MANAGEMENT'S DISCUSSION AND ANALYSIS

ALTICE LUXEMBORG S.A.

FOR THE YEAR ENDED DECEMBER 31, 2018

Contents

1. Overview

1.1. Our Business

The Group is a multinational group operating across three sectors: (i) telecom (broadband and mobile communications), (ii) content and media and (iii) advertising. The Group operates in Western Europe (comprising France and Portugal), Israel, the Dominican Republic and the French overseas territories (comprising Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte (the "French Overseas Territories")). The parent company of the Group is Altice Luxembourg S.A. (the "Company").

The Group had expanded internationally in previous years through several acquisitions of telecommunications businesses, including: SFR and MEO in Western Europe; HOT in Israel; and Altice Hispaniola and Tricom in the Dominican Republic. The Group's acquisition strategy has allowed it to target cable, FTTH or mobile operators with what it believes to be high-quality networks in markets the Group finds attractive from an economic, competitive and regulatory perspective. Furthermore, the Group is focused on growing the businesses that it acquired organically, by focusing on cost optimization, increasing economies of scale and operational synergies and improving quality of its network and services.

As part of its innovative strategy, the Group is focusing on investment in its proprietary best-in-class infrastructure, both in fibre and mobile, commensurate with the Group's position as a number one or number two operator in each market. In 2018, the Group improved its competitiveness in the fixed-mobile convergence, with the leading footprint in high-speed homes passed and a leading number of 4G sites in its two biggest assets (France and Portugal). The Group has also intensified its focus on improving customer experience, paving the way to a commercial recovery, reflected in a record subscriber momentum achieved in 2018.

Finally, the Group is accelerating the monetization of its content investments through various pay-TV models and is growing advertising revenue further. The Group continued to increase its edge in the convergence between telecom and media, notably in France.

Thanks to the acquisition of Teads in 2017, the Group also expanded in the targeted advertising sector. Teads is a leading digital video advertising business which empowers the best publishers in the world to connect advertisers to an audience of 1.4 billion people every month.

1.2. Products, services and brands

Through its various Group Companies, the Group provides fixed services, mobile telephony services and media and advertising services to B2C and B2B customers in all the geographies in which it operates. In addition, the Group offers a variety of wholesale and other services across its footprint. The Group also invests in specific content to supplement and enrich the services the Group provides.

The Group's fixed services (high-quality pay-TV, broadband Internet and fixed line telephony) are mainly provided over its cable- and fibre-based network infrastructure which are either FTTH, FTTB, DOCSIS 3.1 or DOCSIS 3.0 enabled, offering download speeds of between 30 Mbps and 10 Gbps depending on geography. For example, on a blended basis, as of December 31, 2018, the Group's high-speed broadband services passed 19.8 million fibre/cable homes, with 4.6 million fibre/cable unique customers. The Group offers xDSL/DSL/DTH services, with 9.2 million fixed B2C unique customers for the year ended December 31, 2018. The Group also offers mobile services in the geographies in which it operates, through 2G, 3G and 4G Long-Term-Evolution ("LTE") technology, and, on a blended basis, as of December 31, 2018, the Group had 26.2 million mobile B2C customers (of which 18.4 million were postpaid customers).

The Group is focused on the convergence of fixed and mobile services by cross-selling and up-selling its offerings to further increase its multi-play penetration (except for Israel, where the regulator does not allow it). The Group's cable, fibre and mobile technologies enable it to offer premium digital services, attractive interactive features (such as its 'MEO Go!' offering in Portugal) and local content (e.g., through its 'HOT 3' channel in Israel) to its subscribers, including premium football rights in France. The Group has leveraged its network advantage to drive its multi-play strategy and offer an attractive combination of content, speed and functionality. The Group offers its B2C customers bundled doubleand triple-play services, which comprises paying for a combination of TV, broadband Internet access and fixed line telephony services (e.g., through its ‘Box Home de SFR’ offering in France) at what the Group believes are attractive prices. The Group believes the demand for its multi-play packages is primarily driven by the inherent quality of the various products included within them, which the Group believes are among the best available in the markets in which it operates. Although the Group is convinced its products offer the best value for money and cost-savings for customers when purchased as part of multi-play packages, the Group also offers most of these services on a stand-alone basis in most of its geographies. In some markets, such as France and Portugal, the Group offers quad-play bundles including mobile services, as well.

The Group is focused on strategically developing content to complement its fixed and mobile services with exclusive or high-quality content offerings on its own networks and to external partners. In 2018, the Group began to broadcast the UEFA Champions League and Europa League in France for which Altice TV owns exclusive broadcast rights for three seasons from 2018/2019 to 2020/2021. More than two million subscribers can now access RMC Sport content, whose broadcast began in the third quarter of 2018, and which brings together more than 1.5 million viewers for the main games. The Group continues to broadcast and distribute various sports events in selected countries, including the English Premier League, the French National Basketball League, winter extreme X-Game events, Rugby Premier League fixtures, French Athletics Federation events, Diamond League, World Gymnastics Championships and World Series of Boxing events. Leveraging the rights acquired for these national and international sports events, the Group has consolidated its strategic positioning in France with the launch of a bundle of five channels entirely dedicated to sports.

The Group continues to strengthen its TV competitive advantage: (i) the Group still benefits from exclusive channels (in France) linked to a partnership with Discovery Communications and a strategic agreement with NBCUniversal (Investigation Discovery, Discovery Family, Discovery Channel, Discovery Science, 13ème rue, Syfy, and E! Entertainment Television); and (ii) the Group acquired a local TV channel in January 2019 (Télé Lyon Métropole), two years after the launch of BFM Paris, in order to pursue its ambitious policy of deploying regional news channels, on top of its terrestrial TV channels (notably BFMTV, the leader of news TV channels in France).

The Group also takes full benefit from Teads (acquired in June 2017) to embrace the full convergence of telecom, media and advertising. This global media platform distributes ads to over 1.4 billion people every month. Teads solutions combine high-quality inventory with smart uses of data, along creative artificial intelligence. This makes marketing more precise and more efficient, whilst enabling brands to deliver the optimal advertising experience personalized to the user.

The Group markets its products and services under the following brands: ‘SFR’ and ‘RED’ in France; ‘HOT’ in Israel; ‘MEO’ and ‘M4O’ in Portugal; ‘Altice’ in the Dominican Republic, and, in each case, several associated trademarks.

1.3. Activities

The Group tracks the performance of its business by geography and further analyses its revenues by activity. The Group has identified the following activities: fixed B2C, fixed B2B, mobile B2C, mobile B2B, wholesale services, TV and content, targeted advertising and other.

1.3.1. Fixed B2C

The Group offers a variety of fixed B2C services, primarily as part of multi-play packages, with available offerings depending on the bandwidth capacity of its cable and fibre networks in a particular geography, which consist of FTTH, hybrid fibre coaxial (“HFC”) and DSL (copper line).

The Group has a high-quality cable- and fibre-based network infrastructure across the geographies in which it operates. The Group has already rolled-out and secured plugs in FTTH in its key countries (France and Portugal). The Group’s HFC networks are DOCSIS 3.0-enabled, which the Group believes allows it to offer attractive and competitive services in terms of picture quality, speed and connection reliability. The Group believes that with its HFC and FTTH technologies, it is well positioned for future technological developments, including the ability to upgrade to the upcoming DOCSIS 3.1 standard or evolve to GPON / FTTH at a very competitive price point. This makes it possible for the Group to increase broadband Internet download and upload speeds exceeding those offered by competing technologies and without making significant additional investments.

TV and content

Across its geographies, the Group offers digital television services which include basic and premium programming, and, in most markets, incremental product and service offerings such as VoD, and, in some cases, exclusive content. The Group's pay-TV offerings include content and channels purchased from a variety of local and foreign producers and the Group continues to focus on broadcasting high-quality content over all of its networks as well as producing its own original content. To ensure the Group caters to local demand for content, it tailors both its basic and additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

The Group provides broadband Internet access and fixed line telephony services across its cable, fibre (and in certain areas xDSL) footprint. Large portions of its networks that are DOCSIS 3.0-enabled or FTTH-enabled can offer download speeds of up to 10 Gbps with limited network and customer premises equipment upgrades given the existing technological capability of its networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable it to better meet the needs of its residential and corporate customers who demand higher download speeds. Across France and Portugal, the Group is upgrading its networks for next-generation FTTH technology which will deliver more download speeds in the mid-term as well as reducing operating costs of running and maintaining its networks and services. As of December 31, 2018, the Group provides broadband Internet to 9.2 million B2C customers (over its cable- and fibre-based network infrastructure) across its geographies.

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

In its fixed B2C business, the Group believes advanced customer premise equipment is playing an increasingly crucial role as it enhances customer experience by facilitating access to a wide range of user-friendly features, offers a reliable channel for selling add-on and on-demand services, allows for multi-screen television viewing and broadband Internet usage by multiple parties. Furthermore, when set-top boxes, modems and other customer premise equipment are combined in one box, it allows cable operators to significantly reduce customer service expenses. Accordingly, the Group has continued to roll out 'LaBox', its most advanced set top box, in France, the Dominican Republic and Israel. LaBox is an innovative integrated set-top box and cable router offered to customers subscribed to the Group's premium multi-play packages. It can deliver very-high-speed Internet, digital television services with a capacity of up to 300 channels and fixed line telephony with two telephone lines, has four tuners to allow subscribers to record two television programs simultaneously while watching still another (as well as watching different channels in different rooms), and has 4K capability. Smartphones and tablets can act as 'remote controls' for LaBox, allowing users to navigate the interface with their personal handheld device as well as to switch on and off the recording of television programs remotely through the application 'TV Mobile'. In March 2018, the Group also launched a new entertainment platform in Portugal, 'Sofia', including a new user interface and a state-of-the-art new wireless video set top box. This interface includes new content discovery features, more customization and higher speed.

Until the Separation was effected on June 8, 2018, the Group also offered in the United States its new home communications hub, Altice One, introduced in the fourth quarter of 2017. This home communications hub is an innovative, integrated platform with a dynamic and sophisticated user interface, combining a set-top box, Internet router and cable modem in one device. It is capable of delivering broadband Internet, Wi-Fi, digital television services, over-the-top ("OTT") services and fixed-line telephony and supports 4K video and a remote-storage DVR with the capacity to record 15 television programs simultaneously and the ability to rewind live television on the last two channels watched.

1.3.2. Mobile B2C

The Group owns and operates mobile infrastructure in most of its geographies, including France, Portugal and Israel. The Group primarily services the postpaid subscriptions market, which represented approximately 70% of the Group's mobile customer base as of December 31, 2018, and, to a less extent, the prepaid market. Depending on geography and network technology deployed, the Group offers 2G, 3G and/or 4G services on a variety of plans, from 'no frills' offers with no commitment or handset, to premium mobile telephony offers with varying voice and data limits, if any, at attractive prices.

As of December 31, 2018, on a blended basis across the geographies where the Group is active, it offered mobile services to 26.2 million B2C customers. In Israel, due to current regulations, the Group offers its mobile services only on a stand-alone basis and in a bundle with ISP services and not as part of a multi-play cable offering.

1.3.3. Fixed B2B

The Group offers focused fixed B2B services to large, medium, small and very small business customers in France, Portugal, the Dominican Republic and other geographies (including in the United States until the Separation was effected on June 8, 2018). In Israel, the Group's B2B services primarily consist of enhanced versions of the Group's B2C products, which are adapted to meet the needs of its B2B customers.

1.3.4. Mobile B2B

The Group offers focused mobile B2B services to large, medium, small and very small business customers. The Group's B2B mobile products often include professional telephony services (such as business directory services, fleet management customer areas, usage alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service.

1.3.5. Wholesale services

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

In addition, thanks to the creation of premium channels by the Altice TV division, which include premium sport rights, exclusive or original films and series, the Group offers original channels to other telecommunications operators or third parties like Canal+, therefore becoming a wholesale player in both infrastructure and content.

1.3.6. TV and content

Pay-TV

The Group is focused on strategically developing content to complement its fixed and mobile services with exclusive or high-quality content offerings. The Group produces and broadcasts a diverse range of content including live broadcasts of sports events and other sports- and lifestyle-related programs as well as the sports programming for which the Group has acquired broadcasting rights, including the UEFA Champions League and Europa League, the English Premier League, the French National Basketball League, winter extreme X-Game events, Rugby Premier League fixtures, French Athletics Federation events, Diamond League, World Gymnastics Championships and World Series of Boxing events. Leveraging the rights acquired to these national and international sports events, the Group consolidated its strategic positioning in France with the launch of a bundle of five channels entirely dedicated to sports. In 2018, Altice TV began the broadcast of premium sport contents, i.e. the exclusive rights of UEFA Champions League and Europa League in France for seasons 2018 through 2021. In 2018, Altice France launched RMC Sport, with the broadcasting of the first Champions League matches in September 2018 for SFR subscribers through telecom bundles as well for those that subscribed to the RMC Sport OTT offer. Altice TV reached a wholesale deal with Canal+ in September 2018 to allow Canal+ pay-TV satellite clients to watch RMC Sport content.

Separately, the Group had formed a partnership with Discovery Communications and NBCUniversal to distribute exclusive channels in France, dedicated to cinema and series, which broadcast the NBCUniversal catalogue and other French and European productions.

The Group offers the distributed channels as part of its pay-TV packages in several of its geographies and also distributes them to third party service providers. The Group also continues to develop and offer content in Israel through its 'HOT 3'and 'HOT HBO' channels.

The Group has broadened its media presence with the acquisition of NextRadioTV in 2016 (which owns flagship TV channels like BFMTV, the leader of news TV channels in France). In addition, the Group acquired a local TV channel in January 2019 (Télé Lyon Métropole), two years after the launch of BFM Paris, in order to pursue its ambitious policy of deploying regional news channels.

Press

The Company owns well-established papers in France with renowned websites: the daily newspaper Liberation and the weekly press magazine L'Express.

1.3.7. Targeted advertising (Teads)

The Group acquired Teads in June 2017. Teads, founded in 2011, is a global media platform and leading digital video advertising business. Publishers use Teads' technology to create engaging video and display advertising experiences on their website and in their Apps. Those publishers can monetize the advertising inventory through their own sales force or Teads' salesforce. Teads, a highly complementary strategic asset to the Group, can leverage data from the Group's telecom businesses to deliver anonymous people-based targeting solutions, including set top box viewing data information, enriched by consumer data, allowing the Group to track buying behaviour. As a global media platform, Teads unites and empowers the best publishers in the world to connect advertisers to an audience of over 1.4 billion people every month. Teads' made-for-mobile ad experiences deliver attention and guaranteed outcomes across the marketing funnel. Through its end-to-end platform, Teads provides demand-side, sell-side and creative technology to deliver better media effectiveness for brands, better monetization solutions for publishers, and better experiences for consumers. In 2018, Teads counted P&G, Amazon, Volkswagen, Samsung and other leading advertisers in its top clients for video, display and performance ad campaigns. Teads also renewed 100% of its existing exclusive publisher partnerships in 2018 and added many new ones including: Bloomberg, VICE, The Economist, Spiegel and Apple News UK, among others.

In 2018, Teads diversified its product offering by scaling innovative and viewable display and performance advertising solutions, which, on a combined basis, now represent nearly 20% of its revenue. Teads saw significant adoption of its Ad Manager, a self-serve programmatic interface allowing buyers to buy media on a guaranteed outcome basis, such as video view completion. Teads Ad Manager is currently being used by several of the largest agency holding companies including IPG, DentsuAegis and Havas. Finally, Teads developed an audience suite allowing marketers to combine Teads' first party data with their own data and with curated third-party data segments in order to improve campaign targeting, optimisation and reporting capabilities.

1.3.8. Other

R&D services

The Group has implemented the 'Altice Labs' initiative, which is the Group's state-of-the-art research and development center that aims to centralize and streamline innovative technological solutions development for the entire Group ("Altice Labs"). Under this initiative, the Group's R&D teams across all of the jurisdictions in which the Group operates (i) creates products and technology to facilitate the build-out of its fixed and mobile network, (ii) develops systems to improve customer experience and handle disturbances and outages with speed and precision allowing for a near uninterrupted usage of the Group's services and (iii) creates user friendly and high quality customer interfaces and products, including new generation set-top boxes, portals and loT.

Altice Labs has more specifically developed advanced collaborative unified communications, zero-touch provisioning systems and fibre gateways with the most advanced connectivity and Wi-Fi home routing technologies, which have been deployed across geographies improving customer experience. Altice Labs has been a valuable tool to create differentiation on network performance and service usage. The strong relationship with universities sustains a reliable innovation ecosystem to transform knowledge into value to customers in a unique way. For more details about Altice Labs, please refer to section 2.6.2 “Research and development”.

Other services

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

1.4. Marketing and sales

The Group’s marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. It markets its B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. The Group’s primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door-to-door marketing, billboards, newspaper advertising and targeted mail solicitation. The Group continuously evaluates its marketing channels, to allocate its resources most efficiently. The Group’s marketing strategy is based on increasing the penetration of multi-play services within its subscriber base, increasing distribution of television-based value-added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. The Group highlights its multi-play offerings in its marketing efforts and focuses on transitioning its analog and digital video-only customers to multi-play packages. The Group believes customers who subscribe for more than one service from it are significantly more loyal. The Group’s marketing and sales efforts are always geared towards demonstrating the high-quality and speed of its networks.

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

1.5. Customers

1.5.1. Customer contracts and billing

The Group typically enters into standard form contracts with its B2C customers. The Group reviews the standard rates of its services on an on-going basis. In certain geographies, in addition to the monthly fees the Group charges, customers generally pay an installation fee upon connection or re-connection to the Group’s cable network. The terms and conditions of the Group’s contracts, including duration, termination rights, the ability to charge early exit fees, and the ability to increase prices during the life of the contract, differ across the Group’s operations primarily due to the different regulatory regimes it is subject to in each of the jurisdictions in which it operates.

The Group monitors payments and the debt collection process internally. The Group performs credit evaluation of its B2C and B2B subscribers and undertakes a wide range of bad debt management activities to control its bad debt levels, including direct collections executed by its employees, direct collections executed in co-operation with third party collection agencies, and pursuit of legal remedies in certain cases.

1.5.2. Customer service

The Group’s customer service strategy is to increase customer satisfaction and decrease churn with high product quality and dedicated service offered through locally and internationally operated service centers and personnel. The Group has vertically integrated one of its main historical customer care suppliers, Intelcia Group, as well as one of its main historical suppliers in the area of the network deployment and maintenance, Parilis, in order to have more end-to-end control over processes and to optimize its operational risks and costs. The integration of Intelcia Group and Parilis enhanced the Group's expertise in these areas and ensure further quality of service improvements to its customers. The Group has also launched and started to implement initiatives aimed at improving its customers' experience, including enhanced customer relationship management systems, which allow the Group to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers. The Group aimed to integrate operations and centralize functions in order to optimize processes and to correlate sales incentives to churn, net promoter score ("NPS") and average revenue per user ("ARPU") as opposed to more traditional criteria of new sales, in order to refocus the organization away from churn retention to churn prevention. In order to pro-actively address proper churn prevention, a dedicated task force was put in place in 2018, composed of top managers from different services (marketing, network, call center, etc.).

1.6. Competition

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

With respect to its B2C activities, the competition that the Group faces from telephone companies and other providers of DSL, VDSL2 and fibre network connections varies between geographies in which the Group offers its services. With respect to pay-TV services, the Group is faced with growing competition from alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast OTT programs on a broadband network, such as Internet competitors Amazon, Apple, Google and Netflix, are expected to grow stronger in the future. Connected or 'smart' TVs facilitate the use of these services. With respect to the fixed line and mobile telephony markets, the Group experiences a shift from fixed line telephony to mobile telephony and faces intensive competition from established telephone companies, mobile virtual network operators ("MVNOs") and providers of new technologies such as VoIP.

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

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

France

In the broadband market, the Group competes primarily, though increasingly with fibre, with xDSL providers such as Orange (the former incumbent and leading DSL provider in France), Free and Bouygues Telecom. The Group's competitors continue to invest in fibre network technology which has resulted in additional competition to its fibre-based services. In the French mobile telephony market, the Group competes with well-established mobile network operators such as Orange, Bouygues Telecom and Free, as well as other MVNOs such as La Poste. In particular, price competition is significant since entry into the market by Free in early 2012 with low-priced no-frills packages. Moreover, the competition in the fixed market has deteriorated in 2018 with more aggressive promotions from competitors for longer periods, particularly at the low end of the market. However, the acceleration of the Group's fibre deployment in France, notably expanding FTTH coverage in low-density and rural areas, should support better fibre subscriber trends as the addressable market for very high-speed broadband services expands.

In the French pay-TV segment, the Group competes with providers of premium television packages such as CanalSat, BeIN, DSL triple-play and/or quad-play operators such as Orange, Free and Bouygues Telecom, which provide Internet Protocol TV ("IPTV"), and providers of pay digital terrestrial television ("DTT").

In the wholesale market, the Group competes with established players (the incumbent Orange mainly), and with local operators (Covage, Altitude Telecom, etc.).

Portugal

In Portugal, the Group faces competition from Vodafone Portugal, NOS SGPS, S.A. and Nowo (formerly known as Cabovisão-Televisão por Cabo, S.A. and which the Group disposed of in January 2016) in both the fixed and mobile markets. In the fixed telephony market, the Group faces an erosion of market share of both access lines and outgoing domestic and international traffic due to the trend towards the use of mobile services instead of fixed telephone services. Competition in the fixed line telephony market is intensified by mobile operators such as NOS SGPS, S.A. and Vodafone Portugal who can bypass PT Portugal's international wireline network by interconnecting directly with fixed line and mobile networks either in its domestic network or abroad.

Israel

In Israel, in the pay-TV market, the Group's main competitor is D.B.S. Satellite Services (1998) Ltd, a subsidiary of Bezeq, which provides satellite technology-based television services under the brand "YES". The Group's high-speed broadband Internet infrastructure access service competes primarily with Bezeq, which provides high speed broadband Internet access over DSL and holds the highest market share in broadband Internet infrastructure access in Israel. Bezeq is also the Group's main competitor in the fixed-line telephony market as the largest provider of fixed line telephony services. The Group's Israeli mobile service, HOT Mobile, competes with several principal mobile network operators, including Cellcom, Partner, Pelephone and Golan Telecom, and MVNOs. The telecom market in Israel has changed significantly in recent years to reach 7 players in fixed, 8 players in mobile and 10 players in video, underlying an increase of competition.

Dominican Republic

In the Dominican Republic, the Group's key competitors are Claro (America Movil) and - to a lesser extent - local players like Viva and Aster. Altice Dominicana has approximately 38% market share in mobile and 22% in fixed internet. In the mobile market, Altice Dominicana mainly competes with Claro, but was impacted by the disruption of Viva, even if Altice Dominicana holds the largest spectrum range (175 MHz) and a better 4G network. Altice Dominicana also competes with niche actors: Wind and Sky. In the pay-TV segment (40% households penetrated), the market is still deeply fragmented with several regional cable operators.

2. STRATEGY AND PERFORMANCE

2.1. Objectives

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

The Group has contributed to long-term value creation in the past financial year through the implementation of the Separation and continued investment at an accelerated pace into upgrading its fixed and mobile networks for better quality services to improve the customer experience and drive future growth.

The Group intends to pursue its plan to strengthen its balance sheet. The Group will continue to review its infrastructure in its footprint, in line with the transformational agreements already reached with renowned infrastructure investors. In 2018, the Group closed the tower transactions in France, Portugal and the Dominican Republic at very attractive valuations and for a total sale proceeds of more than €2.5 billion. The Group will retain a controlling 50.01% stake in the French tower portfolio as well as a 25% stake in the Portuguese tower portfolio. In addition, Altice France has entered into a partnership with infrastructure investors, becoming its partners and committing large resources to build the leading FTTH wholesaler in Europe (please see section 2.4.1 "Significant events affecting historical results – Closing of the sale of an equity stake in SFR FTTH" for more details on this transaction). Pro forma for the sale of a 49.99% stake in SFR FTTH, the Group has been able to crystallize €8 billion of infrastructure value in 2018 and to obtain cash proceeds of €4 billion in total. Through these transactions, the Group will deleverage. The Group has started to see an increase of content-related revenues, namely monetization of the UEFA Champions League rights: the Group has already signed an important wholesale deal with Canal+ for their satellite customers, on top of new OTT clients and SFR clients taking content bundles.

2.2. Strategy of the Company

At the core of the Company's strategy is a return to revenue, profitability and cash flow growth and, as a result, deleveraging. The Group benefits from a unique asset base which is fully-converged, fibre rich, media rich, active across consumers and businesses and holds number one or number two positions in each of its markets with nationwide coverage. The reinforced operational focus offers significant value creation potential. In parallel, the Company is progressing with the disposal of its non-core assets and the value crystallization of its infrastructure.

Key elements of the Company's growth and deleveraging strategy include:

- the operational and financial turnaround in France and Portugal under the leadership of new local management teams;
- optimizing the performance in each market with a particular focus on customer services;
- continuing to invest in best-in-class infrastructure commensurate with the Company's market position;
- monetizing content investments through various pay-TV models and growing advertising revenue; and
- the execution of non-core asset disposal program and the potential monetization of part of the Group Companies' fibre infrastructure.

Furthermore, to increase accountability and transparency, the Company has been, since the Separation was effected on June 8, 2018, structured in three reporting groups with new perimeters:

- Altice France: Altice France includes SFR Telecom, SFR Media (NextRadioTV and press), the French Overseas Territories, Altice Technical Services France and Altice Customer Services;

- Altice International: Altice International includes MEO in Portugal, HOT in Israel, Altice Dominicana in the Dominican Republic, Teads and Altice Technical Services in Portugal, Israel and the Dominican Republic; and

- Altice TV division: the newly formed Altice TV division includes Altice Entertainment, Altice Picture major sports rights (including the UEFA Champions League and the English Premier League) and other premium content rights (including Discovery Communications and NBCUniversal).

The below strategies are designed to achieve the Group's objectives and further improve its business operations and practices and as a result thereof provide long-term value creation.

Grow operating margins and cash flow by leveraging the Group's operational expertise

The Group plans to continue to grow its operating margins across its operations by focusing on cost optimization and leveraging economies of scale and operational synergies. The Group targets further savings as the Group focuses on integrating and optimizing acquired businesses, particularly in its key markets France and Portugal. The execution of this plan, amongst other things, includes:

- developing, launching and integrating new products, services and business models, including the creation of the next generation communications access and content convergence platforms with market-leading home hubs;

- improving network quality, upgrading and building out very high-speed communication networks;

- improving customer relationship management and maximizing customer experience, notably by investing in efficient IT platforms, focusing on digitalization and simplifying processes;

- delivering to the Group's customers the best new channels, the best sport content, the best documentary programs and the best series and movies;

- delivering key technology services and market-leading research and development through Altice Labs, promoting innovation and transforming technical knowledge into marketable competitive advantages, including the creation and monetization of world-class data analytics;

- leveraging sales and marketing strategies; and • selecting strategic suppliers and improving technical and commercial negotiations.

The Group implements this model at the level of its main operational subsidiaries in the different geographical areas in which the Group operates.

Invest in fixed and mobile infrastructure across the Group's footprint to maintain its competitive advantage in the market and provide best-in-class services to its customers

The Group aims to remain a technology leader in each of its markets and to provide innovative, best-in-class services to its customers. In France, the Group announced in 2015 its plan to expand its next-generation fibre footprint and ensure its leading position as provider of fibre broadband services in the French market. The Group is well-positioned to achieve this target, reaching 12.3 million fibre homes passed as of December 31, 2018, with its partners committing large resources to build the leading FTTH wholesaler in Europe through SFR FTTH (5 million homes to be rolled-out in medium and low dense areas – please refer to section 2.4.1 "Significant events affecting historical results – Closing of the sale of an equity stake in SFR FTTH" for more details). Also, in France, the Altice France Group had again a record year of investment in 2018, related to its capital expenditure on upgrading its 3G network and expanding its 4G mobile and fibre networks. The Altice France Group rolled out an additional 3.1 thousand 4G sites in 2018, reaching a population coverage of 98.7%. The Altice France Group continues to be the leader in terms of 4G mobile antennas in service in France (34,281 according to the Agence Nationale des Fréquences (French National Agency of Frequencies) data).

In Portugal, subsequent to its acquisition of PT Portugal, the Group announced in 2015 its plan to extend its fibre network from approximately 2.3 million homes to 5.3 million homes by 2020, creating the most innovative, GPON-technology based fibre network in Europe. The Group is well-positioned to achieve this target, having rolled out 0.5 million new fibre homes passed in 2018 and reaching 4.5 million homes passed as of December 31, 2018.

Furthermore, the Group is investing in improving the customer experience by simplifying the customer's journey when interacting with it. This activity is supported by innovative processes and systems. A task-force was implemented in 2018 with top managers coming from different departments (marketing, network, call center, etc.) to properly improve the different processes around the customer service journey.

The Group intends to continue to invest into its networks and services to maintain its competitive advantage and position itself to grow in the future.

Selectively invest into key content to enrich the Group's communications service offerings and differentiate its offerings in the market place

The Group believes that the telecommunication industry is increasingly characterized by (i) digitalization of all aspects of everyday lives transforming usage and needs of individuals and enterprises and (ii) growing competition from new players for the control of the entire value chain consisting of terminal-accesscontent/services. In this new environment, the Group is implementing a strategy based on the integration of connectivity, content and services, and the monetization of customers' usage-related data. The Group plans to invest selectively to provide premium content and services across all platforms, including TV, mobile, laptops, tablets, and stimulate customers' demand and usage. The Group believes this strategy will help to differentiate its brands and offerings and to have better control over the entire customer experience. The Group sees a competitive advantage which is expected to reduce churn, to have an accretive impact on ARPU and customer purchases and also to reduce dependence on content publishers.

The Group made significant investments, which it can leverage on its large customer base, in the French media business, such as the acquisition of exclusive broadcasting rights to the UEFA Champions League and Europa League for seasons 2018/2019 through 2020/2021, and earlier for the English Premier League for the three seasons which started in August 2016, as well as the French National Basketball League, winter extreme X-Game events, Rugby Premier League fixtures, French Athletics Federation events, Diamond League, World Gymnastics Championships and World Series of Boxing events. The Group also operates France's leading news channel BFMTV, other DTT channels such as RMC Découverte and RMC Story, the local news channel BFM Paris as well as the sports channels BFM Sport and RMC Sport. In France, the Group owns daily newspaper Liberation and weekly press magazine L'Express. In Portugal, the Group holds rights to broadcast games of popular Portuguese football clubs and PT Portugal's subsidiary MEO holds a 25% stake in SPORT TV, a sport TV broadcaster based in Portugal. Separately, the Group still benefits from partnerships with Discovery Communications and NBCUniversal to distribute exclusive channels in France.

Leverage the Group's networks to address new growth opportunities including B2B and mobility

The Group believes that its dense fibre/cable network, supported by fibre backbones, will position it ideally to service new demand from corporate customers and to benefit from the convergence of fixed and mobile usage with relatively lower levels of capital investment compared to some of its peers. The Group aims to leverage its well invested infrastructures to offer tailored data solutions and capture profitable growth in the markets where it is active, thereby maximizing the return on its network assets.

Opportunistically grow through value-accretive acquisitions and generate value through proven integration capabilities

The Group has made numerous acquisitions since its inception in 2002 and had consecutively applied its operating model and ability to achieve efficiencies and cost synergies to the acquired assets. Following this period of expansion, the Group is now mainly focused on improving the operational and financial performance of its existing assets and deleveraging its balance sheet to its stated target.

3. **Key Factors Affecting Our Results of Operations**

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

- competition for broadband, pay television and telephony customers from existing competitors (such as broadband communications companies, DBS providers and Internet‑based providers) and new competitors entering our footprint;
- changes in consumer preferences, laws and regulations or technology that may cause us to change our operational strategies;
- increased difficulty negotiating programming agreements on favourable terms, if at all, resulting in increased costs to us and/or the loss of popular programming;
- increasing programming costs and delivery expenses related to our products and services;
- our ability to achieve anticipated customer and revenue growth, to successfully introduce new products and services and to implement our growth strategy;
- our ability to complete our capital investment plans on time and on budget, including our plan to build a FTTH network, and deploy Altice One, our new home communications hub;
- our ability to develop and deploy mobile voice and data;
- the effects of economic conditions or other factors which may negatively affect our customers' demand for our products and services;
- the effects of industry conditions;
- demand for advertising on our cable systems;
- our substantial indebtedness and debt service obligations;
- adverse changes in the credit market;
- changes as a result of any tax reforms that may affect our business;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate;
- the restrictions contained in our financing agreements;
- our ability to generate sufficient cash flow to meet our debt service obligations;
- fluctuations in interest rates which may cause our interest expense to vary from quarter to quarter;

- technical failures, equipment defects, physical or electronic break-ins to our services, computer viruses and similar problems; the disruption or failure of our network, information systems or technologies as a result of computer hacking, computer viruses, “cyber-attacks,” misappropriation of data, outages, natural disasters and other material events;

- our ability to obtain necessary hardware, software, communications equipment and services and other items from our vendors at reasonable costs;

- our ability to effectively integrate acquisitions and to maximize expected operating efficiencies from our acquisitions or as a result of the transactions, if any;

- significant unanticipated increases in the use of bandwidth-intensive Internet-based services;

- the outcome of litigation, government investigations and other proceedings;

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

4. **Basis of Presentation**

The discussion and analysis for each of the periods presented is based on the financial information derived from the audited consolidated financial statements of Altice Luxembourg S.A. as of and for the year ended December 31, 2018.

Please refer to the Key Income Statement Items in section 9 for a definition of the key financial terms discussed and analysed in this document.

5. Group financial review

The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the Consolidated Financial Statements for the year ended December 31, 2018, including the accompanying notes.

The below table sets forth the Group's consolidated statement of income for the years ended December 31, 2018 and December 31, 2017, in euros. Please note that the Group's consolidated statement of income has been revised as of and for the year ended December 31, 2017 to take into account the impacts of the adoption of IFRS 15 "Revenue from Contracts with Customers" by the Group.

Consolidated Statement of Income (€m)	**For the year ended December 31, 2018**	**For the year ended December 31, 2017** (* revised)	**Change**
Revenues	**14,279.3**	**15,151.0**	**-5.8%**
Purchasing and subcontracting costs	(4,367.7)	(4,737.9)	-7.8%
Other operating expenses	(3,114.0)	(3,064.3)	1.6%
Staff costs and employee benefits	(1,479.3)	(1,547.0)	-4.4%
Depreciation, amortization and impairment	(3,845.5)	(4,348.5)	-11.6%
Other expenses and income	496.3	(1,224.9)	-140.5%
Operating profit	**1,969.1**	**228.4**	**762.2%**
Interest relative to gross financial debt	(1,677.4)	(2,210.0)	-24.1%
Other financial expenses	(370.3)	(232.4)	59.4%
Finance income (expense)	127.6	257.4	-50.4%
Net result on extinguishment of a financial liability	(148.6)	(134.7)	10.3%
Finance costs, net	**(2,068.7)**	**(2,319.7)**	**-10.8%**
Share of earnings of associates	(7.5)	(16.7)	-55.1%
Loss before income tax	**(107.1)**	**(2,108.0)**	**-94.9%**
Income tax (expense) / benefit	(67.5)	424.8	-115.9%
Loss for the period	**(174.6)**	**(1,683.2)**	**-89.6%**
Attributable to equity holders of the parent	*(135.5)*	*(1,575.0)*	*-91.4%*
Attributable to non-controlling interests	*(39.1)*	*(108.3)*	*-63.8%*

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

France: The Group controls Altice France S.A. ("Altice France"), the second largest telecom operator in France, which provides services to residential (B2C) and business clients (B2B) as well as wholesale customers, providing mobile and high-speed internet services using SFR and the associated brands. Additionally, the media division of Altice France includes SFR Presse companies and NextRadioTV, which cover press and audiovisual activities in France, respectively. As of 2018, this segment also comprises of the French Overseas Territories (FOT), ATS France and Altice Customer Services ("ACS"). As of July 2, 2018, this segment also includes MCS S.A.S following the sale of this company by Altice Entertainment News & Sport Lux S.à r.l. to Altice France.

Portugal: Altice owns Portugal Telecom ("PT Portugal"), the largest telecom operator in Portugal. PT Portugal caters to fixed and mobile B2C, B2B and wholesale clients using the MEO brand. As of 2018, this segment also includes the Altice Technical Services entities in Portugal.

Israel: Fixed and mobile services are provided using the HOT telecom, HOT mobile and HOT net brands to B2C and B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network, as well as content application called Next and OTT services through Next Plus. As of 2018, this segment also includes the Altice Technical Services entity in Israel.

Dominican Republic: The Group provides fixed and mobile services to B2C, B2B and wholesale clients using the Altice brand. As of 2018, this segment also includes the Altice Technical Services entity in the Dominican Republic.

Teads: Provides digital advertising solutions.

Altice TV: Content business from the use of content rights. Altice TV was not classified as discontinued operations as of December 31, 2017 (please refer to note 3.4) and was sold to Altice Group Lux S.à r.l. in May 2018 (please refer to note 3.1.6).

Others: This segment includes all corporate entities. The Board of Directors believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under "Others".

When analysing the financial health of these geographical segments, the Group uses measures and ratios - in particular Adjusted EBITDA - that are not required by or presented in accordance with IFRS or any other generally accepted accounting standards. The Group presents Adjusted EBITDA because it believes that it is of interest for the Shareholders and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The below tables show the Adjusted EBITDA and operating profit for the periods indicated, respectively by geographical segments.

For the year ended December 31, 2018 €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter-segment elimination	Total
Revenues	**10,358.8**	**2,109.5**	**941.2**	**590.2**	**342.1**	**28.6**	**0.8**	**(92.0)**	**14,279.3**
Purchasing and subcontracting costs	(3,372.8)	(545.0)	(257.2)	(166.0)	-	(99.0)	-	72.3	**(4,367.7)**
Other operating expenses	(2,176.0)	(418.3)	(214.5)	(102.9)	(197.3)	(3.2)	(8.8)	6.9	**(3,114.0)**
Staff costs and employee benefits	(1,023.5)	(276.5)	(64.0)	(27.4)	(84.5)	(1.5)	(2.2)	0.4	**(1,479.3)**
Total	**3,786.5**	**869.8**	**405.5**	**293.9**	**60.2**	**(75.1)**	**(10.1)**	**(12.4)**	**5,318.3**
Share-based expense	1.7	-	0.2	-	-	-	-	-	**1.9**
Adjusted EBITDA	**3,788.2**	**869.8**	**405.7**	**293.9**	**60.2**	**(75.1)**	**(10.1)**	**(12.4)**	**5,320.2**
Depreciation, amortisation and impairment	(2,704.3)	(680.2)	(319.1)	(125.5)	(16.4)	-	(0.0)	-	**(3,845.5)**
Share-based expense	(1.7)	-	(0.2)	-	-	-	-	-	**(1.9)**
Other expenses and income	(497.1)	532.7	(7.4)	12.9	(1.1)	300.0	155.3	**1.1**	**496.3**
Operating profit/(loss)	**585.2**	**722.3**	**79.0**	**181.3**	**42.7**	**224.9**	**145.1**	**(11.3)**	**1,969.1**

For the year ended December 31, 2017 (*revised) €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter-segment elimination	Total
Revenues	**11,105.0**	**2,244.7**	**1,035.5**	**694.2**	**163.9**	**417.3**	**184.9**	**(694.5)**	**15,151.0**
Purchasing and subcontracting costs	(3,984.4)	(593.3)	(274.8)	(190.7)	0.3	(178.8)	(18.7)	502.5	**(4,737.9)**
Other operating expenses	(2,299.1)	(381.4)	(217.0)	(115.4)	(90.9)	(12.5)	(120.0)	171.9	**(3,064.3)**
Staff costs and employee benefits	(1,078.4)	(277.3)	(70.2)	(30.2)	(33.9)	(6.7)	(56.3)	6.1	**(1,547.0)**
Total	**3,743.2**	**992.6**	**473.6**	**358.0**	**39.4**	**219.2**	**(10.1)**	**(14.0)**	**5,801.9**
Share-based expense	2.0	-	-	-	-	-	28.6	-	**30.6**
Adjusted EBITDA	**3,745.2**	**992.6**	**473.6**	**358.0**	**39.4**	**219.2**	**18.5**	**(14.0)**	**5,832.6**
Depreciation, amortisation and impairment	(2,917.2)	(807.3)	(328.4)	(137.0)	(8.2)	(138.0)	(12.4)	-	**(4,348.5)**
Share-based expense	(2.0)	-	-	-	-	-	(28.6)	-	**(30.6)**
Other expenses and income	(985.6)	(240.4)	(16.1)	(26.7)	(0.4)	3.7	37.2	**3.3**	**(1,224.9)**
Operating profit/(loss)	**(159.6)**	**(55.1)**	**129.1**	**194.2**	**30.8**	**84.9**	**14.8**	**(10.7)**	**228.4**

5.1. Significant events affecting historical results

Many significant events had an impact on the results of the Group's operations for the year ended December 31, 2018. A summary of the significant events that took place in the year ended December 31, 2018 is presented below:

5.1.1. Sale of telecommunications solutions business and data center operations in Switzerland

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

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

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

During November and December 2017, the Board of Directors of Altice Europe N.V. decided the transfer of shares of AMI to Altice Group Lux S.à r.l. The sale was completed on January 31, 2018 with a transaction value of 1 CHF. The capital gain recorded in equity during the period amounted to €3.6 million net of tax.

5.1.3. Acquisition by Altice France of the minority stake held by News Participations in Altice Content Luxembourg

On April 5, 2018, Altice France acquired the minority stake held by News Participations (NP) in Altice Content Luxembourg (ACL) for the amount of €100 million by exercising the call option it held on NP's 25% stake in ACL. On May 31, 2018, Altice France increased its ownership in NextRadioTV S.A. via conversion of convertible bonds into equity. Following the transactions described above, the Group's ownership in NextRadioTV S.A. and its subsidiaries increased to 99.7%.

5.1.4. Exercise of the ATS call option

In April 2018, the Group exercised the call option for the acquisition of the remaining 49% in Altice Technical Services ("ATS") for a price determined on acquisition of ATS of €147 million, bearing interests at an annual rate of EURIBOR 1 month plus 3.5%. The total amount of €156.3 million was paid on November 26, 2018. As a result of the exercise of the call option, the Company's ownership in ATS increased to 100%.

5.1.5. Sale of i24News Europe to Altice USA

On April 23, 2018, the Group completed the sale of i24News Europe (international 24-hour news and current affairs television channel) to Altice USA for a total consideration of $2.5 million (€2.1 million). Total capital loss recorded in equity during the period amounted to €28.1 million net of tax.

5.1.6. Closing of the sale of Altice TV to Altice Group Lux S.à r.l.

During November and December 2017, the Board of Directors of Altice Europe N.V. decided the transfer of shares of Altice TV to Altice Group Lux S.à r.l. (the parent company of Altice Luxembourg). The transaction was closed on May 15, 2018. The capital loss was recorded in shareholders' equity (within the transaction with Altice's shareholder) for an amount of €164.2 million net of tax. Consideration received was €1.

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

5.1.7. Acquisition of MCS

On July 2, 2018, Altice France completed the acquisition of MCS from Altice Entertainment News & Sport Lux S.à r.l. to Sportscotv SASU, a subsidiary of NextRadioTV S.A, of all 3,130 shares representing 100% of the share capital and voting rights of MCS for an amount €1.

5.1.8. Share capital increase in Altice Teads S.A.

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

5.1.9. Sale of international wholesale business

On July 18, 2018, three Sale and Purchase Agreements were signed by Altice France, Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in France, the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018. The total consideration received was €33.0 million. The capital gain recorded for the year ended December 31, 2018 was €9.5 million.

5.1.10. Sale and purchase agreements signed for the purchase by Altice Technical Services France S.à r.l. of the minority interests in ERT Luxembourg S.A.

On August 29, 2018, Altice Technical Services France S.à r.l. ("ATS France") signed sale and purchase agreements with each of the five minority shareholders of ERT Luxembourg S.A. ("ERT Lux") in order to acquire 253 shares of ERT Lux for a total price of €42.0 million. Four of the five sale and purchase agreements contemplated a transfer of the ERT Lux shares to ATS France upon signing. As a result, on the date thereof and as at December 31, 2018, ATS France owned 84.3 % of the share capital of ERT Lux. Upon completion of the sale under the fifth sale and purchase agreement, which occurred on January 31, 2019, ATS France owns 100% of the share capital of ERT Lux. The payment of this acquisition will be made in several instalments from January 2019 until January 2023.

5.1.11. Altice France acquired the minority interest in DTV Holding

On September 1, 2018, NextRadioTV S.A., a subsidiary of Altice France, acquired 49% minority interest in DTV Holding ("DTV"), previously known as Pho Holding, for a total consideration of €32.7 million. Following this acquisition and the take-over of DTV in the third quarter of 2017, the ownership of NextRadioTV in DTV and its subsidiary Diversité TV France increased to 100%.

5.1.12. Sale of towers of Portugal

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

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

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

5.1.13. Closing of transaction to sell telecommunication towers in the Dominican Republic

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

5.1.14. PT Portugal acquired the shares of SIRESP

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

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

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

5.1.16. The sale of 49.99% equity stake in fibre infrastructure in Altice France

On November 30, 2018, Altice Europe N.V. announced that its subsidiary, Altice France, had entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers - Real Assets, acting on behalf of its clients and OMERS Infrastructure (together the "Partners") regarding the sale of 49.99% equity stake in SFR Fiber to the home ("SFR FTTH") for a total cash consideration of €1.8 billion based on an estimated €3.6 billion equity value at closing. As a consequence, the assets and liabilities were classified as held for sale as of December 31, 2018.

Following the closing of the transaction on March 27, 2019, Altice France loses exclusive control over SFR FTTH as Altice France and the Partners will have joint control over the new entity. Furthermore, SFR FTTH will be accounted for under the equity method in the scope of IFRS 11 Joint Arrangements. The final cash consideration at closing was €1.7 billion based on a €3.4 billion equity value. This partnership creates the leading FTTH infrastructure wholesaler in France and brings an additional €1.7 billion of cash to Altice France.

5.1.17. The sale of minority stake in telecommunication towers by Altice France

On June 20, 2018, Altice France entered into an exclusivity agreement with Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR for the sale of 49.99% of the shares in a newly incorporated tower company called SFR TowerCo that will comprise 10,198 sites currently operated by the Group. Altice France will continue to fully consolidate SFR TowerCo and hence the assets and liabilities related to SFR TowerCo were not classified as held for sale. The Sale and Purchase Agreement was signed on August 7, 2018 for a transaction value of €3.6 billion. The closing of the transaction was subject to customary conditions precedent, including that at least 90% of the sites have been contributed to SFR TowerCo, as well as regulatory approvals. On December 18, 2018, Altice France and KKR announced the closing of the transaction and the creation of the new tower company, named Hivory. The consideration received was €1.8 billion, corresponding to approximately 49.99% of the total transaction value.

6. Discussion and analysis of the results and financial condition of the Group

6.1. Revenue

From January 1, 2018, the Group has implemented the new standard on revenue recognition, IFRS 15 "Revenue from Contracts with Customers", as decreed and adopted by the European Union. As a result, the presentation and recognition of the Group's revenues were revised to accurately reflect the requirements of the new standard. More information on these changes is provided in Note 2.3 to the Consolidated Financial Statements.

Group

For the year ended December 31, 2018, the Group generated total revenues of €14,279.3 million, a 5.8% decrease compared to €15,151.0 million for the year ended December 31, 2017. This decrease in revenues was recorded in all lines of activities, in general as a result of increased competition and the associated impact on the subscriber base and ARPU, in addition to an unfavourable development of the foreign currency rates for the Dominican Peso and the Israeli Shekel, which, based on the average annual exchange rate, decreased by 8.2% and 4.3% respectively. These unfavourable effects on revenue are partly offset by the additional revenue recorded by Teads, which was acquired on June 22, 2017.

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

	For the year ended December 31, 2018							
Revenue (€m)	**France**	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Altice TV**	**Others**	**Total**
Revenue Fixed - B2C	2,545.3	618.4	580.6	100.7	-	-	-	**3,845.0**
Revenue Mobile - B2C	4,146.4	561.7	243.3	354.1	-	-	-	**5,305.5**
B2B	1,772.1	585.7	117.0	82.5	-	-	-	**2,557.4**
Wholesale	1,189.1	206.7	-	52.5	-	-	-	**1,448.2**
Other revenue	706.0	137.0	0.3	0.4	342.1	28.6	0.8	**1,215.1**
Total standalone revenues	**10,358.8**	**2,109.5**	**941.2**	**590.2**	**342.1**	**28.6**	**0.8**	**14,371.2**
Intersegment eliminations	(23.4)	(43.8)	(0.6)	(0.8)	(2.8)	(20.1)	(0.5)	**(92.0)**
Total consolidated revenues	**10,335.4**	**2,065.8**	**940.7**	**589.4**	**339.3**	**8.5**	**0.3**	**14,279.3**

	For the year ended December 31, 2017 (* revised)							
Revenue (€m)	**France**	**Portugal**	**Israel**	**Dominican Republic**	**Teads**	**Altice TV**	**Others**	**Total**
Fixed - B2C	2,805.1	658.4	656.0	108.9	-	-	40.4	**4,268.8**
Mobile - B2C	4,358.3	568.2	242.3	416.5	-	-	0.6	**5,585.9**
B2B	1,826.9	591.4	136.2	93.7	-	-	10.3	**2,658.5**
Wholesale	1,313.5	275.1	-	72.8	-	-	-	**1,661.5**
Other	801.3	151.6	1.0	2.3	163.9	417.3	133.6	**1,671.0**
Total standalone revenues	**11,105.0**	**2,244.7**	**1,035.5**	**694.2**	**163.9**	**417.3**	**184.9**	**15,845.5**
Intersegment eliminations	(140.2)	(60.9)	(1.2)	(8.9)	-	(402.0)	(81.3)	**(694.5)**
Total consolidated revenues	**10,964.8**	**2,183.8**	**1,034.3**	**685.3**	**163.9**	**15.3**	**103.6**	**15,151.0**

Revenues for the Group's fixed B2C business decreased from €4,268.8 million for the year ended December 31, 2017 to €3,845.0 million for the year ended December 31, 2018, a 9.9% decrease compared to the year ended December 31, 2017. This decrease was driven primarily by growing competition and the associated impact on subscriber numbers and pricing pressure.

The Group's mobile B2C business revenue decreased to €5,305.5 million for the year ended December 31, 2018, a 5.0% decrease compared to €5,585.9 million for the year ended December 31, 2017, mainly due to a decrease in France resulting from continued pricing pressure on mobile offers for the B2C base and impacts of customer loss from previous quarters.

In addition, mobile revenues decreased in the Dominican Republic resulting from price erosion and the unfavourable development of the foreign currency rates for the Dominican Peso.

The Group's B2B business revenue decreased to €2,557.4 million for the year ended December 31, 2018, a 3.8% decrease compared to €2,658.5 million for the year ended December 31, 2017, to a large extent driven by decreases in France resulting from price reductions which were implemented during the second quarter of 2017 and increased competition in Israel and the Dominican Republic. The unfavourable development of the foreign currency rates for the Dominican Peso and the Israeli Shekel resulted in an additional decrease in B2B business revenue.

The Group's wholesale business revenue decreased to €1,448.2 million for the year ended December 31, 2018, a 12.8% decrease compared to €1,661.5 million for the year ended December 31, 2017, mainly due to decreases in France, Portugal and the Dominican Republic due to the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

Revenues from the Group's other activities totalled €1,215.1 million for the year ended December 31, 2018, a 27.3% decrease compared to €1.671.0 million for the year ended December 31, 2017. The decrease in other revenues was mainly due to a reduction of intersegment recharging of services provided to Group Companies. These decreases are partly offset by an increase of revenues related to Teads, which was acquired on June 22, 2017.

Geographical segments

France: For the year ended December 31, 2018, the Group generated external revenue in France of €10,335.4 million, a 5.7% decrease compared to €10,964.8 million for the year ended December 31, 2017. This decrease is attributable to decreases in all service revenues.

Revenues from the Group's fixed B2C business decreased by 9.3% from €2,805.1 million for the year ended December 31, 2017 compared to €2,545.3 million for the year ended December 31, 2018. This decrease is explained by customer losses experienced in previous quarters and a reduction in ARPU following more intense market competition following SFR's successful churn reduction and more proactive retention activity. B2C fixed revenue was also impacted by the loss of favourable value added tax ("VAT") treatment on telecom/press bundles, which ended in March 2018.

The Group's mobile B2C business posted a net revenue decrease of 4.9% from €4,358.3 million for the year ended December 31, 2017 to €4,146.4 million for the year ended December 31, 2018. This decrease was driven primarily by continued pricing pressure on mobile offers for the B2C base and the impact of customer loss from previous quarters. B2C mobile revenue was also impacted by the loss of favourable VAT treatment on telecom/press bundles, which ended in March 2018.

Revenues from the Group's B2B business decreased by 3.0%, from €1,826.9 million for the year ended December 31, 2017 to €1,772.1 million for the year ended December 31, 2018. B2B revenues were impacted by price reductions for existing mobile customers in the first half of 2017.

Revenues from the Group's wholesale business decreased by 9.5%, from €1,313.5 million for the year ended December 31, 2017 to €1,189.1 million for the year ended December 31, 2018. Wholesale revenues decreased mainly due a decrease in revenues from white label operators and a decline in the international wholesale voice business, which was disposed of during the third quarter of 2018.

Other revenues mainly include the contribution of the media assets. Revenues decreased from €801.3 for the year ended December 31, 2017 to €706.0 million for the year ended December 31, 2018, a decrease of 11.9%. This decrease was driven by the sale of certain press businesses in the second half of 2017, thus impacting 2018 revenues. The revenues from these disposed businesses were included for the year ended December 31, 2017. This reduction was partly offset by record audiences and advertising revenues from the BFM and RMC brand channels.

Portugal: For the year ended December 31, 2018, the Group generated revenues in Portugal of €2,065.8 million, a 5.4% decrease compared to €2,183.8 million for the year ended December 31, 2017. This decrease was mainly due to a decline in the fixed revenues, reflecting the competitive pressure in the market and the resulting price erosion notwithstanding an improved performance in customer net additions in the period. In addition, wholesale revenues decreased due to the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

Revenues from the Group's fixed B2C business decreased by 6.1% from €658.4 million for the year ended December 31, 2017 to €618.4 million for the year ended December 31, 2018. This decrease is explained by the year on year decline in fixed ARPU due to competitive pressure, which more than offset the positive net adds reported during 2018, as compared to negative net adds during the same period of last year.

The Group's mobile B2C business posted a net revenue decrease of 1.1% from €568.2 million for the year ended December 31, 2017 compared to €561.7 million for the year ended December 31, 2018. This decrease was driven primarily by a decline in mobile ARPU due to competitive pressure and lower prepaid revenues.

Revenues from the Group's B2B business decreased by 1.0%, from €591.4 million for the year ended December 31, 2017 to €585.7 million for the year ended December 31, 2018. B2B revenues were impacted by intense competition and the resulting continued repricing.

Revenues from the Group's wholesale business decreased by 24.9%, from €275.1 million for the year ended December 31, 2017 to €206.7 million for the year ended December 31, 2018. Wholesale revenues decreased mainly due to the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

Other revenues decreased from €151.6 million for the year ended December 31, 2017 to €137.0 million for the year ended December 31, 2018, a decrease of 9.6%. This decrease is primarily driven by a decline in non-group revenues of Altice Labs.

Israel: For the year ended December 31, 2018, the Group generated revenue in Israel of €940.7 million, a 9.1% decrease compared to €1,034.3 million for the year ended December 31, 2017. On a constant currency basis, revenues decreased by 5.0%. On a constant currency basis, this was mainly due to a decrease in fixed revenues due to a strong competition in the TV and broadband market with the entry of new competitors with aggressive pricing, resulting in a decrease in the subscriber base and a decrease in ARPU. This decrease was partly offset by an increase in mobile revenues due to higher equipment sales while the market is still under price pressure following the entry of a new MVNO player from the second quarter of 2018.

Dominican Republic: For the year ended December 31, 2018, the Group generated total revenue of €589.4 million, a 14.0% decrease compared to €685.3 million for the year ended December 31, 2017. On a constant currency basis, revenues decreased by 6.3%. On a constant currency basis, this was largely driven by a decrease in mobile B2C revenues as a result of voice erosion, and a decrease in wholesale, mainly due to the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

Teads: For the year ended December 31, 2018, the Group generated revenue in Teads of €339.3 million6, compared to €163.9 million for the year ended December 31, 2017. Due to the fact that Teads was acquired on June 22, 2017, 6 months of revenue were reported for the year ended December 31, 2017 versus 12 months of revenue for the year ended December 31, 2018.

Altice TV: For the year ended December 31, 2018, the Group generated total revenue in Altice TV of €8.5 million, compared to €15.3 million for the year ended December 31, 2017.

Others: For the year ended December 31, 2018, the Group generated total revenue in Others (which comprises of the Group's corporate entities) of €0.3 million, compared to €103.7 million for the year ended December 31, 2017.

6.2. Adjusted EBITDA

Group

For the year ended December 31, 2018, the Group's Adjusted EBITDA was €5,320.2 million, a decrease of 8.8% compared to the year ended December 31, 2017 (€5,832.6 million). This decrease can be attributed to lower revenues, as explained above, and higher other operating expenses, partially offset by decreased purchasing and subcontracting expenses and staff costs and employee benefits.

- Purchasing and subcontracting costs decreased by 7.8%, from €4,737.9 million in the year ended December 31, 2017 to €4,367.7 million in the year ended December 31, 2018.

- Other operating expenses increased by 1.6% to €3,114.1 million in the year ended December 31, 2018 from €3,064.3 million in the year ended December 31, 2017.

- Staff costs and employee benefit expenses decreased by 4.4%, from €1,547.0 million in the year ended December 31, 2017 to €1,479.3 million in the year ended December 31, 2018.

Geographical segments

France: For the year ended December 31, 2018, the Group's Adjusted EBITDA in France was €3,788.2 million, an increase of 1.1% from €3,745.2 million for the year ended December 31, 2017. This increase was mainly due to a decrease in content costs, other operating costs and staff costs, offset partially by the decrease in revenues described above. The decrease in content costs is mainly driven by lower costs for premium content supplied by other Group Companies following the restructuring and the creation of the new Altice TV unit announced in January 2018. Other operating expenses decreased due to a decrease in customer service and sales and marketing costs, which was offset by an increase in general and administrative costs. The decrease in staff costs is mainly driven by a decrease in employee numbers as part of the voluntary restructuring plan launched in 2017.

Portugal: For the year ended December 31, 2018, the Group's Adjusted EBITDA in Portugal was €869.8 million, a decrease of 12.4% from €992.6 million for the year ended December 31, 2017. This decrease is attributable to the reduction in fixed and wholesale revenues, and higher costs of goods sold related to mobile handsets, higher subscriber acquisition costs and an increase in infrastructure rental mainly due to the sale of the tower business and subsequent lease of towers. The negative impact of these drivers was only partially offset by lower international voice traffic costs, in line with the decline in associated wholesale revenues, and lower staff costs as a result of a lower headcount.

Israel: For the year ended December 31, 2018, the Group's Adjusted EBITDA in Israel was €405.7 million, a decrease of 14.3% compared to €473.6 million for the year ended December 31, 2017. Adjusted EBITDA on a constant currency basis decreased by 10.5% compared to 2017. On a constant currency basis, this decrease is mainly due to a decrease in revenues which is partly offset by a decrease in purchasing and sub-contracting costs (mainly due to content savings), other operating expenses and staff costs (as a result of the departure plan which was implemented during the third quarter of 2017).

Dominican Republic: For the year ended December 31, 2018, the Group's Adjusted EBITDA in the Dominican Republic decreased by 17.9% from €358.0 million for the year ended December 31, 2017 to €293.9 million for the year ended December 31, 2018 (10.6% on a constant currency basis). On a constant currency basis, this decrease is mainly attributable to a decline in revenues and an increase in infrastructure rental mainly due to the sale of the tower business and subsequent lease of towers, partly offset by decreases in expenses due to improved cost control during 2018.

Teads: For the year ended December 31, 2018, the Group's Adjusted EBITDA for Teads amounted to €60.2 million, compared to €39.4 million for the year ended December 31, 2017. Due to the fact that Teads was acquired on June 22, 2017, 6 months of Adjusted EBITDA were reported for the year ended December 31, 2017 versus 12 months of Adjusted EBITDA for the year ended December 31, 2018.

Altice TV: For the year ended December 31, 2018, the Group's Adjusted EBITDA for Altice TV decreased by 203.6% from €219.2 million for the year ended December 31, 2017 to a negative Adjusted EBITDA of €75.1 million. This decrease is mainly attributable to a reduction of intersegment recharging of services provided to Group Companies and impact of the additional expenses related to the rights for the Champions League.

Others: For the year ended December 31, 2018, the Group's Adjusted EBITDA in Others was a negative amount of €10.1 million, compared to an Adjusted EBITDA of €18.5 million for the year ended December 31, 2017. The difference is mainly related to the adjustment for share based expenses which is part of our adjusted EBITDA definition. This adjustment is recorded in AMI, which transferred out of ALUX scope on January 31, 2018. For the year ended December 31, 2017, AMI recorded share-based expenses of Eur 28.6 mio, versus nil for the year ended December 31, 2018.

6.3. Operating profit of the Group

Depreciation, amortization and impairment

For the year ended December 31, 2018, depreciation and amortization totalled €3,845.5 million, a 11.6% decrease compared to €4,348.5 million for the year ended December 31, 2017.

Other expenses and income

For the year ended December 31, 2018, the Group's other income totalled €496.3 million, a 140.5% increase compared to an expense of €1,224.9 million for the year ended December 31, 2017. A detailed breakdown of other expenses income is provided below:

Other expenses and income **(€m)**	**For the year ended December 31, 2018**	**For the year ended December 31, 2017** **(* revised)**	**Change**
Share-based expense	1.9	30.6	-93.8%
Items excluded from adjusted EBITDA	**1.9**	**30.6**	**-93.8%**
Restructuring costs	9.0	721.1	-98.8%
Onerous contracts	54.4	131.5	-58.6%
Net (gain)/loss on disposal of assets	(11.0)	118.9	-109.3%
Disputes and litigation	56.9	32.9	72.9%
Penalties	-	124.5	nm
Net gain on sale of consolidated entities	(787.9)	(11.0)	7062.7%
Deal fees	37.5	11.3	267.3%
Management fee	81.8	35.3	-58.5%
Other expenses and income (net)	63.1	60.4	-30.8%
Other expenses and income	**(496.3)**	**1,224.9**	**-140.5%**

Share-based expense

The Group has several share-based compensation plans across its various entities comprising of mainly the Long-Term Incentive Plan ("LTIP"), the Share Option Plan ("SOP"), the options granted to Next Alt. During year ended December 31, 2018, the Group incurred share-based expenses of €1.9 million, a decrease of €28.7 million compared to the year ended December 31, 2017.

Restructuring costs

Restructuring costs for the year ended December 31, 2018 mainly relate to the restructuring plans in PT Portugal for €10.2 million. Additionally, restructuring costs in Altice France amounted to negative €1.6 million, consisting of €7.0 million expense related to the departure plan in Intelcia, which was partially offset by a release of restructuring provision of €8.6 million.

Restructuring costs incurred for the year ended December 31, 2017 of €721.1 million mainly related to the voluntary departure plan in Altice France (€672.9 million), as well as restructuring expenses in PT Portugal (€35.1 million), Altice Management International (€6.0 million), FOT (€3.0 million) and HOT (€1.9 million).

Onerous contracts

For the year ended December 31, 2018, the expenses recognised for onerous contracts decreased by €77.1 million compared to the year ended December 31, 2017. The expenses in 2018 mainly consisted of the costs related to the change in office premises to the new Altice Campus (€52.6 million).

Net (gain)/loss on disposals of assets

For the year ended December 31, 2018, the gain on disposal of assets was primarily related to the gain on scrapped assets in Altice France (€16.4 million). This was partially offset by losses on scrapped property, plant and equipment, assets in PT Portugal due to forest fires damages (€1.8 million) and other disposed tangible assets (€3.6 million).

The loss on disposal of assets for the year ended December 31, 2017, primarily related to the scrapping of assets prior to the assets being fully depreciated, this largely includes boxes and store furnishings following the closure of some retail stores (mainly in France, amounting to €108.6 million).

Disputes and litigation

For the year ended December 31, 2018, disputes and litigations mostly consisted of provisions recorded during the year in Altice France for litigations with Bouygues, Orange and other tax litigations for a total of €151 million, which was offset by a release of the provision for litigation with Orange (€122 million). Additionally, a €24.7 million litigation provision was recorded in PT Portugal.

For the year ended December 31, 2017, the disputes and litigations included the effect of new allowances recorded during the year, which were offset by the reversal of the provision for the tax litigation following the merger of Vivendi Telecom International ("VTI") and SFR. The provision reversal was recorded in France for an amount of €117 million

Penalties

For the year ended December 31, 2017, penalties correspond to the fine imposed to the Group following the European Commission's investigation on gun jumping during the acquisition of PT Portugal by the Group. The €124.5 million fine was recorded in the Portugal segment in 2017.

Gain on sale of consolidated entities

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

- the sale of towers in PT Portugal of €601.6 million which corresponds to the total capital gain of €611.7 million, of which €10.1 million was deferred;
- the sale of the towers in the Dominican Republic of €88.1 million;
- the sale of telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG of €88.8 million;
- the sale of the wholesale business recorded in France (€2.0 million), the Dominican Republic (€5.0 million) and PT Portugal (€2.5 million); and
- the sale of AB2 shares to Altice Group Lux for €3.6 million.

Deal fees

Deal fees mainly consisted of €27.8 million deal fees in Altice France mostly for the fees related to the transaction in relation to tower and fibre businesses, €6.8 million expenses in deal fees in PT Portugal for the sale of the tower business.

Management fees

Management fee income corresponds to the corporate costs charged by the Altice Group to the Company, which amounted to €81.5 million and €35.3 million for the year ended December 31, 2018 and December 31, 2017, respectively.

Other expenses and income (net)

Consisted mainly of expenses in Altice Holdings of €13.0 million related to a share settlement with the management team of Altice Blue Two (part of the French Overseas Territories), fines recorded in PT Portugal of €3.4 million (mostly related to the termination fee of a real estate rental agreement of €2.4 million), expenses for network claims in Altice France of €28 million and end-of-year employee bonus of €17 million in Altice France.

Operating profit

As a result of the above-mentioned factors, for the year ended December 31, 2018, the Group recorded an operating profit of €1,969.1 million, a 762.2% increase compared to €228.4 million for the year ended December 31, 2017.

6.4. Loss for the year of the Group

Finance costs (net)

Net finance costs amounted to €2,068.7 million for the year ended December 31, 2018, registering a decrease of 10.8% compared to €2,319.7 million for the year ended December 31, 2017. A detailed breakdown of finance costs (net) is provided below:

Finance costs, net (€m)	For the year ended December 31, 2018	For the year ended December 31, 2017 (* revised)	Change
Interest relative to gross financial debt	(1,677.4)	(2,210.0)	-24.1%
Other financial expenses	(370.3)	(232.4)	59.4%
Finance income (expense)	127.6	257.4	-50.4%
Net result on extinguishment of a financial liability	(148.6)	(134.7)	10.3%
Finance costs, net	**(2,068.7)**	**(2,319.7)**	**-10.8%**

Interest relative to gross financial debt: For the year ended December 31, 2018, the Group's interest relative to gross financial debt totalled €1,677.4 million, a 24.1% decrease compared to €2,210.0 million for the year ended December 31, 2017. Interest relative to gross financial debt includes the variation in the mark to market of the Group's derivative financial instruments, which was a main driver of the variation in this line item for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Other financial expenses: For the year ended December 31, 2018, the Group's other financial expenses totalled €370.3 million, a 59.4% increase compared to €232.4 million for the year ended December 31, 2017. The change in other financial expenses is largely driven by fluctuations in exchange rates.

Finance income: For the year ended December 31, 2018, the Group's finance income totalled €127.6 million, a 50.4% decrease compared to finance income of €257.4 million for the year ended December 31, 2017. The decrease in finance income is largely driven by other financial income in France amounting to €200.1 million, mainly related to net gains related to the repricing of certain cross-currency and interest rate swaps during 2017. This decrease was partly offset by changes in the fair value of the minority call option of Teads of €43.2 million

Net result on extinguishment of a financial liability: For the year ended December 31, 2018, the Group's Net result on extinguishment of a financial liability amounted to €148.6 million related to the refinancing transactions of the Altice France credit pool, compared to a Net result on extinguishment of a financial liability of €134.7 million for the year ended December 31, 2017, which was related to the refinancing of debt in Altice Financing, which closed in April 2017.

Share of earnings of associates

For the year ended December 31, 2018, the Group's share of loss of associates totalled €7.5 million compared to a loss of €16.7 million for the year ended December 31, 2017.

Income tax (expense) / benefit

For the year ended December 31, 2018, the income tax expense totalled €67.5 million compared to an income tax benefit of €424.8 million in the year ended December 31, 2017 (please refer to Note 23 to the Consolidated Financial Statements for additional details).

Loss for the period

For the year ended December 31, 2018, the loss after tax totalled €174.6 million compared to a loss after tax from discontinued operations of €1,683.2 million in the year ended December 31, 2017. The reasons for this decrease are enumerated in the sections above.

6.5. Liquidity and capital resources

General

The Group's principle sources of liquidity are (i) operating cash flow generated by the Group's subsidiaries, (ii) various revolving credit facilities and guarantee facilities that are available at each of the Group's restricted groups, as applicable, for any requirements not covered by the operating cash flow generated and (iii) various liquid stakes in securities and other assets.

As of December 31, 2018, Altice Luxembourg had an aggregate of €200.0 million (equivalent) available borrowings under the 2014 Altice Luxembourg Revolving Credit Facility Agreement; Altice International's restricted group had an aggregate of €831.0 million (equivalent) available borrowings under the Guarantee Facility Agreements, the 2014 Altice Financing Revolving Credit Facility Agreement and the 2015 Altice Financing Revolving Credit Facility Agreement, of which nil was drawn as at December 31, 2018; and the Altice France restricted group had an aggregate of €1,125.0 million (equivalent) available borrowings under the Altice France Revolving Credit Facility Agreement, of which nil was drawn as at December 31, 2018.

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

With the transformational SFR FTTH transaction and the various tower sales and long-term partnerships announced in 2018, the Group has been able to crystallize €8 billion of infrastructure value and obtain cash proceeds of €4 billion, whilst continuing to explore similar deals in the Group's footprint.

Cash flow

The following table presents primary components of the Group's cash flows of continuing operations and cash flows of discontinued operations (net) for each of the years indicated. Please refer to the consolidated statement of cash flows in the Consolidated Financial Statements for additional details.

Net Cash Flows **(€m)**	**For the year ended December 31, 2018**	**For the year ended December 31, 2017 (* revised)**	**Change**
Net cash flow from operating activities of continuing operations	3,963.6	4,546.5	-12.8%
Net cash flow from investing activities of continuing operations	(2,375.1)	(3,612.0)	-34.2%
Net cash flow from financing activities of continuing operations	(674.5)	(873.7)	-22.8%
Changes in cash and cash equivalents of continuing operations	**914.0**	**60.8**	**1403.3%**
Classification of cash as held for sale	(4.7)	(17.6)	-73.3%
Effects of exchange rate changes on cash held in foreign currencies	3.5	(9.8)	-135.6%
Net changes in cash and cash equivalents	**912.8**	**33.3**	**2637.9%**

The Group recorded a net increase of €912,8 million in cash and cash equivalents for the year ended December 31, 2018, compared to a net increase of €33,3 million for the year ended December 31, 2017.

Net cash provided by operating activities:

Net cash provided by operating activities decreased by 12.8% to €3,963.6 million for the year ended December 31, 2018 compared to €4,546.5 million for the year ended December 31, 2017. The decrease in net cash provided by operating activities is mainly explained by the changes in working capital, to a large extent due to the impact of settlements paid as part of the voluntary departure plan in Altice France and the payment of the €300.0 million break-fee from Altice France to Altice TV. These payments were partly offset by the decrease in the net loss for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Net cash used in investing activities:

Net cash used in investing activities decreased by 34.2% to €2,375.1 million for the year ended December 31, 2018 compared to €3,612.0 million for the year ended December 31, 2017. The decrease in the year ended December 31, 2018 is mainly attributed to the higher proceeds from the disposal of businesses during the year ended December 31, 2018, mainly the towers businesses in Portugal and the Dominican Republic for a total amount of €688.1 million, the telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, for a total amount of €156.4 million and the international wholesale business in France, Portugal and the Dominican Republic for a total amount of €33.0 million. During the year ended December 31, 2017, the main disposal of businesses related to the sale of Coditel Brabant SPRL and Coditel S.à r.l, for an amount of €302.8 million. In addition, the amount spent on acquisitions decreased from €289.8 million in the year ended December 31, 2017, which was mainly related to the acquisition of Teads, to €109.6 million for the year ended December 31, 2018. Furthermore, the net cash used in investing activities decreased due a decrease in capital expenditures.

Net cash used in financing activities:

Net cash used in financing activities decreased by 22.8% to €674.5 million for the year ended December 31, 2018 compared to €873.7 million for the year ended December 31, 2017. The decrease in net cash used can primarily be attributed to the receipt of the provisional purchase price of €1,766.8 million for the sale of the tower business in Altice France. This increase in cash was partly offset by the net repayment of debt of €258.4 million for the year ended December 31, 2018, whereas for the year ended December 31, 2017 there was a net inflow of cash of €1,051.1 million as a result of refinancing activities. In addition, during the year ended December 31, 2018, cash used for advances to group companies amounted to €47.4 million, whereas during the year ended December 31, 2017, cash received from group companies amounted to €701.5 million.

6.6. Capital expenditures

The Group classifies its capital expenditures in the following categories.

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

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

Others: Includes capital expenditures relating to the Group’s content and other non-core fixed or mobile activities.

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

The Group has made new investment commitments since December 31, 2018. For information on contractual obligations and commercial commitments the Group has acquired in the year ended December 31, 2018, please see Note 31 to the Consolidated Financial Statements.

The table below sets forth the Group’s capital expenditure on an accrued basis for the years ended December 31, 2018 and 2017, respectively, for each of the Group’s geographical segments:

For the year ended December 31, 2018 €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
Capital expenditure (accrued)	2,269.6	423.3	234.1	115.2	1.4	3.8	-	(4.6)	**3,042.8**
Capital expenditure - working capital items	94.5	36.3	8.7	(3.5)	-	4.5	-	-	**140.4**
Payments to acquire tangible and intangible assets	**2,364.2**	**459.6**	**242.8**	**111.7**	**1.4**	**8.3**	**-**	**(4.6)**	**3,183.3**

For the year ended December 31, 2017 (*revised) €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
Capital expenditure (accrued)	2,394.1	437.8	241.5	114.6	-	46.6	17.1	(6.1)	3,245.6
Capital expenditure - working capital items	224.5	(16.1)	(7.1)	(5.5)	-	99.9	.1	-	295.6
Payments to acquire tangible and intangible assets	**2,618.6**	**421.6**	**234.2**	**109.1**	**-**	**146.5**	**17.2**	**(6.1)**	**3,541.3**

Geographical segments

France: For the year ended December 31, 2018, total capital expenditure in France were €2,364.2 million (representing 22.9% of revenue in France), a 9.7% decrease compared to €2,618.6 million for the year ended December 31, 2017 (representing 23.9% of revenue in France). The decrease is mainly explained by the significant capital expenditure incurred in previous years in order to improve the Group’s mobile network and to roll out new fibre homes and is also due to the commercial success with a higher number of connections of customer premises in 2018.

Portugal: For the year ended December 31, 2018, PT Portugal's total capital expenditures were €459.6 million (representing 22.2% of revenue in Portugal), a 9.0% increase compared to €421.6 million for the year ended December 31, 2017 (representing 19.3% of revenue in Portugal). The increase in capex is explained by an increase in mobile network related capex reflecting the deployment of the single RAN technology, higher SAC-related capex reflecting both higher gross adds and an increase in the unitary SAC and changes in capital expenditure related working capital. These increases are partially offset by lower fixed network related capex as a result of a lower number of homes passed.

Israel: Capital expenditure in Israel increased by 3.6%, from €234.2 million (representing 22.6% of revenue in Israel) in the year ended December 31, 2017 to €242.8 million (representing 25.8% of revenue in Israel) in the year ended December 31, 2018. On a constant currency basis, capital expenditure increased by 8.3%, driven by higher network and installation spend and changes in capital expenditure related working capital, partly offset by lower investments in CPE.

Dominican Republic: For the year ended December 31, 2018, the total capital expenditures were €111.7 million (representing 19.0% of revenue in the Dominican Republic), a 2.4% increase compared to €109.1 million for the year ended December 31, 2017 (representing 15.9% of revenue in the Dominican Republic). On a constant currency basis, accrued capital expenditures increased by 11.5%, to a large extent driven by purchase of equipment and services for mobile network to support data growth and increase of LTE coverage, services for the migration to single RAN technology and new deals for TV content rights.

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

Altice TV: For the year ended December 31, 2018, the total capital expenditures were €8.3 million, a 94.3% decrease compared to €146.5 million for the year ended December 31, 2017.

Others: For the year ended December 31, 2018, the total capital expenditures were nil, compared to capital expenditures of €17.2 million for the year ended December 31, 2017.

6.7. Discussion and analysis of the financial condition of the Group

Consolidated Statement of Financial Position (€m)	**As at December 31, 2018**	**As at December 31, 2017 (* revised)**	**Change**
Non-current assets			
Goodwill	15,746.7	15,915.6	-1.1%
Intangible assets	7,675.8	8,678.9	-11.6%
Property, plant & equipment	10,004.7	10,415.6	-3.9%
Contract costs	252.5	241.2	4.7%
Investment in associates	154.1	49.4	211.8%
Financial assets	2,331.8	1,262.0	84.8%
Deferred tax assets	153.7	145.1	1.1%
Other non-current assets	423.7	377.7	12.2%
Total non-current assets	**36,743.0**	**37,085.5**	**-0.9%**
Current assets			
Inventories	422.2	461.4	-8.5%
Contract assets	265.7	302.3	-12.1%
Trade and other receivables	4,440.8	4,440.8	0.0%
Current tax assets	119.0	165.3	-28.0%
Financial assets	53.4	62.0	-13.7%
Cash and cash equivalents	1,666.0	753.2	121.2%
Restricted cash	35.9	33.7	6.6%
Total current assets	**7,003.0**	**6,218.7**	**12.6%**
Assets classified as held for sale	537.8	602.0	-10.7%
Total assets	**44,283.8**	**43,906.2**	**0.9%**
Issued capital	2.5	2.5	0.0%
Additional paid in capital	1,922.7	1,143.2	68.2%
Other reserves	(530.7)	(511.2)	3.8%
Accumulated losses	(3,611.7)	(3,474.9)	3.9%
Equity attributable to owners of the Company	**(2,217.2)**	**(2,840.4)**	**-21.9%**
Non-controlling interests	612.9	157.4	289.5%
Total equity	**(1,604.3)**	**(2,683.0)**	**-40.2%**
Non-current liabilities			
Long term borrowings, financial liabilities and related hedging instruments	32,534.1	31,804.8	2.3%
Other financial liabilities	815.5	539.5	51.2%
Provisions	1,178.7	1,307.4	-9.8%
Deferred tax liabilities	255.8	494.8	-48.3%
Non-current contract liabilities	564.1	466.4	21.0%
Other non-current liabilities	84.7	127.3	265.7%
Total non-current liabilities	**35,432.8**	**34,740.2**	**2.0%**
Current liabilities			
Short-term borrowings, financial liabilities	102.3	413.6	-75.3%
Other financial liabilities	2,021.2	2,112.0	-4.3%
Trade and other payables	6,756.4	7,103.2	-4.9%
Contract liabilities	610.7	719.9	-15.2%
Current tax liabilities	246.6	196.8	25.3%
Provisions	330.2	429.0	-23.0%
Other current liabilities	188.4	342.6	-45.0%
Total current liabilities	**10,255.8**	**11,317.1**	**-9.4%**
Liabilities directly associated with assets classified as held for sale	199.4	531.9	90.5%
Total liabilities	**45,888.0**	**46,589.2**	**-1.5%**
Total equity and liabilities	**44,283.7**	**43,906.2**	**0.9%**

For the year ended December 31, 2018, the Group had a total asset position of €44,283.8 million and a net negative equity position of €1,604.3 million. The major contributors to the total asset position of the Group are the Altice France Group and PT Portugal and its subsidiaries.

Current assets

As at December 31, 2018, the Group had a current asset position of €7,003.0 million, a 12.6% increase compared to €6,218.7 million as at December 31, 2017, which was mainly driven by an increase in cash and cash equivalents.

Non-current assets

As of December 31, 2018, the Group had a non-current asset position of €36,743.0 million, a 0.9% decrease as compared to €37,085.5 million as of December 31, 2017.

Property, plant and equipment ("PPE"): The Group includes companies that have substantial PPE relating to their telecommunications network, which are required to enable them to run their business. The net book value of such assets (classified under the property, plant and equipment caption) amounted to €10,004.7 million as of December 31, 2018 compared to €10,415.6 million at December 31, 2017. The decrease of €410.9 million is mainly explained by the impact of depreciation of €1,893.1 million, and the classification of €342.3 million of PPE as held for sale, partly offset by additions of €2,110.1 million and other immaterial movements.

Intangible assets: The net book value of intangible assets amounted to €7,675.8 million at December 31, 2018 compared to €8,678.9 million at December 31, 2017. The decrease is mainly explained by the impact of amortization of €1,690.1 million, partly offset by additions of €796.6 million and other immaterial movements.

Goodwill: The net book value of goodwill decreased from €15,915.6 million as at December 31, 2017 to €15,746.7 million as at December 31, 2018. The decrease in goodwill is mainly resulting from the impact of foreign currency exchange translation.

Investments in associates: The investments in associates increased from €49.4 million as at December 31, 2017 to €154.1 million as at December 31, 2018. This increase is mainly explained by the Group's acquisition of a 25% stake in the capital of Belmont Infra Holding S.A. for €108.8 million.

Non-current financial assets: non-current financial assets amounted to €2,331.8 million as at December 31, 2018, an increase of 84.8% compared to €1,262.0 million as at December 31, 2017. This increase is mainly related to an increase in derivative financial assets and loans and receivables with related parties.

Deferred tax assets: Deferred tax assets amounted to €153.7 million as of December 31, 2018, an increase of 1.1% compared to €145.1 million as at December 31, 2017. For information on the changes in the deferred tax assets, please refer to Note 23 to the Consolidated Financial Statements.

Current financial assets: Current financial assets amounted to €53.4 million as at December 31, 2018, a decrease of 13.7% compared to €62.0 million as at December 31, 2017.

Current liabilities

The Group had a current liability position of €10,255.8 million as at December 31, 2018, a decrease of 9.4% compared to €11,317.1 million as at December 31, 2017, mainly composed of trade and other payables and other financial liabilities.

Trade and other payables: Trade and other payables amounted to €6,756.4 million for the year ended December 31, 2018, a decrease of 4.9% compared to €7,103.2 million for the year ended December 31, 2017. This decrease is mainly explained by decreases in corporate and social security payables in Altice France as a result of restructuring pay-outs and other on an individual basis immaterial movement. These decreases were partly offset by an increase in fixed asset payables in Altice TV, mainly related to the payable to UEFA for the Champions League and Europa League rights which amounted to €347.1 million in total as of December 31, 2018.

The high level of trade payables is structural (i.e., related to the structure of the industry in general) and follows industry norms, as customers generally make payments in advance, based on their billing cycle, and suppliers are paid as per the standard payment terms prevalent in each country. The Group generates sufficient operating cash to respect its current debt and has access to revolving credit facilities to assist in meeting its current debt obligations.

Short term borrowings: The current portion of borrowings decreased from €413.6 million as of December 31, 2017 to €102.3 million as of December 31, 2018. The balance as at December 31, 2018 primarily relates to loans payable to financial institutions. The balance as at December 31, 2017 primarily relates to €199.0 million (ILS 957 million) of debentures related to HOT and €194.7 million of loans payable to financial institutions.

Other financial liabilities: Other financial liabilities decreased by 4.3% to reach €2,021.2 million as of December 31, 2018 compared to €2,112.0 million in the year ended December 31, 2017. This was largely driven by a decrease of €167.8 million related to the exercise of put options with non-controlling interests and a decrease in bank overdrafts, partly offset by immaterial movements in other short-term financial liabilities.

Non-current liabilities

The Group's non-current liabilities are mainly composed of bonds and indebtedness obtained from banking institutions. The non-current liability position was €35,432.8 million as of December 31, 2018 compared to €34,740.2 million as of December 31, 2017.

The Company raises debt through its subsidiaries Altice Corporate Financing, Altice Luxembourg, Altice Finco, Altice Financing, Altice France and certain of their subsidiaries.

Long term borrowings: As of December 31, 2018, debentures and bank loans issued by (i) Altice Luxembourg amounted to €6,582.5 million (equivalent), (ii) Altice France amounted to €16,594.0 million (equivalent), and (iii) Altice International amounted to €8,087.0 million (equivalent). In addition, other loans from financial institutions amounted to €0.4 million (equivalent).

Other non-current financial liabilities: Other non-current financial liabilities are mainly composed of liabilities related to put options with non-controlling interest, deposits received, other debts and liabilities with Altice group companies and financial leases. The non-current portion of other financial liabilities amounted to €815.5 million as at December 31, 2018, a decrease of €276.0 compared to €539.5 as at December 31, 2017.

Non-current provisions: Non-current provisions decreased to €1,178.7 million as at December 31, 2018 from €1,307.4 million as at December 31, 2017. For information on the changes in the provisions, please refer to Note 15 to the Consolidated Financial Statements.

Deferred tax liabilities: Deferred tax liabilities decreased by 48.3% to reach €255.8 million as of December 31, 2018, compared to €494.8 million as of December 31, 2017.For further details please refer to Note 23 to the Consolidated Financial Statements.

7. Key Operating Measures

We use several key operating measures, including number of homes passed, Cable/Fiber Customer Relationships, RGUs, RGUs per Cable/Fiber Customer Relationship and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. These measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

000's unless stated otherwise	**Altice Luxembourg - year ended December 31, 2018**					
	France	**FOT**	**Portugal**	**Israel**	**Dominican Republic**	**Total**
Homes passed	**23,467**	**178**	**5,157**	**2,128**	**792**	**31,722**
Fiber / cable homes passed	12,295	172	4,490	2,128	755	19,840
FIXED B2C						
Fiber / cable unique customers	**2,533**	**59**	**803**	**990**	**192**	**4,578**
Net adds	**77**	1	44	-3	-1	118
Total fixed B2C unique customers	**6,275**	**83**	**1,581**	**990**	**318**	**9,247**
Net adds	83	1	8	-3	2	91
MOBILE B2C						
Postpaid subscribers	**13,530**	**219**	**2,959**	**1,140**	**568**	**18,416**
Net adds	187	7	32	7	24	257
Prepaid subscribers	**1,534**	**52**	**3,558**	**159**	**2,532**	**7,834**
Total mobile B2C subscribers	**15,064**	**270**	**6,516**	**1,299**	**3,100**	**26,250**

000's unless stated otherwise	**Altice Luxembourg - year ended December 31, 2017**					
	France	FOT	Portugal	Israel	Dominican Republic	Total
Homes passed	**24,921**	**178**	**5,046**	**2,089**	**786**	**33,019**
Fiber / cable homes passed	10,951	172	4,027	2,089	748	17,987
FIXED B2C						
Fiber / cable unique customers	**2,231**	**59**	**620**	**1,001**	**204**	**4,114**
Net adds	69	-1	43	-5	-3	103
Total fixed B2C unique customers	**5,943**	**82**	**1,555**	**1,001**	**323**	**8,904**
Net adds	-45	-1	6	-5	2	-43
MOBILE B2C						
Postpaid subscribers	**12,508**	**191**	**2,817**	**1,152**	**536**	**17,204**
Net adds	76	9	33	8	-3	123
Prepaid subscribers	**1,842**	**55**	**3,658**	**145**	**2,717**	**8,418**
Total mobile B2C subscribers	**14,351**	**246**	**6,476**	**1,296**	**3,252**	**25,622**

Notes to the Key Operating Measures:

1. Total homes passed in France includes unbundled DSL homes outside of the Altice France Group’s fibre/cable (FTTH / FTTB) footprint. Portugal total homes passed includes DSL homes enabled for IPTV outside of PT Portugal’s fibre footprint and fibre homes passed figures include homes where MEO has access through wholesale fibre operators.

2. Fibre / cable unique customers represents the number of individual end users who have subscribed for one or more of the Group’s fibre / cable-based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises’ basis. Fibre / cable customers for France excludes white-label wholesale subscribers and includes RMC Sport OTT and 4G Box subscribers. For Israel, it refers to the total number of unique customer relationships, including both B2C and B2B.

3. Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Group’s mobile networks. In Israel, the split between iDEN and UMTS (B2C only, including prepaid) services as follows: 5,000 iDEN and 1,294,000 UMTS as of December 31, 2018, and 8,000 iDEN and 1,289,000 UMTS as of December 31, 2017.

8. Other disclosures

8.1. Post-Balance Sheet Date Events

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

8.1.1. Voluntary employee reduction program in Portugal

In connection with their transformation process and their innovation and business process simplification, some of the Group companies in Portugal have launched a voluntary employee reduction program in January 2019. This program was aimed at employees of 50 years old or more; accordingly, their employment agreements shall be terminated, and those employees will be entitled to receive a monthly fixed compensation up to retirement age corresponding to a percentage of their previous remuneration that varies based on the age of the employees. In connection with this program, the Group companies in Portugal have reached agreements with approximately 800 employees up to the end of March 2019, as a result of which these Group companies will recognise in the first quarter of 2019 a liability corresponding to the present value of salaries payable to those employees up to retirement age.

8.1.2. Closing of the sale of 49.99% stake in fibre infrastructure in Altice France

On March 27, 2019, the Group announced the closing of the transaction with a consortium led by OMERS Infrastructure and including AXA IM - Real Assets, and Allianz Capital Partners, regarding the sale of a minority equity stake of 49.99% in SFR FTTH. The consideration received was €1.7 billion based on a €3.4 billion equity value.

8.2. Contractual obligations and commercial commitments

For details regarding the Group's Contractual obligations and commercial commitments, please refer to Note 30 to the audited consolidated financial statements of Altice Luxembourg as of and for the year ended December 31, 2018.

8.3. Related Party Transactions

For details regarding the Group's Related Party Transactions, please refer to Note 29 to the audited consolidated financial statements of Altice Luxembourg as of and for the year ended December 31, 2018.

8.4. Critical Accounting Policies, Judgments and Estimates

For details regarding the Group's critical accounting policies, judgments and estimates, please refer to Note 2 to the audited consolidated financial statements of Altice Luxembourg as of and for the year ended December 31, 2018.

9. Key Income Statement Items

Revenue

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

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

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

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

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

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

Purchasing and subcontracting services

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

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

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

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

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

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

Other operating expenses

Other operating expenses mainly consist of the following subcategories:

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

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

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

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

Other sales and marketing expenses: Other sales and marketing expenses consist of advertising and sales promotion expenses, office rent and maintenance, commissions for marketers, external sales and storage and other expenses related to sales and marketing efforts.

Staff costs and employee benefits

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

Depreciation and amortization

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

Impairment losses

Impairment losses include the write-off of any goodwill or tangible and intangible assets that have been recognized on the acquisition of assets based upon a re-evaluation of the cash generating capacity of such assets compared to the initial valuation thereof.

Other expenses and income

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

Interest relative to gross financial debt

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

Other financial expenses

Other financial expenses include other financial expenses not related to the third party debt (excluding other long term liabilities and short term liabilities, other than finance leases) incurred by the Group. Such expenses mainly include interest costs of finance leases, variations in the fair value of non-hedged derivative instruments and the inefficient portion of hedged derivative instruments.

Financial income

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

Net result on disposal of businesses

Net result on disposal of businesses includes the gain/loss recognized on the disposal of our subsidiaries. This line item is presented separately in the consolidated statement of income for the years ended December 31, 2015 and 2017 and for the nine months ended September 30, 2017. For the nine months ended September 30, 2018, the net result on disposal of businesses is booked under other expenses and income.

Share of profit of associates

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

Income tax expenses

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

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit before depreciation and amortization, impairment and losses, other operating and non-recurring items and other adjustments (equity-based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is useful to readers of our financial as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies.

Capital expenditure

We classify our capital expenditures in the following categories.

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

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

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