# MANAGEMENT'S DISCUSSION AND ANALYSIS

## ALTICE INTERNATIONAL S.À R.L.

## FOR THE YEAR ENDED DECEMBER 31, 2018

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# 1. Overview

## 1.1. Our Business

The Group is a multinational group operating across two sectors: (i) telecom (broadband and mobile communications) and (ii) advertising. The Group operates in Portugal, Israel and the Dominican Republic. The parent company of the Group is Altice International S.À R.L. (the "Company").

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

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

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

## 1.2. Products, services and brands

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

The Group's fixed services (high-quality pay-TV, broadband Internet and fixed line telephony) are mainly provided over its cable- and fibre-based network infrastructure which are either FTTH, FTTB, DOCSIS 3.1 or DOCSIS 3.0 enabled, offering download speeds of between 30 Mbps and 10 Gbps depending on geography. For example, on a blended basis, as of December 31, 2018, the Group's high-speed broadband services passed 7.4 million fibre/cable homes, with 2.0 million fibre/cable unique customers. The Group offers xDSL/DSL/DTH services, with 2.9 million fixed B2C unique customers for the year ended December 31, 2018. The Group also offers mobile services in the geographies in which it operates, through 2G, 3G and 4G Long-Term-Evolution ("LTE") technology, and, on a blended basis, as of December 31, 2018, the Group had 10.9 million mobile B2C customers (of which 4.7 million were post-paid customers).

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

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

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

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

## 1.3. Activities

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

### *1.3.1. Fixed B2C*

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

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

*TV and content*

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

The Group provides broadband Internet access and fixed line telephony services across its cable, fibre (and in certain areas xDSL) footprint. Large portions of its networks that are DOCSIS 3.0-enabled or FTTH-enabled can offer download speeds of up to 10 Gbps with limited network and customer premises equipment upgrades given the existing technological capability of its networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable it to better meet the needs of its residential and corporate customers who demand higher download speeds. Across Portugal, the Group is upgrading its networks for next-generation FTTH technology which will deliver more download speeds in the mid-term as well as reducing operating costs of running and maintaining its networks and services. As of December 31, 2018, the Group provides broadband Internet to 2.9 million B2C customers (over its cable- and fibre-based network infrastructure) across its geographies.

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

Group intends to phase out stand-alone telephony packages as its strategy is to offer fixed line telephony as an add-on product in its multi-play packages.

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

### *1.3.2. Mobile B2C*

The Group owns and operates mobile infrastructure in most of its geographies, including Portugal and Israel. The Group primarily services the postpaid subscriptions market, which represented approximately 43% of the Group's mobile customer base as of December 31, 2018, and, to a less extent, the prepaid market. Depending on geography and network technology deployed, the Group offers 2G, 3G and/or 4G services on a variety of plans, from 'no frills' offers with no commitment or handset, to premium mobile telephony offers with varying voice and data limits, if any, at attractive prices.

As of December 31, 2018, on a blended basis across the geographies where the Group is active, it offered mobile services to 10.9 million B2C customers. In Israel, due to current regulations, the Group offers its mobile services only on a stand-alone basis and in a bundle with ISP services and not as part of a multi-play cable offering.

### *1.3.3. Fixed B2B*

The Group offers focused fixed B2B services to large, medium, small and very small business customers in Portugal and the Dominican Republic. In Israel, the Group's B2B services primarily consist of enhanced versions of the Group's B2C products, which are adapted to meet the needs of its B2B customers.

### *1.3.4. Mobile B2B*

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

### *1.3.5. Wholesale services*

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

*1.3.6. TV and content*

Pay-TV

The Group is focused on strategically developing content to complement its fixed and mobile services with exclusive or high-quality content offerings. The Group produces and broadcasts a diverse range of content including live broadcasts of sports events and other sports- and lifestyle-related programs as well as the sports programming for which the Group has acquired broadcasting rights. The Group offers the distributed channels as part of its pay-TV packages in several of its geographies and also distributes them to third party service providers. The Group also continues to develop and offer content in Israel through its 'HOT 3'and 'HOT HBO' channels.

*1.3.7. Targeted advertising (Teads)*

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

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

*1.3.8. Other*

R&D services

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

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

Other services

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

## 1.4. Marketing and sales

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

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

## 1.5. Customers

### *1.5.1. Customer contracts and billing*

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

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

### *1.5.2. Customer service*

The Group's customer service strategy is to increase customer satisfaction and decrease churn with high product quality and dedicated service offered through locally and internationally operated service centers and personnel. The Group has vertically integrated one of its main historical historical suppliers in the area of the network deployment and maintenance, Parilis, in order to have more end-to-end control over processes and to optimize its operational risks and costs. The integration of Parilis enhanced the Group's expertise in these areas and ensure further quality of service improvements to its customers. The Group has also launched and started to implement initiatives aimed at improving its customers' experience, including enhanced customer relationship management systems, which allow the Group to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers. The Group aimed to integrate operations and centralize functions in order to optimize processes and to correlate sales incentives to churn, net promoter score ("NPS") and average

revenue per user ("ARPU") as opposed to more traditional criteria of new sales, in order to refocus the organization away from churn retention to churn prevention. In order to pro-actively address proper churn prevention, a dedicated task force was put in place in 2018, composed of top managers from different services (marketing, network, call center, etc.).

### 1.6. Competition

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

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

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

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

Portugal

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

Israel

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

Dominican Republic

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

# 2. Strategy and performance

## 2.1. Objectives

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

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

The Group intends to pursue its plan to strengthen its balance sheet. The Group will continue to review its infrastructure in its footprint, in line with the transformational agreements already reached with renowned infrastructure investors. In 2018, the Group closed the tower transactions in Portugal and the Dominican Republic at very attractive valuations and for a total sale proceeds of more than €2.5 billion. The Group will retain a 25% stake in the Portuguese tower portfolio. Through these transactions, the Group will deleverage.

## 2.2. Strategy of the Company

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

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

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

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

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

The Group plans to continue to grow its operating margins across its operations by focusing on cost optimization and leveraging economies of scale and operational synergies. The Group targets further savings as the Group focuses on

integrating and optimizing acquired businesses, particularly in its key market Portugal. The execution of this plan, amongst other things, includes:

- developing, launching and integrating new products, services and business models, including the creation of the next generation communications access and content convergence platforms with market-leading home hubs;
- improving network quality, upgrading and building out very high-speed communication networks;
- improving customer relationship management and maximizing customer experience, notably by investing in efficient IT platforms, focusing on digitalization and simplifying processes;
- delivering to the Group's customers the best new channels, the best sport content, the best documentary programs and the best series and movies;
- delivering key technology services and market-leading research and development through Altice Labs, promoting innovation and transforming technical knowledge into marketable competitive advantages, including the creation and monetization of world-class data analytics;
- leveraging sales and marketing strategies; and
- selecting strategic suppliers and improving technical and commercial negotiations.

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

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

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

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

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

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

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

The Group sees a competitive advantage which is expected to reduce churn, to have an accretive impact on ARPU and customer purchases and also to reduce dependence on content publishers.

The Group made significant investments, which it can leverage on its large customer base. In Portugal, the Group holds rights to broadcast games of popular Portuguese football clubs and PT Portugal's subsidiary MEO holds a 25% stake in SPORT TV, a sport TV broadcaster based in Portugal.

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

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

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

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

## 3. Key Factors Affecting Our Results of Operations

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

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

- technical failures, equipment defects, physical or electronic break-ins to our services, computer viruses and similar problems; the disruption or failure of our network, information systems or technologies as a result of computer hacking, computer viruses, "cyber-attacks," misappropriation of data, outages, natural disasters and other material events;
- our ability to obtain necessary hardware, software, communications equipment and services and other items from our vendors at reasonable costs;
- our ability to effectively integrate acquisitions and to maximize expected operating efficiencies from our acquisitions or as a result of the transactions, if any;
- significant unanticipated increases in the use of bandwidth-intensive Internet-based services;
- the outcome of litigation, government investigations and other proceedings;
- other risks and uncertainties inherent in our cable and other broadband communications businesses and our other businesses.

# 4. Basis of Presentation

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

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

# 5. Group financial review

## 5.1. Group financial review

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

The below table sets forth the Group's consolidated statement of income for the years ended December 31, 2018 and December 31, 2017, in euros. Please note that the Group's consolidated statement of income has been revised as of and for the year ended December 31, 2017 to take into account the impacts of the classification of Altice Technical Service France ("ATSF") and Altice Customer Service ("ACS") as discontinued operations as per IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", and the adoption of IFRS 15 "Revenue from Contracts with Customers" by the Group. the impact of the adoption of IFRS 15 "Revenue from Contracts with Customers" by the Group.

| **Consolidated Statement of Income** | **For the year ended December 31, 2018** | **For the year ended December 31, 2017** | **Change** |
|---|---|---|---|
| **(€m)** | | **(* revised)** | |
| **Revenues** | **4,184.7** | **4,910.7** | **-14.8%** |
| Purchasing and subcontracting costs | (1,104.4) | (1,293.3) | -14.6% |
| Other operating expenses | (985.5) | (913.4) | 7.9% |
| Staff costs and employee benefits | (478.9) | (493.8) | -3.0% |
| Depreciation, amortization and impairment | (1,141.3) | (1,489.9) | -23.4% |
| Other (expenses) and income | 982.5 | (243.3) | -503.9% |
| **Operating profit** | **1,457.2** | **477.1** | **205.4%** |
| Interest relative to gross financial debt | (407.8) | (744.5) | -45.2% |
| Other financial expenses | (241.2) | (65.5) | 268.3% |
| Finance income | 264.9 | 42.6 | 522.4% |
| Net result on extinguishment of a financial liability | - | (87.2) | -100.0% |
| **Finance costs, net** | **(384.2)** | **(854.6)** | **-55.1%** |
| Share of earnings (loss) of associates | 5.2 | (6.0) | -186.9% |
| **Loss before income tax** | **1,078.2** | **(383.5)** | **-381.2%** |
| Income tax expense | (194.2) | (25.7) | 655.2% |
| **Profit (loss) for the period** | **884.0** | **(409.2)** | **-316.0%** |
| **Discontinued operations** | | | |
| Profit (loss) after tax for the year from discontinued operations | 18.7 | (7.9) | -338.3% |
| **Profit (loss) for the period** | **902.7** | **(417.0)** | **-316.5%** |
| *Attributable to equity holders of the parent* | *891.2* | *(432.7)* | *-305.9%* |
| *Attributable to non-controlling interests* | *11.6* | *15.8* | *-26.5%* |

We have 6 reportable segments for which we discuss the results of operations for our business:

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

**Israel**: Fixed and mobile services are provided using the HOT telecom, HOT mobile and HOT net brands to B2C and B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network, as well as content

application called Next and OTT services through Next Plus. As of 2018, this segment also includes the Altice Technical Services entity in Israel.

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

**Teads**: Provides digital advertising solutions.

**Altice TV:** Content business from the use of content rights. Altice TV was not classified as discontinued operations and was sold to Altice Group Lux S.à r.l in May 2018.

**Others**: This segment includes all corporate entities and French Overseas Territories. The Board of Managers believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under "Others". The French Overseas Territories was no longer part of the Group as of October 31, 2018.

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

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

| For the year ended December 31, 2018 €m | Portugal | Israel | Dominican Republic | Teads | Altice TV | Others | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **2,109.5** | **941.2** | **590.2** | **342.1** | **28.6** | **179.8** | **(6.7)** | **4,184.7** |
| Purchasing and subcontracting costs | (545.0) | (257.2) | (166.0) | - | (99.0) | (44.2) | 7.0 | **(1,104.4)** |
| Other operating expenses | (418.3) | (214.5) | (102.9) | (197.3) | (3.2) | (51.0) | 1.6 | **(985.5)** |
| Staff costs and employee benefits | (276.5) | (64.0) | (27.4) | (84.5) | (1.5) | (24.9) | 0.0 | **(478.9)** |
| **Total** | **869.8** | **405.5** | **293.9** | **60.2** | **(75.1)** | **59.7** | **1.8** | **1,615.9** |
| Share-based expense | - | 0.2 | - | - | - | - | - | **0.2** |
| **Adjusted EBITDA** | **869.8** | **405.7** | **293.9** | **60.2** | **(75.1)** | **59.7** | **1.8** | **1,616.1** |
| Depreciation, amortisation and impairment | (680.2) | (319.1) | (125.5) | (16.4) | - | (0.0) | **-** | **(1,141.3)** |
| Share-based expense | - | (0.2) | - | - | - | - | **-** | **(0.2)** |
| Other expenses and income | 532.7 | (7.4) | 12.9 | (1.1) | 300.0 | 151.1 | **(5.6)** | **982.5** |
| **Operating profit/(loss)** | **722.3** | **79.0** | **181.3** | **42.7** | **224.9** | **210.8** | **(3.8)** | **1,457.2** |

| For the year ended December 31, 2017 (*revised) €m | Portugal | Israel | Dominican Republic | Teads | Altice TV | Others | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **2,244.7** | **1,035.5** | **694.2** | **163.9** | **417.4** | **443.2** | **(88.1)** | **4,910.7** |
| Purchasing and subcontracting costs | (593.3) | (274.8) | (190.7) | 0.3 | (178.8) | (71.7) | 15.8 | **(1,293.3)** |
| Other operating expenses | (381.4) | (217.0) | (115.4) | (90.9) | (12.5) | (160.5) | 64.3 | **(913.4)** |
| Staff costs and employee benefits | (277.3) | (70.2) | (30.2) | (33.9) | (6.7) | (80.5) | 5.1 | **(493.8)** |
| **Total** | **992.6** | **473.6** | **358.0** | **39.4** | **219.3** | **130.4** | **(2.9)** | **2,210.5** |
| Share-based expense | - | - | - | - | - | 28.6 | - | **28.6** |
| **Adjusted EBITDA** | **992.6** | **473.6** | **358.0** | **39.4** | **219.3** | **159.0** | **(2.9)** | **2,239.2** |
| Depreciation, amortisation and impairment | (807.3) | (328.4) | (137.0) | (8.2) | (138.0) | (70.9) | **-** | **(1,489.9)** |
| Share-based expense | - | - | - | - | - | (28.6) | **-** | **(28.6)** |
| Other expenses and income | (240.4) | (16.1) | (26.7) | (0.4) | 3.7 | 35.5 | **1.2** | **(243.3)** |
| **Operating profit/(loss)** | **(55.1)** | **129.1** | **194.2** | **30.8** | **85.0** | **94.9** | **(1.7)** | **477.1** |

## 5.2. Significant events affecting historical results

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

***Sale of telecommunications solutions business and data center operations in Switzerland***

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

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

***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 during the period amounted to €4.6 million, net of tax.

**Exercise of the ATS call option**

In April 2018, the Group exercised the call option for the acquisition of the remaining 49% in Altice Technical Services ("ATS") for a price determined on acquisition of ATS of €147 million, bearing interests at an annual rate of EURIBOR 1 month plus 3.5%. The total amount of €156.3 million was paid on November 26, 2018. As a result of the exercise of the call option, the Group's ownership in ATS increased to 100%. The ATS entities in France were then sold to Altice France, please refer to note 3.1.5.

***Closing of the sale of Altice Content to Altice Group Lux S.à r.l***

During November and December 2017, the Board of Directors of Altice Europe N.V. decided to transfer the shares of Altice Content to Altice Group Lux S.à r.l. (the indirect parent company of Altice International). The transaction was closed on May 15, 2018. The capital loss was recorded in shareholders' equity (within the transaction with Altice's shareholder) for an amount of €172.2 million, net of tax. The consideration received was €1.

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

***Closing of the sale of Altice Technical Services France to Altice France***

During December 2017, the Board of Directors of Altice Europe N.V. decided to transfer the shares of Altice Technical Service France ("ATSF) to Altice France. As of December 31, 2017, ATSF was treated as discontinued operations and the assets and liabilities were classified as held for sale. The transaction was closed on May 16, 2018. The capital gain recorded in equity amounted to €24.7 million, net of tax. Please refer to note 3.5 for details on the contribution of discontinued operations to the statement of income and cash flow.

***Closing of the sale of Altice Customer Service to Altice France***

During December 2017, the Board of Directors of Altice Europe N.V. decided to transfer the shares of Altice Customer Services ("ACS") to Altice France. As of December 31, 2017, ACS was treated as discontinued operations and the assets

and liabilities were classified as held for sale. The transaction was closed on May 16, 2018. The capital gain recorded in equity amounted to €3.4 million, net of tax. Please refer to note 3.5 for details on the contribution of discontinued operations to the statement of income and cash flow.

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

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

***Sale of international wholesale business***

On July 18, 2018, two Sale and Purchase Agreements had been separately signed by Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018. The total capital gain recorded for the year ended December 31, 2018 was €7.5 million. The total consideration received was €13.7 million.

***Sale of towers of Portugal***

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

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

- capital gain of €611.7 million that corresponds to the difference between the purchase price of €648 million (including a cash consideration €539.5 million and the acquisition of 25% stake in OMTEL measured at fair value of €108 million) and the carrying value of the net assets transferred, amounting to €37 million, including mainly the towers, prepaid rents and asset retirement obligations; and
- €10.1 million of deferred capital gain (please refer to note 4.3.2.7).

***Closing of transaction to sell telecommunication towers in the Dominican Republic***

On October 3, 2018, Altice Europe N.V. announced the closing of the transaction to sell 100% in the tower company Teletorres del Caribe, which comprises 1,039 sites formerly operated by its subsidiary Altice Dominicana, to Phoenix Tower International, a portfolio company of Blackstone. The capital gain recorded for the year ended December 31, 2018 amounted to €88.1 million. The consideration received was $168.0 million (€148.6 million).

***PT Portugal acquired the shares of SIRESP***

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

***Sale of Altice Blue Two ("AB2") to Altice France and Altice Group Lux***

On October 31, 2018, the Group completed the sale of Altice Blue Two to Altice France and Altice Group Lux. This acquisition was part of the restructuring announced by Altice Europe N.V. in January 2018. Altice Blue Two includes the telecom operations of Outremer Telecom, a fixed and mobile operator present in the French Overseas Territories ("FOT"). The total consideration received for the year ended December 31, 2018 amounted to €480.5 million in cash. The capital

gain recorded in shareholders equity within the transactions with Altice Shareholders for the year ended December 31, 2018 was €63.2 million. As of October 31, 2018, Altice France S.A. and its subsidiary, OMT Ocean 3 S.A.S, have a combined 94.9% ownership in AB2 whilst Altice Group Lux S.à r.l. owns the remaining 5.01%.

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

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

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

## 6.1. Revenue

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

Group

For the year ended December 31, 2018, the Group generated total revenues of €4,184.7 million, a 14.8% decrease compared to €4,910.7 million for the year ended December 31, 2017. This decrease in revenues was recorded in all lines of activities, in general as a result of increased competition and the associated impact on the subscriber base and ARPU, in addition to an unfavourable development of the foreign currency rates for the Dominican Peso and the Israeli Shekel, which, based on the average annual exchange rate, decreased by 8.2% and 4.3% respectively. These unfavourable effects on revenue are partly offset by the additional revenue recorded by Teads, which was acquired on June 22, 2017.

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

| | For the year ended December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Revenue (€m)** | **Portugal** | **Israel** | **Dominican Republic** | **Teads** | **Altice TV** | **Others** | **Total** |
| Revenue Fixed - B2C | 618.4 | 580.6 | 100.7 | - | - | - | **1,299.7** |
| Revenue Mobile - B2C | 561.7 | 243.3 | 354.1 | - | - | - | **1,159.1** |
| B2B | 585.7 | 117.0 | 82.5 | - | - | - | **785.3** |
| Wholesale | 206.7 | - | 52.5 | - | - | - | **259.1** |
| Other revenue | 137.0 | 0.3 | 0.4 | 342.1 | 28.6 | 179.8 | **688.1** |
| **Total standalone revenues** | **2,109.5** | **941.2** | **590.2** | **342.1** | **28.6** | **179.8** | **4,191.4** |
| Intersegment eliminations | (1.7) | (0.3) | (0.7) | (0.8) | (3.5) | 0.4 | **(6.7)** |
| **Total consolidated revenues** | **2,107.8** | **940.9** | **589.4** | **341.3** | **25.1** | **180.2** | **4,184.7** |

| | For the year ended December 31, 2017 (* revised) | | | | | | |
|---|---|---|---|---|---|---|---|
| **Revenue (€m)** | **Portugal** | **Israel** | **Dominican Republic** | **Teads** | **Altice TV** | **Others** | **Total** |
| Fixed - B2C | 658.4 | 656.0 | 108.9 | - | - | 40.4 | **1,463.7** |
| Mobile - B2C | 568.2 | 242.3 | 416.5 | - | - | 0.6 | **1,227.6** |
| B2B | 591.4 | 136.2 | 93.7 | - | - | 10.3 | **831.6** |
| Wholesale | 275.1 | - | 72.8 | - | - | - | **347.9** |
| Other | 151.5 | 1.0 | 2.3 | 163.9 | 417.3 | 391.9 | **1,127.9** |
| **Total standalone revenues** | **2,244.7** | **1,035.5** | **694.2** | **163.9** | **417.4** | **443.2** | **4,998.8** |
| Intersegment eliminations | (10.8) | (0.6) | (2.4) | - | (9.9) | (64.3) | **(88.1)** |
| **Total consolidated revenues** | **2,233.9** | **1,034.9** | **691.8** | **163.9** | **407.5** | **378.9** | **4,910.7** |

Revenues for the Group's fixed B2C business decreased from €1,463.7 million for the year ended December 31, 2017 to €1,299.7 million for the year ended December 31, 2018, a 11.2% decrease compared to the year ended December 31, 2017. This decrease was driven primarily by growing competition and the associated impact on subscriber numbers and pricing pressure.

The Group's mobile B2C business revenue decreased to €1,159.1 million for the year ended December 31, 2018, a 5.6% decrease compared to €1,227.6 million for the year ended December 31, 2017, mainly due to price erosion in the Dominican Republic and the unfavourable development of the foreign currency rate for the Dominican Peso.

The Group's B2B business revenue decreased to €758.3 million for the year ended December 31, 2018, a 5.6% decrease compared to €831.6 million for the year ended December 31, 2017, to a large extent driven by increased competition in Israel and the Dominican Republic. The unfavourable development of the foreign currency rates for the Dominican Peso and the Israeli Shekel resulted in an additional decrease in B2B business revenue.

The Group's wholesale business revenue decreased to €259.1 million for the year ended December 31, 2018, a 25.5% decrease compared to €347.9 million for the year ended December 31, 2017, mainly due to decreases in Portugal and the Dominican Republic due to the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

Revenues from the Group's other activities totalled €688.1 million for the year ended December 31, 2018, a 39.0% decrease compared to €1.127.9 million for the year ended December 31, 2017. The decrease in other revenues was mainly due to a reduction of intersegment recharging of services provided to Group Companies. These decreases are partly offset by an increase of revenues related to Teads, which was acquired on June 22, 2017.

Geographical segments

Portugal: For the year ended December 31, 2018, the Group generated revenues in Portugal of €2,107.8 million, a 5.6% decrease compared to €2,233.9 million for the year ended December 31, 2017. This decrease was mainly due to a decline in the fixed revenues, reflecting the competitive pressure in the market and the resulting price erosion notwithstanding an improved performance in customer net additions in the period. In addition, wholesale revenues decreased due to the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

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

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

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

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

Other revenues decreased from €151.5 million for the year ended December 31, 2017 to €137.0 million for the year ended December 31, 2018, a decrease of 9.6%. This decrease is primarily driven by a decline in non-group revenues of Altice Labs.

Israel: For the year ended December 31, 2018, the Group generated revenue in Israel of €940.9 million, a 9.1% decrease compared to €1,034.9 million for the year ended December 31, 2017. On a constant currency basis, revenues decreased by 5.0%. On a constant currency basis, this was mainly due to a decrease in fixed revenues due to a strong competition in the TV and broadband market with the entry of new competitors with aggressive pricing, resulting in a decrease in the

subscriber base and a decrease in ARPU. This decrease was partly offset by an increase in mobile revenues due to higher equipment sales while the market is still under price pressure following the entry of a new MVNO player from the second quarter of 2018.

Dominican Republic: For the year ended December 31, 2018, the Group generated total revenue of €589.4 million, a 14.8% decrease compared to €691.8 million for the year ended December 31, 2017. On a constant currency basis, revenues decreased by 6.3%. On a constant currency basis, this was largely driven by a decrease in mobile B2C revenues as a result of voice erosion, and a decrease in wholesale, mainly due to the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

Teads: For the year ended December 31, 2018, the Group generated revenue in Teads of €341.3 million, compared to €163.9 million for the year ended December 31, 2017. Due to the fact that Teads was acquired on June 22, 2017, 6 months of revenue were reported for the year ended December 31, 2017 versus 12 months of revenue for the year ended December 31, 2018.

Altice TV: For the year ended December 31, 2018, the Group generated total revenue in Altice TV of €25.1 million, compared to €407.5 million for the year ended December 31, 2017. This decrease was largely driven by the sale of Altice Content to Altice Group Lux S.à r.l on Mar. l5, 2018 and a reduction of intersegment recharging of services provided to Group Companies.

Others: For the year ended December 31, 2018, the Group generated total revenue in Others (which comprises of the Group's corporate entities) of €180.2 million, compared to €378.9 million for the year ended December 31, 2017. This decrease was largely driven by the sale of sale of Altice Blue Two to Altice France on October 31, 2018 and a reduction of intersegment recharging of services provided to Group Companies.

### 6.2. Adjusted EBITDA

Group

For the year ended December 31, 2018, the Group's Adjusted EBITDA was €1,616.1 million, a decrease of 27.8% compared to the year ended December 31, 2017 (€2,239.2 million). This decrease can be attributed to lower revenues, as explained above, and higher other operating expenses, partially offset by decreased purchasing and subcontracting expenses and staff costs and employee benefits.

- Purchasing and subcontracting costs decreased by 14.6%, from €1,293.3 million in the year ended December 31, 2017 to €1,104.48 million in the year ended December 31, 2018.

- Other operating expenses increased by 7.9% to €985.5 million in the year ended December 31, 2018 from €913.4 million in the year ended December 31, 2017.

- Staff costs and employee benefit expenses decreased by 3.0%, from €493.8 million in the year ended December 31, 2017 to €478.9 million in the year ended December 31, 2018.

Geographical segments

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

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

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

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

Altice TV: For the year ended December 31, 2018, the Group's Adjusted EBITDA for Altice TV decreased by 134.3% from €219.3 million for the year ended December 31, 2017 to a negative Adjusted EBITDA of €75.1 million. This decrease was largely driven by the sale of Altice Content to Altice Group Lux S.à r.l on May 15, 2018 and a reduction of intersegment recharging of services provided to Group Companies.

Others: For the year ended December 31, 2018, the Group's Adjusted EBITDA in Others was €59.7 million, an increase of 62.4% from an Adjusted EBITDA of €159.0 million for the year ended December 31, 2017. This decrease was largely driven by the sale of Altice Blue Two to Altice France on October 31, 2018 and a reduction of intersegment recharging of services provided to Group Companies.

## 6.3. Operating profit of the Group

Depreciation, amortization and impairment

For the year ended December 31, 2018, depreciation and amortization totalled €1,141.3 million, a 23.4% decrease compared to €1,489.9 million for the year ended December 31, 2017.

Other expenses and income

For the year ended December 31, 2018, the Group's other income totalled €982.5 million, an 503.9% increase compared to an expense of €243.3 million for the year ended December 31, 2017. A detailed breakdown of other expenses and income is provided below:

| Other expenses and income<br>(€m) | For the year ended December 31, 2018 | For the year ended December 31, 2017<br>(* revised) | Change |
|---|---|---|---|
| Share-based expense | 0.2 | 28.6 | -99.3% |
| **Items excluded from adjusted EBITDA** | **0.2** | **28.6** | **-99.3%** |
| Restructuring costs | 10.6 | 48.2 | -78.1% |
| Onerous contracts | 1.8 | 1.0 | 81.4% |
| Net (gain)/loss on disposal of assets | 5.4 | 10.3 | -47.5% |
| Disputes and litigation | 27.0 | (1.4) | -2058.3% |
| Penalties | - | 124.5 | -100.0% |
| Break fees | (300.0) | - | nm |
| Net gain on sale of consolidated entities | (785.8) | 24.0 | -3369.3% |
| Deal fees | 9.7 | 11.3 | -14.7% |
| Management fee | 16.2 | 5.8 | 178.0% |
| Other expenses and income (net) | 32.7 | (9.1) | -458.4% |
| **Other expenses and income** | **(982.5)** | **243.3** | **-503.9%** |

**Share-based expense:** Altice Europe N.V. has several share-based compensation plans across its various entities comprising of mainly the Long-Term Incentive Plan ("LTIP"), the Share Option Plan ("SOP") and the options granted to Next Alt. During the year ended December 31, 2018, the Group incurred share-based expenses of €0.2 million, as Altice Management International ("AMI"), which incurred the recharged stock option expense, was sold. During the year ended December 31, 2017, AMI incurred €28.6 million of share-based expenses.

**Restructuring costs:** Restructuring costs for the year ended December 31, 2018 mainly relate to the restructuring plans in PT Portugal for €10.2 million.

Restructuring costs incurred for the year ended December 31, 2017 of €48.2 million mainly related to provisions for employee redundancies and contract termination fees of €35.1 million in PT Portugal related to the curtailment of outsourced services and an insourcing plan, Altice Management International (€6.0 million), FOT (€3.0 million) and HOT (€1.9 million).

**Net loss on disposals of assets**: For the year ended December 31, 2018, the loss on disposal of assets primarily relates to expenses recorded in PT Portugal due to forest fires damages (€1.8 million) and other disposed tangible assets (€3.6 million).

**Disputes and litigation:** For the year ended December 31, 2018, disputes and litigations mostly consisted of €24.7 million litigation provision recorded in PT Portugal.

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

**Breakup fees:** Breakup fees for the year ended December 31, 2018 of €300.0 million relate to the breakup fees income from Altice France payable to the Group as part of the content activities of the Group in 2018.

**Gain on sale of consolidated entities:** For the year ended December 31, 2018, this relates to the capital gain generated by:

- the tower business in PT Portugal of €601.6 million which corresponds to the total capital gain of €611.7 million, of which €10.1 million was deferred;
- the sale of the towers business in the Dominican Republic of €88.1 million;
- the sale of telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG of €88.8 million;
- the sale of the Wholesale business recorded in the Dominican Republic (€5.0 million) and PT Portugal (€2.5 million).

**Deal fees:** Deal fees consisted mainly of €6.8 million expenses in PT Portugal for the financial and legal advisory fees in the sale of the tower business.

**Management fees:** Management fees relate to the corporate costs charged by Altice Luxembourg to entities within the Company. This amounted to €16.2 million for the year ended December 31, 2018.

For the year ended December 31, 2017, management fees corresponded to the management fee payable to other companies of the Altice Luxembourg as part of the implementation of the "Altice Way" of €32.3 million. This was partially offset by the management fee income from Altice USA of €26.5 million.

**Other expenses and income (net):** Consisted mainly of expenses in Altice Holdings of €13.0 million related to a share settlement with the management team of Altice Blue Two (part of the French Overseas Territories) and fines in PT Portugal of €3.4 million of fines (mostly related to the termination fee of a real estate rental agreement of €2.4 million).

Operating profit

As a result of the above-mentioned factors, for the year ended December 31, 2018, the Group recorded an operating profit of €1,457.2 million, a 205.4% increase compared to €477.1 million for the year ended December 31, 2017.

### 6.4. Result for the year of the Group

Finance costs (net)

Net finance costs amounted to €384.2 million for the year ended December 31, 2018, registering a decrease of 55.1% compared to €854.6 million for the year ended December 31, 2017. A detailed breakdown of finance costs (net) is provided below:

| Finance costs, net<br>(€m) | For the year ended December 31, 2018 | For the year ended December 31, 2017 (* revised) | Change |
|---|---|---|---|
| Interest relative to gross financial debt | (407.8) | (744.5) | -45.2% |
| Other financial expenses | (241.2) | (65.5) | 268.3% |
| Finance income (expense) | 264.9 | 42.6 | 522.4% |
| Net result on extinguishment of a financial liability | - | (87.2) | -100.0% |
| **Finance costs, net** | **(384.2)** | **(854.6)** | **-55.1%** |

Interest relative to gross financial debt: For the year ended December 31, 2018, the Group's interest relative to gross financial debt totalled €407.8 million, a 45.2% decrease compared to €744.5 million for the year ended December 31, 2017. Interest relative to gross financial debt includes the variation in the mark to market of the Group's derivative financial instruments, which was a main driver of the variation in this line item for the year ended December 31, 2018 The mark-to-market gain in Altice Financing amounted to €196.3 million for the year ended December 31, 2018, compared to a loss of €108.6 million for the year ended December 31, 2017.

Other financial expenses: For the year ended December 31, 2018, the Group's other financial expenses totalled €241.2 million, a 268.3% increase compared to €65.5 million for the year ended December 31, 2017. The change in other financial expenses is largely driven by fluctuations in exchange rates. During the year ended December 31, 2018, a foreign exchange loss of €161.9 million was booked in Altice Financing, mainly related to the change in the effectiveness of the derivatives.

Finance income: For the year ended December 31, 2018, the Group's finance income totalled €264.9 million, a 522.4% increase compared to finance income of €42.6 million for the year ended December 31, 2017. The change in finance income is largely driven by a gain of €43.2 million related to the change in the fair value of minority call option in Teads, and interest incomes due from Altice Luxembourg S.A. in Altice Holdings for an amount of €66.0 million and Altice Financing for an amount of €73.9 million.

Net result on extinguishment of a financial liability: For the year ended December 31, 2018, the Group's Net result on extinguishment of a financial liability amounted to nil, compared to a Net result on extinguishment of a financial liability of €87.2 million for the year ended December 31, 2017, which was related to the refinancing of debt in Altice Financing, which closed in April 2017.

Share of earnings of associates

For the year ended December 31, 2018, the Group's share in the gain of associates totalled €5.2 million compared to a loss of €6.0 million for the year ended December 31, 2017.

Income tax expense

For the year ended December 31, 2018, the income tax expense totalled €194.20 million compared to an income tax expense of €25.7 million in the year ended December 31, 2017.

Profit (loss) for the period

For the year ended December 31, 2018, the profit after tax from continued operations totalled €884.0 million compared to a loss after tax from continued operations of €409.2 million in the year ended December 31, 2017. The reasons for this decrease are enumerated in the sections above.

Profit (loss) after tax for the year from discontinued operations

The profit (loss) from discontinued operations for the year ended December 31, 2018 and the year ended December 31, 2017 relate to the results of Altice Technical Service France ("ATSF") and Altice Customer Service ("ACS"), which have been classified as discontinued operations as per IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"

## 6.5. Liquidity and capital resources

General

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

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

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

With the tower sales in Portugal and the Dominican Republic announced in 2018, the Group has been able to obtain cash proceeds of €688.1 million.

Cash flow

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

| **Net Cash Flows**<br>**(€m)** | **For the year ended December 31, 2018** | **For the year ended December 31, 2017 (* revised)** | **Change** |
|---|---|---|---|
| Net cash flow from operating activities | 1.345,1 | 1.608,1 | -16,4% |
| Net cash flow from investing activities | 595,3 | (940,7) | -163,3% |
| Net cash flow from financing activities of continuing operations | (1.590,8) | (605,8) | 162,6% |
| **Changes in cash and cash equivalents** | **349,5** | **61,7** | **466,4%** |
| Classification of cash as held for sale | (6,4) | (64,1) | -90,0% |
| Effects of exchange rate changes on cash held in foreign currencies | 1,0 | (10,6) | -109,4% |
| **Net changes in cash and cash equivalents** | **344,1** | **(12,9)** | **-2770,8%** |

The Group recorded a net increase of €344.1 million in cash and cash equivalents for the year ended December 31, 2018, compared to a net decrease of €12.9 million for the year ended December 31, 2017.

Net cash provided by operating activities: Net cash provided by operating activities decreased by 16.4% to €1,345.1 million for the year ended December 31, 2018 compared to €1,608.1 million for the year ended December 31, 2017. The decrease in net cash provided by operating activities is mainly explained by the changes in working capital, which was partly offset by other non-cash operating gains and decreases in income taxes and pension liability payments.

Net cash used in investing activities: Net cash provided by investing activities amounted to €595,.3 million for the year ended December 31, 2018 versus cash used by investing activities of €940.7 million for the year ended December 31, 2017. The increase in the year ended December 31, 2018 is mainly attributed to the higher proceeds from the disposal of businesses during the year ended December 31, 2018 and lower payments regarding capital expenditures.

Net cash used in financing activities: Net cash used in financing activities increased by 162.2% to €1,590.8 million for the year ended December 31, 2018 compared to €605.8 million for the year ended December 31, 2017. The increase in net cash used can primarily be attributed to net repayment of debt of €357.5 million for the year ended December 31, 2018, whereas for the year ended December 31, 2017 there was a net borrowing of debt of €466.3 million. In addition, increases in payments due to transactions with non-controlling interests and advances to group companies was only partially offset by decreases in interest payments and other immaterial movements.

### 6.6. Capital expenditures

The Group classifies its capital expenditures in the following categories.

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

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

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

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

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

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

| **For the year ended December 31, 2018 €m** | **Portugal** | **Israel** | **Dominican Republic** | **Teads** | **Altice TV** | **Others** | **Eliminations** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Capital expenditure (accrued) | 423.3 | 234.1 | 115.2 | 1.4 | 3.8 | 34.3 | (.7) | **811.4** |
| Capital expenditure - working capital items | 36.3 | 8.7 | (3.5) | - | 4.5 | 2.1 | - | **48.0** |
| **Payments to acquire tangible and intangible assets** | **459.6** | **242.8** | **111.7** | **1.4** | **8.3** | **36.4** | **(.7)** | **859.4** |

| **For the year ended December 31, 2017 (*revised) €m** | **Portugal** | **Israel** | **Dominican Republic** | **Teads** | **Altice TV** | **Others** | **Eliminations** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Capital expenditure (accrued) | 437.8 | 241.5 | 114.6 | - | 46.6 | 65.8 | (1.7) | 904.5 |
| Capital expenditure - working capital items | (16.1) | (7.1) | (5.5) | - | 99.9 | (3.5) | - | 67.6 |
| **Payments to acquire tangible and intangible assets** | **421.6** | **234.2** | **109.1** | **-** | **146.5** | **62.3** | **(1.7)** | **972.2** |

Geographical segments

Portugal: For the year ended December 31, 2018, PT Portugal's total capital expenditures were €459.6 million (representing 21.8% of revenue in Portugal), a 9.0% increase compared to €421.6 million for the year ended December 31, 2017 (representing 18.9% of revenue in Portugal). The increase in capex is explained by an increase in mobile network related capex reflecting the deployment of the single RAN technology, higher SAC-related capex reflecting both higher

gross adds and an increase in the unitary SAC and changes in capital expenditure related working capital. These increases are partially offset by lower fixed network related capex as a result of a lower number of homes passed.

Israel: Capital expenditure in Israel increased by 3.7%, from €234.2 million (representing 22.6% of revenue in Israel) in the year ended December 31, 2017 to €242.8 million (representing 25.8% of revenue in Israel) in the year ended December 31, 2018. On a constant currency basis, capital expenditure increased by 8.3%, driven by higher network and installation spend and changes in capital expenditure related working capital, partly offset by lower investments in CPE.

Dominican Republic: For the year ended December 31, 2018, the total capital expenditures were €8.3 million (representing 18.9% of revenue in the Dominican Republic), a 2.4% increase compared to €109.1 million for the year ended December 31, 2017 (representing 15.8% of revenue in the Dominican Republic). On a constant currency basis, accrued capital expenditures increased by 11.5%, to a large extent driven by purchase of equipment and services for mobile network to support data growth and increase of LTE coverage, services for the migration to single RAN technology and new deals for TV content rights.

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

Altice TV: For the year ended December 31, 2018, the total capital expenditures were €8.3 million, a 94.3% decrease compared to €146.5 million for the year ended December 31, 2017. The decrease is mainly explained by the sale of Altice Content to Altice Group Lux S.à r.l on May 15, 2018

Others: For the year ended December 31, 2018, the total capital expenditures were €36.4 million, compared to capital expenditures of €62.3 million for the year ended December 31, 2017. This decrease was largely driven by the sale of Altice Blue Two to Altice France on October 31, 2018.

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

| Consolidated Statement of Financial Position (€m) | As at December 31, 2018 | As at December 31, 2017 (* revised) | Change |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 3,207.7 | 3,214.7 | -0.2% |
| Intangible assets | 1,756.9 | 2,040.7 | -13.9% |
| Property, plant & equipment | 3,520.5 | 3,728.5 | -5.6% |
| Contract costs | 95.6 | 89.3 | 7.1% |
| Investment in associates | 134.3 | 26.4 | 408.8% |
| Financial assets | 1,804.7 | 976.0 | 84.9% |
| Deferred tax assets | 139.9 | 129.3 | 8.2% |
| Other non-current assets | 158.2 | 182.7 | -13.4% |
| **Total non-current assets** | **10,817.8** | **10,387.6** | **4.1%** |
| **Current assets** | | | |
| Inventories | 118.2 | 112.8 | 4.8% |
| Contract assets | 38.9 | 36.0 | 8.0% |
| Trade and other receivables | 943.6 | 960.6 | -1.8% |
| Current tax assets | 8.1 | 8.7 | -6.9% |
| Financial assets | 76.4 | 33.5 | 128.2% |
| Cash and cash equivalents | 597.3 | 253.2 | 135.9% |
| Restricted cash | 35.9 | 33.7 | 6.6% |
| **Total current assets** | **1,818.4** | **1,438.5** | **26.4%** |
| *Assets classified as held for sale* | 15.9 | 1,712.2 | -99.1% |
| **Total assets** | **12,652.1** | **13,538.3** | **-6.5%** |
| | | | |
| Issued capital | 309.3 | 309.3 | 0.0% |
| Additional paid in capital | - | 53.2 | -100.0% |
| Other reserves | 476.0 | 442.9 | 7.5% |
| Accumulated losses | (764.2) | (1,466.6) | -47.9% |
| **Equity attributable to owners of the Company** | **21.0** | **(661.3)** | **-103.2%** |
| Non-controlling interests | 4.0 | 27.6 | -85.6% |
| **Total equity** | **25.0** | **(633.7)** | **-103.9%** |
| **Non-current liabilities** | | | |
| Long term borrowings, financial liabilities and related hedging instruments | 8,478.7 | 8,457.6 | 0.2% |
| Other financial liabilities | 831.3 | 988.5 | -15.9% |
| Provisions | 702.3 | 818.6 | -14.2% |
| Deferred tax liabilities | 76.4 | 78.6 | -2.8% |
| Non-current contract liabilities | 61.3 | 11.0 | 457.5% |
| Other non-current liabilities | 34.3 | 14.3 | 139.2% |
| **Total non-current liabilities** | **10,184.3** | **10,368.6** | **-1.8%** |
| **Current liabilities** | | | |
| Short-term borrowings, financial liabilities | 24.5 | 357.3 | -93.2% |
| Other financial liabilities | 671.6 | 622.2 | 7.9% |
| Trade and other payables | 1,210.8 | 1,228.0 | -1.4% |
| Contract liabilities | 133.5 | 185.3 | -27.9% |
| Current tax liabilities | 130.8 | 89.1 | 46.9% |
| Provisions | 113.7 | 65.3 | 74.0% |
| Other current liabilities | 157.9 | 304.6 | -48.2% |
| **Total current liabilities** | **2,442.8** | **2,851.8** | **-14.3%** |
| *Liabilities directly associated with assets classified as held for sale* | - | 951.6 | nm |
| **Total liabilities** | **12,627.1** | **14,172.0** | **-10.9%** |
| **Total equity and liabilities** | **12,652.1** | **13,538.3** | **-6.5%** |

For the year ended December 31, 2018, the Group had a total asset position of €12,652.1 million and a net equity position of €25.0 million. The major contributors to the total asset position of the Group are the Altice France Group and PT Portugal and its subsidiaries.

Current assets

As at December 31, 2018, the Group had a current asset position of €1,818.4 million, an 26.4% increase compared to €1,438.5 million as at December 31, 2017, which was mainly driven by an increase in cash and cash equivalents.

Non-current assets

As of December 31, 2018, the Group had a non-current asset position of €10,817.8 million, an 4.1% increase as compared to €10,387.6 million as of December 31, 2017.

Property, plant and equipment ("PPE"): The Group includes companies that have substantial PPE relating to their telecommunications network, which are required to enable them to run their business. The net book value of such assets (classified under the property, plant and equipment caption) amounted to €3,520.5 million as of December 31, 2018 compared to €3,728.5 million at December 31, 2017. The decrease of €208.0 million is mainly explained by the impact of depreciation of €661.6 million and disposals of €145.8 million, partly offset by additions of €690.4 million and other immaterial movements.

Intangible assets: The net book value of intangible assets amounted to €1,756.9 million at December 31, 2018 compared to €2,040.7 million at December 31, 2017. The decrease is mainly explained by the impact of amortization of €375.2 million, partly offset by additions of €114.8 million and other immaterial movements.

Goodwill: The net book value of goodwill decreased from €3,214.7 million as at December 31, 2017 to €3,207.7 million as at December 31, 2018. The decrease in goodwill is mainly related to currency translation differences.

Investments in associates: The investments in associates increased from €26.4 million as at December 31, 2017 to €134.3 million as at December 31, 2018. This increase is mainly explained by the Group's acquisition of a 25% stake in the capital of Belmont Infra Holding S.A. for €108.8 million.

Non-current financial assets: non-current financial assets amounted to €1,804.7 million as at December 31, 2018, an increase of 84.9% compared to €976.0 million as at December 31, 2017. This increase is mainly related to advances in Altice Financing and Altice Holdings to entities within the Altice Luxembourg Group (mainly Altice Luxembourg S.A. and Altice Corporate Financing).

Deferred tax assets: Deferred tax assets amounted to €139.9 million as of December 31, 2018, an increase of 8.2% compared to €129.3 million as at December 31, 2017. For information on the changes in the deferred tax assets, please also refer to Note 23 to the Consolidated Financial Statements.

Current financial assets: Current financial assets amounted to €76.4 million as at December 31, 2018, an increase of 128.2% compared to €33.5 million as at December 31, 2017. This increase is mainly related to the change in derivative financial instruments and increases in the accrued interest on financial loans in Altice International S.A. and Altice Holdings.

Current liabilities

The Group had a current liability position of €2,442.8 million as at December 31, 2018, a decrease of 14.3% compared to €2,851.8 million as at December 31, 2017, mainly composed of trade and other payables and other financial liabilities.

Trade and other payables: Trade and other payables amounted to €1,210.8 million for the year ended December 31, 2018, a decrease of 1.4% compared to €1,228.0 million for the year ended December 31, 2017.

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

Short term borrowings: The current portion of borrowings decreased from €357.3 million as of December 31, 2017 to €24.5 million as of December 31, 2018. The balance as at December 31, 2018 primarily relates to loans payable to financial institutions. The balance as at December 31, 2017 primarily relates to €199.0 million (ILS 957 million) of debentures related to HOT and €138.4 million of loans payable to financial institutions.

Other financial liabilities: Other financial liabilities increased by 7.9% to reach €671.6 million as of December 31, 2018 compared to €622.2 million in the year ended December 31, 2017. This was largely driven by an increase in reverse factoring and securitization and other immaterial movements.

Non-current liabilities

The Group's non-current liabilities are mainly composed of bonds and indebtedness obtained from banking institutions. The non-current liability position was €10,184.3 million as of December 31, 2018 compared to €10,368.6 million as of December 31, 2017.

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

Long term borrowings: As of December 31, 2018, debentures and bank loans issued by Altice International amounted to €8,478.7 million (equivalent).

Other non-current financial liabilities: Other non-current financial liabilities are mainly composed of liabilities related to put options with non-controlling interest, financial leases and Mandatory Convertible Notes (MCN) which were issued and entirely subscribed by the Company's sole Partner, Altice Luxembourg S.A. The non-current portion of other financial liabilities as at December 31, 2018 amounts to €831.3 million, a decrease of €157.2 million compared to €988.5 million as at December 31, 2017, mainly due to the change in the valuation of the put options with non-controlling interest and the change in value of the MCN.

Non-current provisions: Non-current provisions decreased to €702.3 million as at December 31, 2018 from €818.6 million as at December 31, 2017. For information on the changes in the provisions, please refer to Note 15 to the Consolidated Financial Statements.

Deferred tax liabilities: Deferred tax liabilities decreased by 2.8% to reach €76.4 million as of December 31, 2018, compared to €78.6 million as of December 31, 2017. For information on the changes in the deferred tax liabilities, please refer to Note 23 to the Consolidated Financial Statements.

## 7. Key Operating Measures

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

| *000's unless stated otherwise* | **Altice International - year ended December 31, 2018** | | | |
|---|---|---|---|---|
| | **Portugal** | **Israel** | **Dominican Republic** | **Total** |
| **Homes passed** | **5,157** | **2,128** | **792** | **8,076** |
| Fiber / cable homes passed | 4,490 | 2,128 | 755 | 7,373 |
| **FIXED B2C** | | | | |
| **Fiber / cable unique customers** | **803** | **990** | **192** | **1,985** |
| Net adds | 44 | -3 | -1 | 41 |
| **Total fixed B2C unique customers** | **1,581** | **990** | **318** | **2,889** |
| Net adds | 8 | -3 | 2 | 8 |
| **MOBILE B2C** | | | | |
| **Postpaid subscribers** | **2,959** | **1,140** | **568** | **4,667** |
| Net adds | 32 | 7 | 24 | 63 |
| **Prepaid subscribers** | **3,558** | **159** | **2,532** | **6,248** |
| **Total mobile B2C subscribers** | **6,516** | **1,299** | **3,100** | **10,915** |

| *000's unless stated otherwise* | **Altice International - year ended December 31, 2017** | | | |
|---|---|---|---|---|
| | **Portugal** | **Israel** | **Dominican Republic** | **Total** |
| **Homes passed** | **5,046** | **2,089** | **786** | **7,920** |
| Fiber / cable homes passed | 4,027 | 2,089 | 748 | 6,864 |
| **FIXED B2C** | | | | |
| **Fiber / cable unique customers** | **620** | **1,001** | **204** | **1,824** |
| Net adds | 43 | -5 | -3 | 35 |
| **Total fixed B2C unique customers** | **1,555** | **1,001** | **323** | **2,879** |
| Net adds | 6 | -5 | 2 | 3 |
| **MOBILE B2C** | | | | |
| **Postpaid subscribers** | **2,817** | **1,152** | **536** | **4,505** |
| Net adds | 33 | 8 | -3 | 38 |
| **Prepaid subscribers** | **3,658** | **145** | **2,717** | **6,520** |
| **Total mobile B2C subscribers** | **6,476** | **1,296** | **3,252** | **11,025** |

Notes to the Key Operating Measures:

- Portugal total homes passed includes DSL homes enabled for IPTV outside of PT Portugal's fibre footprint and fibre homes passed figures include homes where MEO has access through wholesale fibre operators.
- Fibre / cable unique customers represents the number of individual end users who have subscribed for one or more of the Group's fibre / cable based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. For Israel, it refers to the total number of unique customer relationships, including both B2C and B2B.
- Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Group's mobile networks. In Israel, the split between iDEN and UMTS (B2C only, including prepaid) services as follows: 5,000 iDEN and 1,294,000 UMTS as of December 31, 2018, and 8,000 iDEN and 1,289,000 UMTS as of December 31, 2017.
- The tables above exclude the French Overseas Territories ("FOT"), which was sold to Altice France on October 31, 2018.

# 8. Other disclosures

## 8.1. Post-Balance Sheet Date Events

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

### *8.1.1. Voluntary employee reduction program in Portugal*

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

## 8.2. Contractual obligations and commercial commitments

For details regarding the Group's Contractual obligations and commercial commitments, please refer to Note 29 to the audited consolidated financial statements of Altice International S.À R.L. as of and for the year ended December 31, 2018.

## 8.3. Related Party Transactions

For details regarding the Group's Related Party Transactions, please refer to Note 28 to the audited consolidated financial statements of Altice International S.À R.L. as of and for the year ended December 31, 2018.

## 8.4. Critical Accounting Policies, Judgments and Estimates

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

# 9. Key Income Statement Items

***Revenue***

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

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

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

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

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

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

**Purchasing and subcontracting services**

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

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

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

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

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

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

**Other operating expenses**

Other operating expenses mainly consist of the following subcategories:

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

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

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

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

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

***Staff costs and employee benefits***

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

***Depreciation and amortization***

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

***Impairment losses***

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

***Other expenses and income***

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

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

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

***Other financial expenses***

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

***Financial income***

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

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

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

***Share of profit of associates***

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

***Income tax expenses***

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

***Adjusted EBITDA***

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

***Capital expenditure***

We classify our capital expenditures in the following categories.

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

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

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