

Altice Luxembourg S.A.



Condensed Interim Consolidated Financial Statements

**As of and for the six month period ended
June 30, 2019**

Table of Contents

Condensed Consolidated Statement of Income	3
Condensed Consolidated Statement of Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to the Condensed Interim Consolidated Financial Statements	7
1 About Altice Luxembourg and Altice Group	7
2 Accounting policies	7
3 Scope of consolidation	11
4 Segment reporting	14
5 Goodwill, intangible assets and right-of-use assets	20
6 Investment in associates	22
7 Cash and cash equivalents and restricted cash	23
8 Shareholders' equity	23
9 Borrowings, other financial liabilities and lease liabilities	24
10 Fair value of financial assets and liabilities	28
11 Taxation	29
12 Net finance costs	30
13 Related party transactions	30
14 Contractual obligations and commercial commitments	33
15 Litigation	33
16 Going concern	35
17 Events after the reporting period	36

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

Condensed Consolidated Statement of Income	Notes	Six months ended June 30, 2019	Six months ended June 30, 2018
(€m)			
Revenues	4	7,104.2	7,146.6
Purchasing and subcontracting costs	4	(1,838.8)	(2,154.8)
Other operating expenses	4	(1,309.9)	(1,656.6)
Staff costs and employee benefits	4	(728.6)	(713.7)
Depreciation, amortization and impairment	4	(2,342.8)	(1,857.9)
Other expenses and income	4	2,848.1	57.9
Operating profit		3,732.2	821.5
Interest relative to gross financial debt	12	(553.6)	(787.1)
Other financial expenses	12	(569.2)	(175.1)
Finance income	12	24.1	15.5
Net result on extinguishment of a financial liability	12	(127.8)	-
Finance costs, net		(1,226.5)	(946.6)
Share of earnings of associates		(69.0)	(0.9)
Profit/(loss) before income tax from continuing operations		2,436.7	(126.0)
Income tax benefit/(expenses)	11	61.7	(67.7)
Profit/(loss) for the period from continuing operations		2,498.4	(193.6)
<i>Attributable to equity holders of the parent</i>		2,191.8	(175.0)
<i>Attributable to non-controlling interests</i>		306.6	(18.6)

Condensed Consolidated Statement of Other Comprehensive Income		Six months ended June 30, 2019	Six months ended June 30, 2018
(€m)			
Profit/(loss) for the period		2,498.4	(193.6)
Other comprehensive income/(loss)			
Items that are reclassified to profit or loss			
Exchange differences on translating foreign operations		(47.8)	22.2
Gain/(loss) on cash flow hedge, net of taxes		108.5	(143.7)
Fair value of financial assets through OCI, net taxes		(0.7)	(1.9)
Item that is not reclassified to profit or loss			
Actuarial (loss)/gain, net of taxes		(41.0)	13.6
Total other comprehensive profit/(loss)		19.1	(109.8)
Total comprehensive profit/(loss) for the period		2,517.5	(303.4)
<i>Attributable to equity holders of the parent</i>		2,204.8	(274.8)
<i>Attributable to non-controlling interests</i>		312.7	(28.5)

The accompanying notes on pages 7 to 36 form an integral part of these condensed interim consolidated financial statements.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position (€m)	Notes	As of June 30, 2019	As of December 31, 2018
Non-current assets			
Goodwill	5.1	15,750.4	15,746.7
Intangible assets	5.4	7,321.8	7,675.8
Property, plant & equipment		9,940.8	10,004.7
Right-of-use assets ¹	5.5	3,871.8	-
Contract costs		254.9	252.5
Investment in associates	6	1,803.3	154.1
Financial assets	10	1,646.4	2,331.8
Deferred tax assets		272.3	153.7
Other non-current assets		440.9	423.7
Total non-current assets		41,302.6	36,743.0
Current assets			
Inventories		408.5	422.2
Contract assets		244.6	265.7
Trade and other receivables		4,364.8	4,440.8
Current tax assets		76.3	119.0
Financial assets		181.4	53.4
Cash and cash equivalents	7	864.1	1,666.0
Restricted cash	7	34.9	35.9
Total current assets		6,174.6	7,003.0
<i>Assets classified as held for sale</i>	<i>3.4</i>	<i>107.2</i>	<i>537.8</i>
Total assets		47,584.4	44,283.8
Equity			
Issued capital	8.1	2.5	2.5
Additional paid in capital	8.2	1,917.8	1,922.7
Other reserves	8.3	(517.7)	(530.7)
Accumulated losses	8	(1,368.6)	(3,611.7)
Equity attributable to owners of the Company		34.1	(2,217.2)
Non-controlling interests	3.3	827.9	612.9
Total equity		862.0	(1,604.3)
Non-current liabilities			
Long term borrowings, financial liabilities and related hedging instruments	9	30,580.7	32,534.1
Other financial liabilities	9.6	503.9	815.5
Non-current lease liabilities ¹	9.6	3,149.6	-
Provisions		1,329.0	1,178.7
Deferred tax liabilities		256.7	255.8
Non-current contract liabilities		587.4	564.1
Other non-current liabilities		74.9	84.7
Total non-current liabilities		36,482.2	35,432.9
Current liabilities			
Short-term borrowings, financial liabilities	9	161.7	102.3
Other financial liabilities	9.6	1,905.9	2,021.2
Current lease liabilities ¹	9.6	720.4	-
Trade and other payables ²		6,209.3	6,756.4
Contract liabilities		630.5	610.7
Current tax liabilities		181.1	246.6
Provisions		275.3	330.2
Other current liabilities		69.7	188.4
Total current liabilities		10,153.9	10,255.8
<i>Liabilities directly associated with assets classified as held for sale</i>	<i>3.4</i>	<i>86.3</i>	<i>199.4</i>
Total liabilities		46,722.4	45,888.1
Total equity and liabilities		47,584.4	44,283.8

1 Following the adoption of IFRS 16 *Leases* as of January 1, 2019, Right-of-use assets and Current and Non-current lease liabilities captions have been included in the Consolidated Statement of Financial Position. Please refer to note 2.1.1.1.

2 The decrease in trade and other payables as of June 30, 2019 compared to December 31, 2018 was mainly due to a decrease in trade and social security payables in Altice France as a result of payments made during the first half-year of 2019 and a netting between trade receivable and other payable in Altice France related to roaming businesses.

The accompanying notes on pages 7 to 36 form an integral part of these condensed interim consolidated financial statements.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity	Number of shares on issue	Share capital	Additional paid in capital	(Accumulated losses)/ Retained earnings	Currency translation reserve	Cash flow hedge reserve	Fair value through OCI	Employee benefits	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2019	251,050,186	2.5	1,922.7	(3,611.7)	(45.5)	(460.7)	2.6	(27.2)	(2,217.2)	612.9	(1,604.3)
IFRS 16 transition impact		-	-	36.3	-	-	-	-	36.3	3.7	40.0
Equity at January 1, 2019¹	251,050,186	2.5	1,922.7	(3,575.4)	(45.5)	(460.7)	2.6	(27.2)	(2,181.0)	616.7	(1,564.3)
Profit for the period		-	-	2,191.8	-	-	-	-	2,191.8	306.6	2,498.4
Other comprehensive profit/(loss)		-	-	-	(48.5)	102.3	(0.7)	(40.1)	13.0	6.0	19.0
Comprehensive profit/(loss)		-	-	2,191.8	(48.5)	102.3	(0.7)	(40.1)	2,204.8	312.7	2,517.5
Share based payments		-	-	1.2	-	-	-	-	1.2	0.1	1.3
Transactions with non-controlling interests		-	(7.9)	-	-	-	-	-	(7.9)	(0.5)	(8.4)
Transactions with Altice shareholder		-	3.0	-	-	-	-	-	3.0	-	3.0
Dividends		-	-	0.3	-	-	-	-	0.3	(99.2)	(98.9)
Other		-	-	13.5	-	-	-	-	13.5	(1.9)	11.6
Equity at June 30, 2019	251,050,186	2.5	1,917.8	(1,368.6)	(94.0)	(358.4)	2.0	(67.2)	34.1	827.9	862.0

1 Equity as at January 1, 2019 includes the impact from the adoption of IFRS 16 *Leases* as of January 1, 2019 by the Group. Please refer to note 2.1.1.1.

Condensed Consolidated Statement of Changes in Equity	Number of shares on issue	Share capital	Additional paid in capital	Accumulated losses	Currency translation reserve	Cash flow hedge reserve	Fair value through OCI	Employee benefits	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2018	251,050,186	2.5	1,194.3	(3,520.0)	56.4	(521.4)	3.5	(55.5)	(2,840.3)	157.4	(2,683.0)
IFRS 9 transition impact		-	-	(1.8)	-	-	-	-	(1.8)	2.0	0.2
Equity at January 1, 2018¹	251,050,186	2.5	1,194.3	(3,521.8)	56.4	(521.4)	3.5	(55.5)	(2,842.2)	159.4	(2,682.8)
Loss for the period		-	-	(175.0)	-	-	-	-	(175.0)	(18.6)	(193.6)
Other comprehensive profit/(loss)		-	-	-	22.5	(134.3)	(1.9)	13.8	(99.9)	(9.9)	(109.8)
Comprehensive profit/(loss)		-	-	(175.0)	22.5	(134.3)	(1.9)	13.8	(274.8)	(28.5)	(303.4)
Transaction with Altice Shareholder's		-	(164.2)	-	-	-	-	-	(164.2)	-	(164.2)
Transactions with non-controlling interests ¹		-	(393.2)	-	-	-	-	-	(393.2)	115.6	(277.6)
Other		-	(3.3)	-	-	-	-	-	(3.3)	6.2	2.8
Equity at June 30, 2018	251,050,186	2.5	633.5	(3,696.7)	78.9	(655.7)	1.6	(41.7)	(3,677.6)	252.6	(3,425.0)

1 Previously published information has been revised to take into account the impact following the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.

The accompanying notes on pages 7 to 36 form an integral part of these condensed interim consolidated financial statements.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows	Six months ended June 30, 2019	Six months ended June 30, 2018
(€m)		
Net profit/(loss) including non-controlling interests	2,498.4	(102.2)
Adjustments for:		
Depreciation, amortization and impairment	2,342.8	1,857.9
Share in income of associates	69.0	0.9
Gain on disposals of business	(3,202.0)	(88.8)
Other non-cash operating gains/(losses) net ¹	173.6	(182.1)
Pension liability payments	(50.2)	(30.9)
Finance costs recognized in the statement of income	1,226.5	920.3
Income tax credit recognized in the statement of income	(61.7)	2.6
Income tax paid	(176.1)	(52.0)
Changes in working capital ²	(403.7)	(484.4)
Net cash provided by operating activities	2,416.7	1,841.3
Payments to acquire tangible and intangible assets	(1,485.0)	(1,499.2)
Payments to acquire financial assets ³	(169.4)	(13.0)
Proceeds from disposal of businesses ⁴	1,618.5	157.3
Proceeds from disposal of tangible, intangible and financial assets	4.2	16.4
Payments to acquire interests in associates ⁵	(19.6)	(21.6)
Payment to acquire subsidiaries, net	(0.3)	(66.4)
Net cash used in investing activities	(51.6)	(1,426.5)
Proceeds from issuance of debts	3,200.0	955.0
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control ⁶	(15.1)	-
Transactions with non-controlling interests ⁷	(11.1)	(100.0)
Payments to redeem debt instruments	(5,012.8)	(544.4)
Lease payment (principal) related to ROU ⁸	(417.1)	-
Lease payment (interest) related to ROU ⁸	(98.3)	-
Advances group companies	(25.4)	(57.7)
Dividends paid ⁹	(96.7)	-
Interest paid	(1,037.8)	(860.9)
Swap proceeds ¹⁰	540.3	-
Other cash (used in)/provided by financing activities ¹¹	(184.4)	111.8
Net cash used in financing activities	(3,158.6)	(496.2)
Classification of cash as held for sale	(10.2)	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	1.8	-
Net change in cash and cash equivalents	(801.9)	(81.3)
Cash and cash equivalents at beginning of period	1,666.0	753.2
Cash and cash equivalents at end of the period	864.1	671.8

- 1 Other non-cash operating gains and losses mainly include allowances and writebacks for provisions (including those for restructuring plans in PT Portugal for €252.7 million), and gains and losses recorded on the disposal of tangible and intangible assets.
- 2 Changes in working capital relate to payments and receipts related to inventories, trade and other receivables and trade and other payables.
- 3 Payments to acquire financial assets include mainly €138.7 million (original amount was €175.0 million) of cash which has been received for the sale of SFR FTTH, but which is held in escrow, and net payments of €31.4 million for cash deposits related to certain tax litigations which are disputed by Altice France.
- 4 Proceeds from the disposal of businesses relates to the cash received for the sale of a 49.99% equity stake in SFR FTTH, amounting to €1,709.5 million, less cash transferred to SFR FTTH upon the completion of the transaction.
- 5 Payments to acquire interests in associates relate to the capital increase in La Poste.
- 6 Proceeds on disposal of a partial interest in a subsidiary that does not involve a loss of control relates to the purchase price adjustment related to the sale of the minority stake in Hivory.
- 7 Transactions with non-controlling interest relate to payments made to former minority shareholders of ERT Luxembourg S.A. Please also refer to note 9.6.8.
- 8 Lease payment (principal) related to right-of-use ("ROU") and Lease payment (interest) related to ROU are reported under financing activities upon adoption of IFRS 16 *Leases*. During the six months ended June 30, 2018, operating lease payments were included in net cash provided by operating activities. Please refer also to notes 2.1.1.1 and 2.1.1.2.
- 9 Dividends paid mainly relate to dividends paid to KKR related to Hivory and €76.4 million of dividend paid by Altice France to Altice Europe N.V.
- 10 Swap proceeds partially relate to the swap monetization proceeds of €435 million were used by Altice Luxembourg S.A. to repay its existing \$2,900 million and €2,075 million 2022 Notes.
- 11 Other cash used in financing activities include net repayments of €69.8 million of call premium for the refinancing of the bonds in Altice Luxembourg, €115.2 million of repayments related to factoring and securitization, €7.0 million related to the repayment of commercial paper, €29.6 million related to refinancing related fees and €56.3 million related to various other financing related activities. These cash outflows were partially offset by net receipts related to an increase of bank overdrafts amounting to €93.4 million, mainly in Altice France.

The accompanying notes on pages 7 to 36 form an integral part of these condensed interim consolidated financial statements.

1. About Altice Luxembourg and Altice Group

Altice Luxembourg S.A. (the “Company”, the “Group”) is a public limited liability company (“*société anonyme*”) incorporated in Luxembourg, headquartered at 5, rue Eugène Ruppert, L-2453, Luxembourg, in the Grand Duchy of Luxembourg.

The direct controlling shareholder of the Company is Altice Group Lux S.à r.l., which holds 100% of the share capital, and is itself controlled by Altice Europe N.V. (“Altice” or “the Altice Group”), headquartered at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The financial statements of the Company are consolidated into the financial statements of Altice Europe N.V.. The controlling shareholder of Altice Europe N.V. is Next Alt S.à r.l. (“Next Alt”), which holds 75.06% of the share capital as of June 30, 2019 and is controlled by Mr. Patrick Drahi.

Altice is a convergent leader in telecoms, content, media, entertainment and advertising. Altice delivers innovative, customer-centric products and solutions that connect and unlock the limitless potential of its over 30 million customers over fibre networks and mobile broadband. Altice is also a provider of enterprise digital solutions to millions of business customers. The Altice Group innovates with technology, research and development and enables people to live out their passions by providing original content, high-quality and compelling TV shows, and international, national and local news channels. Altice delivers live broadcast premium sports events and enables its customers to enjoy the most well-known media and entertainment.

2. Accounting policies

2.1. Basis of preparation

These condensed interim consolidated financial statements of the Group as of June 30, 2019 and for the six month period then ended were approved by the Board of Directors and authorized for issue on August 15, 2019.

These condensed interim consolidated financial statements of the Group as of June 30, 2019 and for the six month period then ended, are presented in millions of Euros, except as otherwise stated, and have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. They should be read in conjunction with the annual consolidated financial statements of the Group and the notes thereto as of and for the year ended December 31, 2018 which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”) (the “annual consolidated financial statements”).

The accounting policies applied for the condensed interim consolidated financial statements as of June 30, 2019 do not differ from those applied in the annual consolidated financial statements as of and for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019.

In addition, following the closing of the sale of 49.99% in SFR Fibre to the Home (“SFR FTTH”) (please refer to note 3.1.2) and the network deployment and maintenance framework agreement between Altice France and SFR FTTH, the Group adopted the following accounting policies:

- The margin realised on downstream transactions (sales of assets from Altice France to SFR FTTH described in note 13) are eliminated in the income statement up to Altice France’s share in SFR FTTH based on the provision of IAS 28 *Investments in Associates and Joint Ventures*.
- In the absence of precise IFRS guidance related to the geography of the margin elimination in the income statement, the Group elects to eliminate the margin in the caption Share of earnings of associates in the income statement in counterpart of the caption Investment in associates in the statement of financial position. The margin elimination on those downstream transactions is reversed over the useful life of the assets in the same captions.

2.1.1. Standards applicable for the reporting period

The following standards have mandatory application for periods beginning on or after January 1, 2019 as described in note 1.3.2 to the annual consolidated financial statements.

- IFRS 16 *Leases*, effective on January 1, 2019;
- Annual improvements cycle 2015-2017, effective on or after January 1, 2019;

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

- IFRS Interpretation Committee (“IFRIC”) 23: *Uncertainty over Income Tax Treatments*, applicable for annual periods beginning on or after January 1, 2019;
- Amendments to IFRS 9: *Prepayments features with Negative Compensation*, effective on or after January 1, 2019;
- Amendments to IAS 28: *Long term interests in Associates and Joint ventures*, effective on or after January 1, 2019;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*, effective on or after January 1, 2019.

The application of amendments to IAS 19, IAS 28, IFRS 9, annual improvements cycle 2015-2017 and IFRIC 23 had no material impact on the amounts recognised in the annual consolidated financial statements and had no material impact on the disclosures in these condensed interim consolidated financial statements.

Below are described the impact of the first adoption of IFRS 16 *Leases* and the main changes in the Group’s accounting policies relating to the first time application of IFRS 16 *Leases*.

2.1.1.1. Adoption of IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The change of definition of a lease mainly relates to the conception of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange of consideration.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Therefore, the annual consolidated financial statements were not restated under the new standard.

The effect of adoption IFRS 16 as at January 1, 2019 is as follows:

Effect of adoption IFRS 16 (€m)	January 1, 2019
Intangible assets	(1.4)
Property, plant & equipment	(138.8)
Right-of-use assets	4,130.1
Trade and other receivables	(40.2)
Total assets	3,949.8
Equity	40.1
Provision - non-current	(40.0)
Deferred tax liabilities	18.9
Other financial liabilities - non-current	(92.9)
Lease liability - non-current	3,405.7
Other financial liabilities - current	(40.4)
Lease liability - current	741.0
Provision - current	(20.0)
Trade and other payables	(62.6)
Total liabilities	3,949.8

The Group has lease contracts related to mobile sites (land, space in cell towers or rooftop, agreement with towers company), network infrastructure (including local loop unbundling), buildings used for administrative or technical purposes and other assets (vehicles). Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Trade and other receivables and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group:

- Right-of-use assets are reported separately in the statement of financial position.
- The recognition, measurement and disclosure requirements of IFRS 16 are also applied to short-term leases and leases of low-value assets.
- A distinction is made in leases that contain both lease components and non-lease components except for agreements for which the separation is impracticable (master service agreements with towers company).
- Application of the portfolio approach for the recognition and measurements of certain asset categories with similar characteristics (same residual value, same economic environment), mainly for local loop unbundling.
- Application of the standard to contracts that were previously identified as finance leases under IAS 17 / IFRIC 4 at the transition date (carry forward of existing finance lease liabilities).
- Calculate outstanding liability for existing operating leases using the incremental borrowing rate at date of transition.
- IFRS 16 is not applied to leases for intangible assets.
- The Group chooses to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application.

Based on the aforementioned, as at January 1, 2019:

- Right-of-use assets of €4,130.1 million were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of €140.2 million that were reclassified from Property, plant and equipment and Intangible assets.
- Additional lease liabilities of €4,146.7 million (current and non-current) were recognised (including the reclassification of finance lease liabilities already recorded as of December 31, 2018 of €133.3 million).
- Trade and other receivables of €40.2 million and Trade and other payables of €62.6 million related to previous operating leases were derecognised.
- Deferred tax liabilities increased by €18.9 million because of the deferred tax impact of the changes in assets and liabilities.
- Provision for onerous contract (current and non-current) was reclassified in reduction on right-of-use assets for €60.0 million.
- The net effect of these adjustments had been adjusted to equity for €40.1 million.

In addition, the Group is closely monitoring the work of IASB and the IFRS Interpretation Committee, aiming to clarify interpretation of IFRS 16, which could lead to a revision of the accounting policies applied by the Group.

In June 2019, the IFRIC issued a tentative agenda decision related to subsurface rights concluding that when a contract between a land owner and another party gives the other party the right to place an oil pipeline in a specified underground space, with the land owner retaining the right to use the surface area of the land above the pipeline, that contract contains a lease. The Group is finalising the assessment and at this stage, no material impact is expected as in most of the Group's contracts the supplier has a substantive right to substitute the asset throughout the period of use and therefore, the contracts do not contain a lease.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

Reconciliation of lease liabilities (€m)	January 1, 2019
Operating lease obligations as at December 31, 2018	3,592.8
Period revised for IFRS 16 ¹	1,587.6
Other ²	74.1
Gross lease liability under IFRS as at January 1, 2019	5,254.6
Discounting effect	(1,241.2)
Lease liability as at January 1, 2019	4,013.4
<i>Long term</i>	<i>3,313.9</i>
<i>Short term</i>	<i>699.5</i>
Finance lease debt	133.3
Total Lease liabilities as of January 1, 2019	4,146.7
<i>Long term</i>	<i>3,405.7</i>
<i>Short term</i>	<i>741.0</i>

1 This line includes mainly the effect of renewal options not taken in the minimum lease payments as well as the unbundling local loop rental costs that were not included in the minimum lease payments.

2 This line includes mainly the effect of the change in scope of PHI that is consolidated since January 1, 2019 (please refer to note 3.1.1).

The weighted average incremental borrowing rate as at January 1, 2019 is 4.4%.

2.1.1.2. Summary of new accounting policies upon adoption of IFRS 16

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of technical sites due to the significance of these assets to its operations.

2.1.2. *Standards and interpretations not applicable as of reporting date*

The Group has not early adopted the following standards and interpretations, for which application is not mandatory for period started from January 1, 2019 and that may impact the amounts reported:

- Amendments to IAS 1 and IAS 8: *Definition of Material*, effective on or after January 1, 2020;
- Amendments to IFRS 3: *Definition of a Business*, effective on or after January 1, 2020;
- Amendments to References to the Conceptual Framework in IFRS Standards, effective on or after January 1, 2020.

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

2.1.3. *Significant accounting judgments and estimates*

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

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

These key areas of judgments and estimates, as disclosed in the annual consolidated financial statements are:

- Estimations of provisions for claims and restructuring plans;
- Measurement of post-employments benefits;
- Revenue recognition;
- Fair value measurement of financial instruments;
- Measurement of deferred taxes;
- Impairment of goodwill;
- Estimation of useful lives of intangible assets and property, plant and equipment; and
- Estimation of impairment losses for trade and other receivables.

As of June 30, 2019, there were no changes in the key areas of judgements and estimates except that, following the application of IFRS 16 *Leases*, judgement and estimates are made for the determination of lease terms and the discount rate:

- For the lease term, the Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
- The discount rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3. Scope of consolidation

The following changes occurred during the six month period ended June 30, 2019, which impacted the scope of consolidation compared to that presented in the annual consolidated financial statements.

3.1. Transactions completed in the current period

3.1.1. *Change in consolidation method in PHI*

In January 2019, Hot Mobile and Partner signed an amendment to the Network Sharing Agreement with respect to the governance of the company PHI, effective on January 1, 2019. Following this amendment, the parties have joint control over PHI (compared to significant influence before the amendment); accordingly, PHI is accounted

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

under the provisions of IFRS 11 *Joint Arrangements* as joint operation (recognition of Hot Mobile's interests in PHI's assets, liabilities, revenues and expenses) instead of equity method.

3.1.2. Closing of the sale of 49.99% in SFR Fibre to the Home ("SFR FTTH")

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 a 49.99% equity stake in 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 related assets and liabilities were classified as held for sale as of December 31, 2018 (please refer to note 3.4).

The transaction closed on March 27, 2019. The consideration received was €1.7 billion, based on a €3.4 billion equity value. The total capital gain recorded for the six month period ended June 30, 2019 was €3,203.8 million (please refer to note 4.3.2.5). This partnership creates the leading FTTH infrastructure wholesaler in France and brings an additional €1.7 billion of cash to Altice France. Following the closing of the transaction, Altice France lost exclusive control over SFR FTTH as Altice France and the Partners have joint control over the new entity based on the provisions of IFRS 11 *Joint Arrangements*. Furthermore, as SFR FTTH is a joint venture (joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement), SFR FTTH is accounted for under the equity method based on the provisions of IAS 28 *Investments in Associates and Joint Ventures*.

In the context of the network deployment and maintenance framework agreement between Altice France and SFR FTTH, the margin realised on downstream transactions (sales of assets from Altice France to SFR FTTH described in note 13) are eliminated in the income statement up to Altice France's share in SFR FTTH based on the provision of IAS 28 *Investments in Associates and Joint Ventures*. In the absence of precise IFRS guidance related to the geography of the margin elimination in the income statement, the Group elects to eliminate the margin in the caption Share of earnings of associates in the consolidated statement of income in counterpart of the caption Investment in associates in the statement of financial position. The margin elimination on those downstream transactions is reversed over the useful life of the assets in the same captions.

3.2. Transactions completed in the prior period

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

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

The capital gain recorded during the six month period ended June 30, 2018 amounted to €88.8 million, net of tax. The total proceeds received amounted to €156.4 million.

3.2.2. 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 shareholders' equity within the transaction with Altice shareholders for the six month period ended June 30, 2018 amounted to €3.6 million net of tax.

3.2.3. 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%.

3.2.4. 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

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

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 Group’s ownership in ATS increased to 100%.

3.2.5. 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 ended June 30, 2018 amounted to €28.1 million net of tax.

3.2.6. 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 for the six month period ended June 30, 2018 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.

3.3. Variations in non-controlling interests

Variations in non-controlling interests (€m)	Altice France	Hivory ¹	Altice Technical Services	Other	Group
Opening balance at January 1, 2018	161.0	-	24.9	(28.5)	157.4
IFRS 9	2.0	-	-	-	2.0
Opening balance at January 1, 2018 (*revised)	163.0	-	24.9	(28.5)	159.4
Net income	(42.5)	3.4	(4.3)	4.2	(39.1)
Other comprehensive income	2.5	-	0.3	0.3	3.2
Dividends	(4.4)	-	(16.3)	-	(20.7)
Acquisition of ATSF and ACS	16.8	-	(18.4)	0.9	(0.7)
Sale of i24News	(2.6)	-	-	-	(2.6)
Acquisition of MCS	(1.4)	-	-	-	(1.4)
Transaction with NCI in ACL and GNP	128.7	-	-	-	128.7
Transaction with NCI in DTV Holding	12.3	-	-	-	12.3
Transaction with NCI in ERT Luxembourg	(11.4)	-	-	-	(11.4)
Acquisition of Deficom instruments	-	-	-	35.6	35.6
Disposal of Hivory’s minority stake	-	361.1	-	-	361.1
Consolidation of SIRESP	-	-	-	5.0	5.0
Other	(16.2)	-	-	(0.3)	(16.5)
Closing at December 31, 2018	244.8	364.5	(13.8)	17.3	612.9
IFRS 16	3.7	-	-	-	3.7
Opening balance at January 1, 2019	248.6	364.5	(13.8)	17.3	616.6
Net income	286.8	21.0	(0.6)	(0.6)	306.6
Other comprehensive income	6.2	-	0.7	-	6.9
Share based payment	(0.9)	-	-	-	(0.9)
Transactions with NCI	(2.0)	-	-	(0.2)	(2.2)
Dividends	(80.0)	(19.3)	-	-	(99.2)
Other	(0.3)	-	0.3	0.1	0.1
Closing at June 30, 2019	458.4	366.2	(13.5)	16.6	827.9

1 This column presents the impact of the sale by Altice France of a minority stake in Hivory (an entity created by Altice France to which Altice France contributed some of its telecommunication towers) that was closed on December 18, 2018. Following the closing of the sale, Altice France keeps an exclusive control on Hivory which is consolidated in Altice France.

The main change in non-controlling interests (“NCI”) as at June 30, 2019 was mainly due to:

- net income attributable to the non-controlling interest for the six month period ended June 30, 2019 of €306.6 million, mainly in Altice France and Hivory;
- dividend payments by Altice France and Hivory, reducing NCI by €99.2 million; and
- the acquisition of non-controlling interests in ERT Lux by ATS France, reducing NCI by €2.0 million.

3.4. Assets held for sale

During 2018, PT Portugal classified real estate properties as held for sale with a book value of €15.9 million as at December 31, 2018, following the signature of promise of sale agreements entered with the entity Almost Future, S.A., for a total consideration of €17.7 million. As of June 30, 2019, the real estate deeds were not yet entered into, and the assets were not derecognised. The book value of the assets held for sale as at June 30, 2019, was €16.9 million.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

At the end of June 2019, PT Portugal entered into an agreement with the Portuguese State to transfer the ownership of its shares in SIRESP's share capital in December 2019. Under this agreement, PT Portugal will maintain control over SIRESP until the date of the transfer of the shares. Following this agreement, the related assets and liabilities were classified in the assets and liabilities as held for sale as at June 30, 2019. The Group did not consider this to be a major line of business or a geographic operation and, as such, revenues and expenses were not classified as discontinuing operations.

On February 12, 2019, Altice France and Groupe L'Express S.A. ("L'Express") announced the potential sale by Altice France to News Participations S.A.S, a company controlled by Alain Weill, of a majority stake in L'Express. On July 19, 2019, the Board of Directors of Altice Europe N.V. approved the sale of a 51% equity stake to News Participations S.A.S., the remaining 49% of the share capital of L'Express being held by Altice Group Lux S.à r.l.. Following the announcement and the finalization of the term sheet of the transaction at the end of June 2019, the related asset and liabilities have been classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* as at June 30, 2019. Please refer to note 17.1.

On November 30, 2018, the indirect parent entity, 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 regarding the sale of a 49.99% equity stake in 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 related assets and liabilities were classified as held for sale as of December 31, 2018. The transaction closed on March 27, 2019. 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. Please refer to note 3.1.2.

Table below provides the details of assets and liabilities classified as held for sale as of June 30, 2019 and December 31, 2018:

Disposal groups held for sale (€m)	June 30, 2019				December 31, 2018		
	L'Express	SIRESP	Other	Total	SFR FTTH	Other	Total
Goodwill	0.2	-	-	0.2	-	-	-
Tangible and intangible assets	2.5	24.0	16.9	43.4	438.7	15.9	454.6
Other non-current assets	9.2	0.7	-	9.9	0.6	-	0.6
Investment in associates	-	-	-	-	-	-	-
Currents assets	43.0	10.7	-	53.7	82.7	-	82.7
Total assets held for sale	54.9	35.4	16.9	107.2	521.9	15.9	537.8
Non-current liabilities	(15.4)	(0.2)	-	(15.6)	(95.7)	-	(95.7)
Current liabilities	(49.3)	(21.3)	-	(70.6)	(103.7)	-	(103.7)
Total liabilities related to assets held for sale	(64.7)	(21.5)	-	(86.3)	(199.4)	-	(199.4)

4. Segment reporting

4.1. Definition of segments

Given the geographical spread of the entities within the Group, analysis by geographical area is fundamental in determining the Group's strategy and managing its different businesses. The Group's chief operating decision maker is the Board of Directors. The Board of Directors analyses the Group's results across geographies, and certain key areas by activity. The presentation of the segments here is consistent with the reporting used internally by the Board of Directors to track the Group's operational and financial performance. The businesses that the Group owns and operates do not show significant seasonality, except for the mobile B2C and B2B business, which can show significant changes in sales at the year end and at the end of the summer season (the "back to school" period). The B2B business is also impacted by the timing of preparation of the annual budgets of public and private sector companies. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The segments that are presented are detailed below:

- **France:** The Group controls Altice France S.A. ("Altice France"), the second largest telecom operator in France, which provides residential, business, mobile and high-speed internet services using SFR and the associated brands. Additionally, the media division of Altice France includes NextRadioTV and SFR Presse companies, which cover audio-visual and press activities in France, respectively. As of 2018, this segment also comprises of the French Overseas Territories ("FOT"), Altice Technical Services France

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

S.à r.l. (“ATS France”) and Altice Customer Services (“ACS”).

- **Portugal:** Altice owns Portugal Telecom (“PT Portugal”), the largest telecom operator in Portugal. PT Portugal caters to residential fixed, residential mobile and business services 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 residential and business services clients. HOT also produces award winning exclusive content that it distributes using its fixed network, as well as content application called Next and OTT services through Next Plus. As of 2018, this segment also includes the Altice Technical Services entity in Israel.
- **Dominican Republic:** The Group provides residential fixed, residential mobile and business services 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 no longer part of the Group following the sale to Altice Group Lux S.à r.l. that was closed on May 15, 2018 (please refer to note 3.2.6).
- **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”.

4.2. Financial Key Performance Indicators (“KPIs”)

The Board of Directors has defined certain financial KPIs that are tracked and reported by each operating segment every month to the senior executives of the Company. The Board of Directors believes that these indicators offer them the best view of the operational and financial efficiency of each segment and this follows best practices in the rest of the industry, thus providing investors and other analysts a suitable base to perform their analysis of the Group’s results.

The financial KPIs tracked by the Board of Directors are:

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

4.2.1. Non-GAAP measures

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

4.2.1.1. Adjusted EBITDA

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

4.2.1.2. Capex

Capex is an important indicator to follow, as the profile varies greatly between activities:

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

- The fixed business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).
- Mobile Capex is mainly driven by investment in new mobile sites, upgrade to new mobile technology and licenses to operate; once engaged and operational, there are limited further Capex requirements.
- Other Capex is mainly related to costs incurred in acquiring content rights.

4.2.1.3. *Operating free cash flow*

OpFCF is defined as Adjusted EBITDA less Capex. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating cash flow as presented in the consolidated statement of cash flows in accordance with IAS 1 *Presentation of Financial Statements*.

4.2.2. *Revenues*

As of January 1, 2019, additional information on the revenue split is presented as follows:

- Residential – Fixed: revenues from fixed business to B2C customers
- Residential – Mobile: revenues from mobiles services and equipment business to B2C customers
- Business services: revenues from B2B customers, wholesale (including the construction of the FTTH network for SFR FTTH) and other revenues
- Media: media, content and advertisement revenues in Altice France and Teads. In 2018, Media revenues also included revenues in Altice TV

The comparative information for the six month period ended June 30, 2018 has been revised to reflect the change in revenue split (please refer to note 4.3.3).

Intersegment revenues represented 0.4% of total revenues for the six month period ended June 30, 2019, compared to 0.9% of total revenues for the six month period ended June 30, 2018 (€30.8 million compared to €67.8 million). Intersegment revenues mainly relate to services rendered by certain centralized Group functions (relating to content production, content distribution and centralized research and development) to the operational segments of the Group.

4.3. Segment results

4.3.1. *Operating profit by segment*

For the six months ended June 30, 2019 €m	France	Portugal	Israel	Dominican Republic	Teads ¹	Others	Inter- segment elimination	Total
Revenues	5,164.7	1,030.5	466.6	279.4	193.4	0.4	(30.8)	7,104.2
Purchasing and subcontracting costs	(1,389.9)	(260.8)	(143.0)	(70.3)	-	-	25.1	(1,838.8)
Other operating expenses	(873.0)	(179.9)	(98.9)	(41.0)	(115.1)	(4.0)	1.8	(1,309.9)
Staff costs and employee benefits	(495.9)	(134.0)	(33.3)	(15.0)	(50.2)	(0.4)	0.2	(728.6)
Total	2,405.9	455.9	191.4	153.2	28.1	(4.0)	(3.7)	3,226.8
Share-based expenses	2.2	-	-	-	-	-	-	2.2
Rental expense operating lease ²	(380.1)	(36.1)	(16.9)	(12.5)	(2.0)	-	-	(447.7)
Adjusted EBITDA	2,028.0	419.8	174.5	140.7	26.1	(4.0)	(3.7)	2,781.3
Depreciation, amortisation and impairment	(1,731.4)	(358.5)	(179.7)	(63.4)	(9.8)	-	-	(2,342.8)
Share-based expenses	(2.2)	-	-	-	-	-	-	(2.2)
Other expenses and income	3,150.1	(283.3)	(3.5)	(5.3)	(0.9)	(9.0)	-	2,848.1
Rental expense operating lease	380.1	36.1	16.9	12.5	2.0	-	-	447.7
Operating profit/(loss)	3,824.6	(185.8)	8.3	84.4	17.4	(13.0)	(3.7)	3,732.2

1 The standalone revenues of Teads for the six month period ended June 30, 2019 disclosed in the condensed interim consolidated financial statements of €193.4 million are based on revenues net of discounts.

2 This line corresponds to the operating lease expenses which impacts are included in Adjusted EBITDA following the definition stated in note 4.2.1.1.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2018	France	Portugal	Israel Dominican Republic	Teads	Altice TV	Others	Inter- segment elimination	Total	
Revenues	5,201.7	1,050.0	482.7	300.0	150.9	28.6	0.5	(67.8)	7,146.6
Purchasing and subcontracting costs	(1,616.7)	(274.2)	(130.6)	(86.3)	-	(99.0)	-	52.1	(2,154.8)
Other operating expenses	(1,207.0)	(194.5)	(107.8)	(46.8)	(95.9)	(3.2)	(3.6)	2.2	(1,656.6)
Staff costs and employee benefits	(489.6)	(137.0)	(32.2)	(13.0)	(39.2)	(1.5)	(1.4)	0.1	(713.7)
Total	1,888.4	444.3	212.1	153.9	15.8	(75.1)	(4.6)	(13.4)	2,621.4
Share-based expenses	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	1,888.4	444.3	212.1	153.9	15.8	(75.1)	(4.6)	(13.4)	2,621.4
Depreciation, amortisation and impairment	(1,301.4)	(329.4)	(157.0)	(61.9)	(8.2)	-	-	-	(1,857.9)
Share-based expenses	-	-	-	-	-	-	-	-	-
Other expenses and income	(274.4)	(41.6)	(7.4)	(2.1)	0.4	300.0	75.6	7.4	57.9
Operating profit/(loss)	312.7	73.3	47.7	89.9	8.0	224.9	71.0	(6.0)	821.5

Regarding the share-based expenses, the Group has several share-based compensation plans across its various entities comprising of mainly the Long-Term Incentive Plan (“LTIP”) and the Share Option Plan (“SOP”). During the six month period ended June 30, 2019, the Group incurred share-based expenses of €2.2 million, compared to nil for the six month period ended June 30, 2018.

4.3.2. Other expenses and income

Other expenses and income mainly relate to provisions for ongoing and announced restructuring, transaction costs related to acquisitions, and other non-cash expenses (gains and losses on disposal of assets, provisions for litigation, penalties, etc.).

Details of costs incurred during the six month period ended June 30, 2019 and 2018 are provided in the following table:

Other expenses and income (€m)	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Restructuring costs	264.8	14.5
Onerous contracts	1.3	20.5
Net loss on disposals of assets	12.9	27.6
Disputes and litigation	12.1	(82.9)
Net gain on sale of consolidated entities	(3,202.0)	(88.8)
Deal fees	4.8	8.6
Management fees	47.6	22.5
Other expenses and income (net)	10.4	20.1
Other expenses and income	(2,848.1)	(57.9)

4.3.2.1. Restructuring costs

For the six month period ended June 30, 2019, restructuring costs mainly related to restructuring plans in PT Portugal, for which €254.7 million provision fully tax deductible was recorded, in connection with the voluntary employee reduction program undertaken at the end of the first quarter of 2019, covering approximately 800 employees (mainly in support functions) in order to improve operational flexibility of PT Portugal. These employees will enter a new pre-retirement scheme under which they will receive approximately 80% of their salary every year until retirement date (expected cash out of approximately €20 million in 2019). For the six month period ended June 30, 2018, restructuring costs mainly related to a restructuring plan in PT Portugal.

4.3.2.2. Onerous contracts

For the six month period ended June 30, 2019, the expenses recognised for onerous contracts mainly related to the double rent for Quadrans of €0.8 million. For the six month period ended June 30, 2018, the onerous contracts expenses mainly related to the expected vacancy of the current Altice France campus in Saint Denis, following the move to the new Altice campus in Paris for €7.4 million and double rent for Quadrans (Nord & Ouest) of €12.5 million.

4.3.2.3. Net loss on disposal of assets

For the six month period ended June 30, 2019, the loss on disposal of assets was primarily related to the loss on scrapped assets in Altice France (€10.8 million) and in PT Portugal (€2.1 million). For the six month period ended June 30, 2018, the loss on disposal of asset primarily related to losses on the disposal of property, plant and equipment, assets related to DSP network in Altice France (€27.1 million) and in PT Portugal due to forest fires damages (€1.6 million).

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

4.3.2.4. Disputes and litigation

For the six month period ended June 30, 2019, disputes and litigation mainly related to the provisions recorded in PT Portugal of €14.6 million for labour and tax litigations and in the Dominican Republic of €1.8 million. This was partially offset by provision released in Altice France of €6.2 million.

For the six month period ended June 30, 2018, disputes and litigation mainly related to the release of Altice France litigation provisions with Orange of €122.0 million which was offset by €5.0 million of compensation to Free and €15.0 million of settlements of operational litigation with Orange. Additionally, a €20.0 million litigation provision was recorded in PT Portugal.

4.3.2.5. Net gain on sale of consolidated entities

For the six month period ended June 30, 2019, this related to the capital gain from the sale of a 49.99% equity stake in SFR FTTH and the remeasurement at fair value of residual interest in SFR FTTH of €3,203.8 million (please refer to note 3.1.2) and an adjustment in purchase price adjustment in PT Portugal of €2.0 million loss. For the six month period ended June 30, 2018, the gain related to the capital gain from the sale of telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG (please refer to note 3.2.1).

4.3.2.6. Deal fees

For the six month period ended June 30, 2019, deal fees consisted mainly of €2.8 million deal fees in Altice France related to the transaction in relation to tower and fibre businesses and €2.3 million expenses in PT Portugal for the deal fees for the sale of the fibre business.

4.3.2.7. Management fees

For the six month period ended June 30, 2019, management fee expense amounted to €47.6 million payable to Altice Group Lux S.à r.l..

Management fee for the six month period ended June 30, 2018 was €22.5 million, which mainly related to fees incurred by Altice Luxembourg group due to Altice Management International (“AMI”) following the sale of AMI to Altice Group S.à r.l on January 31, 2018 (please refer to note 3.2.2).

4.3.2.8. Other expenses and incomes (net)

For the six month period ended June 30, 2019, other expenses and incomes consisted mainly of expenses in Altice France of €6.4 million for network buybacks at SFR Fibre and €1.6 million in the Dominican Republic related to penalty and compensation for network shutdown that lasted two days at the end of March 2019, which was caused by a failure of the electricity company.

For the six month period ended June 30, 2018, it consisted mainly of expenses in Altice Holdings of €13.0 million related to shares settlement with management team of Altice Blue Two (part of FOT), PT Portugal recorded €3.3 million of fines (mostly related to penalty under the termination of a real estate rental agreement of €2.4 million) and €1.9 million donations granted under social programs.

4.3.3. Revenues by activity

In previously published information in 2018, the revenues of French Overseas Territories (FOT) were reclassified to Other revenue caption within the France segment. Following the change in the way the management looks at the business, the sale of FOT to Altice France in October 2018 and to maintain comparability over the years, the revenues of FOT for the six month period ended June 30, 2018 presented in this note were reclassified according to the revenue split per activity defined in note 4.2.2 and in line with 2019 classification.

The tables below provide the split of revenues by activity as defined in note 4.2.2.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2019	France	Portugal	Israel	Dominican Republic	Teads ¹	Others	Total
€m							
Residential - Fixed	1,245.4	307.6	274.6	51.3	-	-	1,879.0
Residential - Mobile	2,062.5	273.5	129.9	175.1	-	-	2,641.0
Business services	1,624.1	449.4	62.1	53.0	-	0.4	2,188.9
Media	232.9	-	-	-	193.4	-	426.2
Total standalone revenues	5,164.7	1,030.5	466.6	279.4	193.4	0.4	7,135.0
Intersegment eliminations	(1.5)	(27.6)	-	(0.3)	(1.4)	-	(30.8)
Total consolidated revenues	5,163.2	1,003.0	466.6	279.1	191.9	0.4	7,104.2

¹ The standalone revenues of Teads for the six month period ended June 30, 2019 disclosed in the condensed interim consolidated financial statements of €193.4 million are based on revenues net of discounts.

For the six months ended June 30, 2018	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
€m								
Residential - Fixed	1,313.3	308.9	299.1	49.8	-	-	-	1,971.1
Residential - Mobile	2,109.6	275.3	123.5	175.3	-	-	-	2,683.6
Business services	1,544.5	465.8	60.1	75.0	-	-	0.5	2,145.8
Media	234.4	-	-	-	150.9	28.6	-	413.8
Total standalone revenues	5,201.7	1,050.0	482.7	300.0	150.9	28.6	0.5	7,214.4
Intersegment eliminations	(21.2)	(24.9)	(0.3)	(0.5)	(0.3)	(20.1)	(0.5)	(67.8)
Total consolidated revenues	5,180.5	1,025.1	482.4	299.6	150.6	8.5	-	7,146.6

The table below provides the standalone and consolidated revenues in accordance to IFRS 15 *Revenue from Contracts with Customers* for the six month periods ended June 30, 2019 and 2018.

Revenues split IFRS 15 (€m)	June 30, 2019	June 30, 2018
Residential - Fixed	1,879.0	1,971.1
Residential - Mobile	2,227.0	2,277.0
Business services	2,107.5	2,076.5
Total telecom excluding mobile equipment sales	6,213.5	6,324.6
Mobile equipment sales	495.3	476.0
Media	426.2	413.8
Total stand-alone revenues	7,135.0	7,214.4
Intersegment elimination	(30.8)	(67.8)
Total consolidated	7,104.2	7,146.6

4.3.4. Capital expenditure

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

For the six months ended June 30, 2019	France	Portugal	Israel	Dominican Republic	Teads	Others	Eliminations	Total
€m								
Capital expenditure (accrued)	1,147.2	196.4	117.7	59.4	2.1	-	(3.7)	1,519.0
Capital expenditure - working capital items	(43.5)	12.1	2.7	(5.3)	-	-	-	(33.9)
Payments to acquire tangible and intangible assets	1,103.7	208.5	120.4	54.1	2.1	-	(3.7)	1,485.0

For the six months ended June 30, 2018	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Eliminations	Total
€m								
Capital expenditure (accrued)	1,142.3	211.0	118.6	56.7	-	3.8	0.3	1,532.9
Capital expenditure - working capital items	(85.6)	45.7	4.3	(2.6)	-	4.5	-	(33.6)
Payments to acquire tangible and intangible assets	1,056.8	256.7	123.0	54.1	-	8.3	0.3	1,499.2

4.3.5. Adjusted EBITDA less accrued Capex

The table below details the calculation of Adjusted EBITDA less accrued Capex or operating free cash flows ("OpFCF"), as presented to the Board of Directors. This measure is used as an indicator of the Group's financial performance as the Board of Directors believes it is one of several benchmarks used by investors, analysts and peers for comparison of performance in the Group's industry, although it may not be directly comparable to similar

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

measures reported by other companies. Adjusted EBITDA and accrued Capex are both reconciled to GAAP reported figures in this note; this measure is a calculation using these two non-GAAP figures, therefore no further reconciliation is provided.

For the six months ended June 30, 2019 €m	France	Portugal	Israel Dominican Republic	Teads	Others	Eliminations	Total	
Adjusted EBITDA	2,028.0	419.8	174.5	140.7	26.1	(4.0)	(3.7)	2,781.3
Capital expenditure (accrued)	(1,147.2)	(196.4)	(117.7)	(59.4)	(2.1)	-	3.7	(1,519.0)
Operating free cash flow (OpFCF)	880.7	223.4	56.8	81.3	24.1	(4.0)	0.0	1,262.4

For the six months ended June 30, 2018 €m	France	Portugal	Israel Dominican Republic	Teads	Altice TV	Others	Eliminations	Total	
Adjusted EBITDA	1,888.4	444.3	212.1	153.9	15.8	(75.1)	(4.6)	(13.4)	2,621.4
Capital expenditure (accrued)	(1,142.3)	(211.0)	(118.6)	(56.7)	-	(3.8)	-	(0.3)	(1,532.9)
Operating free cash flow (OpFCF)	746.1	233.2	93.4	97.3	15.8	(78.9)	(4.6)	-	1,088.5

5. Goodwill, intangible assets and right-of-use assets

5.1. Goodwill

Goodwill recorded in the consolidated statement of financial position was allocated to the different groups of cash generating units (“GCGU” or “CGU” for cash generating units) as defined by the Group. In the table below, the goodwill of Teads and other corporate entities in 2019 and 2018 were aggregated in caption Others.

Goodwill (€m)	December 31, 2018	Recognized on business combination	Changes in foreign currency translation	Held for sale	Impairment losses ¹	Other	June 30, 2019
France	12,547.0	1.6	-	(28.4)	-	-	12,520.2
Portugal	1,727.4	-	-	-	-	-	1,727.4
Israel	727.0	-	39.5	-	-	-	766.5
Dominican Republic	694.4	-	(2.4)	-	-	0.3	692.3
Others	202.4	-	-	-	-	-	202.4
Gross value	15,898.0	1.6	37.0	(28.4)	-	0.3	15,908.7
France	(8.6)	-	-	28.2	(40.2)	13.0	(7.5)
Portugal	-	-	-	-	-	-	-
Israel	(142.6)	-	(8.2)	-	-	-	(150.8)
Dominican Republic	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Cumulative impairment	(151.2)	-	(8.2)	28.2	(40.2)	13.0	(158.3)
France	12,538.4	1.6	-	(0.2)	(40.2)	13.0	12,512.6
Portugal	1,727.4	-	-	-	-	-	1,727.4
Israel	584.3	-	31.4	-	-	-	615.7
Dominican Republic	694.4	-	(2.4)	-	-	0.3	692.3
Others	202.4	-	-	-	-	-	202.4
Net book value	15,746.7	1.6	28.9	(0.2)	(40.2)	13.3	15,750.4

¹ Altice France recorded impairment losses of €40.2 million as at June 30, 2019 related to the classification of assets and liabilities of L'Express as held for sale (please refer to notes 3.4 and 17.1).

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

Goodwill	December 31, 2017	Recognized on business combination	Changes in foreign currency translation	Held for sale	Other	December 31, 2018
(€m)						
France	12,594.3	-	0.2	-	(47.6)	12,547.0
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	746.4	-	(19.6)	-	-	727.0
Dominican Republic	800.2	-	(105.8)	-	-	694.4
Others	202.4	-	-	-	-	202.4
Gross value	16,070.9	-	(125.2)	-	(47.6)	15,898.0
France	(8.6)	-	-	-	-	(8.6)
Portugal	-	-	-	-	-	-
Israel	(146.7)	-	4.0	-	-	(142.6)
Dominican Republic	-	-	-	-	-	-
Others	-	-	-	-	-	-
Cumulative impairment	(155.2)	-	4.0	-	-	(151.2)
France	12,585.8	-	0.2	-	(47.6)	12,538.4
Portugal	1,727.4	-	-	-	-	1,727.4
Israel	599.8	-	(15.6)	-	-	584.3
Dominican Republic	800.2	-	(105.8)	-	-	694.4
Others	202.4	-	-	-	-	202.4
Net book value	15,915.7	-	(121.2)	-	(47.6)	15,746.7

5.2. Impairment of goodwill

Goodwill is reviewed at the level of each GCGU or CGU annually for impairment and whenever changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill was tested at the CGU/GCGU level for impairment as of December 31, 2018. The CGU/GCGU is at the country level where the subsidiaries operate. The recoverable amounts of the GCGUs are determined based on their value in use. The Group determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs. The key assumptions for the value in use calculations are primarily the post-tax discount rates, the terminal growth rate, capital expenditures and the Earnings before Interests and Taxes (EBIT) margin during the period. EBIT is equal to EBITDA less depreciation and amortization expenses.

The Board of Directors and the Group's senior executives have determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable. In addition, there were no significant changes in assets or liabilities in any CGU/GCGU, while the recoverable amounts continue to significantly exceed the carrying amounts. Therefore, no updated impairment testing was performed, nor any impairment recorded, for the six month period ended June 30, 2019.

5.3. Business combinations

The Group has not concluded any acquisition during the past 12 months. When the Group acquires an entity, it records the provisional value of the assets and liabilities as being equivalent to the book values in the accounting records of the entity being acquired. The Group then identifies the assets and liabilities to which the purchase price needs to be allocated. The fair value is determined by an independent external appraiser based on a business plan prepared as of the date of the acquisition.

5.3.1. Acquisitions where the purchase price allocations have been finalized during 2018

5.3.1.1. Diversité TV Holding (previously known as Pho Holding)

On July 26, 2017, Altice France obtained approval for the take-over of Pho Holding, owner of the Numero 23 channel, by NextRadioTV. Following the take-over, the consolidation method changed as of September 30, 2017 (from equity accounted to full consolidation) and fair value adjustment was booked for €8.9 million gain and recorded in the Other expenses and income caption in the statement of income in 2017. The purchase price allocation was finalized. The total additional goodwill resulted from the take-over was €53.4 million.

On September 1, 2018, Altice France acquired the remaining 49% interest in Diversité TV Holding, the new name of Pho Holding, and there was no change in fair value adjustment.

5.3.1.2. Teads

On June 22, 2017, Altice Teads (a company which the Group has 98.5% of the financial interest, with 1.5% attributable to the managers of Teads) closed the acquisition of Teads. The acquisition purchase price was €302.3 million, with 75% due at closing, and the remaining 25% earn-out subject to Teads obtaining defined revenue

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

performance in 2017, which targets have been met. As the defined revenue targets for 2017 were met, an earn-out payment of €48.6 million was made to the former owners of Teads during the second quarter of 2018, with an additional earn-out payment of €13.1 million made on July 3, 2018.

5.4. Intangible assets

The following table summarizes information relating to the Company's acquired intangible assets as of June 30, 2019 and December 31, 2018:

Intangible Assets (€m)	June 30, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationship	4,779.7	(2,752.0)	2,027.6
Brand names	1,532.6	(1,075.8)	456.8
Licenses and franchises	2,665.5	(923.2)	1,742.3
Software	3,617.6	(2,353.4)	1,264.2
Other amortizable intangibles	3,675.4	(1,844.6)	1,830.8
Total	16,270.8	(8,949.1)	7,321.8

Intangible Assets (€m)	December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationship	4,761.2	(2,481.7)	2,279.5
Brand names	1,544.8	(1,013.2)	531.6
Licenses and franchises	2,664.3	(838.5)	1,825.8
Software	3,454.7	(2,153.9)	1,300.8
Other amortizable intangibles	3,407.5	(1,669.4)	1,738.1
Total	15,832.5	(8,156.9)	7,675.8

The total amortization expense for the six month period ended June 30, 2019 and 2018 was €936.0 million and €966.7 million, respectively, a decrease of €30.7 million.

5.5. Right-of-use assets

The following table provides the summary of right-of-use assets as of June 30, 2019 following the first adoption of IFRS 16 *Leases*:

Right-of-use assets (€m)	June 30, 2019			
	Lands and buildings	Technical installations	Other	Total
Gross carrying value	1,319.0	3,182.5	138.9	4,640.4
Accumulated amortisation	(104.5)	(584.4)	(79.7)	(768.6)
Net carrying amount	1,214.5	2,598.1	59.2	3,871.8

6. Investment in associates

Investments in associates (€m)	Six months ended	Year ended
	June 30, 2019	December 31, 2018
Associates of Altice France	1,670.6	19.8
Associates of PT Portugal	132.7	134.0
Other	-	0.3
Total	1,803.3	154.1

The increase in investment in associates as of June 30, 2019 compared to December 31, 2018 was mainly related to the increase in Altice France following the sale of a 49.99% equity stake in SFR FTTH. Following the closing of the sale, the carrying value of the investment in SFR FTTH as at June 30, 2019 was €1.7 billion. Please refer to note 3.1.2.

7. Cash and cash equivalents and restricted cash

Cash balances (€m)	June 30, 2019	December 31, 2018
Term deposits	73.6	333.6
Bank balances	790.5	1,332.4
Cash and cash equivalents	864.1	1,666.0
Restricted cash	34.9	35.9
Total	899.0	1,701.9

The restricted cash balance at June 30, 2019 included:

- €31.1 million in Altice Financing S.A. as collateral for a bank guarantee; and
- €3.8 million in HOT for various purposes.

8. Shareholders' equity

Equity attributable to owners of the Company (€m)	Notes	As of June 30, 2019	As of December 31, 2018
Issued capital	8.1	2.5	2.5
Additional paid in capital	8.2	1,917.8	1,922.7
Other reserves	8.3	(517.7)	(530.7)
Accumulated losses		(1,368.6)	(3,611.7)
Total		34.1	(2,217.2)

8.1. Issued capital

As at June 30, 2019, the issued share capital of the Company amounted to €2.5 million and was composed of 251,050,186 common shares with a value of €0.01 each.

8.2. Additional paid in capital

Changes in additional paid in capital (€m)	June 30, 2019	December 31, 2018
Opening balance	1,922.7	1,143.2
Transactions with Altice shareholders ¹	3.0	(163.3)
Transactions with non-controlling interests of NextRadioTV	-	(249.7)
Transactions with non-controlling interests	(2.2)	(150.3)
Recognition of put option for non-controlling interest in Teads	(5.8)	27.4
Hivory	-	1,390.6
AB2 settlements	-	(43.4)
Other	-	(32.0)
Total	1,917.8	1,922.7

¹ Transactions with Altice shareholders relate to the interests on loan and advances granted to entities in the Altice Group which increased additional paid in capital by €3.0 million.

8.3. Other reserves

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

Other reserves (€m)	June 30, 2019			December 31, 2018		
	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Actuarial gains and losses	(92.4)	25.2	(67.2)	(34.0)	6.8	(27.2)
Items not reclassified to profit or loss	(92.4)	25.2	(67.2)	(34.0)	6.8	(27.2)
Fair value through OCI	2.0	-	2.0	2.6	-	2.6
Currency translation reserve	(94.0)	-	(94.0)	(45.5)	-	(45.5)
Cash flow hedge reserve	(542.6)	184.2	(358.4)	(687.2)	226.5	(460.7)
Items potentially reclassified to profit or loss	(634.6)	184.2	(450.4)	(730.1)	226.5	(503.6)
Total	(727.0)	209.3	(517.7)	(764.1)	233.3	(530.7)

9. Borrowings, other financial liabilities and lease liabilities

Borrowings, other financial liabilities and lease liabilities (€m)	Notes	June 30, 2019	December 31, 2018
Long term borrowings, financial liabilities and related hedging instruments		30,580.7	32,534.1
- <i>Debentures</i>	9.1	20,641.0	22,287.4
- <i>Loans from financial institutions</i>	9.1	8,993.1	8,976.7
- <i>Derivative financial instruments</i>	9.3	946.6	1,270.0
Other non-current financial liabilities	9.6	503.9	815.5
- <i>Finance leases¹</i>		-	92.9
- <i>Other financial liabilities</i>		503.9	722.6
Lease liabilities non-current^{2,3}		3,149.6	-
Non-current liabilities		34,234.2	33,349.5
Short term borrowing, financial liabilities and related hedge instruments		161.7	102.3
- <i>Loans from financial institutions</i>	9.1	153.0	101.1
- <i>Derivative financial instruments</i>	9.3	8.8	1.2
Other financial liabilities	9.6	1,905.9	2,021.2
- <i>Other financial liabilities</i>		1,205.9	1,297.8
- <i>Bank overdraft</i>		132.7	39.2
- <i>Accrued interests</i>		567.3	643.7
- <i>Finance leases¹</i>		-	40.4
Lease liabilities current^{2,3}		720.4	-
Current liabilities		2,788.0	2,123.5
Total		37,022.2	35,473.1

1 Following the adoption of IFRS 16 *Leases* as of January 1, 2019, Finance leases non-current and current have been reclassified to Lease liabilities non-current and current, respectively. Please refer to note 2.1.1.1.

2 Following the adoption of IFRS 16 *Leases* as of January 1, 2019, liabilities arising from leases are recognized in Lease liabilities non-current and current. Please refer to note 2.1.1.1.

3 As of June 30, 2019, the amounts of finance lease non-current and current existing under IAS 17 *Leases* (before the adoption of IFRS 16 *Leases*) were €76.0 million and €37.2 million, respectively.

9.1. Debentures and loans from financial institutions

Debentures and loans from financial institutions (€m)	Notes	June 30, 2019	December 31, 2018
Debentures	9.1.1	20,641.0	22,287.4
Loans from financial institutions	9.1.2	9,146.1	9,077.8
Total		29,787.1	31,365.2

9.1.1. Debentures

Maturity of debentures (€m)	Less than one year	One year or more	June 30, 2019	December 31, 2018
Altice France	-	8,534.0	8,534.0	9,447.5
Altice Luxembourg	-	5,805.1	5,805.1	6,582.5
Altice Financing	-	4,698.2	4,698.2	4,660.3
Altice Finco	-	1,603.8	1,603.8	1,597.0
Total	-	20,641.0	20,641.0	22,287.4

9.1.2. Loans from financial institutions

Maturity of loans from financial institutions (€m)	Less than one year	One year or more	June 30, 2019	December 31, 2018
Altice France (including RCF)**	134.0	7,159.3	7,293.3	7,224.3
Altice Financing (including RCF)**	18.9	1,833.4	1,852.3	1,848.5
Others	0.0	0.4	0.4	4.9
Total	153.0	8,993.1	9,146.1	9,077.8

** RCF amounts have been classified as amounts which mature in less than one year, but can be extended till the maturity date of the RCF agreement. Please refer to note 10.5 for further details regarding the credit facilities.

9.2. Refinancing activities

On May 6, 2019, Altice Luxembourg S.A. priced €2.8 billion equivalent of new 8-year Senior Notes at an all-inclusive cost of 7.9% (fully euro swapped). The Group repaid €1.5 billion of debt from cash on hand to reduce gross leverage. In June 2019, the proceeds from this transaction, together with €500 million cash from Altice

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

France and swap monetization proceeds of €435 million were used by Altice Luxembourg S.A. to partially repay its existing \$2,900 million and €2,075 million 2022 Notes. As a result, there is approximately €1.0 billion equivalent remaining outstanding of the 2022 Altice Luxembourg Notes.

Furthermore, in June 2019, the Group used €1.0 billion of cash on balance sheet at Altice France to partially redeem the existing €1,250 million and \$1,375 million 2024 Altice France Notes on a pro rata basis.

As a result of the refinancing transactions, the average maturity of the Group's debt capital structure has been extended by 0.5 years and the weighted average cost of the Group's debt remains at 5.7%.

9.3. Derivatives and hedge accounting

As part of its financial risk management strategy, the Group enters certain hedging operations. The main instruments used are fixed to fixed or fixed to floating cross-currency and interest rate swaps ("CCIRS") that cover against foreign currency and interest rate risk related to the Group's debt obligations. The Group applies hedge accounting for the operations that meet the eligibility criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement* (the Group continues to apply the requirement of IAS 39 related to hedge accounting, as allowed under IFRS 9 *Financial Instruments*).

9.3.1. CCIRS

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

Entity Maturity	Notional amount due from counterparty (millions)	Notional amount due to counterparty (millions)	Interest rate due from counterparty	Interest rate due to counterparty	Accounting treatment ⁴
Altice France S.A.					
May 2027	USD 200	EUR 175	10.50%	7.86%	FVPL
May 2022	USD 76	EUR 69	7.75%	4.52%	FVPL
February 2027	USD 1,750	EUR 1,300	8.13%	6.60%	FVPL
August 2026	USD 2,500	EUR 2,061	LIBOR+4.00%	5.50%	FVPL
July 2022	USD 550	EUR 498	3m LIBOR+3.25%	3m EURIBOR+2.73%	FVPL
January 2023	USD 1,240	EUR 1,096	3m LIBOR+4.00%	3m EURIBOR+4.15%	FVPL
January 2024	USD 1,425	EUR 1,104	3m LIBOR+4.25%	3m EURIBOR+4.45%	FVPL
May 2024	USD 1,375	EUR 1,028	6.25%	5.36%	FVPL
April 2024	USD 2,790	EUR 2,458	7.38%	5.75%	CFH
July 2024	USD 2,400	EUR 1,736	7.38%	6.78%	FVPL
January 2026	USD 350	EUR 298	3m LIBOR+3.00%	3m EURIBOR+2.76%	FVPL
Altice Luxembourg S.A.					
February 2023	USD 1,480	EUR 1,308	7.63%	6.50%	CFH
Altice Financing S.A.					
May 2026	USD 350	EUR 305	6m LIBOR	6m EURIBOR-0.085%	FVPL
May 2022	USD 350	EUR 305	7.50%	5.25%	FVPL
May 2026	USD 1,150	EUR 1,004	10.50%	7.91%	FVPL
February 2023	USD 2,060	EUR 1,821	6.63%	5.30%	CFH
May 2026	USD 930	EUR 853	7.50%	7.40%	FVPL
July 2025	USD 485	EUR 449	3m LIBOR+2.75%	3m EURIBOR+2.55%	FVPL
July 2024	USD 500	EUR 442	7.50%	6.03%	FVPL
July 2024	USD 541	EUR 416	7.50%	6.02%	FVPL
July 2024	USD 779	EUR 686	7.50%	6.02%	CFH
Altice Finco S.A.					
February 2023	USD 385	EUR 340	7.63%	6.25%	CFH

⁴ The derivatives are all measured at fair value. The change in fair value of derivatives classified as cash flow hedges ("CFH") in accordance with IAS 39 is recognized in the cash flow hedge reserve. The derivatives not hedge accounted have the change in fair value recognised immediately in profit or loss ("FVPL").

The change in fair value of all derivative instruments designated as cash flow hedges was recorded in other comprehensive income for the six month period ended June 30, 2019. Before the impact of taxes, gains of € 144.7 million were recorded in other comprehensive income (€102.3 million net of taxes).

9.3.2. Interest rate swaps

The Group enters interest rate swaps to cover its interest rate exposure in line with its treasury policy. These swaps

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

cover the Group's debt portfolio and do not necessarily relate to specific debt issued by the Group.

In April 2019, interest rate swaps with a maturity date of April 2019 in Altice France S.A. and Altice Financing S.A. matured. Subsequently the Group entered into new one year interest rate swaps which replaced the interest rate swaps with a maturity date of April 2019.

The details of the instruments are provided in the following table.

Entity Maturity	Notional amount due from counterparty (millions)	Notional amount due to counterparty (millions)	Interest rate due from counterparty	Interest rate due to counterparty	Accounting treatment
Altice France S.A.					
August 2019	USD 2,500	USD 2,500	1m LIBOR+4.00%	3m LIBOR+3.90%	FVPL
January 2023	EUR 4,000	EUR 4,000	3m EURIBOR	-0.12%	FVPL
April 2020	USD 3,510	USD 3,510	1m LIBOR	3m LIBOR-0.104%	FVPL
May 2022	USD 5,375	USD 5,375	3m LIBOR+1.98%	6.11%	FVPL
Altice Luxembourg S.A.					
May 2022	USD 370	USD 370	3m LIBOR	7.86%	FVPL
Altice Financing S.A.					
April 2020	USD 892	USD 892	1m LIBOR	3m LIBOR -0.105%	FVPL
April 2020	USD 886	USD 886	1m LIBOR	3m LIBOR -0.105%	FVPL
May 2026	USD 720	USD 720	1.81%	6m LIBOR	FVPL
January 2023	EUR 750	EUR 750	3m EURIBOR	-0.13%	FVPL

9.4. Reconciliation to swap adjusted debt

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

Reconciliation to swap adjusted debt (€m)	June 30, 2019	December 31, 2018
Debentures and loans from financial institutions	29,787.1	31,365.2
Transaction costs	330.1	349.2
Fair value adjustments	-	-
Total (excluding transaction costs and fair value adjustments)	30,117.2	31,714.4
Conversion of debentures and loans in foreign currency (at closing spot rate)	(40,707.3)	(35,351.1)
Conversion of debentures and loans in foreign currency (at hedged rates)	39,631.1	34,003.7
Total swap adjusted value	29,040.9	30,367.0

9.5. Available credit facilities

Available credit facilities (€m)	Total facility	Drawn
Altice France S.A.	1,214.0	85.0
Altice Financing S.A.	831.0	-
Altice Luxembourg S.A.	186.0	-
Revolving credit facilities	2,231.0	85.0

The available credit facilities in Altice France and Altice Luxembourg decreased by €211.0 million and €14.0 million respectively compared to March 31, 2019 due to the maturity of certain tranches.

Altice France has drawn €85.0 million, of which €10.0 million relates to Hivory. The remainder of €75.0 million was mainly used for working capital related expenditures.

9.6. Other financial liabilities and lease liabilities

Other financial liabilities and lease liabilities (€m)	June 30, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Lease liabilities	720.4	3,149.6	3,870.0	-	-	-
Finance leases	-	-	-	40.4	92.9	133.3
Reverse factoring and securitisation	1,026.5	-	1,026.5	1,100.6	-	1,100.6
Accrued interest	567.3	-	567.3	643.7	-	643.7
Put options with non-controlling interests	-	169.4	169.4	-	161.6	161.6
Deposits received	32.8	164.9	197.8	37.2	162.7	200.0
Bank overdraft	132.7	-	132.7	39.2	-	39.2
Commercial paper	100.0	-	100.0	107.0	-	107.0
Buy out minority interest ERT	11.1	30.0	41.1	8.1	29.1	37.2
Other debts and liabilities with Altice group companies	-	58.3	58.3	-	262.9	262.9
Perpetual subordinated notes ("TSDI") - Altice France	-	54.8	54.8	-	50.0	50.0
Other	35.4	26.5	61.9	44.9	56.3	101.2
Total	2,626.3	3,653.5	6,279.8	2,021.2	815.5	2,836.7

The current portion of other financial liabilities and lease liabilities amounted to €2,626.3 million as at June 30, 2019, an increase of €605.1 million compared to the current portion of €2,021.2 million as at December 31, 2018. The non-current portion increased by €2,838.0 million to €3,653.3 million as at June 30, 2019 compared to €815.5 million as at December 31, 2018. Details of the main items within the caption, and the movements from the prior period, are detailed below.

9.6.1. Leases

The increase in current and non-current lease liabilities recorded as at June 30, 2019 is mainly explained by the impact of the adoption of IFRS 16 *Leases* as at January 1, 2019. The amount of finance lease existing under IAS 17 *Leases* as at December 31, 2018 have been reclassified under the caption lease liabilities in the statement of financial position and amounts to €113.2 million as of June 30, 2019 compared to €133.3 million as at December 31, 2018. The amounts of non-current and current finance lease existing under IAS 17 *Leases* (before the adoption of IFRS 16 *Leases*) as at June 30, 2019 were €76.0 million and €37.2 million, respectively. Please also refer to notes 2.1.1.1 and 2.1.1.2 for more details on IFRS 16 *Leases*.

9.6.2. Reverse factoring and securitisation

Through the use of reverse factoring structures, the Group improves the financial efficiency of its supply chain by reducing requirements for working capital. The decrease in reverse factoring and securitisation as at June 30, 2019 compared to December 31, 2018 is due to the combination of an increase in spending with existing suppliers and new suppliers having joined the various reverse factoring programmes that the Group maintains and a reduction of secured B2B receivables due to Altice France.

9.6.3. Accrued interest

The decrease of the accrued interest is largely explained by Altice France due to the timing of the interest payments as certain interest payments are either due on quarterly basis or on semi-annual basis. In addition, the accrued interest decreased due to a lower total amount of outstanding debt as at June 30, 2019 following the May 2019 refinancing as well as the decrease in interest expenses as a result of this refinancing.

9.6.4. Put options with non-controlling interests

The Group executes agreements with the non-controlling interests in certain acquisitions whereby the non-controlling interests have the option to sell their non-controlling interests to the Group. These instruments are measured at their fair value at the balance sheet date (please refer to note 10.1.2 for further information).

9.6.5. Deposits received

Altice France receives deposits from customers largely in relation to equipment that it provides customers that Altice France retains ownership of.

9.6.6. Bank overdrafts

Bank overdrafts consist of temporary overdrafts on bank accounts. The increase of bank overdrafts of €93.5 million mainly related to Altice France.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

9.6.7. *Commercial paper*

During the six month period ended June 30, 2019, Altice France made repayments under its commercial paper program.

9.6.8. *Buyout of minority interest in ERT Luxembourg S.A.*

On August 29, 2018, ATS France signed sale and purchase agreements with each of the five minority shareholders of ERT Lux in order to acquire 253 shares of ERT Luxembourg S.A. (“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 until January 2023, of which €11.1 million has been paid during the six month period ended June 30, 2019.

9.6.9. *Other debts and liabilities with the Altice Group companies*

Other debts and liabilities with Altice group companies relate to debts and liabilities which the Group has with Altice group companies outside of the Group’s consolidation.

9.6.10. *Perpetual subordinated Notes – Altice France*

Related to the liability for the perpetual subordinated notes (“TSDI”) recorded in Altice France.

9.6.11. *Other*

Other consists mainly of various other debts and liabilities recorded by Group companies.

10. Fair value of financial assets and liabilities

10.1. Fair value of assets and liabilities

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

Fair values of assets and liabilities (€m)	June 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	864.1	864.1	1,666.0	1,666.0
Restricted cash	34.9	34.9	35.9	35.9
Derivatives	26.2	26.2	38.1	38.1
Other financial assets	155.2	155.2	15.4	15.4
Current assets	1,080.4	1,080.4	1,755.4	1,755.4
Derivatives	872.0	872.0	1,427.8	1,427.8
Call options on non-controlling interests	57.8	57.8	63.5	63.5
Equity instruments at fair value through OCI	5.0	5.0	5.5	5.5
Other financial assets	711.5	711.5	835.0	835.0
Non-current assets	1,646.4	1,646.4	2,331.8	2,331.8
Short term borrowings and financial liabilities	153.0	153.0	101.1	101.1
Derivatives	8.8	8.8	1.2	1.2
Lease liabilities	720.4	720.4	40.4	40.4
Reverse factoring and securitisation	1,026.5	1,026.5	1,100.6	1,100.6
Deposits received	32.8	32.8	37.2	37.2
Accrued interest	567.3	567.3	643.7	643.7
Commercial paper	100.0	100.0	107.0	107.0
Bank overdraft	132.7	132.7	39.2	39.2
Other financial liabilities	46.5	46.5	53.1	53.1
Current liabilities	2,788.0	2,788.0	2,123.5	2,123.5
Long term borrowings and financial liabilities	29,634.1	29,948.1	31,264.1	29,153.1
Put options with non-controlling interests	169.4	169.4	161.6	161.6
Derivatives	946.6	946.6	1,270.0	1,270.0
Lease liabilities	3,149.6	3,149.6	92.9	92.9
Other financial liabilities	334.5	334.5	561.0	561.0
Non-current liabilities	34,234.2	34,548.2	33,349.5	31,238.5

During the six month period ended June 30, 2019, there were no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements. The Group’s trade and other

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

receivables and trade and other payables are not shown in the table above as their carrying amounts approximate their fair values.

10.1.1. *New put and call options*

During the six month period ended June 30, 2019, the Group entered into a new call option contract as part of the SFR FTTH transaction. This call option has been valued at nil and is therefore not disclosed in the fair value hierarchy below.

10.1.2. *Fair value hierarchy*

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

Fair value measurement (€m)	Fair value hierarchy	Valuation technique	June 30, 2019	December 31, 2018
Financial Liabilities				
Derivative financial instruments	Level 2	Discounted cash flows	955.3	1,271.1
Minority Put Option - Teads	Level 3	Discounted cash flows	139.6	133.6
Minority Put Option - Intelcia	Level 3	Discounted cash flows	29.8	28.0
Financial Assets				
Derivative financial instruments	Level 2	Discounted cash flows	898.2	1,465.9
Minority Call option - Teads	Level 3	Black and Scholes model	48.7	53.8
Minority Call option - Intelcia	Level 3	Black and Scholes model	9.1	9.7
Equity instruments at FVOCI - Partner Co. Ltd.	Level 1	Quoted share price	5.0	5.5

10.2. Level 3 financial instruments

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	June 30, 2019
Opening balance	5.5	(161.6)	63.5	(92.6)
Change in value of minority put options recorded in equity	-	(7.8)	-	(7.8)
Gains or losses recognised in profit or loss	-	-	(5.7)	(5.7)
Closing balance	5.5	(169.4)	57.8	(106.1)

Change in fair value of level 3 instruments (€m)	Available for sale unlisted shares	Minority put options	Minority call options	December 31, 2018
Opening balance	8.0	(329.5)	50.6	(270.8)
Exercises	-	127.8	(18.8)	109.0
Change in value of minority put options recorded in equity	-	40.0	-	40.0
Gains or losses recognised in profit or loss	(2.5)	-	31.7	29.2
Closing balance	5.5	(161.6)	63.5	(92.6)

11. Taxation

Tax expense (€m)	Six months ended June 30, 2019	Six months ended June 30, 2018
Profit/(loss) before income tax and share of earnings of associates	2,505.7	(125.1)
Income tax benefit/(expenses)	61.7	(67.7)
Effective tax rate	-2%	-54%

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

The Group recorded an income tax benefit of €61.7 million for the six month period ended June 30, 2019, reflecting a negative effective tax rate of 2% compared to an income tax expense of €67.7 million for the six month period ended June 30, 2018, reflecting a negative effective tax rate of 54%. Without the effect of the taxable capital gain in France related to the disposal of a 49.99% equity stake in SFR FTTH on March 27, 2019 (please refer to note 3.1.2), the effective tax rate for the six month period ended June 30, 2019 would have been an effective tax rate of 10%. Non-deductible financial expenses and provisions (mainly penalties related to gun jumping in Portugal as of June 30, 2018, please refer to note 4.3.2.4) as well as non-recognition of tax losses as deferred tax assets had the impact of lowering the Group's effective tax rate for the six month periods ended June 30, 2019 and 2018.

11.1. Income tax litigation

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

- On July 4, 2019, HOT signed a compromise agreement with the Israeli Tax Authorities for an amount of €7.6 million related to tax assessment for periods 2015-2016.
- During the six month period ended June 30, 2019, in connection with the 2016 and 2017 tax inspections, MEO adjusted the current corporate income tax for those years to reflect certain non-deductible expenses for tax purposes. As a result, the related tax losses carryforward were reduced originating an overall €7 million decline in deferred tax assets.

12. Net finance cost

Net finance cost (€m)	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest relative to gross financial debt	(553.6)	(787.1)
Other financial expenses	(569.2)	(175.1)
Finance income	24.1	15.5
Net result on extinguishment of a financial liability	(127.8)	-
Finance costs, net	(1,226.5)	(946.6)

The net finance costs for the six month period ended June 30, 2019 increased to €1,226.5 million compared to €946.6 million for the same period in 2018. The increase was mainly attributed to:

- lower interest relative to gross financial debt as a result of an increase in mark-to-market gain of €432.1 million (2018: €119.1 million gain) in the swaps of Altice Luxembourg and Altice Financing;
- higher net foreign exchange loss, amounting to a €413.2 million loss (2018: €107.8 million loss) mainly in Altice Luxembourg;
- an increase in interest expenses related to lease liabilities that amounted to €93.7 million following the adoption of IFRS 16 *Leases* (2018: nil); and
- a loss on extinguishment of financial liability that amounted to €127.8 million (2018: nil), which resulted from partial repayments of the Group's 2022 Altice Luxembourg Notes and 2024 Altice France Notes following the refinancing of Altice Luxembourg debts (please refer to note 9.2).

13. Related party transactions

Transactions with related parties during 2019 are mainly related to transactions with Altice USA, transactions with associates and joint ventures of the various operating entities of the Group and payments for services rendered by the controlling shareholder of the Group. Such transactions are limited to:

- exchange of services between Altice France and PT Portugal and their associate companies (please refer to note 6);
- exchange of services between Altice USA, Teads, PT Portugal and Altice Dominicana;
- exchange of services like healthcare insurance, infrastructure services, management of emergency network and broadcasting of sport events between PT Portugal and its associate companies;
- services between Altice France and SFR FTTH, its joint venture partner for FTTH build out services; and
- rental agreements entered into with Quadrans, a company controlled by the ultimate beneficial owner of the Group, for office space in France for the Altice France group.

Transactions with related parties are not subject to any guarantees. The table below shows a summary of the Group's related party transactions for the six month period ended, and outstanding balances as at June 30, 2019 and December 31, 2018.

Altice Luxembourg S.A.
Condensed Interim Consolidated Financial Statements

Related party transactions - income, expense and capex (€m)	June 30, 2019				
	Revenue	Operating expenses	Financial expenses	Financial income	Capex
Equity holders	39.5	142.8	14.5	9.7	-
Executive managers	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	291.9	63.8	0.1	0.7	20.0
Total	331.4	206.7	14.6	10.4	20.0

Related party transactions - income, expense and capex (€m)	June 30, 2018				
	Revenue	Operating expenses	Financial expenses	Financial income	Capex
Equity holders	-	29.8	-	-	-
Executive managers	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	85.5	73.2	0.4	3.8	4.8
Total	85.5	103.0	0.4	3.8	4.8

Related party balances - assets (€m)	June 30, 2019			December 31, 2018		
	Investment, Right-of-use assets, loans and receivables	Trade receivables and other	Current accounts	Investment, Right-of-use assets, loans and receivables	Trade receivables and other	Current accounts
Equity holders	905.7	22.5	55.1	698.2	60.9	4.6
Executive managers	-	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	85.4	169.7	6.9	87.8	60.0	25.0
Total	991.0	192.2	62.1	785.9	120.9	29.6

Related party balances - liabilities (€m)	June 30, 2019			December 31, 2018		
	Lease and Other financial liabilities	Trade payables and other	Current accounts	Lease and Other financial liabilities	Trade payables and other	Current accounts
Equity holders	442.2	331.7	8.1	262.6	381.9	10.7
Executive managers	-	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	0.9	123.9	0.7	0.9	95.2	1.1
Total	443.0	455.6	8.9	263.5	477.1	11.8

A total operating revenue with the Company's equity holders of €39.5 million was recognised in the consolidated statement of income for the six month period ended June 30, 2019 which was mainly related to the revenues reported in Altice France for the exchange of services provided to Altice TV.

The revenue reported with associate companies, joint ventures and non-controlling interest mainly related to:

- in Portugal:
 - revenues for the specialized works and the lease to Fibroglobal - Comunicações Eletrónicas of ducts, posts and technical spaces through which the Group's network passes;
 - revenues for the sale of equipment to Altice USA; and
 - revenues for management of the emergency service to SIRESP (SIRESP is no longer a related party in 2019, as it is fully consolidated due to increase of the Group's ownership).
- in France:
 - revenues for the mobile services delivered to La Poste Telecom; and
 - revenues for the build out of the FTTH network for SFR FTTH.
- In Teads:
 - revenues from online advertising services to Altice USA.

Operating expenses with equity holders for the six month period ended June 30, 2019 was €142.8 million which mainly related to the operating expenses in Altice France the services provided to Altice TV, management fee expenses charged by the Altice Group, and a depreciation expenses related to the right-of-use assets recognized under IFRS 16 *Leases* in connection with rental agreements with Quadrans (which is controlled by the Company's controlling shareholder). For the period ended June 30, 2018, the recorded operating expense with the Company's equity holders mainly related to rental expenses from Quadrans.

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

The operating expense reported with associate companies, joint ventures and non-controlling interest mainly related to:

- in Portugal:
 - o Fibroglobal - Comunicações Electrónicas for fibre network infrastructure management, which related to a fee for any new customer installation and a monthly fee for PT Portugal's customer base through the network of Fibroglobal;
 - o Sport TV for broadcasting of sports events; and
 - o OMTEL for operating expenses related to fees of the infrastructure service of towers.
- in France:
 - o La Poste Telecom for the use of mobile services on their network; and
 - o VOD Factory for providing VOD services during 2018 but no services in 2019.
- in Israel:
 - o PHI for operating expenses for a mobile network in Israel during 2018 (PHI is consolidated as of January 1, 2019, please refer to note 3.1.1).

The financial expenses with the Company's equity holders for the six month period ended June 30, 2019 was mainly related to the interest expense of lease liabilities recognized under IFRS 16 *Leases* of €10.6 million (2018: nil) and interest expense with Altice Europe N.V.. Financial incomes with the Company's equity holders for the six month period ended June 30, 2019 was mainly composed of interest incomes from entities in the Altice Group.

The investment, right-of-use assets, loans and receivables of associate companies, joint ventures and non-controlling interests as of June 30, 2019 mainly related to:

- a loan granted to Fibroglobal - Comunicações Electrónicas that provides fibre network and infrastructure management services to PT Portugal;
- a loan receivable with Synerail in relation to the GSMR project in France; and
- a subordinated loan with Wananchi.

The investment, right-of-use assets, loans and receivables with the Company's equity holders as of June 30, 2019 related to:

- right-of-use assets as recorded under IFRS 16 for rental agreements for office space in France for the Altice France group entered into by the Group with Quadrans, a company controlled by the ultimate beneficial owner of the Group for €378.5 million (zero as of December 31, 2018 as IFRS 16 is effective as of January 1, 2019). Additionally, the Group had a deposit of €12.4 million with Quadrans as of June 30, 2019 and December 31, 2018; and
- receivables related to loans, advances, facility agreements and vendor loans including the accrued interests due from entities in the Altice Group of €514.8 million as of June 30, 2019 (€685.8 million as of December 31, 2018).

The trade receivables and other and the current accounts of associate companies, joint ventures and non-controlling interests as of June 30, 2019 mainly related to:

- in Portugal:
 - o Portugal Telecom - Associação de Cuidados de Saúde trade receivables related to the employee healthcare insurance in PT Portugal; and
 - o Fundação Portugal Telecom trade receivables.
- in France:
 - o La Poste Telecom trade receivables and current account; and
 - o SFR FTTH trade receivables.

The trade receivables and other and the current accounts of with the Company's equity holders as of June 30, 2019 mainly related to trade receivables and prepaid expenses in Altice France with Altice TV.

The trade payables and other with the Company's equity holders as of June 30, 2019 and December 31, 2018 mainly related to trade payable to Altice Europe N.V. to the fine imposed by the European Commission on the gun jumping investigation during the acquisition of PT Portugal (please refer to note 15.2.1), management fee payables to entities in the Altice Group and trade payable to Altice TV. Additionally, the trade payables and other with the Company's equity holders also included the trade payable with Quadrans for rental of office space for the Altice France group.

The trade payables and other of associate companies, joint ventures and non-controlling interests as of June 30, 2019 mainly related to:

- in Portugal:
 - OMTTEL trade payable related to infrastructure services of towers; and
 - Portugal Telecom - Associação de Cuidados de Saúde, which provides healthcare insurance for the PT Portugal's active and retired employees.
- in France:
 - SFR FTTH trade payables.

Current account payables to the Company's equity holders as of June 30, 2019 and as of December 31, 2018 related to prepaid incomes and other liabilities in Altice France with Altice TV.

14. Contractual obligations and commercial commitments

During the six month period ended June 30, 2019, no significant contractual obligations and commercial commitments have been signed as compared to the year ended December 31, 2018.

For the six month period ended June 30, 2019, following the implementation of IFRS 16 *Leases*, commitments related to operating leases were recorded on the statement of financial position, thus leading to a decrease in commitments of €3,592.8 million compared to the year ended December 31, 2018.

15. Litigation

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

The Group is not aware of other disputes, arbitration, governmental or legal action or exceptional fact (including any legal action of which the Group is aware, which is outstanding or by which it is threatened) that may have been, or is in, progress during the last months and that has a significant effect on the financial position, the earnings, the activity and the assets of the Company and the Group, other than those described below.

This note describes the new proceedings and developments in existing litigations that have occurred since the publication of the annual consolidated financial statements as of December 31, 2018 and that have had or that may have a significant effect on the financial position of the Group.

15.1. France

15.1.1. Claim from a competitor concerning the acquisition of Virgin Mobile by the Group

On April 5, 2019, Altice France and Altice Luxembourg, *inter alios*, received a claim from a competitor stating that the practices sanctioned by the French Competition Authority in November 2016 in the Numéricable/SFR/Virgin Mobile gun jumping case caused said competitor to lose the tender process for the acquisition of Virgin Mobile. The competitor is now seeking €216 million in monetary damages. The Group is in the process of assessing the merits of the claim and expects to challenge the claim in proceedings recently initiated by the competitor.

15.2. Portugal

15.2.1. European Commission Investigation

After having approved the acquisition of PT Portugal by the Group on April 20, 2015, the European Commission initiated an investigation into infringement by the Group of the obligation of prior notification of concentrations under Article 4(1) of the Merger Regulation and/or of the stand-still obligation laid down in Article 7(1) of the Merger Regulation. The European Commission issued a statement of objections on May 18, 2017, informing the Group of the objections raised against it.

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

On April 24, 2018, the European Commission has notified the Group of its decision to impose upon it a fine for an amount of €124.5 million. The Commission found that the Group infringed the prior notification obligation of a concentration under Article 4(1) of the EU Merger Regulation, and the stand-still obligation under Article 7(1) of the EU Merger Regulation. The Group fully disagrees with the Commission's decision, and in particular, it considers that this case differs entirely from the French Numéricable/SFR/Virgin Mobile gun jumping case, in which the Group had agreed not to challenge the allegations brought against it. In the Group's opinion, the Commission's decision relies on a wrongful definition of the notion of "implementation" of a concentration. Further, the transaction agreement governing the management of the target during the pre-closing period provided the Group with a consultation right on certain exceptional matters relating to PT Portugal aimed at preserving the value and integrity of the target prior to closing and was in accordance with well-established M&A market practice.

In any event, the Group considers that the elements in the Commission's file do not establish the exercise of influence, as alleged by the Commission, by the Group over PT Portugal's business conduct neither prior to the merger notification to the Commission nor prior to the Commission's clearance.

On July 5, 2018, the Group filed a request for annulment against the Commission's decision before the EU General Court to request that the decision as a whole be annulled or, at the very least, that the sanction be significantly reduced. The Commission's decision does not affect the approval granted by the European Commission on April 20, 2015 for the acquisition of PT Portugal by the Group.

On November 6, 2018, the Council of the European Union filed an Application to intervene in the case before the EU General Court. Both Altice Europe N.V. and the European Commission confirmed they had no observations to the Council's Application to intervene. The Council requested an extension of the time-limit to file its Statement of intervention. The Court granted that extension until February 25, 2019.

On November 30, 2018 the European Commission filed its defence requesting the Court (1) to dismiss Altice Europe N.V.'s Application and (2) to order Altice Europe N.V. to pay the costs. The said defence was notified to Altice Europe N.V. on December 14, 2018. On December 20, 2018, Altice Europe N.V. requested an extension of one month to lodge its reply. The extension was granted on January 4, 2019, until February 25, 2019.

On February 25, 2019, Altice Europe N.V. filed its Reply to the Commission's defence adhering to the conclusions and orders sought in its application for annulment.

On March 15, 2019, Altice Europe N.V. filed its observations on the Statement of intervention of the Council of the European Union, which essentially mirror the corresponding allegations in Altice Europe N.V.'s Application and reply to the Commission's defence.

On March 18, 2019, Altice Europe N.V. received the copy of the Commission's observations on the Statement of intervention of the Council of the European Union, which merely state it does not have any observations, as its position and that of the Council of the European Union are aligned.

After an extension of the deadline, the Commission filed its Rejoinder to the Group's reply on May 10, 2019.

The written phase of the procedure has now been closed. The President will now fix a date on which the Judge-Rapporteur is to present a preliminary report to the General Court. The preliminary report shall contain an analysis of the relevant issues of fact and of law raised by the action, proposals as to whether measures of organization of procedure or measures of inquiry should be undertaken, whether there should be an oral part of the procedure and whether the case should be referred to the Grand Chamber or to a Chamber sitting with a different number of Judges.

Altice Europe N.V. submitted a reasoned request for a hearing on May 29, 2019.

The General Court will decide whether to open the oral part of the procedure, which would include the hearing requested by Altice Europe N.V.. It is impossible to foresee when such a hearing would take place in this case, as the Court may fix a date anytime between a couple of months and up to a year after the closing of the written procedure. It is also impossible to predict when the Court will adopt its judgment, although this date will be announced some weeks in advance.

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

As of June 30, 2019, a liability of €126.2 million (including accrued interest) is recorded at Altice Portugal, as it is the acquiring entity of PT Portugal. On July 25, 2018, the Group issued a bank guarantee to the European Commission of €124.5 million (excluding accrued interests).

16. Going concern

As at June 30, 2019, the Group had net current liability position of €3,979.3 million (mainly due to trade payables amounting to €6,209.3 million) and a negative working capital of €1,436.0 million. During the six month period ended June 30, 2019, the Group registered a net profit of €2,498.4 million and generated cash flows of €2,416.7 million from operating activities.

As at June 30, 2019, the Group had a positive equity position of €862.0 million compared to a negative equity position of €1,604.3 million as at December 31, 2018. The negative equity position decreased from the prior period mainly due to the profit for the six month period ended June 30, 2019.

The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding and suppliers are paid under standard commercial terms, thus generating a negative working capital. This is evidenced by the difference in the level of receivables and payables; €4,364.8 million compared to €6,209.3 million as at June 30, 2019, as compared to €4,440.8 million and €6,756.4 million as at December 31, 2018. Payables due the following month are covered by revenues and cash flows from operations (if needed).

As at June 30, 2019, the Group's short-term borrowings comprised mainly of loans from financial institutions for Altice France and Altice Financing for €134.0 million and €18.9 million respectively. As at December 31, 2018, the Group's short-term borrowings amounted to €101.1 million. The short-term obligations are expected to be covered by the operating cash flows of the operating subsidiaries. As at June 30, 2019, the revolving credit facility at Altice France was drawn in an aggregate of €85.0 million. A listing of available credit facilities by silo is provided in note 9.5 and the amounts available per segments are sufficient to cover the short-term debt and interest expense needs of each of these segments if needed.

Given the above, the Board of Directors has considered the following elements in determining that the use of the going concern assumption is appropriate:

- The Group's performance on Adjusted EBITDA and operating cash flows:
 - Adjusted EBITDA for the six month period ended June 30, 2019 amounted to €2,781.3 million, an increase of 6.1% compared to the same period last year. This increase in Adjusted EBITDA is mainly linked to a better performance in the France and Teads segments, which was partially offset by a decrease in performance in the Portugal, Israel and the Dominican Republic segments.
 - Operating cash flows for the six month period ended June 30, 2019 were €2,416.7 million.
- The Group had unrestricted cash reserves of €864.1 million as at June 30, 2019, compared to €1,666.0 million as at December 31, 2018, which would allow it to cover any urgent cash needs. The Group can move its cash from one segment to another under certain conditions as allowed by its debentures and debt covenants. Cash reserves in operating segments carrying debt obligations were as follows:
 - France: €371.3 million
 - Altice International: €475.3 million
- Additionally, as of June 30, 2019, the Group had access to revolving credit facilities of up to €2,231.0 million, of which €85.0 million was drawn as of June 30, 2019.

The Group's senior executives track operational KPIs on a weekly basis, thus tracking top line trends closely. This allows the Group's senior executives and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and help to ensure that the budgeted targets are met.

Based on the above, the Board of Directors is of the view that the Group will continue to act as a going concern for 12 months from the date of approval of these financial statements and has hence deemed it appropriate to prepare these condensed interim consolidated financial statements using the going concern assumption.

Altice Luxembourg S.A.

Condensed Interim Consolidated Financial Statements

17. Events after the reporting period

17.1. The sale of a majority stake in Groupe L'Express S.A.

On February 12, 2019, Altice France and Groupe L'Express S.A. ("L'Express") announced the potential sale by Altice France to News Participations S.A.S, a company controlled by Alain Weill, of a majority stake in L'Express. On July 19, 2019, the Board of Directors of Altice Europe N.V. approved the sale of a 51% equity stake to News Participations S.A.S., the remaining 49% of the share capital of L'Express being held by Altice Group Lux S.à r.l.. Following the announcement and the finalization of the term sheet of the transaction at the end of June 2019, the related asset and liabilities have been classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* as at June 30, 2019.

The sale closed on July 30, 2019. News Participations paid a nominal consideration of €18,890 for the subscription to 1,889,000 preference shares B, granting 51% of the financial interests in L'Express. Following the closing of the transaction, the Group lost control over L'Express and the remaining 49% equity stake held by Altice Group Lux S.à r.l. will be accounted for under the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures in the Group's financial statements. The estimated capital loss has been recorded in the statement of income for the six month period ended June 30, 2019 for €40.2 million in the caption Depreciation, amortization and impairment.