liabilities	29,457,018	25,234,262
Commitments and contingencies (Note 17)		
Redeemable equity	130,007	231,290
Member's Equity:		
Retained earnings	549,691	2,034,572
Other member's equity (100 membership units issued and outstanding)	3,451,937	7,420,181
	4,001,628	9,454,753
Accumulated other comprehensive loss	(11,783)	(10,022)
Total member's equity	3,989,845	9,444,731
Noncontrolling interest	9,295	1,539
Total equity	3,999,140	9,446,270
	\$ 33,586,165	\$ 34,911,822

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)
(See Note 4)

	Successor			Predecessor
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	January 1, 2016 to June 20, 2016
Revenue (including revenue from affiliates of \$2,575, \$1,100, \$1,086 and \$2,088, respectively) (See Note 16) ..	\$ 9,566,608	\$ 9,306,950	\$ 6,017,212	\$ 3,137,604
Operating expenses:				
Programming and other direct costs (including charges from affiliates of \$7,261, \$4,176, \$1,947 and \$84,636, respectively) (See Note 16)	3,173,076	3,035,655	1,911,229	1,088,555
Other operating expenses (including charges from affiliates of \$16,307, \$33,140, \$18,854 and \$2,182, respectively) (See Note 16)	2,290,266	2,347,315	1,702,255	1,133,339
Restructuring and other expense	38,548	152,283	240,127	22,223
Depreciation and amortization (including impairments)	2,382,339	2,930,571	1,700,306	414,550
	<u>7,884,229</u>	<u>8,465,824</u>	<u>5,553,917</u>	<u>2,658,667</u>
Operating income	<u>1,682,379</u>	<u>841,126</u>	<u>463,295</u>	<u>478,937</u>
Other income (expense):				
Interest expense	(1,253,176)	(1,128,317)	(1,019,162)	(181,606)
Interest income (including interest income from affiliates and related parties of \$1,829 and \$6,496 in 2018 and 2017)	13,228	1,039	15,124	24,263
Gain (loss) on investments and sale of affiliate interests, net	(261,536)	237,354	142,102	129,990
Gain (loss) on derivative contracts, net	218,848	(138,920)	(53,696)	(36,283)
Gain (loss) on interest rate swap contracts	(61,697)	5,482	(72,961)	—
Loss on extinguishment of debt and write-off of deferred financing costs	(7,883)	(53,988)	(127,649)	—
Other income (expense), net	(12,274)	(13,651)	980	1,224
	<u>(1,364,490)</u>	<u>(1,091,001)</u>	<u>(1,115,262)</u>	<u>(62,412)</u>
Income (loss) before income taxes	317,889	(249,875)	(651,967)	416,525
Income tax benefit (expense)	(57,563)	2,827,751	86,036	(179,658)
Net income (loss)	<u>260,326</u>	<u>2,577,876</u>	<u>(565,931)</u>	<u>236,867</u>
Net loss (income) attributable to noncontrolling interests	(1,761)	(1,587)	(551)	236
Net income (loss) attributable to CSC Holdings, LLC's sole member	<u>\$ 258,565</u>	<u>\$ 2,576,289</u>	<u>\$ (566,482)</u>	<u>\$ 237,103</u>

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(See Note 4)

	Successor			Predecessor
	December 31, 2018	December 31, 2017	December 31, 2016	January 1, 2016 to June 20, 2016
Net income (loss).....	\$ 260,326	\$ 2,577,876	\$ (565,931)	\$ 236,867
Other comprehensive income (loss):				
Defined benefit pension plans:.....				
Unrecognized actuarial gain (loss)	830	(18,632)	3,452	68
Applicable income taxes	(220)	7,441	(1,381)	(28)
Unrecognized gain (loss) arising during period, net of income taxes	610	(11,191)	2,071	40
Amortization of actuarial losses	—	—	—	929
Applicable income taxes	—	—	—	(388)
Amortization of actuarial losses, net of income taxes ..	—	—	—	541
Settlement loss (gain) included in other expense, net ..	1,268	1,845	(154)	1,655
Applicable income taxes	(342)	(738)	62	(679)
Settlement loss (gain) included in other expense, net, net of income taxes	926	1,107	(92)	976
Curtailment loss	—	(3,195)	—	—
Applicable income taxes	—	1,278	—	—
Curtailment loss, net of income taxes	—	(1,917)	—	—
Foreign currency translation adjustment	967	—	—	—
Applicable income taxes	(261)	—	—	—
Foreign currency translation adjustment, net of income taxes	706	—	—	—
Other comprehensive gain (loss)	2,242	(12,001)	1,979	1,557
Comprehensive income (loss)	262,568	2,565,875	(563,952)	238,424
Comprehensive loss (income) attributable to noncontrolling interests	(1,761)	(1,587)	(551)	236
Comprehensive income (loss) attributable to CSC Holdings, LLC's sole member	\$ 260,807	\$ 2,564,288	\$ (564,503)	\$ 238,660

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL MEMBERS' EQUITY (DEFICIENCY)
(In thousands)
(See Note 4)

	Accumulated Deficit	Senior Notes due from Cablevision	Other Member's Equity	Accumulated Other Comprehensive Equity (Loss)	Total Member's Equity (Deficiency)	Noncontrolling Interests	Total Equity (Deficiency)
Predecessor:							
Balance at January 1, 2016	\$ (1,817,831)	\$ (611,455)	\$ 15,734	\$ (37,672)	\$ (2,451,224)	\$ (268)	\$ (2,451,492)
Net income attributable to CSC Holdings' sole member	237,103	—	—	—	237,103	—	237,103
Net income attributable to noncontrolling interests	—	—	—	—	—	(236)	(236)
Pension and postretirement plan liability adjustments, net of income taxes	—	—	—	1,557	1,557	—	1,557
Share-based compensation expense	—	—	24,997	—	24,997	—	24,997
Distributions to Cablevision	(82,283)	—	(62,035)	—	(144,318)	—	(144,318)
Excess tax benefit on share- based awards	—	—	50,288	—	50,288	—	50,288
Adjustments to noncontrolling interests	—	—	—	—	—	240	240
Balance at June 20, 2016	<u>\$ (1,663,011)</u>	<u>\$ (611,455)</u>	<u>\$ 28,984</u>	<u>\$ (36,115)</u>	<u>\$ (2,281,597)</u>	<u>\$ (264)</u>	<u>\$ (2,281,861)</u>

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL MEMBERS' EQUITY (DEFICIENCY) (continued)
(In thousands)
(See Note 4)

	Retained Earnings (Accumulated Deficit)	Senior Notes due from Cablevision	Other Member's Equity	Accumulated Other Comprehensive Equity (Loss)	Total Member's Equity (Deficiency)	Noncontrolling Interests	Total Equity (Deficiency)
Successor:							
Balance at June 21, 2016	\$ (99,024)	\$ (611,455)	\$ 10,893,234	\$ —	\$ 10,182,755	\$ (264)	\$ 10,182,491
Adjustment in connection with the transfer of entities	(20,070)	—	—	—	(20,070)	—	(20,070)
Net loss attributable to CSC Holdings' sole member	(566,482)	—	—	—	(566,482)	—	(566,482)
Net income attributable to noncontrolling interests	—	—	—	—	—	551	551
Pension and postretirement plan liability adjustments, net of income taxes	—	—	—	1,979	1,979	—	1,979
Share-based compensation expense	—	—	14,368	—	14,368	—	14,368
Excess tax benefit on share-based awards	—	—	(50,288)	—	(50,288)	—	(50,288)
Change in fair value of redeemable equity	—	—	(68,147)	—	(68,147)	—	(68,147)
Distributions to Cablevision	—	—	(619,742)	—	(619,742)	—	(619,742)
Distribution of notes and accrued interest to Cablevision	—	611,455	(621,600)	—	(10,145)	—	(10,145)
Tax impact related to the Newsday Holdings, LLC transactions	—	—	(5,751)	—	(5,751)	—	(5,751)
Balance at December 31, 2016	<u>(685,576)</u>	<u>—</u>	<u>9,542,074</u>	<u>1,979</u>	<u>8,858,477</u>	<u>287</u>	<u>8,858,764</u>
Net income attributable to CSC Holdings' sole member	2,576,289	—	—	—	2,576,289	—	2,576,289
Net income attributable to noncontrolling interests	—	—	—	—	—	1,587	1,587
Pension liability adjustments, net of income taxes	—	—	—	(12,001)	(12,001)	—	(12,001)
Share-based compensation expense	—	—	57,430	—	57,430	—	57,430
Change in redeemable equity ..	—	—	(163,141)	—	(163,141)	—	(163,141)
Contributions from Cablevision	—	—	761,316	—	761,316	—	761,316
Distributions to Cablevision	—	—	(2,777,498)	—	(2,777,498)	—	(2,777,498)
Distributions to non-controlling interest	—	—	—	—	—	(335)	(335)
Recognition of previously unrealized excess tax benefits related to share-based awards in connection with the adoption ASU 2016-09	143,859	—	—	—	143,859	—	143,859
Balance at December 31, 2017	<u>\$ 2,034,572</u>	<u>\$ —</u>	<u>\$ 7,420,181</u>	<u>\$ (10,022)</u>	<u>\$ 9,444,731</u>	<u>\$ 1,539</u>	<u>\$ 9,446,270</u>

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL MEMBERS' EQUITY (DEFICIENCY) (continued)
(In thousands)
(See Note 4)

	Retained Earnings (Accumulated Deficit)	Other Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity (Deficiency)	Non- controlling Interest	Total Equity
Balance at January 1, 2018.....	\$ 2,034,572	\$ 7,420,181	\$ (10,022)	\$ 9,444,731	\$ 1,539	\$ 9,446,270
Net income attributable to stockholders.....	258,565	—	—	258,565	—	258,565
Net income attributable to noncontrolling interests.....	—	—	—	—	1,761	1,761
Contributions from noncontrolling interests.....	—	—	—	—	5,995	5,995
Pension liability adjustments, net of income taxes.....	—	—	1,536	1,536	—	1,536
Foreign currency translation adjustment, net of income taxes ..	—	—	706	706	—	706
Share-based compensation expense	—	59,812	—	59,812	—	59,812
Redeemable equity vested.....	—	169,452	—	169,452	—	169,452
Change in redeemable equity	—	(68,169)	—	(68,169)	—	(68,169)
Cash distributions.....	(1,672,031)	(1,386,716)	—	(3,058,747)	—	(3,058,747)
Contributions from Cablevision.....	—	50,000	—	50,000	—	50,000
Impact of i24 Acquisition.....	(73,578)	61,769	(1,840)	(13,649)	—	(13,649)
Adoption of ASU No. 2018-02	2,163	—	(2,163)	—	—	—
Cequel debt exchanged for CSC Holdings debt	—	(2,854,392)	—	(2,854,392)	—	(2,854,392)
Balance at December 31, 2018.....	<u>\$ 549,691</u>	<u>\$ 3,451,937</u>	<u>\$ (11,783)</u>	<u>\$ 3,989,845</u>	<u>\$ 9,295</u>	<u>\$ 3,999,140</u>

See accompanying notes to consolidated financial statements.

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(See Note 4)

	Successor			Predecessor
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	January 1, 2016 to June 20, 2016
Cash flows from operating activities:				
Net income (loss)	\$ 260,326	\$ 2,577,876	\$ (565,931)	\$ 236,867
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization (including impairments)	2,382,339	2,930,571	1,700,306	414,550
Impairment of assets included in restructuring charges	—	—	2,445	—
Equity in net loss of affiliates	10,849	10,040	1,132	—
Loss (gain) on investments and sale of affiliate interests, net	261,536	(237,354)	(142,102)	(129,990)
Loss (gain) on derivative contracts, net	(218,848)	138,920	53,696	36,283
Loss on extinguishment of debt and write-off of deferred financing costs	7,883	53,988	127,649	—
Amortization of deferred financing costs and discounts (premiums) on indebtedness	43,135	13,226	13,671	7,189
Share-based compensation expense related to Cablevision equity classified awards	59,812	57,430	14,368	24,778
Settlement loss related to pension and postretirement plans ..	1,268	1,845	3,298	1,655
Deferred income taxes	(251,593)	(3,026,784)	(109,251)	116,830
Provision for doubtful accounts	71,426	74,183	53,249	13,240
Excess tax benefit related to share-based awards	—	—	50,288	(50,288)
Change in assets and liabilities, net of effects of acquisitions and dispositions:				
Accounts receivable, trade	(144,079)	(89,683)	(71,687)	(18,162)
Other receivables	4,048	(12,707)	(6,901)	4,227
Prepaid expenses and other assets	(27,986)	(12,135)	57,233	(5,254)
Amounts due from and due to affiliates, net	175,159	(413,930)	(1,077)	39,859
Accounts payable	12,455	73,888	(11,813)	36,147
Accrued liabilities	(7,182)	(97,152)	298,051	(160,168)
Deferred revenue	72,426	20,634	9,835	(9,726)
Liabilities related to interest rate swap contracts	53,101	(921)	78,823	—
Net cash provided by operating activities	2,766,075	2,061,935	1,555,282	558,037
Cash flows from investing activities:				
Capital expenditures	(1,153,589)	(951,349)	(625,541)	(330,131)
Payment for acquisition, net of cash acquired	(10,753)	(46,703)	—	—
Proceeds related to sale of equipment, including costs of disposal	10,779	9,743	5,885	1,106
Proceeds from sale of affiliate interests	(3,537)	—	13,825	—
Decrease (increase) in other investments	(2,500)	(4,773)	(4,608)	610
Additions to other intangible assets	(584)	(1,707)	(106)	(1,709)
Net cash used in investing activities	(1,160,184)	(994,789)	(610,545)	(330,124)

CSC HOLDINGS, LLC AND SUBSIDIARIES
(a wholly-owned subsidiary of Cablevision Systems Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(In thousands)
(See Note 4)

	Successor			Predecessor
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	January 1, 2016 to June 30, 2016
Cash flows from financing activities:				
Proceeds from credit facility debt	\$ 3,489,313	\$ 5,593,675	\$ 3,910,000	\$ —
Repayment of credit facility debt	(2,221,175)	(4,411,581)	(6,622,844)	(14,953)
Issuance of senior notes.....	1,000,000	—	2,810,000	—
Repayment of senior notes, including premiums and fees.....	(805,206)	(350,120)	—	—
Proceeds from collateralized indebtedness	516,513	838,794	179,388	337,149
Repayment of collateralized indebtedness and related derivative contracts	(516,513)	(831,059)	(143,102)	(281,594)
Distributions to Cablevision.....	(3,058,750)	(2,777,497)	(619,742)	(144,318)
Contribution from Cablevision.....	50,000	761,316	—	—
Proceeds from notes payable.....	15,955	33,733	—	(1,291)
Repayment of notes payable	(32,632)	—	—	—
Principal payments on capital lease obligations.....	(10,228)	(15,157)	(18,837)	(11,552)
Additions to deferred financing costs.....	(28,471)	(8,171)	(203,546)	—
Contingent payment for acquisition	(30,000)	—	—	—
Contributions from (distributions to) noncontrolling interests, net	5,995	(335)	—	240
Excess tax benefit related to share-based awards.....	—	—	(50,288)	50,288
Net cash used in financing activities.....	(1,625,199)	(1,166,402)	(758,971)	(66,031)
Net increase in cash and cash equivalents from continuing operations	(19,308)	(99,256)	185,766	161,882
Effect of exchange rate changes on cash and cash equivalents	(26)	—	—	—
Cash flows of discontinued operations:				
Net cash used in operating activities	—	—	—	(21,000)
Net decrease in cash and cash equivalents from discontinued operations	—	—	—	(21,000)
Cash, cash equivalents and restricted cash at beginning of period	318,118	417,374	231,608	997,427
Cash, cash equivalents and restricted cash at end of period	<u>\$ 298,784</u>	<u>\$ 318,118</u>	<u>\$ 417,374</u>	<u>\$ 1,138,309</u>

See accompanying notes to consolidated financial statements.

NOTE 1. DESCRIPTION OF BUSINESS AND RELATED MATTERS

The Company and Related Matters

Cablevision Systems Corporation ("Cablevision"), through its wholly-owned subsidiary CSC Holdings, LLC and its consolidated subsidiaries ("CSC Holdings," and collectively with Cablevision, the "Company"), provides broadband, pay television, telephony services, proprietary content and advertising services to residential and business customers. Cablevision is a wholly owned subsidiary of Altice USA, Inc. ("Altice USA"). The Company operates and reports financial information in one segment. Altice USA was a wholly-owned subsidiary of Altice Europe N.V. ("Altice Europe") until June 8, 2018, at which time Altice Europe distributed substantially all of its equity interest in Altice USA through a distribution in kind to holders of Altice Europe's common shares A and common shares B (the "Distribution").

In November 2018, in connection with the credit silo combination described in Note 11, (i) Cequel Communications Holdings I, LLC ("CCHI") merged into Cablevision, with Cablevision as the surviving entity (the "Holdco Merger"), and (ii) Cequel Communications Holdings II, LLC ("CCHII") merged into CSC Holdings, with CSC Holdings as the surviving entity (the "CCHII Merger"). As a result of the Holdco Merger, the balance sheet and operating results of CCHI have been presented on a combined basis with Cablevision beginning January 1, 2016 as these entities were under common control. In addition, as a result of the CCHII Merger, the balance sheet and operating results of CCHII have been presented on a combined basis with CSC Holdings beginning January 1, 2016 as these entities were under common control.

Prior to the sale of a 75% interest in Newsday LLC ("Newsday") on July 7, 2016, the Company consolidated the operating results of Newsday. Effective July 7, 2016, the operating results of Newsday are no longer consolidated with those of the Company and the Company's 25% interest in the operating results of Newsday is recorded on the equity basis (see Note 14).

The accompanying combined consolidated financial statements ("consolidated financial statements") include the accounts of the Company and all subsidiaries in which the Company has a controlling interest and gives effect to the Holdco Merger discussed above and the CSC Holdings Merger, ATS Acquisition, and i24 Acquisition discussed below. All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements also reflect the retrospective adoption of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2017-07 *Compensation-Retirement Benefits (Topic 715)*. See Note 4 for further details of the impact on the Company's historical financial statements.

Cablevision Acquisition

On June 21, 2016 (the "Cablevision Acquisition Date"), pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of September 16, 2015, by and among Cablevision, Altice Europe N.V. (formerly Altice N.V.), Neptune Merger Sub Corp., a wholly-owned subsidiary of Altice Europe ("Merger Sub"), Merger Sub merged with and into Cablevision, with Cablevision surviving the merger (the "Cablevision Acquisition").

In connection with the Cablevision Acquisition, each outstanding share of the Cablevision NY Group Class A common stock, par value \$0.01 per share ("CNYG Class A Shares"), and Cablevision NY Group Class B common stock, par value \$0.01 per share ("CNYG Class B Shares", and together with the CNYG Class A Shares, the "Shares"), and together with the Cablevision NY Group Class A common stock, the "Shares" other than Shares owned by Cablevision, Altice Europe or any of their respective wholly-owned subsidiaries, in each case not held on behalf of third parties in a fiduciary capacity, received \$34.90 in cash without interest, less applicable tax withholdings (the "Cablevision Acquisition Consideration").

Pursuant to an agreement, dated December 21, 2015, by and among CVC 2 B.V., CIE Management IX Limited, for and on behalf of the limited partnerships BC European Capital IX-1 through 11 and Canada Pension Plan Investment Board, certain affiliates of BCP and CPPIB (the "Co-Investors") funded approximately \$1,000,000 toward the payment of the aggregate Per Share Cablevision Acquisition Consideration, and indirectly acquired approximately 30% of the Shares of Cablevision.

Also in connection with the Cablevision Acquisition, outstanding equity-based awards granted under Cablevision's equity plans were cancelled and converted into cash based upon the \$34.90 per Share Cablevision Acquisition

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

Consideration in accordance with the original terms of the awards. The total consideration for the outstanding CNYG Class A Shares, the outstanding CNYG Class B Shares, and the equity-based awards amounted to \$9,958,323.

In connection with the Cablevision Acquisition, in October 2015, Neptune Finco Corp. ("Finco"), an indirect wholly-owned subsidiary of Altice Europe formed to complete the financing described herein and the merger with CSC Holdings, LLC ("CSC Holdings"), a wholly-owned subsidiary of Cablevision, borrowed an aggregate principal amount of \$3,800,000 under a term loan facility (the "Term Credit Facility") and entered into revolving loan commitments in an aggregate principal amount of \$2,000,000 (the "Revolving Credit Facility" and, together with the Term Credit Facility, the "Credit Facilities").

Finco also issued \$1,800,000 aggregate principal amount of 10.125% senior notes due 2023 (the "2023 Notes"), \$2,000,000 aggregate principal amount of 10.875% senior notes due 2025 (the "2025 Notes"), and \$1,000,000 aggregate principal amount of 6.625% senior guaranteed notes due 2025 (the "2025 Guaranteed Notes") (collectively the "Cablevision Acquisition Notes").

On June 21, 2016, immediately following the Cablevision Acquisition, Finco merged with and into CSC Holdings, with CSC Holdings surviving the merger (the "CSC Holdings Merger"), and the Cablevision Acquisition Notes and the Credit Facilities became obligations of CSC Holdings.

The Cablevision Acquisition was accounted for as a business combination in accordance with with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. Accordingly, the Company stepped up 100% of the assets and liabilities assumed to their fair value at the Cablevision Acquisition Date. See Note 5 for further details.

Acquisition of Altice Technical Services US Corp

Altice Technical Services US Corp. ("ATS") was formed to provide network construction and maintenance services and commercial and residential installations, disconnections, and maintenance. During the second quarter of 2017, a substantial portion of the Company's technical workforce at Cablevision either accepted employment with ATS or became employees of ATS and ATS commenced operations and began to perform services for the Company. A substantial portion of the Cequel technical workforce became employees of ATS in December 2017. Additionally, in the second quarter of 2017, the Company entered into an Independent Contractor Agreement with ATS that governed the terms of the services provided to the Company and entered into a Transition Services Agreement for the use of the Company's resources to provide various overhead functions to ATS, including accounting, legal and human resources and for the use of certain facilities, vehicles and technician tools during a transitional period. The Transition Services Agreement required ATS to reimburse the Company for its cost to provide such services.

In January 2018, the Company acquired 70% of the equity interests in ATS for \$1.00 (the "ATS Acquisition") and the Company became the owner of 100% of the equity interests in ATS in March 2018. ATS was previously owned by Altice Europe and a member of ATS's management through a holding company. As the acquisition is a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of ATS for all periods since its formation. See Note 4 for the impact of the ATS Acquisition on the Company's consolidated balance sheet and statement of operations as of and for the year ended December 31, 2017. In connection with the ATS Acquisition, the Company recorded goodwill of \$23,101, representing the amount previously transferred to ATS.

Acquisition of i24NEWS

In April 2018, Altice Europe transferred its ownership of i24 US and i24 Europe ("i24NEWS"), Altice Europe's 24/7 international news and current affairs channels to the Company for minimal consideration (the "i24 Acquisition"). As the acquisition was a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of i24NEWS as of April 1, 2018. Operating results for periods prior to April 1, 2018 and the balance sheet as of December 31, 2017 have not been revised to reflect the i24 Acquisition as the impact was deemed immaterial.

Basis of Presentation

Principles of Consolidation

In the accompanying consolidated balance sheets of Cablevision and CSC Holdings, the consideration paid by Altice Europe and the Co- Investors in connection with the Cablevision Acquisition has been "pushed down" to Cablevision and CSC Holdings and has been allocated to the assets acquired and liabilities assumed based on their estimated fair values in accordance with FASB ASC Topic 805, *Business Combinations*. Due to the impact of push down accounting, Cablevision's and CSC Holdings' financial statements are presented in two distinct periods to indicate the application of the different bases of accounting between the periods presented: (1) the period up to the Cablevision Acquisition date, January 1, 2016 through June 20, 2016 labeled "Predecessor" and (2) the period from the Cablevision Acquisition date, June 21, 2016 through December 31, 2016 and the years ended December 31, 2018 and 2017, labeled "Successor". The Predecessor period represents the financial information of the Company prior to the Cablevision Acquisition, while the Successor periods represent the financial information of the Company subsequent to the Cablevision Acquisition. The accompanying financial statements include a black line division to indicate the application of the bases of accounting utilized by the Predecessor and Successor reporting entities. As a result, the financial statements for the Predecessor period and for the Successor periods are not comparable. The financial information of Cablevision and CSC Holdings for the Successor periods include the financial information for CCHI and CCHII, respectively, as a result of the Holdco Merger and the CCHII Merger discussed above.

The accompanying consolidated financial statements of Cablevision include the accounts of Cablevision and its majority-owned subsidiaries and the accompanying consolidated financial statements of CSC Holdings include the accounts of CSC Holdings and its majority-owned subsidiaries. Cablevision has no business operations independent of its CSC Holdings subsidiary, whose operating results and financial position are consolidated into Cablevision. The consolidated balance sheets and statements of operations of Cablevision are essentially identical to the consolidated balance sheets and statements of operations of CSC Holdings, with the following significant exceptions: Cablevision has \$1,163,768 of senior notes outstanding at December 31, 2018 that were issued to third party investors, cash, accrued interest related to its senior notes, and deferred taxes on its balance sheet. In addition, CSC Holdings and its subsidiaries have certain intercompany receivables from and payables to Cablevision. Differences between Cablevision's results of operations and those of CSC Holdings primarily include incremental interest expense, interest income, loss on extinguishment of debt, the write-off of deferred financing costs, and income tax expense or benefit. CSC Holdings' results of operations include incremental interest income from the Cablevision senior notes held by Newsday Holdings through July 7, 2016 (see Note 16), which has been eliminated in Cablevision's results of operations.

The combined notes to the consolidated financial statements relate to the Company, which, except as noted, are essentially identical for Cablevision and CSC Holdings. All significant intercompany transactions and balances between Cablevision and CSC Holdings and their respective consolidated subsidiaries are eliminated in both sets of consolidated financial statements. Intercompany transactions between Cablevision and CSC Holdings are not eliminated in the CSC Holdings consolidated financial statements, but are eliminated in the Cablevision consolidated financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

Revenue Recognition

Residential Services

The Company derives revenue through monthly charges to residential customers of its pay television, broadband, and telephony services, including installation services. In addition, the Company derives revenue from digital video recorder ("DVR"), video-on-demand ("VOD"), pay-per-view, and home shopping commissions which are reflected in "Residential pay TV" revenues. The Company recognizes pay television, broadband, and telephony revenues as the services are provided to a customer on a monthly basis. Revenue from the sale of bundled services at a discounted rate is allocated to each product based on the standalone selling price of each performance obligation within the bundled offer. The standalone selling price requires judgment and is typically determined based on the current prices at which the separate services are sold by the Company. Installation revenue for the Company's residential services is deferred and recognized over the benefit period, which is estimated to be less than one year. The estimated benefit period takes into account both

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

quantitative and qualitative factors including the significance of average installation fees to total recurring revenue per customer.

The Company is assessed non-income related taxes by governmental authorities, including franchising authorities (generally under multi-year agreements), and collects such taxes from its customers. In instances where the tax is being assessed directly on the Company, amounts paid to the governmental authorities are recorded as programming and other direct costs and amounts received from the customers are recorded as revenue. For the years ended December 31, 2018, 2017 and 2016 (Successor), the amount of franchise fees and certain other taxes and fees included as a component of revenue aggregated \$257,467, \$259,075, and \$154,732, respectively. For the period January 1, 2016 through June 20, 2016 (Predecessor), the amount of franchise fees and certain other taxes and fees included as a component of revenue aggregated \$95,432.

Business and Wholesale Services

The Company derives revenue from the sale of products and services to both large enterprise and small and medium-sized business ("SMB") customers, including broadband, telephony, networking, and pay television services reflected in "Business services and wholesale" revenues. The Company's business services also include Ethernet, data transport, and IP-based virtual private networks. The Company also provides managed services to businesses, including hosted telephony services (cloud based SIP-based private branch exchange), managed Wi-Fi, managed desktop and server backup and managed collaboration services including audio and web conferencing. The Company also offers fiber-to-the-tower services to wireless carriers for cell tower backhaul and enable wireline communications service providers to connect to customers that their own networks do not reach. The Company recognizes revenues for these services as the services are provided to a customer on a monthly basis.

Substantially all of our SMB customers are billed monthly and large enterprise customers are billed in accordance with the terms of their contracts which is typically also on a monthly basis. Contracts with large enterprise customers typically range from three to five years. Installation revenue related to our large enterprise customers is deferred and recognized over the average contract term. Installation revenue related to SMB customers is deferred and recognized over the benefit period, which is less than a year. The estimated benefit period for SMB customers takes into account both quantitative and qualitative factors including the significance of average installation fees to total recurring revenue per customer.

Advertising

As part of the agreements under which the Company acquires pay television programming, the Company typically receives an allocation of scheduled advertising time during such programming into which the Company's cable systems can insert commercials. In several of the markets in which the Company operates, it has entered into agreements commonly referred to as interconnects with other cable operators to jointly sell local advertising. In some of these markets, the Company represents the advertising sales efforts of other cable operators; in other markets, other cable operators represent the Company. Advertising revenues are recognized when commercials are aired. Arrangements in which the Company controls the sale of advertising and acts as the principal to the transaction, the Company recognizes revenue earned from the advertising customer on a gross basis and the amount remitted to the distributor as an operating expense. Arrangements in which the Company does not control the sale of advertising and acts as an agent to the transaction, the Company recognizes revenue net of any fee remitted to the distributor.

The Company's advanced advertising businesses provide data-driven, audience-based advertising solutions using advanced analytics tools that provide granular measurement of consumer groups, accurate hyper-local ratings and other insights into target audience behavior not available through traditional sample-based measurement services. Revenue earned from the Company's advanced advertising businesses are recognized when services are provided.

Other

Revenues derived from other sources are recognized when services are provided or events occur.

Contract Assets

Incremental costs incurred in obtaining a contract with a customer are deferred and recorded as a contract asset if the period of benefit is expected to be greater than one year. Sales commissions for enterprise and certain SMB customers are deferred and amortized over the average contract term. For sales commission expenses related to residential and

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

SMB customers with a term of one year or less, the Company is utilizing the practical expedient and is recognizing the costs when incurred. Cost of fulfilling a contract with a customer are deferred and recorded as a contract asset if they generate or enhance resources of the Company that will be used in satisfying future performance obligations and are expected to be recovered. Installation costs related to residential and SMB customers that are not capitalized as part of the initial deployment of new customer premise equipment are expensed as incurred pursuant to industry-specific guidance.

The following table provides information about contracts assets and contract liabilities related to contracts with customers:

	Successor	
	December 31,	
	2018	2017
Contract assets (a)	\$ 26,405	\$ 24,329
Deferred revenue (b)	190,056	117,679

- (a) Contract assets include primarily sales commissions for enterprise customers that are deferred and amortized over the average contract term.
- (b) Deferred revenue represents payments received from customers for services that have yet to be provided and installation revenue which is deferred and recognized over the benefit period. The majority of the Company's deferred revenue represents payments for services for up to one month in advance from residential and SMB customers which is realized within the following month as services are performed.

A significant portion of our revenue is derived from residential and SMB customer contracts which are month-to-month. As such, the amount of revenue related to unsatisfied performance obligations is not necessarily indicative of the future revenue to be recognized from our existing customer base. Contracts with enterprise customers generally range from three to five years, and services may only be terminated in accordance with the contractual terms.

The following table presents the composition of revenue:

	Successor			Predecessor
	Years Ended December 31,			January 1,
	2018	2017	2016	2016 to June 20, 2016
Residential:				
Pay TV	\$ 4,156,428	\$ 4,274,122	\$ 2,788,873	\$ 1,494,186
Broadband	2,887,455	2,608,595	1,651,574	702,811
Telephony	652,895	700,765	465,771	286,161
Business services and wholesale	1,362,758	1,298,213	819,541	411,102
Advertising	482,649	391,866	252,049	125,419
Other	24,423	33,389	39,404	117,925
Total revenue	\$ 9,566,608	\$ 9,306,950	\$ 6,017,212	\$ 3,137,604

Multiple-Element Transactions

In the normal course of business, the Company may enter into multiple-element transactions where it is simultaneously both a customer and a vendor with the same counterparty or in which it purchases multiple products and/or services, or settles outstanding items contemporaneously with the purchase of a product or service, from a single counterparty. The Company's policy for accounting for each transaction negotiated contemporaneously is to record each deliverable of the transaction based on its best estimate of selling price in a manner consistent with that used to determine the price to sell each deliverable on a standalone basis. In determining the fair value of the respective deliverable, the Company will utilize quoted market prices (as available), historical transactions or comparable transactions.

Technical and Operating Expenses

Costs of revenue related to sales of services are classified as "programming and other direct costs" in the accompanying consolidated statements of operations.

Programming Costs

Programming expenses related to the Company's pay television service represent fees paid to programming distributors to license the programming distributed to customers. This programming is acquired generally under multi-year distribution agreements, with rates usually based on the number of customers that receive the programming. If there are periods when an existing distribution agreement has expired and the parties have not finalized negotiations of either a renewal of that agreement or a new agreement for certain periods of time, the Company continues to carry and pay for these services until execution of definitive replacement agreements or renewals. The amount of programming expense recorded during the interim period is based on the Company's estimates of the ultimate contractual agreement expected to be reached, which is based on several factors, including previous contractual rates, customary rate increases and the current status of negotiations. Such estimates are adjusted as negotiations progress until new programming terms are finalized.

In addition, the Company has received, or may receive, incentives from programming distributors for carriage of the distributors' programming. The Company generally recognizes these incentives as a reduction of programming costs in "programming and other direct costs", generally over the term of the distribution agreement.

Advertising Expenses

Advertising costs are charged to expense when incurred and are reflected in "other operating expenses" in the accompanying consolidated statements of operations. Advertising costs amounted to \$240,273, \$224,120 and \$135,513 for the years ended December 31, 2018, 2017 and 2016 (Successor), respectively. For the period January 1, 2016 through June 20, 2016 (Predecessor), advertising costs amounted to \$62,760.

Share-Based Compensation Allocated to the Company

Share-based compensation expense is based on the fair value of the portion of share-based payment awards that are ultimately expected to vest. Share-based compensation cost relates to awards of units in a carried unit plan and options.

For carried interest units, the Company measures share-based compensation cost at the grant date fair value and recognizes the expense over the requisite service period or when it is probable any related performance condition will be met. For carried interest units with graded vesting requirement, compensation cost is recognized on an accelerated method under the graded vesting method over the requisite service period for the carried interest unit. Carried interest units that vest entirely at the end of the vesting requirement are expensed on a straight-line basis.

The Company estimated the fair value of carried interest units using an option pricing model. Key inputs that were used in applying the option pricing method were total equity value, equity volatility, risk free rate and time to liquidity event. The estimate of total equity value was determined using a combination of the income approach, which incorporated cash flow projections that were discounted at an appropriate rate, and the market approach, which involved applying a market multiple to the Company's projected operating results. The Company estimated volatility based on the historical equity volatility of comparable publicly-traded companies. Subsequent to the IPO, such subjective valuations and estimates were no longer necessary as the Company relied on the market price of the Company's common stock to determine the fair value of share-based compensation awards. See Note 15 to the consolidated financial statements for additional information about our share-based compensation.

Income Taxes

The Company's provision for income taxes is based on current period income, changes in deferred tax assets and liabilities and changes in estimates with regard to uncertain tax positions. Deferred tax assets are subject to an ongoing assessment of realizability. The Company provides deferred taxes for the outside basis difference of its investment in partnerships.

Cash and Cash Equivalents

The Company's cash investments are placed with money market funds and financial institutions that are investment grade as rated by S&P Global Ratings and Moody's Investors Service. The Company selects money market funds that

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

predominantly invest in marketable, direct obligations issued or guaranteed by the United States government or its agencies, commercial paper, fully collateralized repurchase agreements, certificates of deposit, and time deposits.

The Company considers the balance of its investment in funds that substantially hold securities that mature within three months or less from the date the fund purchases these securities to be cash equivalents. The carrying amount of cash and cash equivalents either approximates fair value due to the short-term maturity of these instruments or are at fair value.

Accounts Receivable

Accounts receivable are recorded at net realizable value. The Company periodically assesses the adequacy of valuation allowances for uncollectible accounts receivable by evaluating the collectability of outstanding receivables and general factors such as historical collection experience, length of time individual receivables are past due, and the economic and competitive environment.

Investments

Investment securities and investment securities pledged as collateral are classified as trading securities and are stated at fair value with realized and unrealized holding gains and losses included in the consolidated statements of operations.

Long-Lived Assets and Amortizable Intangible Assets

Property, plant and equipment, including construction materials, are carried at cost, and include all direct costs and certain indirect costs associated with the construction of cable systems, and the costs of new equipment installations. Equipment under capital leases is recorded at the present value of the total minimum lease payments. Depreciation on equipment is calculated on the straight-line basis over the estimated useful lives of the assets or, with respect to equipment under capital leases and leasehold improvements, amortized over the shorter of the lease term or the assets' useful lives and reported in depreciation and amortization (including impairments) in the consolidated statements of operations.

The Company capitalizes certain internal and external costs incurred to acquire or develop internal-use software. Capitalized software costs are amortized over the estimated useful life of the software and reported in depreciation and amortization.

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

The Company reviews its long-lived assets (property, plant and equipment, and intangible assets subject to amortization that arose from acquisitions) for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and the value of franchises acquired in purchase business combinations which have indefinite useful lives are not amortized. Rather, such assets are tested for impairment annually or upon the occurrence of a triggering event.

The Company assesses qualitative factors for its reporting units that carry goodwill. If the qualitative assessment results in a conclusion that it is more likely than not that the fair value of a reporting unit exceeds the carrying value, then no further testing is performed for that reporting unit.

When the qualitative assessment is not used, or if the qualitative assessment is not conclusive and it is necessary to calculate the fair value of a reporting unit, then the impairment analysis for goodwill is performed at the reporting unit level using a two-step approach. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill utilizing an enterprise-value based premise approach. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of goodwill impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount

of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill which would be recognized in a business combination.

The Company assesses qualitative factors to determine whether it is necessary to perform the one-step quantitative identifiable indefinite-lived intangible assets impairment test. This quantitative test is required only if the Company concludes that it is more likely than not that a unit of accounting's fair value is less than its carrying amount. When the qualitative assessment is not used, or if the qualitative assessment is not conclusive, the impairment test for other intangible assets not subject to amortization requires a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Deferred Financing Costs

Deferred financing costs are being amortized to interest expense using the effective interest method over the terms of the related debt.

Derivative Financial Instruments

The Company accounts for derivative financial instruments as either assets or liabilities measured at fair value. The Company uses derivative instruments to manage its exposure to market risks from changes in certain equity prices and interest rates and does not hold or issue derivative instruments for speculative or trading purposes. These derivative instruments are not designated as hedges, and changes in the fair values of these derivatives are recognized in the consolidated statements of operations as gain (loss) on derivative contracts or gain (loss) on interest rate swap contracts.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when the Company believes it is probable that a liability has been incurred and the amount of the contingency can be reasonably estimated.

Foreign Currency

Certain of the Company's i24NEWS subsidiaries are located outside the United States. The functional currency for these subsidiaries is determined based on the primary economic environment in which the subsidiary operates. Revenues and expenses for these subsidiaries are translated into U.S. dollars using rates that approximate those in effect during the period while the assets and liabilities are translated into U.S. dollars using exchange rates in effect at the end of each period. The resulting gains and losses from these translations are recognized in cumulative translation adjustment included in accumulated other comprehensive loss in stockholders' equity on the consolidated balance sheets.

Common Stock of Cablevision

At December 31, 2018 and 2017, Cablevision had 1,000 shares of common stock with a par value of \$0.01 authorized and 100 shares issued and outstanding, which are all owned by Altice USA, its sole owner.

CSC Holdings Membership Interests

As of December 31, 2018 and 2017, CSC Holdings had 100 membership units issued and outstanding, which are all owned by Cablevision, its sole owner.

Dividends and Distributions

The Company made cash distributions of \$2,142,000 and \$1,539,962 to Altice USA during the years ended December 31, 2018 and 2017, respectively. The 2018 distribution was funded with cash at CSC Holdings from financings completed in January 2018 and cash generated from operations. The 2017 distribution was funded with \$500,000 of proceeds from borrowings under CSC Holdings' revolving credit facility and cash generated from operations.

Pursuant to the terms of the Merger Agreement, Cablevision was not permitted to declare and pay dividends or repurchase stock, in each case, without the prior written consent of Altice N.V. In accordance with these terms, Cablevision did not declare dividends during the period January 1, 2016 through June 20, 2016 (Predecessor).

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

During the period January 1, 2016 through June 20, 2016 (Predecessor), Cablevision paid \$4,066 related to restricted shares that vested in respect of dividends declared and accrued on the CNYG common stock in prior periods. In addition, on June 21, 2016 approximately \$3,773 of accrued dividends were paid on restricted shares and performance restricted stock units that vested in connection with the Cablevision Acquisition.

CSC Holdings made cash equity distribution payments to Cablevision aggregating \$3,058,747, \$2,777,498, \$619,742 and \$144,318, respectively, during the years ended December 31, 2018, 2017, 2016 (Successor) and for the period January 1, 2016 through June 20, 2016 (Predecessor), respectively. These distribution payments were funded from cash on hand. The proceeds were used to fund:

- Cablevision distributions to Altice USA (Successor periods only); and
- Cablevision's principal and interest payments on its senior notes (Predecessor and Successor periods).

Cablevision's and CSC Holdings' indentures and CSC Holdings' credit agreement restrict the amount of dividends and distributions in respect of any equity interest that can be made.

Net Income (Loss) Per Share

Net income (loss) per share for Cablevision for the years ended December 31, 2018 and 2017 and for the 2016 Successor period is not presented since Cablevision's common stock is no longer publicly traded. For the periods prior to the Cablevision Acquisition, basic income per common share attributable to Cablevision stockholders was computed by dividing net income attributable to Cablevision stockholders by the weighted average number of common shares outstanding during the period. Diluted income per common share attributable to Cablevision stockholders reflected the dilutive effects of stock options, restricted stock and restricted stock units. For such awards that were performance based, the diluted effect was reflected upon the achievement of the performance criteria.

The following table presents a reconciliation of weighted average shares used in the calculations of the basic and diluted net income per share attributable to Cablevision stockholders:

	Predecessor
	January 1, 2016 to June 20, 2016
Basic weighted average shares outstanding	272,035
Effect of dilution:	
Stock options	4,444
Restricted stock	3,720
Diluted weighted average shares outstanding	280,199

There were no anti-dilutive shares excluded from diluted weighted average shares outstanding for the period January 1, 2016 to June 20, 2016 (Predecessor).

Net income (loss) per membership unit for CSC Holdings is not presented since CSC Holdings is a limited liability company and a wholly-owned subsidiary of Cablevision.

Concentrations of Credit Risk

Financial instruments that may potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade account receivables. The Company monitors the financial institutions and money market funds where it invests its cash and cash equivalents with diversification among counterparties to mitigate exposure to any single financial institution. The Company's emphasis is primarily on safety of principal and liquidity and secondarily on maximizing the yield on its investments. Management believes that no significant concentration of credit risk exists with respect to its cash and cash equivalents because of its assessment of the creditworthiness and financial viability of the respective financial institutions.

The Company did not have a single customer that represented 10% or more of its consolidated revenues for the years ended December 31, 2018, 2017 and 2016 (Successor), and January 1, 2016 through June 20, 2016 (Predecessor), or 10% or more of its consolidated net trade receivables at December 31, 2018, and 2017 (Successor), respectively.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See Note 13 for a discussion of fair value estimates.

Reclassifications

Certain reclassifications have been made to the 2017 and 2016 financial statements to conform to the 2018 presentation.

NOTE 3. ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In February 2018, the FASB issued ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The primary provision of ASU No. 2018-02 allows for the reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. ASU No. 2018-02 also requires certain disclosures about stranded tax effects. ASU No. 2018-02 is effective for the Company on January 1, 2019, with early adoption permitted and will be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company elected to adopt ASU No. 2018-02 during the first quarter of 2018. The adoption resulted in the reclassification of stranded tax amounts of \$2,163 associated with net unrecognized losses from the Company's pension plans from accumulated other comprehensive loss to retained earnings.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718). ASU No. 2017-09 provides clarity and guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU No. 2017-09 was adopted by the Company on January 1, 2018 and it had no impact to the Company's consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715). ASU No. 2017-07 requires that an employer disaggregate the service cost component from the other components of net benefit cost. It also provides guidance on how to present the service cost component and the other components of net benefit cost in the income statement and what component of net benefit cost is eligible for capitalization. ASU No. 2017-07 was adopted by the Company on January 1, 2018 and was applied retrospectively. As a result of the adoption, the Company reclassified the non-service cost components of the Company's pension expense for the year ended December 2017 and 2016 from other operating expenses to other income (expense), net. The Company elected to apply the practical expedient which allowed it to reclassify amounts disclosed previously in the benefits plan note as the basis for applying retrospective presentation for comparative periods, as the Company determined it was impracticable to disaggregate the cost components for amounts capitalized and amortized in those periods. See Note 4 for information on the impact of the adoption of ASU No. 2017-07.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805), Clarifying the Definition of a Business, which amends Topic 805 to interpret the definition of a business by adding guidance to assist in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company adopted the new guidance on January 1, 2018 and it had no impact to the Company's consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, in order to clarify the Codification and to correct any unintended application of the guidance. The amendments in this update affected the guidance in ASC 606. ASC 606 was adopted by the Company on January 1, 2018 on a full retrospective basis, which required the Company to reflect the impact of the updated guidance for all periods presented. The adoption of ASC 606 did not have a material impact on the Company's financial position or results of operations. See Note 4 for information on the impact of the adoption of ASC 606.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that the statement of cash flows disclose the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 provides specific guidance on the presentation of restricted cash in the statement of cash flows. ASU No. 2016-18 was adopted by the Company on January 1, 2018 and was applied retrospectively for all periods presented.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU No. 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The Company adopted the new guidance on January 1, 2018 and it had no impact to the Company's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. ASU No. 2016-01 modifies how entities measure certain equity investments and also modifies the recognition of changes in the fair value of financial liabilities measured under the fair value option. Entities will be required to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. For financial liabilities measured using the fair value option, entities will be required to record changes in fair value caused by a change in instrument-specific credit risk (own credit risk) separately in other comprehensive income. ASU No. 2016-01 was adopted by the Company on January 1, 2018 and it had no impact to the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASC 606"), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASC 606 replaced most existing revenue recognition guidance in GAAP (See Note 4).

Recently Issued But Not Yet Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans, which amends ASC 715 to clarify certain disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 becomes effective for the Company on January 1, 2022, although early adoption is permitted. The Company does not expect the adoption of ASU 2018-14 to have a material impact on its consolidated financial statements.

Also in August 2018, the FASB issued ASU No. 2018-15, Customer's Accounting for Implementation Costs in a Cloud Computing Arrangement That Is a Service Contract, which requires upfront implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract to be amortized to hosting expense over the term of the arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. ASU No. 2018-15 becomes effective for the Company on January 1, 2020, although early adoption is permitted. The Company is currently in the process of evaluating the impact that the adoption of ASU No. 2018-15 will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350). ASU No. 2017-04 simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU No. 2017-04 becomes effective for the Company on January 1, 2020 with early adoption permitted and will be applied prospectively.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new guidance became effective for the Company on January 1, 2019. The Company will adopt the new guidance using the modified retrospective approach with a cumulative-effect adjustment recorded at the beginning of the period of adoption. The Company will elect the package of practical expedients permitted within the standard, which allow an entity to forgo reassessing (1) whether a contract contains a lease, (2) classification of leases, and (3) whether capitalized costs associated with a lease meet the definition of initial direct costs. Also, the Company will elect the expedient allowing an entity to use hindsight to determine the lease term and impairment of right-of-use assets and the expedient related to land easements which allows the Company not to retrospectively treat land easements as leases; however, must apply lease accounting prospectively to land easements if they meet the definition of a lease. While the Company is continuing to assess the impacts of ASU No. 2016-02, it estimates that the adoption of ASU No. 2016-02 will result in the recognition of right-of-use assets and lease liabilities for operating leases of approximately 1% of its total assets on its consolidated balance sheet, with no material impact to its consolidated statements of operations.

NOTE 4. CHANGE IN ACCOUNTING POLICIES AND OTHER TRANSACTIONS

Adoption of ASC 606 - Revenue from Contracts with Customers

On January 1, 2018, the Company adopted the guidance pursuant to ASC 606. The Company elected to apply the guidance on a full retrospective basis, which required the Company to reflect the impact of the updated guidance for all periods presented. The adoption of the guidance resulted in the deferral of certain installation revenue, the deferral of certain commission expenses, and a reduction of revenue due to the reclassification of certain third-party giveaways and incentives from operating expense. Additionally, the Company made changes in the composition of revenue resulting from the allocation of value related to bundled services sold to residential customers at a discount.

Installation Services Revenue

Pursuant to ASC 606, the Company's installation services revenue is deferred and recognized over the benefit period. For residential customers, the benefit period is less than one year. For business and wholesale customers, the benefit period is the contract term. Prior to the adoption of ASC 606, the Company recognized installation services revenue for residential and SMB customers when installations were completed. As a result of the deferral of installation services revenue for residential and SMB customers, the Company recognized contract liabilities of \$6,978 and recorded a cumulative effect adjustment of \$5,093 (net of tax of \$1,885) to retained earnings. The accounting for installation services revenue related to business and wholesale customers has not changed.

Commission Expenses

Pursuant to ASC 606, the Company defers commission expenses related to obtaining a contract with a customer when the expected amortization is greater than one year and amortizes these costs over the average contract term. For commission expenses related to customer contracts with a term of one year or less, the Company is utilizing the practical expedient and is recognizing the costs when incurred. Prior to the adoption of ASC 606, the Company recognized commission expenses related to the sale of its services when incurred. As a result of the change in the timing of recognition of these commission expenses, the Company recognized contract assets of \$24,329 and recorded a cumulative effect adjustment of \$17,759 (net of tax of \$6,570) to retained earnings.

Third-Party Product Giveaways and Incentives

When the Company acts as the agent in providing certain product giveaways or incentives, revenue is recorded net of the costs of the giveaways and incentives. For the periods prior to January 1, 2018, costs for the giveaways and incentives recorded in other operating expense have been reclassified to revenue.

Bundled Services

The Company provides bundled services at a discounted rate to its customers. Under ASC 606, revenue should be allocated to separate performance obligations within a bundled offering based on the relative stand-alone selling price

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

of each service within the bundle. In connection with the adoption of ASC 606, the Company revised the amounts allocated to each performance obligation within its bundled offerings which reduced previously reported revenue for telephony services and increased previously reported revenue allocated to pay television and broadband services.

Adoption of ASU No. 2017-07 - Compensation-Retirement Benefits (Topic 715)

On January 1, 2018, the Company adopted the guidance pursuant to ASU No. 2017-07. ASU No. 2017-07 requires that an employer disaggregate the service cost component from the other components of net benefit cost. In connection with the adoption of ASU No. 2017-07, the Company retroactively reclassified certain pension costs from other operating expenses to other income (expense), net. The adoption of ASU No. 2017-07 had no impact on the Company's consolidated balance sheet.

Acquisition of Altice Technical Services US Corp

As discussed in Note 1, the Company completed the ATS Acquisition in the first quarter of 2018. ATS was previously owned by Altice Europe and a member of ATS's management through a holding company. As the acquisition is a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of ATS for all periods since the formation of ATS, including goodwill of \$23,101, representing the amount previously transferred to ATS.

The following table summarizes the impact of adopting ASC 606, the impact of the ATS Acquisition, and the impact of the Holdco Merger on Cablevision's consolidated balance sheet:

Cablevision					
December 31, 2017					
	As Reported	Impact of Holdco Merger	Impact of ASC 606	Impact of ATS Acquisition	As Adjusted
Cash and cash equivalents	\$ 185,819	\$ 76,006	\$ —	\$ 56,519	\$ 318,344
Other current assets.....	467,865	119,654	14,068	(17,722)	583,865
Property, plant and equipment, net	4,177,658	1,886,171	—	(40,003)	6,023,826
Goodwill	5,843,019	2,153,741	—	23,101	8,019,861
Other assets, long-term	14,319,456	5,625,017	10,261	(6,541)	19,948,193
Total assets.....	<u>\$ 24,993,817</u>	<u>\$ 9,860,589</u>	<u>\$ 24,329</u>	<u>\$ 15,354</u>	<u>\$ 34,894,089</u>
Current liabilities	\$ 2,109,541	\$ 497,896	\$ 6,978	\$ 21,136	\$ 2,635,551
Deferred tax liability.....	3,807,710	1,347,519	4,685	(9,010)	5,150,904
Liabilities, long-term	15,098,354	6,681,664	—	6,394	21,786,412
Total liabilities	21,015,605	8,527,079	11,663	18,520	29,572,867
Redeemable equity.....	197,128	34,162	—	—	231,290
Paid-in-capital.....	2,622,007	889,153	—	23,101	3,534,261
Retained earnings.....	1,167,560	410,195	12,666	(26,267)	1,564,154
Total stockholder's equity.....	3,781,084	1,299,348	12,666	(3,166)	5,089,932
Total liabilities and stockholder's equity.....	<u>\$ 24,993,817</u>	<u>\$ 9,860,589</u>	<u>\$ 24,329</u>	<u>\$ 15,354</u>	<u>\$ 34,894,089</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The following table summarizes the impact of adopting ASC 606, the impact of the ATS Acquisition, and the impact of the CCHI Merger on CSC Holdings' consolidated balance sheet:

CSC Holdings					
December 31, 2017					
	As Reported	Impact of CCHII Merger	Impact of ASC 606	Impact of ATS Acquisition	As Adjusted
Cash and cash equivalents	\$ 185,355	\$ 75,992	\$ —	\$ 56,519	\$ 317,866
Other current assets	468,047	137,683	14,068	(17,722)	602,076
Property, plant and equipment, net	4,177,658	1,886,171	—	(40,003)	6,023,826
Goodwill	5,843,019	2,153,741	—	23,101	8,019,861
Other assets, long-term	14,319,456	5,625,017	10,261	(6,541)	19,948,193
Total assets	<u>\$ 24,993,535</u>	<u>\$ 9,878,604</u>	<u>\$ 24,329</u>	<u>\$ 15,354</u>	<u>\$ 34,911,822</u>
Current liabilities	\$ 2,049,918	\$ 361,179	\$ 6,978	\$ 21,136	\$ 2,439,211
Deferred tax liability	4,110,679	1,491,131	4,685	(9,010)	5,597,485
Liabilities, long-term	13,280,239	3,910,927	—	6,394	17,197,560
Total liabilities	19,440,836	5,763,237	11,663	18,520	25,234,256
Redeemable equity	197,128	34,162	—	—	231,290
Paid-in-capital	4,121,796	3,275,284	—	23,101	7,420,181
Retained earnings	1,242,258	805,921	12,666	(26,267)	2,034,578
Total member's equity	5,355,571	4,081,205	12,666	(3,166)	9,446,276
Total liabilities and member's equity	<u>\$ 24,993,535</u>	<u>\$ 9,878,604</u>	<u>\$ 24,329</u>	<u>\$ 15,354</u>	<u>\$ 34,911,822</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The following table summarizes the impact of adopting ASC 606 and ASU No. 2017-07, the impact of the ATS Acquisition and the impact of the Holdco Merger on Cablevision's consolidated statements of operations:

Cablevision						
Year Ended December 31, 2017 (Successor)						
	As Reported	Impact of Holdco Merger	Impact of ASC 606	Impact of ASU No. 2017-07	Impact of ATS Acquisition	As Adjusted
Residential:						
Pay TV	\$ 3,113,238	\$ 1,101,507	\$ 59,878	\$ —	\$ (501)	\$ 4,274,122
Broadband.....	1,603,015	960,757	45,192	—	(369)	2,608,595
Telephony	693,478	130,503	(122,981)	—	(235)	700,765
Business services and wholesale.....	923,161	375,656	(604)	—	—	1,298,213
Advertising.....	321,149	70,717	—	—	—	391,866
Other.....	10,747	22,642	—	—	—	33,389
Total revenue	<u>6,664,788</u>	<u>2,661,782</u>	<u>(18,515)</u>	<u>—</u>	<u>(1,105)</u>	<u>9,306,950</u>
Programming and other direct costs.....	2,280,062	755,593	—	—	—	3,035,655
Other operating expenses	1,675,665	666,990	(18,515)	(11,863)	35,038	2,347,315
Restructuring and other expense	112,384	39,899	—	—	—	152,283
Depreciation and amortization	2,251,614	678,861	—	—	96	2,930,571
Operating income (loss)	345,063	520,439	—	11,863	(36,239)	841,126
Other expense, net.....	(1,062,650)	(426,912)	—	(11,863)	—	(1,501,425)
Income (loss) before income taxes.....	(717,587)	93,527	—	—	(36,239)	(660,299)
Income tax benefit	2,209,658	590,186	—	—	9,973	2,809,817
Net income (loss)	<u>\$ 1,492,071</u>	<u>\$ 683,713</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (26,266)</u>	<u>\$ 2,149,518</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

	Cablevision				
	Year Ended December 31, 2016 (Successor)				
	As Reported	Impact of Holdco and CSC Holdings Merger	Impact of ASC 606	Impact of ASU No. 2017-07	As Adjusted
Residential:					
Pay TV	\$ 1,638,691	\$ 1,120,525	\$ 29,657	\$ —	\$ 2,788,873
Broadband.....	782,615	834,414	34,545	—	1,651,574
Telephony	376,034	153,939	(64,202)	—	465,771
Business services and wholesale	468,632	350,909	—	—	819,541
Advertising	163,678	88,371	—	—	252,049
Other.....	14,402	25,002	—	—	39,404
Total revenue	<u>3,444,052</u>	<u>2,573,160</u>	<u>—</u>	<u>—</u>	<u>6,017,212</u>
Programming and other direct costs	1,164,925	746,304	—	—	1,911,229
Other operating expenses	1,028,447	676,951	—	(3,143)	1,702,255
Restructuring and other expense	212,150	27,977	—	—	240,127
Depreciation and amortization	963,665	736,641	—	—	1,700,306
Operating income	74,865	385,287	—	3,143	463,295
Other expense, net	(616,712)	(823,081)	—	(3,143)	(1,442,936)
Loss before income taxes	(541,847)	(437,794)	—	—	(979,641)
Income tax benefit	213,065	3,365	—	—	216,430
Net loss	<u>\$ (328,782)</u>	<u>\$ (434,429)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (763,211)</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The following table summarizes the impact of adopting ASC 606 and ASU No. 2017-07, the impact of the ATS Acquisition and the impact of the CCHII Merger on CSC Holdings' consolidated statements of operations:

CSC Holdings						
Year Ended December 31, 2017 (Successor)						
	As Reported	Impact of CCHII Merger	Impact of ASC 606	Impact of ASU No. 2017-07	Impact of ATS Acquisition	As Adjusted
Residential:						
Pay TV	\$ 3,113,238	\$ 1,101,507	\$ 59,878	\$ —	\$ (501)	\$ 4,274,122
Broadband.....	1,603,015	960,757	45,192	—	(369)	2,608,595
Telephony	693,478	130,503	(122,981)	—	(235)	700,765
Business services and wholesale	923,161	375,656	(604)	—	—	1,298,213
Advertising	321,149	70,717	—	—	—	391,866
Other.....	10,747	22,642	—	—	—	33,389
Total revenue	<u>6,664,788</u>	<u>2,661,782</u>	<u>(18,515)</u>	<u>—</u>	<u>(1,105)</u>	<u>9,306,950</u>
Programming and other direct costs.....	2,280,062	755,593	—	—	—	3,035,655
Other operating expenses	1,675,665	666,990	(18,515)	(11,863)	35,038	2,347,315
Restructuring and other expense	112,384	39,899	—	—	—	152,283
Depreciation and amortization	2,251,614	678,861	—	—	96	2,930,571
Operating income (loss).....	345,063	520,439	—	11,863	(36,239)	841,126
Other expense, net	(898,612)	(180,526)	—	(11,863)	—	(1,091,001)
Income (loss) before income taxes	(553,549)	339,913	—	—	(36,239)	(249,875)
Income tax benefit	2,233,716	584,062	—	—	9,973	2,827,751
Net income (loss).....	<u>\$ 1,680,167</u>	<u>\$ 923,975</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (26,266)</u>	<u>\$ 2,577,876</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

CSC Holdings					
Year Ended December 31, 2016 (Successor)					
	As Reported	Impact of CCHII and Finco Merger	Impact of ASC 606	Impact of ASU No. 2017-07	As Adjusted
Residential:					
Pay TV	\$ 1,638,691	\$ 1,120,525	\$ 29,657	\$ —	\$ 2,788,873
Broadband	782,615	834,414	34,545	—	1,651,574
Telephony.....	376,034	153,939	(64,202)	—	465,771
Business services and wholesale	468,632	350,909	—	—	819,541
Advertising	163,678	88,371	—	—	252,049
Other	14,402	25,002	—	—	39,404
Total revenue.....	<u>3,444,052</u>	<u>2,573,160</u>	<u>—</u>	<u>—</u>	<u>6,017,212</u>
Programming and other direct costs	1,164,925	746,304	—	—	1,911,229
Other operating expenses.....	1,028,447	676,951	—	(3,143)	1,702,255
Restructuring and other expense.....	212,150	27,977	—	—	240,127
Depreciation and amortization.....	963,665	736,641	—	—	1,700,306
Operating income.....	74,865	385,287	—	3,143	463,295
Other expense, net	(520,573)	(591,546)	—	(3,143)	(1,115,262)
Loss before income taxes.....	(445,708)	(206,259)	—	—	(651,967)
Income tax benefit (expense)	170,440	(84,404)	—	—	86,036
Net loss	<u>\$ (275,268)</u>	<u>\$ (290,663)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (565,931)</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

NOTE 5. BUSINESS COMBINATIONS

Holdco Merger and CCHII Merger

In November 2018, in connection with the credit silo combination described in Note 11, (i) CCHI merged into Cablevision, with Cablevision as the surviving entity (the "Holdco Merger"), and (ii) CCHII merged into CSC Holdings, with CSC Holdings as the surviving entity (the "CCHII Merger"). As a result of the Holdco Merger, the balance sheet and operating results of CCHI have been presented on a combined basis with Cablevision beginning January 1, 2016 as these entities were under common control. In addition, as a result of the CCHII Merger, the balance sheet and operating results of CCHII have been presented on a combined basis with CSC Holdings beginning January 1, 2016 as these entities were under common control. See Note 4 for the impact of these mergers on the Company's consolidated balance sheet and statement of operations as of and for the years ended December 31, 2017 and 2016.

ATS Acquisition

As the ATS acquisition discussed in Note 1 is a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of ATS for all periods since its formation. See Note 4 for the impact of the ATS Acquisition on the Company's consolidated balance sheet and statement of operations as of and for the year ended December 31, 2017.

Cablevision Acquisition

As discussed in Note 1, the Cablevision Acquisition was completed on June 21, 2016. The acquisition was accounted for as a business combination in accordance with ASC Topic 805. Accordingly, the Company recorded the fair value of the assets and liabilities assumed at the date of acquisition.

The following table provides the allocation of the total purchase price of \$9,958,323 to the identifiable tangible and intangible assets and liabilities of the Company based on their respective fair values. The remaining useful lives represent the period over which acquired tangible and intangible assets with a finite life are being depreciated or amortized.

	<u>Fair Values</u>	<u>Estimated Useful Lives</u>
Current assets	\$ 1,923,071	
Accounts receivable	271,305	
Property, plant and equipment	4,864,621	2-18 years
Goodwill	5,842,172	
Indefinite-lived cable television franchises	8,113,575	Indefinite-lived
Customer relationships	4,850,000	8 to 18 years
Trade names (a)	1,010,000	12 years
Amortizable intangible assets	23,296	1-15 years
Other non-current assets	748,998	
Current liabilities	(2,311,201)	
Long-term debt	(8,355,386)	
Deferred income taxes	(6,832,773)	
Other non-current liabilities	(189,355)	
Total	<u>\$ 9,958,323</u>	

(a) See Note 10 for additional information regarding a change in the remaining estimated useful lives of the Company's trade names.

The fair value of customer relationships and cable television franchises were valued using derivations of the "income" approach. The future expected earnings from these assets were discounted to their present value equivalent.

Trade names were valued using the relief from royalty method, which is based on the present value of the royalty payments avoided as a result of the company owning the intangible asset.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The basis for the valuation methods was the Company's projections. These projections were based on management's assumptions including among others, penetration rates for pay television, broadband, and telephony; revenue growth rates; operating margins; and capital expenditures. The assumptions are derived based on the Company's and its peers' historical operating performance adjusted for current and expected competitive and economic factors surrounding the cable industry. The discount rates used in the analysis are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible asset. The value is highly dependent on the achievement of the future financial results contemplated in the projections. The estimates and assumptions made in the valuation are inherently subject to significant uncertainties, many of which are beyond the Company's control, and there is no assurance that these results can be achieved. The primary assumptions for which there is a reasonable possibility of the occurrence of a variation that would have significantly affected the value include the assumptions regarding revenue growth, programming expense growth rates, the amount and timing of capital expenditures and the discount rate utilized.

In establishing fair value for the vast majority of the acquired property, plant and equipment, the cost approach was utilized. The cost approach considers the amount required to replace an asset by constructing or purchasing a new asset with similar utility, then adjusts the value in consideration of physical depreciation, and functional and economic obsolescence as of the appraisal date. The cost approach relies on management's assumptions regarding current material and labor costs required to rebuild and repurchase significant components of property, plant and equipment along with assumptions regarding the age and estimated useful lives of property, plant and equipment.

The estimates of expected useful lives take into consideration the effects of contractual relationships, customer attrition, eventual development of new technologies and market competition.

Long-term debt assumed was valued using quoted market prices (Level 2). The carrying value of most other assets and liabilities approximated fair value as of the acquisition date.

As a result of applying business combination accounting, the Company recorded goodwill, which represented the excess of organization value over amounts assigned to the other identifiable tangible and intangible assets arising from expectations of future operational performance and cash generation.

The following table presents the unaudited pro forma revenue and net loss for the period presented as if the Cablevision Acquisition had occurred on January 1, 2016:

	Cablevision	CSC Holdings
	Year Ended December 31, 2016	
Revenue	\$ 9,154,816	\$ 9,154,816
Net loss	\$ (804,369)	\$ (555,311)

The pro forma results presented above include the impact of additional amortization expense related to the identifiable intangible assets recorded in connection with the Cablevision Acquisition, additional depreciation expense related to the fair value adjustment to property, plant and equipment and the incremental interest resulting from the issuance of debt to fund the Cablevision Acquisition, net of the reversal of interest and amortization of deferred financing costs related to credit facilities that were repaid on the date of the Cablevision Acquisition and the accretion/amortization of fair value adjustments associated with the long-term debt acquired.

Other Acquisitions

In connection with certain acquisitions completed in 2018, the Company recorded goodwill of \$7,608 which represents the excess of the estimated purchase price of approximately \$9,945 (based on current probability of contingent consideration) over the net book value of assets acquired.

In connection with certain acquisitions completed in the first and fourth quarters of 2017, the Company recorded amortizable intangibles of \$45,000 relating to customer relationships and \$9,400 relating to other amortizable intangibles. The Company recorded goodwill of \$23,936, which represents the excess of the estimated purchase price of approximately \$80,000 over the net book value of assets acquired.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

NOTE 6. SUPPLEMENTAL CASH FLOW INFORMATION

The Company's non-cash investing and financing activities and other supplemental data were as follows:

	Successor			Predecessor
	Years Ended December 31,			January 1, 2016 to June 20, 2016
	2018	2017	2016	
<u>Non-Cash Investing and Financing Activities:</u>				
<i>Cablevision:</i>				
Contribution of senior notes from parent.....	\$ —	\$ —	\$ 315,352	\$ —
Contribution from parent	—	—	5,920	—
<i>Cablevision and CSC Holdings:</i>				
Property and equipment accrued but unpaid.....	213,936	171,604	155,653	68,356
Leasehold improvements paid by landlord.....	350	3,998	—	—
Notes payable issued to vendor for the purchase of equipment.....	95,394	40,131	12,449	—
Capital lease obligations	13,548	9,385	—	—
Intangible asset obligations.....	—	—	—	290
Deferred financing costs accrued but unpaid.....	1,005	—	2,570	—
Contingent consideration for acquisitions	6,195	32,233	—	—
<u>Supplemental Data:</u>				
<i>Cablevision:</i>				
Cash interest paid.....	1,481,468	1,565,664	1,070,207	258,940
Income taxes paid, net.....	13,667	29,006	1,538	7,082
<i>CSC Holdings:</i>				
Cash interest paid.....	1,163,942	1,174,003	773,023	151,991
Income taxes paid, net.....	13,667	352,316	1,538	7,082

NOTE 7. RESTRUCTURING AND OTHER EXPENSE

Restructuring

During 2016, the Company commenced restructuring initiatives that were intended to simplify the Company's organizational structure.

The following table summarizes the activity for these initiatives:

	Severance and Other Employee Related Costs	Facility Realignment and Other Costs	Total
Restructuring charges incurred in 2016 (Successor).....	\$ 215,420	\$ 11,157	\$ 226,577
Payments and other	(113,301)	(2,760)	(116,061)
Accrual balance at December 31, 2016 (Successor).....	102,119	8,397	110,516
Restructuring charges.....	142,679	7,243	149,922
Payments and other	(131,324)	(6,014)	(137,338)
Accrual balance at December 31, 2017 (Successor).....	\$ 113,474	\$ 9,626	\$ 123,100
Restructuring charges.....	15,580	15,447	31,027
Payments and other	(107,600)	(11,458)	(119,058)
Accrual balance at December 31, 2018 (Successor).....	\$ 21,454	\$ 13,615	\$ 35,069

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

In addition to the charges included in the table above, the Company recorded net restructuring expense (credits) of \$(27) and \$2,299 for the period June 21, 2016 through December 31, 2016 (Successor) and January 1, 2016 through June 20, 2016 (Predecessor), respectively. These restructuring expenses (credits) primarily related to changes to the Company's previous estimates recorded in connection with the Company's prior restructuring plans.

Cumulative costs to date relating to these initiatives amounted to \$407,526.

Transaction Costs

For the year ended December 31, 2018 (Successor), the Company incurred transaction costs of \$7,521 relating to the Distribution discussed in Note 1. For the year ended December 31, 2017 (Successor), the Company incurred transaction costs of \$2,361 related to the acquisition of a business during the first quarter of 2017 and other transactions. For the year ended December 31, 2016 (Successor), the Company incurred transaction costs of \$13,577, related primarily to the acquisition of Cablevision. The Company incurred transaction costs of \$19,924 for the period January 1, 2016 through June 20, 2016 (Predecessor) which are reflected in restructuring and other expense in the consolidated statements of operations.

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Costs incurred in the construction of the Company's cable systems, including line extensions to, and upgrade of, the Company's hybrid fiber/coaxial infrastructure and construction of the parallel fiber to the home ("FTTH") infrastructure, are capitalized. This includes initial placement of the feeder cable to connect a customer that had not been previously connected, and headend facilities. These costs consist of materials, subcontractor labor, direct consulting fees, and internal labor and related costs associated with the construction activities. The internal costs that are capitalized consist of salaries and benefits of the Company's employees and the portion of facility costs, including rent, taxes, insurance and utilities, that supports the construction activities. These costs are depreciated over the estimated life of the plant (10 to 25 years) and headend facilities (5 to 25 years). Costs of operating the plant and the technical facilities, including repairs and maintenance, are expensed as incurred.

Installation costs associated with the initial deployment of new customer premise equipment ("CPE") necessary to provide pay television, broadband or telephony services are also capitalized. These costs include materials, subcontractor labor, internal labor, and other related costs associated with the connection activities. The departmental activities supporting the connection process are tracked through specific metrics, and the portion of departmental costs that is capitalized is determined through a time weighted activity allocation of costs incurred based on time studies used to estimate the average time spent on each activity. These installation costs are amortized over the estimated useful lives of the CPE necessary to provide pay television, broadband or telephony services. The portion of departmental costs related to disconnecting services and removing CPE from a customer, costs related to connecting CPE that has been previously connected to the network and repair and maintenance are expensed as incurred.

The estimated useful lives assigned to our property, plant and equipment are reviewed on an annual basis or more frequently if circumstances warrant and such lives are revised to the extent necessary due to changing facts and circumstances. Any changes in estimated useful lives are reflected prospectively.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

Property, plant and equipment (including equipment under capital leases) consist of the following assets, which are depreciated or amortized on a straight-line basis over the estimated useful lives shown below:

	December 31, 2018	December 31, 2017	Estimated Useful Lives
Customer premise equipment	\$ 1,354,510	\$ 1,093,726	3 to 5 years
Headends and related equipment	1,852,105	1,626,293	5 to 25 years
Infrastructure	4,595,143	4,003,845	5 to 25 years
Equipment and software	1,083,166	918,298	3 to 10 years
Construction in progress (including materials and supplies)	215,684	240,496	
Furniture and fixtures	57,448	52,545	5 to 8 years
Transportation equipment	146,387	138,147	5 to 10 years
Buildings and building improvements	411,573	394,421	10 to 40 years
Leasehold improvements	109,110	108,071	Term of lease
Land	48,426	47,563	
	<u>9,873,552</u>	<u>8,623,405</u>	
Less accumulated depreciation and amortization	(4,044,671)	(2,599,579)	
	<u>\$ 5,828,881</u>	<u>\$ 6,023,826</u>	

For the years ended December 31, 2018, 2017 and 2016 (Successor) the Company capitalized certain costs aggregating \$134,265, \$151,646 and \$75,804, respectively, related to the acquisition and development of internal use software, which are included in the table above. During the period January 1, 2016 through June 20, 2016 (Predecessor), the Company capitalized certain costs aggregating \$58,409 related to the acquisition and development of internal use software.

Depreciation expense on property, plant and equipment (including capital leases) for the years ended December 31, 2018, 2017 and 2016 (Successor) amounted to \$1,508,125, \$1,588,764 and \$1,046,896, respectively. Depreciation expense for the period January 1, 2016 through June 20, 2016 (Predecessor) amounted to \$404,234.

The gross amount of buildings and equipment and related accumulated depreciation recorded under capital leases is presented below:

	December 31,	
	2018	2017
Buildings and equipment	\$ 41,554	\$ 48,936
Less accumulated depreciation	(10,663)	(12,972)
	<u>\$ 30,891</u>	<u>\$ 35,964</u>

NOTE 9. OPERATING LEASES

The Company leases certain office, production, and transmission facilities, as well as office equipment, under terms of leases expiring at various dates through 2044. The leases generally provide for escalating rentals over the term of the lease plus certain real estate taxes and other costs or credits. Costs associated with such operating leases are recognized on a straight-line basis over the initial lease term. The difference between rent expense and rent paid is recorded as deferred rent. Rent expense for the years ended December 31, 2018, 2017 and 2016 (Successor) amounted to \$104,298, \$95,017 and \$65,881, respectively. Rent expense for the period January 1, 2016 through June 20, 2016 (Predecessor) amounted to \$41,573.

The minimum future annual payments for all operating leases (with initial or remaining terms in excess of one year) during the next five years and thereafter, at rates now in force are as follows:

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

2019	\$ 47,905
2020	50,356
2021	43,362
2022	34,882
2023	25,234
Thereafter.....	167,941

NOTE 10. INTANGIBLE ASSETS

The following table summarizes information relating to the Company's acquired amortizable intangible assets:

	As of December 31, 2018			As of December 31, 2017			Estimated Useful Lives
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 5,970,884	\$ (2,162,110)	\$ 3,808,774	\$ 5,970,884	\$ (1,409,021)	\$ 4,561,863	8 to 18 years
Trade names (a).....	1,067,083	(701,998)	365,085	1,067,083	(588,574)	478,509	2 to 5 years
Other amortizable intangibles	37,644	(18,679)	18,965	37,060	(10,978)	26,082	1 to 15 years
	<u>\$ 7,075,611</u>	<u>\$ (2,882,787)</u>	<u>\$ 4,192,824</u>	<u>\$ 7,075,027</u>	<u>\$ (2,008,573)</u>	<u>\$ 5,066,454</u>	

- (a) On May 23, 2017, Altice Europe announced the adoption of a global brand to replace the Company's brands in the future, reducing the remaining useful lives of these trade name intangibles to three years from the date of the adoption, which reflected one year as an in-use asset and two years as a defensive asset. In December 2017, the Company made a decision to postpone the adoption of a global brand that would have replaced the Optimum brand, increasing the useful life of the Optimum trade name intangible asset to 5 years.

Amortization expense for the years ended December 31, 2018, 2017 and 2016 (Successor) aggregated \$874,214, \$1,341,807 and \$653,410, respectively. Amortization expense for the period January 1, 2016 through June 20, 2016 (Predecessor) aggregated \$10,316.

The following table sets forth the estimated amortization expense on intangible assets for the periods presented:

Estimated amortization expense

Year Ending December 31, 2019.....	\$ 778,922
Year Ending December 31, 2020.....	697,316
Year Ending December 31, 2021.....	617,794
Year Ending December 31, 2022.....	532,998
Year Ending December 31, 2023.....	371,198

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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The carrying amount of goodwill is presented below:

Goodwill as of June 21, 2016 (Successor)	\$ 2,040,402
Goodwill recorded in connection with Cablevision Acquisition.....	5,838,959
Adjustments to purchase accounting relating to Cequel Acquisition.....	113,339
Goodwill as of December 31, 2016 (Successor).....	<u>7,992,700</u>
Goodwill recorded in connection with acquisitions in the first and fourth quarter of 2017.....	23,948
Adjustments to purchase accounting relating to Cablevision Acquisition.....	3,213
Goodwill as of December 31, 2017 (Successor).....	<u>8,019,861</u>
Reclassification of goodwill to property, plant and equipment related to Cequel.....	(15,041)
Goodwill recorded in connection with an acquisition during the third quarter of 2018.....	7,608
Adjustment to purchase accounting relating to business acquired in fourth quarter of 2017.....	(12)
Goodwill as of December 31, 2018 (Successor).....	<u>\$ 8,012,416</u>

NOTE 11. DEBT

Credit Silo Combination

In October 2018, the Company combined its Suddenlink and Optimum businesses under a single credit silo (the "Combination"). The integration of the Suddenlink and Optimum businesses was aimed at aligning Altice USA's debt capital structure and to simplify Altice USA's financing strategy and financial reporting requirements. The Combination was effected mainly by the following transactions:

- In October 2018, Altice US Finance, Cequel Capital Corporation and CCHI commenced an offer to exchange (the "Exchange Offer") any and all outstanding senior notes and senior secured notes issued by them (the "Original Cequel Notes") for up to \$5,520,000 aggregate principal amount of new notes (the "New Cequel Notes") and, in the case of the 5.375% secured notes due 2023 and 5.500% secured notes due 2026, and cash of \$6,500. The Exchange Offer was accompanied by a consent solicitation to amend the terms of each series of the notes subject to the Exchange Offer (except the 5.125% Senior Notes due 2021) and the indentures governing such notes. Approximately \$5,500,050 of the outstanding notes subject to the Exchange Offer were exchanged into corresponding series of New Cequel Notes. The proposed amendments in the consent solicitation, which have become operative effective November 27, 2018 (the "Combination Date"), eliminated or waived substantially all of the restrictive covenants, eliminated certain events of default, and modified or eliminated certain other provisions governing the Original Cequel Notes (except the 5.125% Senior Notes due 2021) to the extent that they remain outstanding.
- In October 2018, CSC Holdings entered into a Sixth Amendment to the CSC Credit Facilities Agreement (the "Combination Incremental Term Loan Agreement"). The Combination Incremental Term Loan Agreement provided for, among other things, new incremental term loan commitments in an aggregate principal amount of \$1,275,000.

On or following the Combination Date the following transactions were completed:

- The Company redeemed \$5,206 principal amount of the Original Cequel Notes that were outstanding after the consummation of the Exchange Offer.
- New Cequel Notes with an aggregate principal balance of \$5,500,050 were converted into \$5,499,156 principal amount of CSC Holdings senior note (see detail below).
- Pursuant to the Combination Incremental Term Loan Agreement, on the Combination Date, CSC Holdings entered into a \$1,275,000 7-year incremental term loan maturing January 2026 (the "Incremental Term Loan B-3"). The proceeds from the Incremental Term Loan B-3 were used to repay the entire principal amount of loans under Cequel's existing Term Loan Facility and other transaction costs related to the Combination. The Incremental Term Loan B-3 has a margin of 2.25% over LIBOR and was issued with an original issue discount of 25 basis points. The Company is required to make scheduled quarterly payments equal to 0.25% (or \$3,188)

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

of the principal amount of the Incremental Term Loan B-3, beginning with the fiscal quarter ended June 30, 2019, with the remaining balance scheduled to be paid on January 15, 2026.

- The Combination was implemented by a series of corporate transactions, including: (i) CCHI merging into Cablevision, with Cablevision as the surviving entity (the “Holdco Merger”), and (ii) CCHII merged into CSC Holdings, with CSC Holdings as the surviving entity. In connection with the Holdco Merger, Cablevision assumed all of the obligations of CCHI that remained outstanding after giving effect to the Combination Exchange under the indentures governing the outstanding Original Cequel Notes.

The following is a summary of the results of the Exchange Offer:

	Original Cequel Notes	Remaining Original Cequel Notes	Notes Redeemed in Cash	Principal of New CSC Holdings Notes
5.375% Senior Secured Notes due 2023	\$ 1,100,000	\$ —	\$ 4,157	\$ 1,095,825
5.5% Senior Secured Notes due 2026	1,500,000	—	1,049	1,498,806
5.125% Senior Notes due 2021	1,250,000	8,886	—	1,240,762
7.75% Senior Notes due 2025	620,000	1,740	—	617,881
7.5% Senior Notes due 2028	1,050,000	4,118	—	1,045,882
	<u>\$ 5,520,000</u>	<u>\$ 14,744</u>	<u>\$ 5,206</u>	<u>\$ 5,499,156</u>

CSC Holdings Credit Facilities

In connection with the Cablevision Acquisition, in October 2015, Finco, a wholly-owned subsidiary of Altice USA, which merged with and into CSC Holdings on June 21, 2016, entered into a senior secured credit facility, which provides U.S. dollar term loans currently in an aggregate principal amount of \$3,000,000 (\$2,955,000 outstanding at December 31, 2018) (the “CSC Term Loan Facility”, and the term loans extended under the CSC Term Loan Facility, the “CSC Term Loans”) and U.S. dollar revolving loan commitments in an aggregate principal amount of \$2,300,000 (the “CSC Revolving Credit Facility” and, together with the Term Loan Facility, the “CSC Credit Facilities”), which are governed by a credit facilities agreement entered into by, *inter alios*, CSC Holdings, certain lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent and security agent (as amended, restated, supplemented or otherwise modified on June 20, 2016, June 21, 2016, July 21, 2016, September 9, 2016, December 9, 2016, March 15, 2017, January 12, 2018 and October 15, 2018, respectively, and as further amended, restated, supplemented or otherwise modified from time to time, the “CSC Credit Facilities Agreement”).

CSC Holdings and those of its subsidiaries which conduct our broadband, pay television and telephony services operations, as well as Lightpath, which provides Ethernet-based data, Internet, voice and video transport and managed services to the business market, comprise the "Restricted Group" as they are subject to the covenants and restrictions of the credit facility and indentures governing the notes and debentures issued by CSC Holdings. In addition, the Restricted Group is also subject to the covenants of the debt issued by Cablevision.

Borrowings under the CSC Revolving Credit Facility are comprised of eurodollar borrowings or alternate base rate borrowings, and bear interest at a rate per annum equal to the adjusted LIBO rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 2.25% per annum and (ii) with respect to any eurodollar loan, 3.25% per annum.

The amendment to the CSC Credit Facilities Agreement entered into on September 9, 2016, extended the maturity date of the CSC Term Loan Facility to October 11, 2024. In October 2016, CSC Holdings used the net proceeds from the sale of \$1,310,000 aggregate principal amount of 5.5% senior guaranteed notes due 2027 (the “2027 Guaranteed Notes”) (after the deduction of fees and expenses) to prepay outstanding loans under the CSC Holdings Term Credit Facility that were not extended pursuant to this amendment. In connection with the prepayment of the Term Credit Facility, the Company wrote-off the deferred financing costs and the unamortized discount related to the existing term loan aggregating \$102,894. Additionally, the Company recorded deferred financing costs and an original issue discount of \$7,249 and \$6,250, respectively, which were subsequently written-off in connection with the Extension Amendment discussed below.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The amendment to the CSC Credit Facilities Agreement entered into on March 15, 2017 (“Extension Amendment”) increased the Term Loan by \$500,000 to \$3,000,000 and the maturity date for this facility was extended to July 17, 2025. The closing of the Extension Amendment occurred in April 2017 and the proceeds were used to refinance the entire \$2,493,750 principal amount of existing Term Loans and redeem \$500,000 of the 8.625% Senior Notes due September 2017 issued by Cablevision. In connection with the Extension Amendment and the redemption of the senior notes, the Company recorded a loss on extinguishment of debt and write-off of deferred financing costs aggregating \$18,976. The Term Loan is comprised of eurodollar borrowings or alternate base rate borrowings, and bears interest at a rate per annum equal to the adjusted LIBO rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 1.25% per annum and (ii) with respect to any eurodollar loan, 2.25% per annum. The Company is required to make scheduled quarterly payments equal to 0.25% (or \$7,500) of the principal amount of the Term Loan, beginning with the fiscal quarter ended September 30, 2017, with the remaining balance scheduled to be paid on July 17, 2025. The Company recorded deferred financing costs and an original issue discount of \$4,390 and \$15,000, respectively, which are both being amortized to interest expense over the term of the Term Loan.

In January 2018, CSC Holdings entered into a new \$1,500,000 incremental term loan facility (the "Incremental Term Loan B-2") under its existing credit facilities agreement. The Incremental Term Loan B-2 was priced at 99.5% and will mature on January 25, 2026. The Incremental Term Loan B-2 is comprised of eurodollar borrowings or alternate base rate borrowings, and bears interest at a rate per annum equal to the adjusted LIBO rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 1.50% per annum and (ii) with respect to any eurodollar loan, 2.50% per annum. The Company is required to make scheduled quarterly payments equal to 0.25% (or \$3,750) of the principal amount of the Incremental Term Loan B-2, beginning with the fiscal quarter ended September 30, 2018, with the remaining balance scheduled to be paid on January 26, 2026.

See discussion above under "Credit Silo Combination" regarding the Sixth Amendment to the CSC Credit Facilities Agreement, which provided for, among other things, new incremental term loan commitments in an aggregate principal amount of \$1,275,000.

The CSC Credit Facilities Agreement requires the prepayment of outstanding CSC Term Loans, subject to certain exceptions and deductions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions; and (ii) commencing with the fiscal year ending December 31, 2017, a pari rata share (based on the outstanding principal amount of the Term Loans divided by the sum of the outstanding principal amount of all pari passu indebtedness and the Term Loans) of 50% of annual excess cash flow, which will be reduced to 0% if the consolidated net senior secured leverage ratio of CSC Holdings is less than or equal to 4.5 to 1.

The obligations under the CSC Credit Facilities are guaranteed by each restricted subsidiary of CSC Holdings (other than CSC TKR, LLC and its subsidiaries and certain excluded subsidiaries) (the “Initial Guarantors”) and, subject to certain limitations, will be guaranteed by each future material wholly-owned restricted subsidiary of CSC Holdings. The obligations under the CSC Credit Facilities (including any guarantees thereof) are secured on a first priority basis, subject to any liens permitted by the Credit Facilities, by capital stock held by CSC Holdings or any guarantor in certain subsidiaries of CSC Holdings, subject to certain exclusions and limitations.

The CSC Credit Facilities Agreement includes certain negative covenants which, among other things and subject to certain significant exceptions and qualifications, limit CSC Holdings' ability and the ability of its restricted subsidiaries to: (i) incur or guarantee additional indebtedness, (ii) make investments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. In addition, the CSC Revolving Credit Facility includes a financial maintenance covenant solely for the benefit of the lenders under the CSC Revolving Credit Facility consisting of a maximum consolidated net senior secured leverage ratio of CSC Holdings and its restricted subsidiaries of 5.0 to 1.0. The financial covenant will be tested on the last day of any fiscal quarter, but only if on such day there are outstanding borrowings under the CSC Revolving Credit Facility (including swingline loans but excluding any cash collateralized letters of credit and undrawn letters of credit not to exceed \$15,000).

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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The CSC Credit Facilities Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under the CSC Credit Facilities will be entitled to take various actions, including the acceleration of amounts due under the CSC Credit Facilities and all actions permitted to be taken by a secured creditor.

CSC Holdings was in compliance with all of its financial covenants under the CSC Credit Facilities as of December 31, 2018.

Cequel Credit Facilities

In October 2018, in connection with the Combination described above, amounts outstanding pursuant to the Cequel Credit Facilities, defined below, aggregating \$1,249,188 were repaid from the proceeds of the CSC Holdings Senior Secured Term Loan B and all commitments pursuant to the Cequel Credit Facilities were cancelled.

Prior to the Combination, an indirect wholly-owned subsidiary of Cequel had entered into a senior secured credit facility which provided term loans in an aggregate principal amount of \$1,265,000 (the “Cequel Term Loan Facility”) and revolving loan commitments in an aggregate principal amount of \$350,000 (the “Cequel Revolving Credit Facility” and, together with the Cequel Term Loan Facility, the “Cequel Credit Facilities”). The Company was required to make scheduled quarterly payments equal to 0.25% (or \$3,163) of the principal amount of the outstanding Cequel term loan, beginning with the fiscal quarter ended September 30, 2017, with the remaining balance scheduled to be paid on July 28, 2025.

In April 2017, Cequel used proceeds from the term loan facility to refinance the entire \$812,963 principal amount of loans under the then outstanding term loan and redeem \$450,000 of the 6.375% Senior Notes due September 15, 2020. In connection with the redemption of the senior notes, the Company recorded a loss on extinguishment of debt and write-off of deferred financing costs aggregating \$28,684.

Loans comprising each eurodollar borrowing or alternate base rate borrowing, as applicable, bore interest at a rate per annum equal to the adjusted LIBO rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin was:

- in respect of the Cequel term loans, (i) with respect to any alternate base rate loan, 1.25% per annum and (ii) with respect to any eurodollar loan, 2.25% per annum, and
- in respect of Cequel Revolving Credit Facility loans (i) with respect to any alternate base rate loan, 2.25% per annum and (ii) with respect to any eurodollar loan, 3.25% per annum.

The following table provides details of the Company's outstanding credit facility debt:

	Maturity Date	Interest Rate at December 31, 2018	December 31, 2018		December 31, 2017	
			Principal Amount	Carrying Amount (a)	Principal Amount	Carrying Amount (a)
CSC Holdings Restricted Group:						
Revolving Credit Facility (b)	\$20,000 on October 9, 2020, remaining balance on November 30, 2021 (d)	5.71%	\$ 250,000	\$ 231,425	\$ 450,000	\$ 425,488
Term Loan B	July 17, 2025	4.71%	2,955,000	2,939,425	2,985,000	2,967,818
Incremental Term Loan B-2	January 25, 2026	4.96%	1,492,500	1,475,778	—	—
Incremental Term Loan B-3 (c) ..	January 15, 2026	4.75%	1,275,000	1,268,931	—	—
Cequel:						
Term Loan Facility (c)			—	—	1,258,675	1,250,217
			<u>\$ 5,972,500</u>	<u>5,915,559</u>	<u>\$ 4,693,675</u>	<u>4,643,523</u>
Less: Current portion				54,563		42,650
Long-term debt				<u>\$ 5,860,996</u>		<u>\$ 4,600,873</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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- (a) The carrying amount is net of the unamortized deferred financing costs and/or discounts/premiums.
- (b) At December 31, 2018, \$147,564 of the revolving credit facility was restricted for certain letters of credit issued on behalf of the Company and \$1,902,436 of the facility was undrawn and available, subject to covenant limitations.
- (c) Proceeds from the CSC Holdings term loan were used to repay outstanding amount under the Cequel Term loan in October 2018 in connection with the Combination. See discussion above.
- (d) See Note 21 for a discussion of the Company's refinancing of the Revolving Credit Facility.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

Senior Guaranteed Notes, Senior Secured Notes, and Senior Notes and Debentures

The following table summarizes the Company's senior guaranteed notes, senior secured notes and senior notes and debentures:

Date Issued	Maturity Date	Interest Rate	December 31, 2018		December 31, 2017	
			Principal Amount	Carrying Amount (a)	Principal Amount	Carrying Amount (a)
CSC Holdings Senior Notes:						
February 6, 1998.....	February 15, 2018...	7.875%	\$ —	\$ —	\$ 300,000	\$ 301,184
July 21, 1998	July 15, 2018.....	7.625% (e)	—	—	500,000	507,744
February 12, 2009.....	February 15, 2019...	8.625% (h)	526,000	527,749	526,000	541,165
November 15, 2011	November 15, 2021.	6.750%	1,000,000	969,285	1,000,000	960,146
May 23, 2014.....	June 1, 2024	5.250%	750,000	671,829	750,000	660,601
October 9, 2015	January 15, 2023	10.125% (h)	1,800,000	1,781,424	1,800,000	1,777,914
October 9, 2015	October 15, 2025.....	10.875%	1,684,221	1,663,027	1,684,221	1,661,135
November 27, 2018	December 15, 2021 .	5.125% (g)	1,240,762	1,155,264	—	—
November 27, 2018	July 15, 2025.....	7.750% (g)	617,881	603,889	—	—
November 27, 2018	April 1, 2028	7.500% (g)	1,045,882	1,044,143	—	—
CSC Holdings Senior Guaranteed Notes:						
October 9, 2015	October 15, 2025.....	6.625%	1,000,000	988,052	1,000,000	986,717
September 23, 2016	April 15, 2027	5.500%	1,310,000	1,304,936	1,310,000	1,304,468
January 29, 2018.....	February 1, 2028	5.375%	1,000,000	992,064	—	—
November 27, 2018	July 15, 2023.....	5.375% (g)	1,095,825	1,078,428	—	—
November 27, 2018	May 15, 2026	5.500% (g)	1,498,806	1,484,278	—	—
Altice US Finance I Corporation Senior Secured Notes:						
June 12, 2015.....	July 15, 2023.....	5.375% (g)	—	—	1,100,000	1,082,482
April 26, 2016.....	May 15, 2026	5.500% (g)	—	—	1,500,000	1,488,024
Total CSC Holdings senior guaranteed and senior notes			14,569,377	14,264,368	11,470,221	11,271,580
Cablevision Senior Notes (b):						
April 15, 2010.....	April 15, 2018	7.750% (d)	—	—	750,000	754,035
April 15, 2010.....	April 15, 2020.....	8.000%	500,000	495,302	500,000	492,009
September 27, 2012	September 15, 2022	5.875%	649,024	585,817	649,024	572,071
May 16, 2013						
Sept. 9, 2014.....	December 15, 2021 .	5.125% (f)	8,886	8,274	—	—
June 12, 2015.....	July 15, 2025.....	7.750% (f)	1,740	1,690	—	—
April 5, 2018.....	April 1, 2028	7.500% (f)	4,118	4,110	—	—
Cequel and Cequel Capital Senior Notes:						
October 25, 2012	September 15, 2020	6.375% (c)	—	—	1,050,000	1,027,493
May 16, 2013						
Sept. 9, 2014.....	December 15, 2021 .	5.125% (g)	—	—	1,250,000	1,138,870
June 12, 2015.....	July 15, 2025.....	7.750% (g)	—	—	620,000	604,374
Total Cablevision senior guaranteed and senior notes			\$ 15,733,145	15,359,561	\$ 16,289,245	15,860,432
Less: current portion.....				—		507,744
Long-term debt				\$ 15,359,561		\$ 15,352,688

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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- (a) The carrying amount is net of the unamortized deferred financing costs and/or discounts/premiums and with respect to certain notes, a fair value adjustment resulting from the Cequel and Cablevision acquisitions.
- (b) The issuers of these notes have no ability to service interest or principal on the notes, other than through any dividends or distributions received from CSC Holdings. CSC Holdings is restricted, in certain circumstances, from paying dividends or distributions to the issuers by the terms of the CSC Holdings credit facilities agreement.
- (c) These notes were repaid in April 2018 with the proceeds from the issuance of new senior notes.
- (d) These notes were repaid in February 2018 with the proceeds from the 2028 Guaranteed Notes (defined below) and with the proceeds from the Incremental Term Loan.
- (e) These notes were repaid in July 2018 with borrowings under CSC Holdings revolving credit facility agreement.
- (f) In connection with the Combination discussed above, Cablevision assumed all of the obligations of the Cequel Senior Notes that were not exchanged.
- (g) Issued or exchanged for new notes in connection with the Combination discussed above or new notes in connection with the Combination discussed above.
- (h) These notes were repaid subsequent to December 31, 2018 (see Note 21 for further details). In connection with this refinancing, \$526,000 of short-term senior notes were reclassified to long-term debt along with the associated unamortized fair value adjustment.

The Company may redeem some or more of all the notes at the redemption price set forth in the relevant indenture, plus accrued and unpaid interest. The indentures under which the senior notes and debentures were issued contain various covenants. The Company was in compliance with all of its financial covenants under these indentures as of December 31, 2018.

On April 26, 2016, Altice US Finance I Corporation issued \$1,500,000 aggregate principal amount of senior secured notes (the "Cequel 2026 Senior Secured Notes"). The proceeds from the sale were used to repay the \$1,477,200 remaining balance under the previous credit facility and to pay related fees and expenses. The Cequel 2026 Senior Secured Notes mature on May 15, 2026 and bear interest at a rate of 5.50% annually. Interest on the Cequel 2026 Senior Secured Notes is payable semi-annually on May 15 and November 15 of each year, commencing on November 15, 2016. Deferred financing costs recorded in connection with the issuance of these notes amounted to \$13,773 and are being amortized over the term of the notes. See discussion above regarding the exchange of these notes as a result of the Combination.

In September 2016, CSC Holdings issued \$1,310,000 aggregate principal amount of 5.50% senior guaranteed notes due April 15, 2027. The 2027 Guaranteed Notes are senior unsecured obligations and rank pari passu in right of payment with all of the existing and future senior indebtedness, including the existing senior notes and the Credit Facilities and rank senior in right of payment to all of existing and future subordinated indebtedness.

As discussed above, in October 2016, CSC Holdings used the proceeds from the issuance of the 2027 Guaranteed Notes (after the deduction of fees and expenses) to prepay the outstanding loans under the CSC Term Credit Facility that were not extended pursuant to the extension amendment on September 9, 2016. In connection with the issuance of the 2027 Guaranteed Notes, the Company incurred deferred financing costs of approximately \$6,106, which are being amortized to interest expense over the term of the 2027 Guaranteed Notes.

In January 2018, CSC Holdings issued \$1,000,000 aggregate principal amount of 5.375% senior guaranteed notes due February 1, 2028 (the "2028 Guaranteed Notes"). The 2028 Guaranteed Notes are senior unsecured obligations and rank pari passu in right of payment with all of the existing and future senior indebtedness, including the existing senior notes and the CSC Credit Facilities and rank senior in right of payment to all of existing and future subordinated indebtedness.

The proceeds from the 2028 Guaranteed Notes, together with proceeds from the Incremental Term Loan (discussed above), borrowings under the CSC revolving credit facility and cash on hand, were used in February 2018 to repay \$300,000 principal amount of CSC Holdings' senior notes due in February 2018 and \$750,000 principal amount of Cablevision senior notes due in April 2018 and a portion was used to fund a dividend by Altice USA of \$1,499,935 to its stockholders immediately prior to and in connection with the Distribution discussed in Note 1. In connection with the redemption of Cablevision senior notes, the Company paid a call premium of approximately \$7,019, which was recorded as a loss on extinguishment of debt and also recorded a write-off of the unamortized premium of \$2,314.

In April 2018, CCHI and Cequel Capital Corporation each an indirect, wholly owned subsidiary of the Company, issued \$1,050,000 aggregate principal amount of 7.50% senior notes due April 1, 2028 (the "2028 Senior Notes"). The proceeds of these notes were used in April 2018 to redeem the \$1,050,000 aggregate principal amount 6 3/8% senior notes due

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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September 15, 2020. In connection with the redemption of these notes, the Company paid a call premium of approximately \$16,737, which was recorded as a loss on extinguishment of debt and also recorded a write-off of deferred financing costs aggregating \$20,173. See discussion above regarding the exchange of these notes as a result of the Combination.

The indentures under which the Senior Guaranteed Notes and Senior Notes and Debentures were issued contain certain covenants and agreements with respect to investment grade debt securities, including limitations on the ability of CSC Holdings and its restricted subsidiaries to (i) incur or guarantee additional indebtedness, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations, in each case subject to certain exceptions. The indentures also contain certain customary events of default. If an event of default occurs, the obligations under the notes may be accelerated.

See Note 21 for senior guaranteed notes issued subsequent to December 31, 2018.

The following table provides a summary of the loss (gain) on extinguishment of debt and the write-off of deferred financing costs recorded by the Company upon the redemption of senior notes and the refinancing of credit facilities:

For the Year Ended December 31, 2018:

Cequel Credit Facility.....	\$ 7,733
Cequel senior and senior secured notes pursuant to the Exchange Offer discussed above.....	150
Loss on extinguishment of debt and write-off of deferred financing costs at CSC Holdings	<u>7,883</u>
Cablevision 7.75% Senior Notes due 2018	4,706
Cequel 6.375% Senior Notes due 2020	36,910
Cequel senior and senior secured notes pursuant to the Exchange Offer discussed above.....	<u>(695)</u>
Loss on extinguishment of debt and write-off of deferred financing costs at Cablevision	<u><u>\$ 48,804</u></u>

For the Year Ended December 31, 2017:

CSC Holdings Term Loan B.....	\$ 12,675
CSC Holdings 10.875% Senior Notes due 2025	38,858
Cequel Term Loan Facility	<u>2,455</u>
Loss on extinguishment of debt and write-off of deferred financing costs at CSC Holdings	53,988
CSC Holdings 8.625% Senior Notes due 2017	6,300
Cequel 6.375% Senior Notes due 2020	<u>26,229</u>
Loss on extinguishment of debt and write-off of deferred financing costs at Cablevision	<u><u>\$ 86,517</u></u>

For the Year Ended December 31, 2016:

CSC Holdings Term Loan B.....	\$ 102,894
Cequel Term Loan Facility	<u>24,755</u>
Loss on extinguishment of debt and write-off of deferred financing costs at Cablevision and CSC Holdings	<u><u>\$ 127,649</u></u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

Summary of Debt Maturities

The future maturities of debt payable by the Company under its various debt obligations outstanding as of December 31, 2018, including notes payable, collateralized indebtedness (see Note 12), and capital leases, are as follows:

<u>Years Ending December 31,</u>	<u>Cablevision</u>	<u>CSC Holdings</u>
2019	\$ 684,624	\$ 684,624
2020	589,566	89,566
2021	4,002,251	3,993,365
2022	710,920	61,896
2023	2,957,403	2,957,403
Thereafter	14,351,818	14,345,960

The amounts in the table above do not include the effects of the debt transactions discussed in Note 21.

NOTE 12. DERIVATIVE CONTRACTS AND COLLATERALIZED INDEBTEDNESS

Prepaid Forward Contracts

The Company has entered into various transactions to limit the exposure against equity price risk on its shares of Comcast Corporation ("Comcast") common stock. The Company has monetized all of its stock holdings in Comcast through the execution of prepaid forward contracts, collateralized by an equivalent amount of the respective underlying stock. At maturity, the contracts provide for the option to deliver cash or shares of Comcast stock with a value determined by reference to the applicable stock price at maturity. These contracts, at maturity, are expected to offset declines in the fair value of these securities below the hedge price per share while allowing the Company to retain upside appreciation from the hedge price per share to the relevant cap price.

The Company received cash proceeds upon execution of the prepaid forward contracts discussed above which has been reflected as collateralized indebtedness in the accompanying consolidated balance sheets. In addition, the Company separately accounts for the equity derivative component of the prepaid forward contracts. These equity derivatives have not been designated as hedges for accounting purposes. Therefore, the net fair values of the equity derivatives have been reflected in the accompanying consolidated balance sheets as an asset or liability and the net increases or decreases in the fair value of the equity derivative component of the prepaid forward contracts are included in gain (loss) on derivative contracts in the accompanying consolidated statements of operations.

All of the Company's monetization transactions are obligations of its wholly-owned subsidiaries that are not part of the Restricted Group; however, CSC Holdings has provided guarantees of the subsidiaries' ongoing contract payment expense obligations and potential payments that could be due as a result of an early termination event (as defined in the agreements). If any one of these contracts were terminated prior to its scheduled maturity date, the Company would be obligated to repay the fair value of the collateralized indebtedness less the sum of the fair values of the underlying stock and equity collar, calculated at the termination date. As of December 31, 2018, the Company did not have an early termination shortfall relating to any of these contracts.

The Company monitors the financial institutions that are counterparties to its equity derivative contracts. All of the counterparties to such transactions carry investment grade credit ratings as of December 31, 2018.

Interest Rate Swap Contracts

To manage interest rate risk, we have from time to time entered into interest rate swap contracts to adjust the proportion of total debt that is subject to variable and fixed interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to provide an economic hedge against the risk of rising rates and/or effectively convert fixed rate borrowings to variable rates to permit the Company to realize lower interest expense in a declining interest rate environment. We monitor the financial institutions that are counterparties to our interest rate swap contracts and we only enter into interest rate swap contracts with financial institutions that are rated investment grade. All such contracts are carried at their fair market values on our consolidated balance sheet, with changes in fair value reflected in the consolidated statement of operations.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The following is a summary of interest rate swap contracts outstanding at December 31, 2018:

Trade Date	Maturity Date	Notional Amount	Company Pays	Company Receives
May 2016	May 2026	\$ 750,000	Six- month LIBOR	Fixed rate of 1.665%
June 2016	May 2026	750,000	Six- month LIBOR	Fixed rate of 1.68%
May 2018	April 2019	2,970,000	Three- month LIBOR	One- month LIBOR plus 0.226%
May 2018	April 2019	1,496,250	Three- month LIBOR	One- month LIBOR plus 0.226%
April 2018	April 2019	1,255,513	Three- month LIBOR minus 0.225%	One- month LIBOR
December 2018 ...	January 2022	500,000	Fixed rate of 2.7177%	Three-month LIBOR
December 2018 ...	January 2022	500,000	Fixed rate of 2.733%	Three-month LIBOR
December 2018 ...	January 2022	500,000	Fixed rate of 2.722%	Three-month LIBOR
December 2018 ...	December 2026 ..	750,000	Fixed rate of 2.9155%	Three-month LIBOR
December 2018 ...	December 2026 ..	750,000	Fixed rate of 2.9025%	Three-month LIBOR

As of December 31, 2018, the Company did not hold and has not issued derivative instruments for trading or speculative purposes.

The following represents the location of the assets and liabilities associated with the Company's derivative instruments within the consolidated balance sheets:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value at December 31,	
		2018	2017
Asset Derivatives:			
Prepaid forward contracts	Derivative contracts, current	\$ —	\$ 52,545
Interest rate swap contracts..	Derivative contracts, current	1,975	—
Prepaid forward contracts	Derivative contracts, long-term	109,344	—
		<u>111,319</u>	<u>52,545</u>
Liability Derivatives:			
Prepaid forward contracts	Liabilities under derivative contracts, short-term ...	—	(52,545)
Interest rate swap contracts..	Liabilities under derivative contracts, short-term ...	(70)	—
Prepaid forward contracts	Liabilities under derivative contracts, long-term	—	(109,504)
Interest rate swap contracts..	Liabilities under derivative contracts, long-term	(132,908)	(77,902)
		<u>\$ (132,978)</u>	<u>\$ (239,951)</u>

The gain (loss) from the Company's derivative contracts related to the Comcast common stock for the years ended December 31, 2018, 2017 and 2016 (Successor) of \$218,848, \$(138,920) and \$(53,696), respectively, are reflected in gain (loss) on derivative contracts, net in the Company's consolidated statements of operations. The loss from the Company's derivative contracts for the period January 1, 2016 through June 20, 2016 (Predecessor) amounted to \$36,283.

For the years ended December 31, 2018, 2017 and 2016 (Successor) the Company recorded a gain (loss) on investments of \$(272,493), \$237,354 and \$141,896, respectively, primarily representing the net increase (decrease) in the fair values of the investment securities pledged as collateral. For the period January 1, 2016 through June 20, 2016 (Predecessor), the Company recorded a gain on investments of \$129,990.

For the years ended December 31, 2018, 2017 and 2016 (Successor) the Company recorded a gain (loss) on interest rate swap contracts of \$(61,697), \$5,482 and \$(72,961) respectively.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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Settlements of Collateralized Indebtedness

The following table summarizes the settlement of the Company's collateralized indebtedness relating to Comcast shares that were settled by delivering cash equal to the collateralized loan value, net of the value of the related equity derivative contracts during the years presented:

	Successor	
	Years Ended December 31,	
	2018	2017
Number of shares	16,139,868	26,815,368
Collateralized indebtedness settled	\$ (516,537)	\$ (774,703)
Derivatives contracts settled	24	(56,356)
	(516,513)	(831,059)
Proceeds from new monetization contracts	516,513	838,794
Net cash proceeds	\$ —	\$ 7,735

The cash to settle the collateralized indebtedness was obtained from the proceeds of new monetization contracts covering an equivalent number of Comcast shares. The terms of the new contracts allow the Company to retain upside participation in Comcast shares up to each respective contract's upside appreciation limit with downside exposure limited to the respective hedge price.

In April 2017, the Company entered into new monetization contracts related to 32,153,118 shares of Comcast common stock held by us, which synthetically reversed the then existing contracts related to these shares (the "Synthetic Monetization Closeout"). As the then existing collateralized debt matured, the Company settled the contracts with proceeds received from the new monetization contracts. The new monetization contracts mature on April 28, 2021. The new monetization contracts provide the Company with downside protection below the hedge price of \$35.47 and upside benefit of stock price appreciation up to \$44.72 per share. In connection with the execution of these contracts, the Company recorded (i) the fair value of the equity derivative contracts of \$53,316 (in a net asset position), (ii) notes payable of \$111,657, representing the fair value of the existing equity derivative contracts, in a liability position, and (iii) a discount on notes payable of \$58,341.

NOTE 13. FAIR VALUE MEASUREMENT

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level I - Quoted prices for identical instruments in active markets.
- Level II - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III - Instruments whose significant value drivers are unobservable.

The following table presents for each of these hierarchy levels, the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis:

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

	Fair Value Hierarchy	December 31, 2018	December 31, 2017
Assets:			
Money market funds.....	Level I	\$ 91,852	\$ 5,949
Investment securities pledged as collateral	Level I	1,462,626	1,720,357
Prepaid forward contracts.....	Level II	109,344	52,545
Interest rate swap contracts	Level II	1,975	—
Liabilities:			
Prepaid forward contracts.....	Level II	—	162,049
Interest rate swap contracts	Level II	132,978	77,902
Contingent consideration related to 2017 and 2018 acquisitions.....	Level III	6,195	32,233

The Company's cash equivalents, investment securities and investment securities pledged as collateral are classified within Level I of the fair value hierarchy because they are valued using quoted market prices.

The Company's derivative contracts and liabilities under derivative contracts on the Company's consolidated balance sheets are valued using market-based inputs to valuation models. These valuation models require a variety of inputs, including contractual terms, market prices, yield curves, and measures of volatility. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit risk considerations. Such adjustments are generally based on available market evidence. Since model inputs can generally be verified and do not involve significant management judgment, the Company has concluded that these instruments should be classified within Level II of the fair value hierarchy.

The fair value of the contingent consideration as of December 31, 2018 relating to acquisitions in the third quarter of 2018 and fourth quarter of 2017 amounted to approximately \$4,500 and \$1,695, respectively. The estimated amount recorded as of December 31, 2018 is 100% of the contractual amount related to the acquisition in the third quarter 2018 and 42% of the contractual amount related to the acquisition in the fourth quarter 2017. The fair value of the consideration was estimated based on a probability assessment of attaining the targets as of December 31, 2018.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate:

Credit Facility Debt, Collateralized Indebtedness, Senior Notes and Debentures, Senior Secured Notes, Senior Guaranteed Notes, and Notes Payable

The fair values of each of the Company's debt instruments are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments of the same remaining maturities. The fair value of notes payable is based primarily on the present value of the remaining payments discounted at the borrowing cost.

The carrying values, estimated fair values, and classification under the fair value hierarchy of the Company's financial instruments, excluding those that are carried at fair value in the accompanying consolidated balance sheets, are summarized as follows:

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

	Fair Value Hierarchy	December 31, 2018		December 31, 2017	
		Carrying Amount (a)	Estimated Fair Value	Carrying Amount (a)	Estimated Fair Value
<i>CSC Holdings debt instruments:</i>					
Collateralized indebtedness	Level II	\$ 1,406,182	\$ 1,374,203	\$ 1,349,474	\$ 1,305,932
Credit facility debt	Level II	5,915,559	5,972,500	3,393,306	3,435,000
Senior guaranteed notes	Level II	5,847,758	5,646,468	2,291,185	2,420,000
Senior notes and debentures.....	Level II	8,416,610	8,972,722	6,409,889	7,221,846
Notes payable.....	Level II	64,212	63,940	56,956	55,289
<i>Cequel debt instruments:</i>					
Cequel credit facility.....	Level II	—	—	1,250,217	1,258,675
Senior secured notes	Level II	—	—	2,570,506	2,658,930
Notes payable.....	Level II	41,896	41,896	8,946	8,946
CSC Holdings debt instruments		<u>21,692,217</u>	<u>22,071,729</u>	<u>17,330,479</u>	<u>18,364,618</u>
Cablevision senior notes and debentures ...	Level II	1,095,193	1,163,843	1,818,115	1,931,239
<i>Cequel and Cequel Capital Senior Notes</i>					
Senior notes.....	Level II	—	—	2,770,737	2,983,615
Cablevision debt instruments		<u>\$ 22,787,410</u>	<u>\$ 23,235,572</u>	<u>\$ 21,919,331</u>	<u>\$ 23,279,472</u>

(a) Amounts are net of unamortized deferred financing costs and discounts/premiums.

The fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 14. INCOME TAXES

Cablevision

In connection with the Cablevision Acquisition, Cablevision joined the federal consolidated and certain state combined income tax returns filed by Altice USA. For all post-Cablevision Acquisition periods the income tax provision of Cablevision is determined on a stand-alone basis as if Cablevision filed separate income tax returns. In the fourth quarter of 2016, Cablevision, CSC Holdings, and Altice USA entered into an income tax sharing agreement under which Cablevision will have an obligation to Altice USA for current income taxes on a stand-alone basis. In connection with this agreement, Cablevision has an intercompany payable to Altice USA as of December 31, 2018 of approximately \$114,000.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Income tax (benefit) expense attributable to Cablevision's continuing operations consists of the following components:

	Cablevision			Predecessor January 1 to June 20, 2016
	Successor			
	Years Ended December 31,			
	2018	2017	2016	
Current expense (benefit):				
Federal.....	\$ (4,484)	\$ 100,780	\$ 23,425	\$ 6,474
State.....	32,235	(1,826)	5,310	1,917
	<u>27,751</u>	<u>98,954</u>	<u>28,735</u>	<u>8,391</u>
Deferred expense (benefit):				
Federal.....	27,310	(2,101,631)	(210,779)	93,252
State.....	(110,944)	(807,151)	(34,380)	22,897
	<u>(83,634)</u>	<u>(2,908,782)</u>	<u>(245,159)</u>	<u>116,149</u>
Tax expense (benefit) relating to uncertain tax positions	(1,534)	11	(6)	308
Income tax expense (benefit).....	<u>\$ (57,417)</u>	<u>\$ (2,809,817)</u>	<u>\$ (216,430)</u>	<u>\$ 124,848</u>

The income tax benefit attributable to Cablevision's operations differs from the amount derived by applying the statutory federal rate to pretax loss principally due to the effect of the following items:

	Cablevision			Predecessor January 1 to June 20, 2016
	Successor			
	Years Ended December 31,			
	2018	2017	2016	
Federal tax expense (benefit) at statutory rate	\$ (5,488)	\$ (227,156)	\$ (342,875)	\$ 100,926
State income taxes, net of federal impact.....	(8,989)	(47,423)	(35,145)	14,825
Changes in the valuation allowance.....	—	—	457	86
Impact of Federal Tax Reform.....	—	(2,545,880)	—	—
Changes in the state rates used to measure deferred taxes, net of federal impact	(53,989)	(13,111)	153,273	—
Tax benefit relating to uncertain tax positions	(514)	(253)	(120)	178
Non-deductible share-based compensation related to the carried unit plan.....	8,677	20,101	5,029	—
Non-deductible Cablevision Acquisition transaction costs.....	—	34	4,457	9,392
Other non-deductible expenses	2,709	3,349	1,358	1,799
Other, net.....	177	522	(2,864)	(2,358)
Income tax expense (benefit)	<u>\$ (57,417)</u>	<u>\$ (2,809,817)</u>	<u>\$ (216,430)</u>	<u>\$ 124,848</u>

In late 2017, the United States enacted the Tax Cuts and Jobs Act of 2017 (the "Tax Reform"), which significantly changed the existing U.S. tax law, by implementing a reduction in the corporate tax rate to 21%, moving from a worldwide tax system to a territorial system and imposing new or additional limitations on the deductibility of interest expense and executive compensation.

Given the significance of the legislation, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which allowed registrants to record provisional amounts during a one year "measurement period" similar to that used when accounting for business combinations. The Company applied the guidance in SAB 118 when accounting for the enactment-date effects of the Tax Reform in 2017 and throughout 2018.

For the year ended December 31, 2017, the Company recognized a non-cash deferred tax benefit of \$2,545,880 resulting primarily from a decrease in the deferred tax liabilities with regard to fixed assets and intangibles, partially offset by a

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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decrease in the deferred tax asset for the federal net operating loss carry forward (“NOL”).

At December 31, 2018, the Company completed its accounting of SAB 118 for all of the enactment-date income tax effects of the Tax Reform. The Company has not made any measurement-period adjustments and there were no additional material adjustments related to the Tax Reform.

During 2018, the Company determined that it met the definition of a Qualified Technology Company for New York State tax purposes and thereby was eligible for the reduced tax rate. Additionally, during 2018, the state of New Jersey enacted significant tax law changes imposing a 2.5% surtax for tax years beginning January 1, 2018 and mandating combined return filing requirements for unitary corporations for tax years beginning January 1, 2019. Accordingly, the Company recorded a net non-cash deferred tax benefit of \$53,989 based on a remeasurement of the net deferred tax liability.

For Cablevision, the tax effects of temporary differences which give rise to significant portions of deferred tax assets or liabilities and the corresponding valuation allowance at December 31, 2018 and 2017 are as follows:

	Cablevision	
	December 31,	
	2018	2017
<i>Noncurrent</i>		
NOLs and tax credit carry forwards	\$ 288,870	\$ 534,281
Compensation and benefit plans.....	42,484	49,698
Partnership investments.....	60,413	68,054
Restructuring liability.....	9,364	43,677
Other liabilities	37,952	40,149
Liabilities under derivative contracts	20,847	21,034
Interest deferred for tax purposes	67,994	—
Other	11,531	6,698
Deferred tax asset.....	539,455	763,591
Valuation allowance.....	(8,836)	(2,423)
Net deferred tax asset, noncurrent.....	530,619	761,168
Fixed assets and intangibles	(5,496,274)	(5,729,274)
Investments.....	(71,168)	(113,628)
Prepaid expenses	(7,543)	(8,105)
Fair value adjustments related to debt and deferred financing costs.....	(40,083)	(56,054)
Other	(5,367)	(5,011)
Deferred tax liability, noncurrent	(5,620,435)	(5,912,072)
Total net deferred tax liability	\$ (5,089,816)	\$ (5,150,904)

On January 1, 2017, the Company adopted ASU 2016-09 using the prospective transition method with respect to the presentation of excess tax benefits in the statement of cash flows. In connection with the adoption, a deferred tax asset of \$310,771 for previously unrealized excess tax benefits related to share-based payment awards was recognized with the offset recorded to accumulated deficit.

The Cablevision Acquisition resulted in an ownership change under the Internal Revenue Code and certain state taxing authorities whereby Cablevision's NOLs immediately prior to the Cablevision Acquisition of \$862,607 will be subject to certain limitations. Cablevision does not expect such limitations to impact the ability to utilize the NOLs prior to their expiration.

As described in Note 10, in October 2015, Finco incurred aggregate debt of approximately \$8,600,000. From October 2015 through June 20, 2016, the NOL with regard to the accrued interest and amortization of deferred financing costs

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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on such debt was \$468,249. In connection with the CSC Holdings Merger on June 21, 2016, a deferred tax asset of \$163,887 for the Finco NOL was recorded at CSC Holdings as an adjustment to accumulated deficit.

At December 31, 2018, Cablevision had consolidated federal NOLs of approximately \$801,384 expiring on various dates from 2035 through 2036.

As of December 31, 2018, Cablevision had \$24,749 of alternative minimum tax credits which do not expire and \$17,806 of research credits, expiring in varying amounts from 2023 through 2035. Pursuant to the Tax Reform elimination of the AMT liability, the Company has submitted a refund request for 50% of the prior year's AMT, which reflects the portion not covered by the effects of the budget sequestration.

CSC Holdings

CSC Holdings and its subsidiaries are included in the consolidated federal income tax returns of Altice USA. The income tax provision for CSC Holdings is determined on a stand-alone basis for all periods presented as if CSC Holdings filed separate consolidated income tax returns.

Income tax (benefit) expense attributable to CSC Holdings' continuing operations consists of the following components:

	CSC Holdings			Predecessor January 1 to June 20, 2016
	Successor			
	Years Ended December 31,			
	2018	2017	2016	
Current expense (benefit):				
Federal.....	\$ 186,035	\$ 151,120	\$ 9,628	\$ 49,007
State.....	124,106	47,900	13,594	13,514
	<u>310,141</u>	<u>199,020</u>	<u>23,222</u>	<u>62,521</u>
Deferred benefit:				
Federal.....	(102,323)	(2,154,344)	(97,270)	91,126
State.....	(148,721)	(872,438)	(11,982)	25,703
	<u>(251,044)</u>	<u>(3,026,782)</u>	<u>(109,252)</u>	<u>116,829</u>
Tax expense (benefit) relating to uncertain tax positions	(1,534)	11	(6)	308
Income tax expense (benefit).....	<u>\$ 57,563</u>	<u>\$ (2,827,751)</u>	<u>\$ (86,036)</u>	<u>\$ 179,658</u>

During 2018, CSC Holdings increased the affiliate payable due to Cablevision by approximately \$309,000.

In accordance with the historical tax allocation policy effective through June 20, 2016 and the tax sharing agreement effective starting on June 21, 2016 between CSC Holdings and Cablevision, CSC Holdings is liable for its stand alone current tax liability as if it filed separate income tax returns.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The income tax expense (benefit) attributable to CSC Holdings' operations differs from the amount derived by applying the statutory federal rate to pretax loss principally due to the effect of the following items:

	CSC Holdings			Predecessor
	Successor			
	Years Ended December 31,			
	2018	2017	2016	January 1 to June 20, 2016
Federal tax expense (benefit) at statutory rate	\$ 66,757	\$ (83,507)	\$ (228,189)	\$ 145,784
State income taxes, net of federal impact	33,249	(23,720)	(15,883)	24,187
Changes in the valuation allowance	—	—	297	86
Impact of Federal Tax Reform	—	(2,731,324)	—	—
Changes in the state rates used to measure deferred taxes, net of federal impact	(53,493)	(12,999)	148,429	—
Tax benefit relating to uncertain tax positions	(514)	(253)	(120)	178
Non-deductible share-based compensation related to the carried unit plan	8,677	20,101	5,029	—
Non-deductible Cablevision Acquisition transaction costs	—	34	4,457	9,392
Other non-deductible expenses	2,011	3,349	1,358	1,882
Other, net	876	568	(1,414)	(1,851)
Income tax expense (benefit)	<u>\$ 57,563</u>	<u>\$ (2,827,751)</u>	<u>\$ (86,036)</u>	<u>\$ 179,658</u>

Pursuant to the enactment of the Tax Reform Bill on December 22, 2017, CSC Holdings recorded a noncash deferred tax benefit of \$2,731,324, to remeasure the net deferred tax liability to adjust for the reduction in the corporate income tax rate from 35% to 21% which is effective on January 1, 2018. This adjustment results primarily from a decrease in the deferred tax liabilities with regard to fixed assets and intangibles, partially offset by a decrease in the deferred tax asset for the federal NOL.

For CSC Holdings, the tax effects of temporary differences which give rise to significant portions of deferred tax assets or liabilities and the corresponding valuation allowance at December 31, 2018 and 2017 are as follows:

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

	CSC Holdings	
	December 31,	
	2018	2017
<i>Noncurrent</i>		
NOLs and tax credit carry forwards	\$ 16,465	\$ 39,252
Compensation and benefit plans	45,138	49,698
Partnership investments	60,413	68,054
Restructuring liability	9,364	69,705
Contingent liabilities	36,833	61,183
Liabilities under derivative contracts	20,847	—
Interest deferred for tax purposes	34,843	—
Other	9,867	6,462
Deferred tax asset	233,770	294,354
Valuation allowance	(8,225)	(1,812)
Net deferred tax asset, noncurrent	225,545	292,542
Fixed assets and intangibles	(5,473,397)	(5,729,274)
Investments	(71,168)	(113,628)
Prepaid expenses	(7,543)	(8,105)
Fair value adjustments related to debt and deferred financing costs	(18,111)	(34,209)
Other	(5,273)	(5,011)
Deferred tax liability, noncurrent	(5,575,492)	(5,890,227)
Total net deferred tax liability	\$ (5,349,947)	\$ (5,597,685)

On January 1, 2017, CSC Holdings adopted ASU 2016-09 using the prospective transition method with respect to the presentation of excess tax benefits in the statement of cash flows. In connection with the adoption, a deferred tax asset of \$143,859 for previously unrealized excess tax benefits related to share-based payment awards was recognized with the offset recorded to accumulated deficit.

Finco incurred aggregate debt of \$8,600,000. From October 2015 through June 20, 2016, the NOL with regard to the accrued interest and amortization of deferred financing costs on such debt was \$468,249. In connection with the CSC Holdings Merger on June 21, 2016 a deferred tax asset of \$163,887 for the Finco NOL was recorded at CSC Holdings as an adjustment to accumulated deficit.

The Company

Deferred tax assets have resulted primarily from the Company's future deductible temporary differences and NOLs. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, management takes into account various factors, including the expected level of future taxable income, available tax planning strategies and reversals of existing taxable temporary differences. If such estimates and related assumptions change in the future, the Company may be required to record additional valuation allowances against its deferred tax assets, resulting in additional income tax expense in the Company's consolidated statements of operations. Management evaluates the realizability of the deferred tax assets and the need for additional valuation allowances quarterly. Pursuant to the Cablevision Acquisition and Cequel Acquisition, deferred tax liabilities resulting from the book fair value adjustment increased significantly and future taxable income that will result from the reversal of existing taxable temporary differences for which deferred tax liabilities are recognized is sufficient to conclude it is more likely than not that the Company will realize all of its gross deferred tax assets, except those deferred tax assets against which a valuation allowance has been recorded which relate to certain state NOLs.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

In the normal course of business, the Company engages in transactions in which the income tax consequences may be uncertain. The Company's income tax returns are filed based on interpretation of tax laws and regulations. Such income tax returns are subject to examination by taxing authorities. For financial statement purposes, the Company only recognizes tax positions that it believes are more likely than not of being sustained. There is considerable judgment involved in determining whether positions taken or expected to be taken on the tax return are more likely than not of being sustained.

A reconciliation of the beginning and ending amount of unrecognized tax benefits associated with uncertain tax positions, excluding associated deferred tax benefits and accrued interest, is as follows:

Balance at December 31, 2016.....	\$ 4,025
Increases related to prior year tax positions	11
Balance at December 31, 2017.....	4,036
Decreases related to prior year tax positions	(1,456)
Balance at December 31, 2018.....	<u>\$ 2,580</u>

As of December 31, 2018, if all uncertain tax positions were sustained at the amounts reported or expected to be reported in the Company's tax returns, the elimination of the Company's unrecognized tax benefits, net of the deferred tax impact, would decrease income tax expense by \$3,630.

In the second quarter of 2016, the Company changed its accounting policy on a prospective basis to present interest expense relating to uncertain tax positions as additional interest expense. For the year ended December 31, 2018, a net benefit of \$2,123 of interest expense relating to reversal of uncertain tax positions from prior years offset by current interest accrual was recorded to interest expense.

The most significant jurisdictions in which the Company is required to file income tax returns include the states of New York, New Jersey, Connecticut, the City of New York, Texas and West Virginia. The State and City of New York are presently auditing income tax returns for years 2012 through 2014. The State of New Jersey is presently auditing income tax returns for years 2014 through 2017.

Management does not believe that the resolution of the ongoing income tax examination described above will have a material adverse impact on the financial position of the Company. Changes in the liabilities for uncertain tax positions will be recognized in the interim period in which the positions are effectively settled or there is a change in factual circumstances.

NOTE 15. SHARE-BASED COMPENSATION

Carry Unit Plan

Certain employees of the Company and its affiliates received awards of units in a carry unit plan of Neptune Management LP, an entity which has an ownership interest in the Company's Parent, Altice USA. The awards generally vest as follows: 50% on the second anniversary of June 21, 2016 for Cablevision employees or December 21, 2015 for Cequel employees ("Base Date"), 25% on the third anniversary of the Base Date, and 25% on the fourth anniversary of the Base Date. Neptune Holding US GP LLC, the general partner of Neptune Management LP, has the right to repurchase (or to assign to an affiliate, including the Company, the right to repurchase) vested awards held by employees for sixty days following their termination. For performance-based awards under the plan, vesting occurs upon achievement or satisfaction of a specified performance condition. The Company considered the probability of achieving the established performance targets in determining the share-based compensation with respect to these awards at the end of each reporting period.

Beginning on the fourth anniversary of the Base Date, the holders of carry units have an annual opportunity (a sixty day period determined by the administrator of the plan) to sell their units back to Neptune Holding US GP LLC (or affiliate, including the Company, designated by Neptune Holding US GP LLC). Accordingly, the carry units are presented as temporary equity on the consolidated balance sheets at fair value. Adjustments to fair value at each reporting period are recorded in paid-in capital.

The right of Neptune Holding US GP LLC to assign to an affiliate, including the Company, the right to repurchase an employee's vested units during the sixty-day period following termination, or to satisfy its obligation to repurchase an

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

employee's vested units during annual 60 day periods following the fourth anniversary of the Base Date, may be exercised by Neptune Holding US GP LLC in its discretion at the time a repurchase right or obligation arises. The carry unit plan requires the purchase price payable to the employee or former employee, as the case may be, to be paid in cash, a promissory note (with a term of not more than 3 years and bearing interest at the long-term applicable federal rate under Section 1274(d) of the Internal Revenue Code) or combination thereof, in each case as determined by Neptune Holding US GP LLC in its discretion at the time of the repurchase. Neptune Holding US GP LLC expects that vested units will be redeemed for shares of the Company's Class A common stock upon vesting.

The Company measures the cost of employee services received in exchange for carry units based on the fair value of the award at grant date. In addition these units are presented as temporary equity on our consolidated balance sheet at fair value. For carry unit awards granted in 2016, an option pricing model was used which requires subjective assumptions for which changes in these assumptions could materially affect the fair value of the carry units outstanding. The time to liquidity event assumption was based on management's judgment. The equity volatility assumption was estimated using the historical weekly volatility of publicly traded comparable companies. The risk-free rate assumed was based on the U.S. Constant Maturity Treasury Rates for a period matching the expected time to liquidity event. The discount for lack of marketability was based on Finnerty's (2012) average-strike put option model.

For carry unit awards granted in the first and second quarter of 2017, the Company estimated the grant date fair value based on the value established in Altice USA's initial public offering of securities.

The following table summarizes activity relating to carry units:

	Number of Time Vesting Awards	Number of Performance Based Vesting Awards	Weighted Average Grant Date Fair Value
Balance, December 31, 2017.....	168,550,001	10,000,000	\$ 0.71
Vested.....	(68,037,500)	—	0.37
Forfeited.....	(16,937,501)	—	0.62
Balance, December 31, 2018.....	<u>83,575,000</u>	<u>10,000,000</u>	\$ 1.14

The weighted average fair value per unit was \$1.95, \$2.50, and \$1.76 as of December 31, 2018, 2017 and 2016, respectively. For the years ended December 31, 2018, 2017 and 2016 (Successor) the Company recognized an expense of \$41,321, \$57,430 and \$14,368, respectively, related to the push down of share-based compensation related to the carry unit plan.

Stock Option Plan

Certain employees of the Company were granted nonqualified stock options under the Altice USA 2017 Long Term Incentive Plan (the "2017 LTIP"). Altice USA charges the Company the cost related to awards granted to employees of Cablevision. The cost is measured based on the grant date fair value of the portion of the awards that are ultimately expected to vest. Such cost is recognized in earnings over the period an employee is required to provide service in exchange for the award and the cost is included in Other operating expenses in the Statement of Operations.

Options outstanding under the 2017 LTIP Plan either cliff vest on the third anniversary of the date of grant or vest over 4 years, where 50% vest on the second anniversary, 25% on the third anniversary and 25% on the fourth anniversary of the date of grant. The option awards generally are subject to continued employment with the Company, and expire ten years from the date of grant. Performance based option awards vest upon achievement of performance criteria.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The following table summarizes activity related to employee stock options:

	Shares Under Option		Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (a)
	Time Vesting	Performance Based Vesting			
Balance at December 31, 2017	5,110,747	—	\$ 17.45	9.97	\$ 8,331
Granted	6,753,659	95,953	17.58		
Forfeited	(634,238)	(22,314)	17.92		
Balance at December 31, 2018	11,230,168	73,639	17.50	9.47	(11,057)
Options exercisable at December 31, 2018	—	—	—	—	—

(a) The aggregate intrinsic value is calculated as the difference between the exercise price and the closing price of the Company's Class A common stock at the respective date.

The Company recognized share-based compensation expense related to employee stock options for the year ended December 31, 2018 of \$18,491.

Predecessor

In connection with the Cablevision Acquisition, outstanding equity-based awards granted under Cablevision's equity plans were cancelled and converted into a right to receive cash based upon the \$34.90 per Share Cablevision Acquisition price in accordance with the original terms of the awards. On the Cablevision Acquisition Date, the Company had 11,880,700 stock options, 3,769,485 restricted shares, 1,724,940 restricted stock units issued to employees and 466,283 restricted stock units issued to non-employee directors outstanding. The aggregate payment was \$439,167 and represents a portion of the merger consideration. Approximately \$63,484 of compensation costs related to the acceleration of the vesting of these awards in connection with the Cablevision Acquisition and the related employer payroll taxes of \$7,929 were recorded on the black line and therefore are not reflected in either the Predecessor or Successor periods.

Since share-based compensation expense is based on awards that are ultimately expected to vest, such compensation expense for the year ended December 31, 2016 was reduced for estimated forfeitures. Forfeitures were estimated based primarily on historical experience.

The following table presents the share-based compensation expense recognized by the Company as other operating expenses:

	Predecessor
	January 1, 2016 to June 20, 2016
Stock options	\$ 3,848
Restricted shares and restricted stock units	20,930
Share-based compensation related to equity classified awards	24,778
Other share-based compensation	453
Total share-based compensation	\$ 25,231

An income tax benefit of \$10,357 for the period from January 1, 2016 through June 20, 2016.

Cash received from stock option exercises for the period January 1, 2016 through June 20, 2016 was \$14,411.

Share-Based Payment Award Activity

The following table summarizes activity relating to Company employees who held Cablevision stock options for the year ended December 31, 2016:

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

	Shares Under Option		Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (a)
	Time Vesting Options	Performance Based Vesting Options			
Balance, December 31, 2015	6,744,000	6,609,217	\$ 15.28	6.80	\$ 221,900
Exercised	(744,000)	(728,517)	13.97		
Shares redeemed in connection with Cablevision Acquisition.	(6,000,000)	(5,880,700)	15.45		
Balance, December 31, 2016	—	—			

(a) The aggregate intrinsic value is calculated as the difference between (i) the exercise price of the underlying award and (ii) the quoted price of CNYG Class A common stock on December 31, 2015, as indicated.

Restricted Stock Award Activity

The following table summarizes activity relating to Company employees who held Cablevision restricted shares and restricted stock units for the year ended December 31, 2016:

	Number of Restricted Shares	Number of Performance Restricted Shares	Number of Performance Based Restricted Stock Units ("PSU") (a)	Weighted Average Fair Value Per Share at Date of Grant
Unvested award balance, December 31, 2015	4,967,748	1,880,100	1,772,430	\$ 17.53
Vested	(2,239,167)	(753,296)	—	15.35
Awards forfeited	(85,900)	—	(47,490)	18.38
Shares redeemed in connection with Cablevision Acquisition.....	(2,642,681)	(1,126,804)	(1,724,940)	18.69
Unvested award balance, December 31, 2016	—	—	—	

(a) The PSUs entitled the employee to shares of CNYG common stock up to 150% of the number of PSUs granted depending on the level of achievement of the specified performance criteria. If the minimum performance threshold was not met, no shares were issued. Accrued dividends were paid to the extent that a PSU vested and the related stock was issued.

During the first quarter of 2016, 2,992,463 Cablevision restricted shares issued to employees of the Company vested. To fulfill the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes, 1,248,875 of these shares, with an aggregate value of \$41,469, were surrendered to the Company. During the year ended December 31, 2015, 2,337,963 Cablevision restricted shares issued to employees of the Company vested. To fulfill the employees' statutory minimum tax withholding obligations for the applicable income and other employment taxes, 1,004,950 of these shares, with an aggregate value of \$19,141 were surrendered to the Company. These acquired shares had been classified as treasury stock.

Long-Term Incentive Plan Awards

Predecessor

In March 2011, Cablevision's Board of Directors approved the Cablevision Systems Corporation 2011 Cash Incentive Plan, which was approved by Cablevision's stockholders at its annual stockholders meeting in May 2011. The Company recorded expenses of \$9,169 for the period January 1, 2016 through June 20, 2016 related to this plan.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

In connection with the Cablevision Acquisition, each long-term incentive award outstanding vested at the target level of performance as provided in the applicable award agreements. Long-term incentive awards with a performance period ending on December 31, 2017 were paid based on the actual performance in accordance with their terms (which was 100.0% of the target level). Long-term incentive awards with a performance period ending on December 31, 2016 were paid based on the actual performance level through June 30, 2015 (which was 136.2% of the target level). On the Cablevision Acquisition Date, the Company paid approximately \$45,938 related to the long-term incentive awards, less applicable tax withholdings. Approximately \$40,459 of the aggregate award payment was accrued for prior to the Cablevision Acquisition date and the remaining \$6,300 was recorded on the black line and therefore is not reflected in either the Predecessor or Successor periods.

NOTE 16. AFFILIATE AND RELATED PARTY TRANSACTIONS

Equity Method Investments

In April 2018, Altice Europe transferred its ownership of i24 US and i24 Europe ("i24NEWS"), Altice Europe's 24/7 international news and current affairs channels to the Company for minimal consideration (the "i24NEWS Acquisition"). As the acquisition was a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of i24NEWS as of April 1, 2018. Operating results for periods prior to April 1, 2018 and the balance sheet as of December 31, 2017 have not been revised to reflect the combination of i24NEWS as the impact was deemed immaterial.

The Company's equity in the net losses of i24NEWS prior to April 1, 2018 of \$1,130 and \$2,821 for the year ended December 31, 2017 were recorded using the equity method and reflected in other expense, net in the Company's consolidated statements of operations. The Company's investment in i24NEWS as of December 31, 2017 of \$930 is included in investment in affiliates on the Company's consolidated balance sheet.

In April 2018, the Company redeemed a 24% interest in Newsday LLC ("Newsday") and recognized a gain of \$13,298, reflected in gain (loss) on investments and sale of affiliate interests, net in the Company's consolidated statements of operations. For the year ended December 31, 2018, 2017 and 2016, the Company recorded equity in the net loss of Newsday of \$9,719 \$7,219 and \$1,132, respectively, reflected in other expense, net in the Company's consolidated statements of operations. The Company's deficit investment in Newsday as of December 31, 2017 of \$3,579 is included in deficit investments in affiliates on the Company's consolidated balance sheet. From July 7, 2016 through April 2018, the Company held a 25% ownership interest in Newsday and prior to July 7, 2016, Newsday was a wholly-owned subsidiary of CSC Holdings.

Affiliate and Related Party Transactions

Altice USA, Inc. (the parent of the Company) is controlled by Patrick Drahi who is also the controlling stockholder of Altice Europe and its subsidiaries.

As the transactions discussed below were conducted between entities under common control by Mr. Drahi and equity method investees, amounts charged for certain services may not have represented amounts that might have been received or incurred if the transactions were based upon arm's length negotiations.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The following table summarizes the revenue and charges related to services provided to or received from subsidiaries of Altice USA, Altice Europe and Newsday:

	Years Ended December 31,		
	2018	2017	2016
Revenue	\$ 2,575	\$ 1,100	\$ 1,086
Operating expenses:			
Programming and other direct costs	\$ (7,261)	\$ (4,176)	\$ (1,947)
Other operating expenses, net	(16,307)	(33,140)	(18,854)
Operating expenses, net	(23,568)	(37,316)	(20,801)
Interest income	1,829	6,496	—
Net charges	\$ (19,164)	\$ (29,720)	\$ (19,715)
Capital Expenditures	\$ 14,951	\$ 22,012	\$ 45,886

Revenue

The Company recognized revenue primarily from the sale of advertising to Teads.

Programming and other direct costs

Programming and other direct costs include costs incurred by the Company for the transport and termination of voice and data services provided by a subsidiary of Altice Europe.

Other operating expenses, net

A subsidiary of Altice Europe provided certain executive services, as well as consulting, advisory and other services, including, prior to the IPO, CEO, CFO and COO services, to the Company. Compensation under the terms of the agreement was an annual fee of \$30,000 to be paid by the Company. Fees associated with this agreement recorded by the Company amounted to approximately \$13,250, \$30,000 and \$20,556 for the years ended December 31, 2018, 2017 and 2016, respectively. As of June 20, 2017, the CEO, CFO and COO became employees of the Company and the agreement was assigned to Altice Europe by a subsidiary of Altice Europe. This agreement was terminated upon the completion of the Distribution discussed in Note 1.

Other operating expenses also include charges for services provided by other subsidiaries of Altice Europe aggregating \$3,057, \$4,057 and \$887, for the years ended December 31, 2018, 2017 and 2016, respectively, net of a credit of \$917 and \$2,589 related to transition services provided to Newsday for the years ended December 31, 2017 and 2016, respectively.

Capital Expenditures

Capital expenditures for the year ended December 31, 2018 include \$14,951 for equipment purchased and software development services provided by subsidiaries of Altice Europe.

Capital expenditures for the year ended December 31, 2017 include \$17,434 of equipment purchased from Altice Labs S.A., and \$4,578 of software development services, that were capitalized, from Altice Management International and other Altice Europe subsidiaries.

Capital expenditures for the year ended December 31, 2016 include \$44,121 of equipment purchased from Altice Management International and \$1,025 from another Altice Europe subsidiary. In addition, the Company acquired certain software development services that were capitalized from Altice Labs S.A. aggregating \$740.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

Aggregate amounts that were due from and due to related parties are summarized below:

	Cablevision		CSC Holdings	
	December 31,		December 31,	
	2018	2017	2018	2017
Due from affiliates, current:				
Altice USA (c)	\$ —	\$ 26,882		\$ 100,636
Cablevision (c)	—	—	—	32,771
Newsday (a)	490	2,713	490	2,713
Altice Europe (a)	1,271	33	1,271	33
Altice Dominican Republic (a)	2,550	—	2,550	—
i24NEWS (a)	—	4,036	—	4,036
Other Altice Europe subsidiaries (a)	74	31	74	31
	<u>\$ 4,385</u>	<u>\$ 33,695</u>	<u>\$ 4,385</u>	<u>\$ 140,220</u>
Due from affiliates, long-term:				
Altice USA (d)	<u>\$ —</u>	<u>\$ 88,496</u>	<u>\$ —</u>	<u>\$ 88,496</u>
Due to affiliates, current:				
Altice USA (c)	\$ 144,843	\$ 120,392	\$ 26,578	\$ 100
Altice Europe (b)	1,985	—	1,580	—
Newsday (a)	22	33	22	33
Altice Labs S.A. (b)	4,864	7,354	4,864	7,354
Other Altice Europe subsidiaries (b)	5,975	3,614	5,975	3,612
Cablevision (c)	—	—	140,398	—
	<u>\$ 157,689</u>	<u>\$ 131,393</u>	<u>\$ 179,417</u>	<u>\$ 11,099</u>

- (a) Represents amounts paid by the Company on behalf of or for services provided to the respective related party and for Newsday, the net amounts due from the affiliate also include charges for certain transition services provided.
- (b) Represents amounts due to affiliates for the purchase of equipment and advertising services, as well as reimbursement for payments made on our behalf.
- (c) Includes amounts due to/ due from affiliate pursuant to a historical tax allocation policy and tax sharing agreements between the entities. Also includes amounts related to services provided to/ or received from the respective affiliate and amounts related to payments made on behalf of the respective affiliate.
- (d) Reflects the an intercompany loan made to Altice USA. In May 2018, Altice USA repaid this loan and the related interest.

See Note 2 for a discussion of cash distributions made by the Company to its parent.

Predecessor

Prior to the Cablevision Acquisition, Cablevision was controlled by Charles F. Dolan, certain members of his immediate family and certain family related entities (collectively the “Dolan Family”). Members of the Dolan Family are also the controlling stockholders of AMC Networks, The Madison Square Garden Company and MSG Networks Inc. ("MSG Networks").

The following table summarizes the revenue and charges (credits) related to services provided to or received from AMC Networks, Madison Square Garden Company and MSG Networks for the Predecessor periods:

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

	Predecessor
	January 1, 2016 to June 30, 2016
Revenue	\$ 2,088
Operating expenses:	
Programming and other direct costs, net of credits	\$ (84,636)
Other operating expenses, net of credits	(2,182)
Operating expenses, net	(86,818)
Net charges	\$ (84,730)

Revenue

The Company recognized revenue in connection with television advertisements and print advertising, as well as certain telecommunication services charged by its subsidiaries to AMC Networks, Madison Square Garden and MSG Networks. The Company and its subsidiaries, together with AMC Networks, Madison Square Garden and MSG Networks may have entered into agreements with third parties in which the amounts paid/received by AMC Networks, Madison Square Garden and MSG Networks, their subsidiaries, or the Company may have differed from the amounts that would have been paid/received if such arrangements were negotiated separately. Where subsidiaries of the Company have incurred a cost incremental to fair value and AMC Networks, Madison Square Garden and MSG Networks have received a benefit incremental to fair value from these negotiations, the Company and its subsidiaries charged AMC Networks, Madison Square Garden and MSG Networks for the incremental amount.

Programming and other direct costs

Programming and other direct costs included costs incurred by the Company for the carriage of AMC, WE tv, IFC, and Sundance Channel on the Company's cable systems. The Company also purchased certain programming signal transmission and production services from AMC Networks.

Other operating expenses (credits)

The Company, AMC Networks, Madison Square Garden and MSG Networks routinely entered into transactions with each other in the ordinary course of business. Such transactions included, but were not limited to, sponsorship agreements and cross-promotion arrangements. Additionally, amounts reflected in the tables were net of allocations to AMC Networks, Madison Square Garden and MSG Networks for services performed by the Company on their behalf. Amounts also included charges to the Company for services performed or paid by the affiliate on the Company's behalf.

Subsequent to the Cablevision Acquisition, the Company continues to receive or provide services to these entities, but these entities are no longer related parties.

NOTE 17. COMMITMENTS AND CONTINGENCIES

Commitments

Future cash payments and commitments required under arrangements pursuant to contracts entered into by the Company and Altice USA in the normal course of business as of December 31, 2018 are as follows:

	Payments Due by Period				
	Total	Year 1	Years 2-3	Years 4-5	More than 5 years
Off balance sheet arrangements:					
Purchase obligations (a)	\$ 8,906,134	\$ 3,190,028	\$ 4,940,814	\$ 742,931	\$ 32,361
Guarantees (b)	36,912	36,912	—	—	—
Letters of credit (c)	147,564	120	147,444	—	—
Total	\$ 9,090,610	\$ 3,227,060	\$ 5,088,258	\$ 742,931	\$ 32,361

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

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- (a) Purchase obligations primarily include contractual commitments with various programming vendors to provide video services to customers and minimum purchase obligations to purchase goods or services, including contracts to acquire handsets and other equipment. Future fees payable under contracts with programming vendors are based on numerous factors, including the number of customers receiving the programming. Amounts reflected above related to programming agreements are based on the number of customers receiving the programming as of December 31, 2018 multiplied by the per customer rates or the stated annual fee, as applicable, contained in the executed agreements in effect as of December 31, 2018.
 - (b) Includes franchise and performance surety bonds primarily for the Company's cable television systems.
 - (c) Represent letters of credit guaranteeing performance to municipalities and public utilities and payment of insurance premiums. Payments due by period for these arrangements represent the year in which the commitment expires although payments under these arrangements are required only in the event of nonperformance.

The table above does not include obligations for payments required to be made under multi-year franchise agreements based on a percentage of revenues generated from video service per year.

Many of the Company's franchise agreements and utility pole leases require the Company to remove its cable wires and other equipment upon termination of the respective agreements. The Company has concluded that the fair value of these asset retirement obligations cannot be reasonably estimated since the range of potential settlement dates is not determinable.

The table above does not include obligations for rent related to utility poles used in our operations. The Company's pole rental agreements are for varying terms, and management anticipates renewals as they expire. Rent expense incurred for pole rental attachments for the years ended December 31, 2018, 2017 and 2016 (Successor) was \$33,082, \$31,308, and \$22,432, respectively. Rent expense incurred for pole rental attachments for the period January 1, 2016 through June 20, 2016 (Predecessor) amounted to \$7,973.

Legal Matters

Following expiration of the affiliation agreements for carriage of certain Fox broadcast stations and cable networks on October 16, 2010, News Corporation terminated delivery of the programming feeds to Cablevision, and as a result, those stations and networks were unavailable on Cablevision's cable television systems. On October 30, 2010, Cablevision and Fox reached an agreement on new affiliation agreements for these stations and networks, and carriage was restored. Several purported class action lawsuits alleging breach of contract, unjust enrichment, and consumer fraud and seeking unspecified compensatory damages, punitive damages and attorneys' fees were subsequently filed on behalf of Cablevision's customers seeking recovery for the lack of Fox programming. Those lawsuits were consolidated in an action before the U. S. District Court for the Eastern District of New York, and a consolidated complaint was filed in that court on February 22, 2011. On March 28, 2012, in ruling on Cablevision's motion to dismiss, the Court dismissed all of plaintiffs' claims, except for breach of contract. On March 30, 2014, the Court granted plaintiffs' motion for class certification. The parties have entered into a settlement agreement, which was granted final approval by the Court on May 17, 2018. As of December 31, 2018, the Company had an estimated liability associated with the settlement totaling \$5,000.

In October 2015, the New York Attorney General ("NYAG") began an investigation into whether the major Internet Service Providers in New York State deliver advertised Internet speeds. On December 21, 2018, the Company entered into a settlement agreement with the NYAG, resolving the investigation.

In the latter half of 2018, eight named plaintiffs, each on behalf of a putative class of stockholders who purchased Company common stock in the Company's IPO pursuant to the Registration Statement and Prospectus, filed complaints (seven in New York State Supreme Court, one in United States District Court for the Eastern District of New York).

The lawsuits name as defendants the Company, Altice Europe, and the Company's directors, among others, and assert that all defendants violated Sections 11 and 12 of the Securities Act of 1933 (the "Securities Act") and that the individual defendants violated Section 15 of the Securities Act as control persons. Plaintiffs claim that the Registration Statement and Prospectus misrepresented or omitted material facts relating to the negative performance of Altice France and Altice Portugal, the disclosure of which in November 2017 negatively impacted the value of Altice USA's stock. The New York State Supreme Court lawsuits are presently being consolidated into one action. The Company intends to vigorously defend the lawsuits. Although the outcome of the matter cannot be predicted and the impact of the final resolution of

this matter on the Company's results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

On November 6, 2018, Sprint Communications Company L.P ("Sprint") filed a complaint in the U.S. District Court for the District of Delaware alleging that the Company infringes Sprint's patents purportedly relating to Voice over Internet Protocol ("VoIP") services. On December 3, 2018, Sprint filed a second complaint alleging that the Company infringes Sprint's patents purportedly relating to VOD services. The lawsuits are part of a pattern of litigation that was initiated as far back as 2007 by Sprint against numerous broadband and telecommunications providers. The Company is investigating the allegations, and will vigorously defend the lawsuits. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company's results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due, but it could be material to the Company's consolidated results of operations or cash flows for any one period.

The Company receives notices from third parties and, in some cases, is named as a defendant in certain lawsuits claiming infringement of various patents relating to various aspects of the Company's businesses. In certain of these cases other industry participants are also defendants. In certain of these cases the Company expects that any potential liability would be the responsibility of the Company's equipment vendors pursuant to applicable contractual indemnification provisions. In the event that the Company is found to infringe on any patent rights, the Company may be subject to substantial damages and/or an injunction that could require the Company or its vendors to modify certain products and services the Company offers to its subscribers, as well as enter into royalty or license agreements with respect to the patents at issue. The Company believes that the claims are without merit, but is unable to predict the outcome of these matters or reasonably estimate a range of possible loss.

In addition to the matters discussed above, the Company is party to various lawsuits, disputes and investigations, some of which may involve claims for substantial damages, fines or penalties. Although the outcome of these other matters cannot be predicted and the impact of the final resolution of these other matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not believe that the resolution of these other lawsuits will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

NOTE 18. BENEFIT PLANS

Qualified and Non-qualified Defined Benefit Plans

Retirement Plans (collectively, the "Defined Benefit Plans")

The Company sponsors a non-contributory qualified defined benefit cash balance retirement plan (the "Pension Plan") for the benefit of non-union employees of Cablevision, as well as certain employees covered by a collective bargaining agreement in Brooklyn.

The Company maintains an unfunded non-contributory non-qualified defined benefit excess cash balance plan ("Excess Cash Balance Plan") covering certain current and former employees of Cablevision who participate in the Pension Plan. The Company also maintained an additional unfunded non-contributory, non-qualified defined benefit plan ("CSC Supplemental Benefit Plan") for the benefit of certain former officers and employees of Cablevision which provided that, upon retiring on or after normal retirement age, a participant receives a benefit equal to a specified percentage of the participant's average compensation, as defined. All participants were 100% vested in the CSC Supplemental Benefit Plan. The benefits related to the CSC Supplemental Plan were paid to participants in January 2017 and the plan was terminated.

Cablevision's Pension Plan and the Excess Cash Balance Plan are frozen and no employee of Cablevision who was not already a participant could participate in the plans and no further annual Pay Credits (a certain percentage of employees' eligible pay) are made. Existing account balances under the plans continue to be credited with monthly interest in accordance with the terms of the plans.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

Plan Results for Defined Benefit Plans

Summarized below is the funded status and the amounts recorded on the Company's consolidated balance sheets for all of the Company's Defined Benefit Plans at December 31, 2018 and 2017 (Successor):

	Successor	
	December 31,	
	2018	2017
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 299,066	\$ 382,517
Interest cost	9,248	11,786
Actuarial loss (gain)	(9,894)	13,171
Curtailments	—	6,332
Settlements	2,373	6,910
Benefits paid	(36,278)	(121,650)
Projected benefit obligation at end of year	<u>264,515</u>	<u>299,066</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	195,768	284,118
Actual gain (loss) on plan assets, net	(5,705)	6,356
Employer contributions	13,725	26,944
Benefits paid	(36,278)	(121,650)
Fair value of plan assets at end of year	<u>167,510</u>	<u>195,768</u>
Unfunded status at end of year	<u>\$ (97,005)</u>	<u>\$ (103,298)</u>

The accumulated benefit obligation for the Company's Defined Benefit Plans aggregated \$264,515 and \$299,066 at December 31, 2018 and 2017 (Successor), respectively.

The Company's net funded status relating to its Defined Benefit Plans at December 31, 2018 and 2017, is as follows:

	Successor	
	December 31,	
	2018	2017
Defined Benefit Plans	\$ (97,005)	\$ (103,298)
Less: Current portion related to nonqualified plans	211	135
Long-term defined benefit plan obligations	<u>\$ (96,794)</u>	<u>\$ (103,163)</u>

Components of the benefit costs, recorded in other income (expense), net, for the Defined Benefit Plans for the years ended December 31, 2018, 2017 and 2016, is as follows:

	Successor			Predecessor January 1, 2016 to June 20, 2016
	Years Ended December 31,			
	2018	2017	2016	
Interest cost	\$ 9,248	\$ 11,786	\$ 6,946	\$ 7,130
Expected return on plan assets, net	(987)	(4,905)	(3,880)	(3,565)
Recognized actuarial loss (reclassified from accumulated other comprehensive loss)	—	—	—	(1,446)
Curtailed loss	—	3,137	231	—
Settlement loss (income) (reclassified from accumulated other comprehensive loss) (a)	1,268	1,845	(154)	1,655
Non-operating pension costs	<u>\$ 9,529</u>	<u>\$ 11,863</u>	<u>\$ 3,143</u>	<u>\$ 3,774</u>

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

- (a) As a result of benefit payments to terminated or retired individuals exceeding the service and interest costs for the Pension Plan and the Excess Cash Balance Pension Plan during the years ended December 31, 2018 and 2017 and during the period June 21, 2016 through December 31, 2016 (Successor) and January 1, 2016 through June 20, 2016 (Predecessor), the Company recognized non-cash settlement losses that represent the acceleration of the recognition of a portion of the previously unrecognized actuarial losses recorded in accumulated other comprehensive loss on the Company's consolidated balance sheets relating to these plans.

Plan Assumptions for Defined Benefit Plans

Weighted-average assumptions used to determine pension costs (made at the beginning of the year) and benefit obligations (made at the end of the year) for the Defined Benefit Plans are as follows:

	Benefit Costs				Benefit Obligations at December 31,	
	Successor			Predecessor		
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	For the Period June 21, 2016 to December 31, 2016	For the Period January 1, 2016 to June 20, 2016	2018	2017
Discount rate (a)	3.87%	3.69%	3.53%	3.76%	4.20%	3.50%
Rate of increase in future compensation levels	—%	—%	—%	—%	—%	—%
Expected rate of return on plan assets (Pension Plan only) ...	3.67%	3.90%	3.97%	3.97%	N/A	N/A

- (a) The discount rates of 3.87% 3.69%, 3.53% and 3.76% for the years ended December 31, 2018 and 2017, the period June 21, 2016 through December 31, 2016 (Successor) and the period January 1, 2016 through June 20, 2016, represents the average of the quarterly discount rates used to remeasure the Company's projected benefit obligation and benefit costs in connection with the recognition of settlement losses discussed above.

The discount rate used by the Company in calculating the benefit costs for the Cash Balance Plan and the Excess Cash Balance Plan was determined based on the expected future benefit payments for the plans and from the Willis Towers Watson U.S. Rate Link: 40-90 Discount Rate Model. The model was developed by examining the yields on selected highly rated corporate bonds.

The Company's expected long-term return on Pension Plan assets is based on a periodic review and modeling of the plan's asset allocation structure over a long-term horizon. Expectations of returns and risk for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data, forward looking economic outlook, and economic/financial market theory. The expected long-term rate of return was chosen as a best estimate and was determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy, and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

Pension Plan Assets and Investment Policy

The weighted average asset allocations of the Pension Plan at December 31, 2018 and 2017 were as follows:

	Successor	
	Plan Assets at December 31,	
Asset Class:	2018	2017
Mutual funds	29%	32%
Fixed income securities.....	65	66
Cash equivalents and other.....	6	2
	<u>100%</u>	<u>100%</u>

The Pension Plan's investment objectives reflect an overall low risk tolerance to stock market volatility. This strategy allows for the Pension Plan to invest in portfolios that would obtain a rate of return throughout economic cycles, commensurate with the investment risk and cash flow needs of the Pension Plan. The investments held in the Pension Plan are readily marketable and can be sold to fund benefit payment obligations of the plan as they become payable.

Investment allocation decisions are formally made by the Company's Benefit Committee, which takes into account investment advice provided by its external investment consultant. The investment consultant takes into account expected long-term risk, return, correlation, and other prudent investment assumptions when recommending asset classes and investment managers to the Company's Benefit Committee. The major categories of the Pension Plan assets are cash equivalents and bonds which are marked-to-market on a daily basis. Due to the Pension Plan's significant holdings in long-term government and non-government fixed income securities, the Pension Plan's assets are subjected to interest rate risk; specifically, a rising interest rate environment. Consequently, an increase in interest rates may cause a decrease to the overall liability of the Pension Plan thus creating a hedge against rising interest rates. In addition, a portion of the Pension Plan's bond portfolio is invested in foreign debt securities where there could be foreign currency risks associated with them, as well as in non-government securities which are subject to credit risk of the bond issuer defaulting on interest and/or principal payments.

Investments at Estimated Fair Value

The fair values of the assets of the Pension Plan at December 31, 2018 (Successor) by asset class are as follows:

<u>Asset Class</u>	Level I	Level II	Level III	Total
Mutual funds.....	\$ 49,140	\$ —	\$ —	\$ 49,140
Fixed income securities held in a portfolio:				
Foreign issued corporate debt.....	—	14,002	—	14,002
U.S. corporate debt.....	—	43,190	—	43,190
Government debt.....	—	3,988	—	3,988
U.S. Treasury securities.....	—	38,657	—	38,657
Asset-backed securities.....	—	8,907	—	8,907
Other.....	—	205	—	205
Cash equivalents (a).....	4,343	3,187	—	7,530
Total (b).....	<u>\$ 53,483</u>	<u>\$ 112,136</u>	<u>\$ —</u>	<u>\$ 165,619</u>

- (a) A significant portion represents an investment in a short-term investment fund that invests primarily in securities of high quality and low risk.
- (b) Excludes cash and net receivables relating to the sale of securities that were not settled as of December 31, 2018.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The fair values of the assets of the Pension Plan at December 31, 2017 (Successor) by asset class are as follows:

Asset Class	Level I	Level II	Level III	Total
Mutual funds.....	\$ 61,833	\$ —	\$ —	\$ 61,833
Fixed income securities held in a portfolio:				
Foreign issued corporate debt.....	—	10,721	—	10,721
U.S. corporate debt.....	—	39,992	—	39,992
Government debt.....	—	4,645	—	4,645
U.S. Treasury securities.....	—	62,601	—	62,601
Asset-backed securities.....	—	10,978	—	10,978
Cash equivalents (a).....	6,691	2,782	—	9,473
Total (b).....	<u>\$ 68,524</u>	<u>\$ 131,719</u>	<u>\$ —</u>	<u>\$ 200,243</u>

- (a) A significant portion represents an investment in a short-term investment fund that invests primarily in securities of high quality and low risk.
- (b) Excludes cash and net payables relating to the purchase of securities that were not settled as of December 31, 2017.

The fair values of mutual funds and cash equivalents were derived from quoted market prices that the Pension Plan administrator has the ability to access.

The fair values of corporate and government debt, treasury securities and asset-back securities were derived from bids received from a vendor or broker not available in an active market that the Pension Plan administrator has the ability to access.

Benefit Payments and Contributions for Defined Benefit Plans

The following benefit payments are expected to be paid during the periods indicated:

2019.....	\$ 21,137
2020.....	17,067
2021.....	17,690
2022.....	16,837
2023.....	20,119
2024-2028.....	93,793

The Company currently expects to contribute approximately \$36,000 to the Pension Plan in 2019.

Defined Contribution Plans

The Company maintains the Altice USA 401(k) Savings Plan (formerly known as the Cablevision 401(k) Savings Plan), a contributory qualified defined contribution plan for the benefit of non-union employees of Cablevision. Participants can contribute a percentage of eligible annual compensation and the Company will make a matching cash contribution or discretionary contribution, as defined in the plan. In addition, the Company maintains an unfunded non-qualified Excess Savings Plan which was frozen on January 1, 2017 for which the Company provided a matching contribution similar to the Altice USA 401(k) Savings Plan. Applicable employees of the Company were eligible for an enhanced employer matching contribution, as well as a year-end employer discretionary contribution to the Cablevision 401(k) Savings Plan and the Cablevision Excess Savings Plan.

Through September 30, 2017, the Company also maintained a 401(k) plan for employees of Cequel. Cequel employees that qualified for participation were able to contribute a percentage of eligible annual compensation and the Company would make a matching cash contribution, as defined in the plan. During the fourth quarter of 2017, the Cequel 401(k) plan assets were transferred to the Cablevision 401(k) Savings Plan and the plan was renamed the Altice USA 401(k) Savings Plan.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

The cost associated with these plans (including the enhanced employer matching and discretionary contributions in 2016) was \$28,232, \$27,577 and \$28,501 for the years ended December 31, 2018, 2017 and 2016 (Successor), respectively. The cost associated with these plans was \$26,964 for the period January 1, 2016 through June 20, 2016 (Predecessor).

NOTE 19. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Activity related to the Company's allowance for doubtful accounts is presented below:

	Balance at Beginning of Period	Provision for Bad Debt	Deductions/ Write- Offs and Other Charges	Balance at End of Period
<u>Year Ended December 31, 2018 (Successor)</u>				
Allowance for doubtful accounts	\$ 13,420	\$ 71,426	\$ (71,326)	\$ 13,520
<u>Year Ended December 31, 2017 (Successor)</u>				
Allowance for doubtful accounts	\$ 11,677	\$ 74,183	\$ (72,440)	\$ 13,420
<u>Year Ended December 31, 2016 (Successor)</u>				
Allowance for doubtful accounts	\$ 1,051	\$ 53,249	\$ (42,623)	\$ 11,677
<u>Period January 1, 2016 through June 20, 2016 (Predecessor)</u>				
Allowance for doubtful accounts	\$ 6,039	\$ 13,240	\$ (12,378)	\$ 6,901

NOTE 20. INTERIM FINANCIAL INFORMATION (Unaudited)

The following is a summary of the Company's selected quarterly financial data for the years ended December 31, 2018 and 2017 (Successor):

	Cablevision				
	Three Months Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018 (a)	Total 2018
Revenue	\$ 2,329,714	\$ 2,364,153	\$ 2,417,801	\$ 2,454,940	\$ 9,566,608
Operating expenses	(2,016,676)	(2,029,094)	(1,912,243)	(1,926,216)	(7,884,229)
Operating income	\$ 313,038	\$ 335,059	\$ 505,558	\$ 528,724	\$ 1,682,379
Net income (loss)	\$ (113,720)	\$ (112,021)	\$ 32,750	\$ 224,276	\$ 31,285
Net loss (income) attributable to noncontrolling interests	(2)	149	(1,186)	(722)	(1,761)
Net income (loss) attributable to Cablevision Systems Corporation stockholders	\$ (113,722)	\$ (111,872)	\$ 31,564	\$ 223,554	\$ 29,524

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
(See Note 4)

	Cablevision				
	Three Months Ended				
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017 (b)	Total 2017
Revenue	\$ 2,302,259	\$ 2,322,362	\$ 2,322,522	\$ 2,359,807	\$ 9,306,950
Operating expenses	(2,052,148)	(2,069,093)	(2,201,827)	(2,142,756)	(8,465,824)
Operating income	<u>\$ 250,111</u>	<u>\$ 253,269</u>	<u>\$ 120,695</u>	<u>\$ 217,051</u>	<u>\$ 841,126</u>
Net income (loss)	<u>\$ (45,832)</u>	<u>\$ (126,835)</u>	<u>\$ (153,007)</u>	<u>\$ 2,475,192</u>	<u>\$ 2,149,518</u>
Net income attributable to noncontrolling interests	(237)	(365)	(135)	(850)	(1,587)
Net income (loss) attributable to Cablevision Systems Corporation stockholders	<u>\$ (46,069)</u>	<u>\$ (127,200)</u>	<u>\$ (153,142)</u>	<u>\$ 2,474,342</u>	<u>\$ 2,147,931</u>

- (a) In the fourth quarter of 2018, the Company recorded a non-cash deferred tax benefit of \$53,989 based on a remeasurement of the Company's net deferred tax liability. See Note 14 to the consolidated financial statements for further details.
- (b) Pursuant to the enactment of the Tax Reform on December 22, 2017, the Company recorded a non-cash deferred tax benefit of \$2,545,880 to remeasure the net deferred tax liability to adjust for the reduction in the corporate federal income tax rate 35% to 21% which was effective on January 1, 2018.

	CSC Holdings				
	Three Months Ended				
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018 (a)	Total 2018
Revenue	\$ 2,329,714	\$ 2,364,153	\$ 2,417,801	\$ 2,454,940	\$ 9,566,608
Operating expenses	(2,016,676)	(2,029,094)	(1,912,243)	(1,926,216)	(7,884,229)
Operating income	<u>\$ 313,038</u>	<u>\$ 335,059</u>	<u>\$ 505,558</u>	<u>\$ 528,724</u>	<u>\$ 1,682,379</u>
Net income (loss)	<u>\$ (89,968)</u>	<u>\$ 21,527</u>	<u>\$ 86,747</u>	<u>\$ 242,020</u>	<u>\$ 260,326</u>
Net loss (income) attributable to noncontrolling interests	(2)	149	(1,186)	(722)	(1,761)
Net income (loss) attributable to CSC Holdings, LLC sole member	<u>\$ (89,970)</u>	<u>\$ 21,676</u>	<u>\$ 85,561</u>	<u>\$ 241,298</u>	<u>\$ 258,565</u>

	CSC Holdings				
	Three Months Ended				
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017 (b)	Total 2017
Revenue	\$ 2,302,259	\$ 2,322,362	\$ 2,322,522	\$ 2,359,807	\$ 9,306,950
Operating expenses	(2,052,148)	(2,069,093)	(2,201,827)	(2,142,756)	(8,465,824)
Operating income	<u>\$ 250,111</u>	<u>\$ 253,269</u>	<u>\$ 120,695</u>	<u>\$ 217,051</u>	<u>\$ 841,126</u>
Net income (loss)	<u>\$ 16,019</u>	<u>\$ (67,816)</u>	<u>\$ (81,112)</u>	<u>\$ 2,710,785</u>	<u>\$ 2,577,876</u>
Net income attributable to noncontrolling interests	(237)	(365)	(135)	(850)	(1,587)
Net income (loss) attributable to CSC Holdings, LLC sole member	<u>\$ 15,782</u>	<u>\$ (68,181)</u>	<u>\$ (81,247)</u>	<u>\$ 2,709,935</u>	<u>\$ 2,576,289</u>

- (a) In the fourth quarter of 2018, the Company recorded a non-cash deferred tax benefit of \$53,493 based on a remeasurement of the Company's net deferred tax liability. See Note 14 to the consolidated financial statements for further details.

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in thousands, except share and per share amounts)
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- (b) Pursuant to the enactment of the Tax Reform on December 22, 2017, the Company recorded a non-cash deferred tax benefit of \$2,731,324 to remeasure the net deferred tax liability to adjust for the reduction in the corporate federal income tax rate 35% to 21% which was effective on January 1, 2018.

NOTE 21. SUBSEQUENT EVENTS

The Company has updated its review of subsequent events as of March 28, 2019 (the date available for issuance) noting no events (other than what is discussed below) that require disclosure.

In January 2019, CSC Holdings issued \$1,500,000 in aggregate principal amount of senior guaranteed notes due 2029 ("CSC Holdings 2029 Guaranteed Notes"). The notes bear interest at a rate of 6.5% and will mature on February 1, 2029. The net proceeds from the sale of the notes were used to repay certain indebtedness, including to repay at maturity \$526,000 aggregate principal amount of CSC Holdings' 8.625% senior notes due February 2019 plus accrued interest, redeem approximately \$905,300 of the aggregate outstanding amount of CSC Holdings' 10.125% senior notes due 2023 at a redemption price of 107.594% plus accrued interest, and paid fees and expenses associated with the transactions. In connection with this refinancing, \$526,000 of short-term senior notes were reclassified to long-term debt.

In January and March 2019, CSC Holdings borrowed \$200,000 and \$200,000, respectively, under its revolving credit facility and in February 2019, repaid \$250,000 of amounts outstanding under the revolving credit facility from the proceeds of the issuance of an additional \$250,000 principal amount of CSC Holdings 2029 Guaranteed Notes at a price of 101.75% of the principal value.

Also, in January 2019, CSC Holdings obtained commitments to refinance its existing revolving credit facility, subject to customary closing conditions. After the refinancing, the total size of the new revolving credit facility is \$2,562,500, including \$2,170,000 extended to January 2024 and priced at LIBOR plus 2.25%. The remaining \$392,500 matures in November 2021.

In February 2019, CSC Holdings entered into a \$1,000,000 senior secured Term Loan B ("Incremental Term Loan B-4") maturing on April 15, 2027, the proceeds of which were used to redeem \$894,700 in aggregate principal amount of CSC Holdings' 10.125% Senior Notes due 2023, representing the entire aggregate principal amount outstanding, and paying related fees, costs and expenses. The Incremental Term Loan B-4 bears interest at a rate per annum equal to LIBOR plus 3.0% and was issued with an original issue discount of 1.0%.