



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ALTICE INTERNATIONAL S.À R.L.**

**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019**

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## 1. Overview

### 1.1. Group's Business

The Group is a multinational group operating across three sectors: (i) telecom (broadband and mobile communications), (ii) content and media and (iii) advertising. The Group operates in 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 the first six months of 2019, 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 the last 12 months. Finally, the Group is accelerating the monetization of its content investments through various pay-TV models and is growing advertising revenue further. The Group continued to increase its edge in the convergence between telecom and media.

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 1.5 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 June 30, 2019, the Group's high-speed broadband services passed 7.6 million fibre/cable homes, with 2.1 million fibre/cable unique customers. The Group offers xDSL/DSL/DTH services, with 2.9 million fixed B2C unique customers as at June 30, 2019. The Group also offers mobile services in the geographies in which it operates, through 2G, 3G and 4G Long-Term-Evolution ("LTE") technology (with 1 Gbps achieved in the second quarter of 2019), and, on a blended basis, as of June 30, 2019, the Group had 10.6 million mobile B2C customers (of which 4.8 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 1.5 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. Residential Fixed*

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 expenditures 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 June 30, 2019, the Group provides broadband Internet to 2.1 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. Residential Mobile*

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 72% of the Group's mobile customer base as of June 30, 2019, 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 June 30, 2019, on a blended basis across the geographies where the Group is active, it offered mobile services to 10.6 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. Business Services*

The Group offers focused fixed B2B services to large, medium, small and very small business customers in Portugal, the Dominican Republic and other geographies. 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. 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. 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.

### *1.3.4. Media*

#### **Pay-TV**

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.

## 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 1.5 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 the first six months of 2019, Teads signed global advertising partnerships with several of the top 100 global ad spenders for video, display and performance ad campaigns. Growth in the second half year of 2019 was partially driven by further adoption of the company's full-funnel advertising solutions.

Starting 2018, Teads diversified its product offering by scaling innovative and viewable display and performance advertising solutions, which, on a combined basis, now represent nearly 22% 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. 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 IoT.

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 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 pursuant to the Cabovisão Disposal) 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**

The telecom market in Israel has changed significantly in recent years to reach seven players in fixed, eight players in mobile and ten players in video markets, underlying an increase of competition. 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, as well as various MVNOs.

### **Dominican Republic**

In the Dominican Republic, the Group’s key competitors in the pay TV business are Claro, cable operator Aster and Wind Telecom. In the broadband internet and fixed line telephony markets, Altice Dominicana is the second largest provider to the incumbent Claro, the Group’s main competitor, with national market shares of approximately 38.1% and 59.0%, respectively, as of December 31, 2018, according to Indotel statistics. In the mobile market, Altice Dominicana’s key competitor is Claro and to a lesser extent Viva which has recently launched a new mobile network.



## 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 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 €688 million. The Group retained 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 new local management teams;
- optimizing the performance in each market with a particular focus on customer services;
- continuing to invest in best-in-class infrastructure commensurate with the Company's market position;
- monetizing content investments through various pay-TV models and growing advertising revenue; and
- the execution of non-core asset disposal program and the potential monetization of part of the Group Companies' fibre infrastructure.

### 3. Key Factors Affecting the Group's Results of Operations

The Group's future performance is dependent, to a large extent, on the impact of direct competition, general economic conditions (including capital and credit market conditions), its ability to manage its businesses effectively, and its relative strength and leverage in the marketplace, both with suppliers and customers. The Group operates 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 the Group's operations, business or financial results in the future and cause its actual results to differ materially from those contained in the forward-looking statements. In addition, important factors that could cause the Group's actual results to differ materially from those in the 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 the Group's footprint;
- changes in consumer preferences, laws and regulations or technology that may cause the Group to change our operational strategies;
- increased difficulty negotiating programming agreements on favourable terms, if at all, resulting in increased costs to the Group and/or the loss of popular programming;
- increasing programming costs and delivery expenses related to the Group's products and services;
- the Group's ability to achieve anticipated customer and revenue growth, to successfully introduce new products and services and to implement its growth strategy;
- the Group's ability to complete the capital investment plans on time and on budget, including the plan to build a FTTH network;
- the Group's ability to develop and deploy mobile voice and data;
- the effects of economic conditions or other factors which may negatively affect the Group's customers' demand for the Group's products and services;
- the effects of industry conditions;
- demand for advertising on the Group's cable systems;
- the Group's substantial indebtedness and debt service obligations;
- adverse changes in the credit market;
- changes as a result of any tax reforms that may affect the Group's business;
- financial community and rating agency perceptions of the Group's business, operations, financial condition and the industries in which the Group operates;
- the restrictions contained in the Group's financing agreements;
- the Group's ability to generate sufficient cash flow to meet its debt service obligations;
- fluctuations in interest rates which may cause the Group's interest expense to vary from quarter to quarter;
- technical failures, equipment defects, physical or electronic break-ins to the Group's services, computer viruses and similar problems; the disruption or failure of the Group's 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;

- the Group’s ability to obtain necessary hardware, software, communications equipment and services and other items from the its vendors at reasonable costs;
- the Group’s ability to effectively integrate acquisitions and to maximize expected operating efficiencies from the Group’s 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 the Group’s cable and other broadband communications businesses and its 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 condensed interim consolidated financial statements of Altice International S.à r.l. as of and for the six months ended June 30, 2019.

Please refer to the Key Income Statement Items in section 14 for a definition of the key financial terms discussed and analysed in this document.

## 5. Group financial review

### 5.1. General

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 condensed interim consolidated financial statements for the six months ended June 30, 2019, including the accompanying notes.

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

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

The below table sets forth the Group's consolidated statement of income for the six months ended June 30, 2019 and June 30, 2018, in euros.

Consolidated Statement of Income (€m)	For the six months ended June 30, 2019	For the six months ended June 30, 2018	Change
<b>Revenues</b>	<b>1,968.6</b>	<b>2,115.5</b>	<b>-6.9%</b>
Purchasing and subcontracting costs	(473.1)	(610.7)	-22.5%
Other operating expenses	(437.7)	(476.3)	-8.1%
Staff costs and employee benefits	(232.9)	(238.4)	-2.3%
Depreciation, amortization and impairment	(611.3)	(558.0)	9.6%
Other expenses and income	(295.2)	323.3	-191.3%
<b>Operating profit</b>	<b>(81.7)</b>	<b>555.4</b>	<b>-114.7%</b>
Interest relative to gross financial debt	(238.1)	(248.8)	-4.3%
Other financial expenses	(60.8)	(143.5)	-57.7%
Finance income	139.9	14.8	843.7%
Net result on extinguishment of a financial liability	-	-	nm
<b>Finance costs, net</b>	<b>(159.0)</b>	<b>(377.5)</b>	<b>-57.9%</b>
Share of losses of associates	(.4)	4.2	-109.8%
<b>Profit (Loss) before income tax</b>	<b>(241.1)</b>	<b>182.0</b>	<b>-232.5%</b>
Income tax benefit (loss)	68.5	(20.5)	-434.6%
<b>Profit (Loss) for the period</b>	<b>(172.6)</b>	<b>161.6</b>	<b>-206.8%</b>
<b>Discontinued operations</b>			
Profit after tax for the year from discontinued operations	-	19.8	-100.0%
<b>Profit (Loss) for the period</b>	<b>(172.6)</b>	<b>181.4</b>	<b>-195.2%</b>
<i>Attributable to equity holders of the parent</i>	<i>(171.4)</i>	<i>175.1</i>	<i>-197.9%</i>
<i>Attributable to non-controlling interests</i>	<i>(1.2)</i>	<i>6.3</i>	<i>-119.4%</i>

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 residential fixed, residential mobile and business services clients using the MEO brand. As of 2018, this segment also includes the Altice Technical Services entities in Portugal.

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

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

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

**Teads:** Provides digital advertising solutions.

**Altice TV:** Content business from the use of content rights. Altice TV was no longer part of the Group following the sale to Altice Group Lux S.à r.l. that was closed on May 15, 2018.

**Others:** This segment includes all corporate entities. The Board of Managers believes that these operations are not substantial enough to require a separate reporting segment, and so are reported under “Others”. In 2018, this segment included French Overseas Territories. The French Overseas Territories is no longer part of the Group since October 31, 2018 following the sale to Altice France.

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 six months ended	Portugal	Israel	Dominican	Teads	Altice TV	Others	Inter-	Total
June 30, 2019			Republic				segment	
€m							elimination	
<b>Revenues</b>	<b>1,030.5</b>	<b>466.6</b>	<b>279.4</b>	<b>193.4</b>	-	<b>1.3</b>	<b>(2.6)</b>	<b>1,968.6</b>
Purchasing and subcontracting costs	(260.8)	(143.0)	(70.3)	-	-	(0.5)	1.3	(473.1)
Other operating expenses	(179.9)	(98.9)	(41.0)	(115.1)	-	(3.6)	0.7	(437.7)
Staff costs and employee benefits	(134.0)	(33.3)	(15.0)	(50.2)	-	(0.5)	-	(232.9)
<b>Total</b>	<b>455.9</b>	<b>191.4</b>	<b>153.2</b>	<b>28.1</b>	-	<b>(3.2)</b>	<b>(0.5)</b>	<b>824.9</b>
Share-based expense	-	-	-	-	-	-	-	-
Rental expense operating lease	(36.1)	(16.9)	(12.5)	(2.0)	-	-	-	(67.5)
<b>Adjusted EBITDA</b>	<b>419.8</b>	<b>174.5</b>	<b>140.7</b>	<b>26.1</b>	-	<b>(3.2)</b>	<b>(0.5)</b>	<b>757.3</b>
Depreciation, amortisation and impairment	(358.5)	(179.7)	(63.4)	(9.8)	-	-	-	(611.3)
Share-based expense	-	-	-	-	-	-	-	-
Other expenses and income	(283.3)	(3.5)	(5.3)	(0.9)	-	(2.4)	0.1	(295.2)
Rental expense operating lease	36.1	16.9	12.5	2.0	-	-	-	67.5
<b>Operating profit/(loss)</b>	<b>(185.8)</b>	<b>8.3</b>	<b>84.4</b>	<b>17.4</b>	-	<b>(5.6)</b>	<b>(0.4)</b>	<b>(81.7)</b>

For the six months ended	Portugal	Israel	Dominican	Teads	Altice TV	Others	Inter-	Total
June 30, 2018			Republic				segment	
€m							elimination	
<b>Revenues</b>	<b>1,050.0</b>	<b>482.7</b>	<b>300.0</b>	<b>150.9</b>	<b>28.6</b>	<b>108.0</b>	<b>(4.6)</b>	<b>2,115.5</b>
Purchasing and subcontracting costs	(274.2)	(130.6)	(86.3)	-	(99.0)	(26.4)	5.9	(610.7)
Other operating expenses	(194.5)	(107.8)	(46.8)	(95.9)	(3.2)	(28.6)	0.5	(476.3)
Staff costs and employee benefits	(137.0)	(32.2)	(13.0)	(39.2)	(1.5)	(15.5)	(0.0)	(238.4)
<b>Total</b>	<b>444.3</b>	<b>212.1</b>	<b>153.8</b>	<b>15.8</b>	<b>(75.1)</b>	<b>37.5</b>	<b>1.7</b>	<b>790.1</b>
Share-based expense	-	-	-	-	-	-	-	-
Rental expense operating lease	-	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>444.3</b>	<b>212.1</b>	<b>153.9</b>	<b>15.8</b>	<b>(75.1)</b>	<b>37.5</b>	<b>1.7</b>	<b>790.1</b>
Depreciation, amortisation and impairment	(329.4)	(157.0)	(61.9)	(8.2)	-	(1.6)	-	(558.0)
Share-based expense	-	-	-	-	-	-	-	-
Other expenses and income	(41.6)	(7.4)	(2.1)	0.4	300.0	78.7	(4.7)	323.3
Rental expense operating lease	-	-	-	-	-	-	-	-
<b>Operating profit/(loss)</b>	<b>73.3</b>	<b>47.7</b>	<b>90.0</b>	<b>8.0</b>	<b>224.9</b>	<b>114.6</b>	<b>(2.9)</b>	<b>555.4</b>

## 5.2. Significant events affecting historical results

Certain significant events had an impact on the results of the Group's operations for the six months ended June 30, 2019.

### Summary of the significant events that took place in the six months ended June 30, 2019:

#### 5.2.1. *Change in consolidation method in PHI*

In January 2019, Hot Mobile and Partner signed an amendment to the Network Sharing Agreement with respect to the governance of the company PHI, effective on January 1, 2019. Following this amendment, the parties have joint control over PHI (compared to significant influence before the amendment); accordingly, PHI is accounted under the provisions of IFRS 11 *Joint Arrangements* as joint operation (recognition of Hot Mobile's interests in PHI's assets, liabilities, revenues and expenses) instead of equity method.

### Summary of the significant events that took place in the six months ended June 30, 2018:

#### 5.2.2. *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 six months ended June 30, 2018 amounted to €88.8 million, net of tax. The total proceeds received amounted to €156.4 million.

#### 5.2.3. *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 N.V. decided the transfer of shares of AMI to Altice Group Lux S.à r.l. The sale was completed on January 31, 2018 with a transaction value of 1 CHF. The capital gain recorded in shareholders' equity within the transaction with Altice shareholders for the six months ended June 30, 2018 amounted to €3.6 million net of tax.

#### 5.2.4. *Exercise of the ATS call option*

In April 2018, the Group exercised the call option for the acquisition of the remaining 49% in Altice Technical 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%.

#### 5.2.5. *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 the transfer of 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.

#### 5.2.6. *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 of 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. Capital gain recorded in equity amounted to €24.7 million, net of tax.

#### 5.2.7. *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 of 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. Capital gain recorded in equity amounted to €3.4 million, net of tax.



## 6. Revenue

### 6.1. Group

For the six months ended June 30, 2019, the Group generated total revenues of €1,968.6 million, a 6.9% decrease compared to €2,115.5 million for the six months ended June 30, 2018. This decrease in revenues was recorded in Residential fixed, Residential mobile services and Business service revenues, in general as a result of increased competition and the associated impact on the subscriber base and ARPU, the sale of the French Overseas Territories to Altice France on October 31, 2018 and the sale of the international wholesale voice carrier business in Portugal and the Dominican Republic, a transaction which closed on September 6, 2018. These unfavourable effects on revenue were partly offset by an increase in Media revenues. Media revenues mainly increased due to an increase of revenues recorded by Teads, which was partially offset by the sale of Altice TV, which is no longer part of the Group following the sale to Altice Group Lux S.à r.l. on May 15, 2018. In addition, revenues increased due to the favourable development of the foreign currency rates for the Dominican Peso and the Israeli Shekel, which, based on the average exchange rate, increased by 2.3% and 3.6% respectively.

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 six months ended June 30, 2019 and June 30, 2018, respectively:

For the six months ended June 30, 2019							
Revenue (€m)	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Residential - Fixed	307.6	274.6	51.3	-	-	-	633.6
Residential - Mobile	273.5	129.9	175.1	-	-	-	578.5
Business services	449.4	62.1	53.0	-	-	1.3	565.7
Media	-	-	-	193.4	-	-	193.4
<b>Total standalone revenues</b>	<b>1,030.5</b>	<b>466.6</b>	<b>279.4</b>	<b>193.4</b>	<b>-</b>	<b>1.3</b>	<b>1,971.2</b>
Intersegment eliminations	(2.1)	-	-	(0.4)	-	-	(2.6)
<b>Total consolidated revenues</b>	<b>1,028.4</b>	<b>466.6</b>	<b>279.4</b>	<b>192.9</b>	<b>-</b>	<b>1.3</b>	<b>1,968.6</b>

For the six months ended June 30, 2018							
Revenue (€m)	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Residential - Fixed	308.9	299.1	49.8	-	-	25.4	683.2
Residential - Mobile	275.3	123.5	175.3	-	-	50.1	624.2
Business services	465.8	60.1	74.9	-	-	32.5	633.3
Media	-	-	-	150.9	28.6	-	179.5
<b>Total standalone revenues</b>	<b>1,049.9</b>	<b>482.7</b>	<b>299.9</b>	<b>150.9</b>	<b>28.6</b>	<b>108.0</b>	<b>2,120.2</b>
Intersegment eliminations	(0.8)	(0.1)	(0.4)	(0.2)	(3.5)	0.4	(4.6)
<b>Total consolidated revenues</b>	<b>1,049.2</b>	<b>482.6</b>	<b>299.5</b>	<b>150.7</b>	<b>25.1</b>	<b>108.4</b>	<b>2,115.5</b>

Revenues for the Group's Residential fixed business decreased from €683.2 million for the six months ended June 30, 2018 to €633.6 million for the six months ended June 30, 2019, a 7.3% decrease compared to six months ended June 30, 2018. This decrease was driven primarily by growing competition and the associated pricing pressure and the sale of the French Overseas Territories to Altice France on October 31, 2018.

The Group's Residential mobile business revenue decreased to €578.5 million for the six months ended June 30, 2019, a 7.3% decrease compared to €624.2 million for the six months ended June 30, 2018. This decrease was driven primarily by the sale of the French Overseas Territories to Altice France on October 31, 2018.

The Group's Business services revenue decreased to €565.7 million for the six months ended June 30, 2019, a 10.7% decrease compared to €633.3 million for the six months ended June 30, 2018. This decrease was driven by the sale of the French Overseas Territories to Altice France on October 31, 2018. In addition, the decrease was explained by the sale of the international wholesale voice carrier business in Portugal and the Dominican Republic, a transaction which closed on September 6, 2018, and lower international voice traffic.

Revenues from the Group's Media activities totalled €193.4 million for the six months ended June 30, 2019, an 7.8% increase compared to €179.5 million for the six months ended June 30, 2018. The increase in Media revenues was

mainly due to increases in Teads, resulting from higher sales, which was partially offset by a reduction in revenues due to the sale of Altice TV, which is no longer part of the Group following the sale to Altice Group Lux S.à r.l. on May 15, 2018.

## 6.2. Geographical segments

**Portugal:** For the six months ended June 30, 2019, the Group generated revenues in Portugal of €1,028.4 million, a 2.0% decrease compared to €1,049.2 million for the six months ended June 30, 2018. This decrease is largely related to a decline in the Business services revenues, which is explained by 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 Residential fixed business decreased by 0.4% from €308.9 million for the six months ended June 30, 2018 to €307.6 million for the six months ended June 30, 2019. This decrease is explained by the year on year decline in fixed ARPU due to competitive pressure, which is partially offset by positive net adds reported, as compared to negative net adds during the same period of last year.

The Group's Residential mobile business posted a net revenue decrease of 0.6% from €275.3 million for the six months ended June 30, 2018 compared to €273.5 million for the six months ended June 30, 2019. This decrease was driven by an increase in post-paid customer base, which was offset by a higher loss of prepaid customers in the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Revenues from the Group's Business services decreased by 3.5%, from €465.8 million for the six months ended June 30, 2018 to €449.4 million for the six months ended June 30, 2019. This decrease was mainly explained by the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic.

**Israel:** For the six months ended June 30, 2019, the Group generated revenue in Israel of €466.6 million, a 3.3% decrease compared to €482.6 million for the six months ended June 30, 2018. On a constant currency basis, revenues decreased by 6.8%, mainly due to a decrease in Residential fixed revenues as a result of a strong competition in the TV and broadband market, despite an increase in cable customer base in the first half year of 2019. This decrease was partly offset by an increase in Residential mobile revenues due to higher equipment sales while the market is still under price pressure.

**Dominican Republic:** For the six months ended June 30, 2019, the Group generated total revenue of €279.4 million, a 6.8% decrease compared to €299.5 million for the six months ended June 30, 2018. On a constant currency basis, revenues decreased by 8.9%. On a constant currency basis, this was largely driven by a decrease in Business service revenues, 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 six months ended June 30, 2019, the Group generated revenue in Teads of €192.9 million, compared to €150.7 million for the six months ended June 30, 2018. This increase in revenues is largely explained by the performance of the Admanager service and the growing contribution of Display and Performance formats.

**Altice TV:** For the six months ended June 30, 2019, the Group generated total revenue in Altice TV of nil million, compared to €25.1 million for the six months ended June 30, 2018. This decrease is explained by the sale of Altice TV, which is no longer part of the Group following the sale to Altice Group Lux S.à r.l. on May 15, 2018.

**Others:** For the six months ended June 30, 2019, the Group generated total revenue in Others (which comprises of the Group's corporate entities) of €1.3 million, compared to €108.4 for the six months ended June 30, 2018. This decrease is mainly explained by the sale of the French Overseas Territories to Altice France on October 31, 2018.

## 7. Adjusted EBITDA

### 7.1. Group

For the six months ended June 30, 2019, the Group's Adjusted EBITDA was €757.3 million, a decrease of 4.1% compared to six months ended June 30, 2018 (€790.1 million). This increase can be attributed to lower revenues, as explained above, which was partially offset by lower operating expenses.

### 7.2. Geographical segments

**Portugal:** For the six months ended June 30, 2019, the Group's Adjusted EBITDA in Portugal was €419.8 million, a decrease of 5.5% from €444.3 million for the six months ended June 30, 2018. This decrease in Adjusted EBITDA is largely attributable to the reduction in Business services revenues, mainly explained by the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic. In addition expenses increased due to higher costs of goods sold related to mobile handsets, in line with the higher revenues, higher programming costs, mainly as a result of the football-related broadcasting rights which were acquired in 2016 but which started to be broadcasted as from the 2018/2019 football season and an increase in infrastructure rental expenses due to the sale of the tower business and subsequent lease of towers. In addition, staff costs and employee benefits increased due to the payment of certain amounts to employees upon the termination of the employment agreements, which more than offset the favourable impact related to employees who terminated their employment agreements in March 2019 under the voluntary employee reduction program. The negative impact of these drivers on Adjusted EBITDA was only partially offset by lower international voice traffic costs, in line with the decline in associated Business services revenues and lower customer service expenses for billing and call-center activities.

**Israel:** For the six months ended June 30, 2019, the Group's Adjusted EBITDA in Israel was €174.5 million, a decrease of 17.7% compared to €212.1 million for the six months ended June 30, 2018. Adjusted EBITDA on a constant currency basis decreased by 20.7% compared to 2018. On a constant currency basis, this decrease is mainly due to a decrease in fixed revenues.

**Dominican Republic:** For the six months ended June 30, 2019, the Group's Adjusted EBITDA in the Dominican Republic decreased by 8.5% from €153.8 million for the six months ended June 30, 2018 to €140.7 million for the six months ended June 30, 2019. Adjusted EBITDA on a constant currency basis decreased by 10.7%, which is attributable to the reduction in Business services revenues, mainly explained by the sale of the international wholesale voice carrier business, a transaction which closed on September 6, 2018, and lower international voice traffic. In addition, network operating costs increased due to network growth and due to the sale of the tower business and subsequent lease of towers, and staff costs and employee benefits increased due to the increase in the average number of FTE's due to additional sales and retention staff. These decreases in the Adjusted EBITDA were partly offset by lower cost of sales related to the international wholesale voice carrier business, which was sold on September 6, 2018, lower and international voice traffic.

**Teads:** For the six months ended June 30, 2019, the Group's Adjusted EBITDA for Teads amounted to €26.1 million, compared to €15.8 million for the six months ended June 30, 2018, an increase of 65.1%. The increase is explained by higher revenues, as described above, but which were partly offset by higher other operating expenses and salary costs and employee benefits. The EBITDA margin remained flat for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

**Altice TV:** For the six months ended June 30, 2019, the Group's Adjusted EBITDA for Altice TV was nil, compared to a negative Adjusted EBITDA of €75.1 million for the six months ended June 30, 2018. This increase is explained by the sale of Altice TV, which is no longer part of the Group following the sale to Altice Group Lux S.à r.l. on May 15, 2018.

**Others:** For the six months ended June 30, 2019, the Group's Adjusted EBITDA in Others was a negative amount of €3.2 million, compared to an Adjusted EBITDA of €37.5 million for the six months ended June 30, 2018. This decrease is mainly explained by the sale of the French Overseas Territories to Altice France on October 31, 2018.

## 8. Operating profit of the Group

### 8.1. Depreciation, amortization and impairment

For the six months ended June 30, 2019, depreciation and amortization totalled €611.3 million, a 9.6% increase compared to €558.0 million for the six months ended June 30, 2018. The increase is largely explained by the impact of the adoption of IFRS 16 as of January 1, 2019, which resulted in additional amortisation expenses relating to ROU. In addition, amortization expenses increased due to the amortisation impact of customer acquisition cost assets created as part of the application of IFRS 15. For the six months ended June 30, 2018, due to the first-time application of IFRS 15 and the adoption of IFRS 16 as from January 1, 2019, there was no such amortisation.

### 8.2. Other expenses and income

For the six months ended June 30, 2019, the Group's other expenses totalled €295.2 million compared to other income of €323.3 million for the six months ended June 30, 2018. A detailed breakdown of other expenses income is provided below:

<b>Other expenses and income</b>	<b>For the six months ended June 30, 2019</b>	<b>For the six months ended June 30, 2018</b>	<b>Change</b>
<b>(€m)</b>			
Restructuring costs	254.8	5.2	249.6
Onerous contracts	.5	-	.5
Net loss on disposal of assets	2.1	1.6	.5
Disputes and litigation	16.7	17.0	(.2)
Net gain on sale of consolidated entities	1.8	(88.8)	90.6
Deal fees	2.0	5.9	(3.9)
Management fee	8.7	10.8	(2.1)
Break-up fees	-	(300.0)	300.0
Other expenses and income (net)	8.5	25.0	(16.4)
<b>Other expenses and (income)</b>	<b>295.2</b>	<b>(323.3)</b>	<b>618.5</b>

#### 8.2.1. Restructuring costs

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

#### 8.2.2. Net loss on disposal of assets

For the six months ended June 30, 2019, the loss on disposal of assets was primarily related to the losses on the disposal of property, plant and equipment in PT Portugal (€2.1 million). For the six months ended June 30, 2018, the loss on disposal of asset related to losses in PT Portugal due to forest fires damages (€1.6 million).

#### 8.2.3. Disputes and litigation

For the six months ended June 30, 2019, disputes and litigation mainly related to the provisions recorded in PT Portugal of €14.6 million for labour and tax litigations and in the Dominican Republic of €1.8 million (2018: €20.0 million in PT Portugal).

#### 8.2.4. Net gain on sale of consolidated entities

For the six months ended June 30, 2019, this mainly related to the capital loss due to an adjustment in purchase price

adjustment in PT Portugal of €2.0 million loss. For the six months ended June 30, 2018, the gain related to the capital gain from the sale of telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG.

#### *8.2.5. Deal fees*

For the six months ended June 30, 2019, deal fees consisted mainly of €2.3 million expenses in PT Portugal for the deal fees for the sale of the fibre business. For the six months ended June 30, 2018, it consisted of €5.9 million expenses in PT Portugal for the financial and legal advisory fees in the ongoing sale of the tower business.

#### *8.2.6. Management fees*

For the six months ended June 30, 2019, management fee expense amounted to €8.7 million payable to Altice Luxembourg S.A.

#### *8.2.7. Other expenses and incomes (net)*

For the six month period ended June 30, 2019, other expenses and incomes consisted mainly of expenses recorded in PT Portugal of €2.3 million for donations granted under social programs and €1.6 million in the Dominican Republic related to penalty and compensation for network shutdown that lasted two days at the end of March 2019, which was caused by a failure of the electricity company.

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

### **8.3. Operating profit**

As a result of the above-mentioned factors, for the six months ended June 30, 2019, the Group recorded an operating loss of €81.7 million, a 354.3% increase compared to an operating profit of €555.4 million for the six months ended June 30, 2018.

## 9. Result for the Group – items below operating expenses

### 9.1. Finance costs (net)

Net finance costs amounted to €159.0 million for the six months ended June 30, 2019, registering a decrease of 57.9% compared to €377.5 million for the six months ended June 30, 2018. A detailed breakdown of finance costs (net) is provided below:

<b>Finance costs, net (€m)</b>	<b>For the six months ended June 30, 2019</b>	<b>For the six months ended June 30, 2018</b>	<b>Change</b>
Interest relative to gross financial debt	(238.1)	(248.8)	-4.3%
Other financial expenses	(60.8)	(143.5)	-57.7%
Finance income (expense)	139.9	14.8	843.7%
<b>Finance costs, net</b>	<b>(159.0)</b>	<b>(377.5)</b>	<b>-57.9%</b>

#### 9.1.1. Interest relative to gross financial debt

For the six months ended June 30, 2019, the Group's interest relative to gross financial debt totalled €238.1 million, a 4.3% decrease compared to €248.8 million for the six months ended June 30, 2018. Interest relative to gross financial debt includes the variation in the mark to market of the Group's derivative financial instruments, which was the main driver of the variation in this line item for the six months ended June 30, 2019 compared to six months ended June 30, 2018.

#### 9.1.2. Other financial expenses

For the six months ended June 30, 2019, the Group's other financial expenses totalled €60.8 million, a 57.7% decrease compared to €143.5 million for the six months ended June 30, 2018. The decrease in other financial expenses is largely driven by net foreign exchange losses of €109.3 million which were recorded in the six months ended June 30, 2018. This decrease was partially offset by interest expenses related to lease liabilities following the adoption of IFRS 16 *Leases*, which amounted to €33.3 million for the six months ended June 30, 2019 (2018: nil).

#### 9.1.3. Finance income

For the six months ended June 30, 2019, the Group's finance income totalled €139.9 million compared to finance income of €14.8 million for the six months ended June 30, 2018. The increase in finance income is driven by net foreign exchange gain that amounted to a €80.2 million, in addition to various other financial income items.

### 9.2. Share of losses off associates

For the six months ended June 30, 2019, the Group's share of loss of associates totalled €0.4 million compared to a gain of €4.2 million for the six months ended June 30, 2018.

### 9.3. Income tax (expense) / benefit

The Group recorded an income tax benefit of €68.5 million for the six months ended June 30, 2019, reflecting an effective tax rate of 28% compared to an income tax expense of €20.5 million for the six months ended June 30, 2018, reflecting an effective tax rate of 12%. Please also refer to Note 10 to the condensed interim consolidated financial statements for additional details.

### 9.4. Profit (Loss) after tax

For the six months ended June 30, 2019, the loss after tax totalled €172.6 million compared to a profit after tax of €161.6 million for the six months ended June 30, 2018. The reasons for this decrease are enumerated in the sections above.

## 10. Liquidity and capital resources

### 10.1. 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 June 30, 2019, 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 June 30, 2019.

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.

### 10.2. Cash flow

The following table presents primary components of the Group's cash flows (net) for the six months ended June 30, 2019 and June 30, 2018 respectively. Please refer to the consolidated statement of cash flows in the condensed interim consolidated financial statements for additional details.

Net Cash Flows	For the six months ended June 30, 2019	For the six months ended June 30, 2018	Change
(€m)			
Net cash flow from operating activities	650.4	670.5	-3.0%
Net cash flow from investing activities	(384.7)	(355.5)	8.2%
Net cash flow from financing activities	(379.3)	(342.5)	10.7%
<b>Changes in cash and cash equivalents</b>	<b>(113.7)</b>	<b>(27.6)</b>	<b>312.5%</b>
Classification of cash as held for sale	(10.2)	-	nm
Effects of exchange rate changes on cash held in foreign currencies	2.0	(1.9)	-202.7%
<b>Net changes in cash and cash equivalents</b>	<b>(122.0)</b>	<b>(29.5)</b>	<b>314.0%</b>

The Group recorded a net decrease of €122.0 million in cash and cash equivalents for the six months ended June 30, 2019, compared to a net decrease of €29.5 million for the six months ended June 30, 2018.

#### 10.2.1. Net cash provided by operating activities:

Net cash provided by operating activities decreased by 3.0% to €650.4 million for the six months ended June 30, 2019 compared to €670.5 million for the six months ended June 30, 2018. The decrease in net cash provided by operating activities is mainly explained by the operating loss for the six months ended June 30, 2019 compared to the operating profit for the six months ended June 30, 2018. This decrease was partially offset by higher non-cash operating expenses.

#### 10.2.2. Net cash used in investing activities:

Net cash used by investing activities increased by 8.2% to €384.7 million for the six months ended June 30, 2019 compared to net cash used by investing activities of €355.5 million for the six months ended June 30, 2018. The decrease in the six months ended June 30, 2019 is mainly attributed to a decrease in capital expenditures and lower payments to acquire businesses during the six months ended June 30, 2018, but which was offset by a decrease in proceeds received from disposal of businesses. During the six months ended June 30, 2018 proceeds for the sale of

the telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG amounted to €157.3 million and payments to acquire business amounted to €51.4 million.

*10.2.3. Net cash used in financing activities:*

Net cash used by financing activities increased by 10.7% to net cash used of €379.3 million for the six months ended June 30, 2019 compared to net cash used of €342.5 million for the six months ended June 30, 2018. The increase in net cash used in financing activities can partially be attributed to refinancing activities. During the six-month period ended June 30, 2019 refinancing activities resulted in a net repayment of debt of €9.3 million, whereas for the six months ended June 30, 2018 there was a net inflow of cash of €211.1 million. This decrease was offset by lower advances to group companies during the six months ended June 30, 2019.



## 11. Capital expenditures

### 11.1. General

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 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.

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

The table below sets forth the Group's capital expenditures on an accrued basis for the six months period ended June 30, 2019 and 2018, respectively, for each of the Group's geographical segments:

For the six months ended	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
<b>June 30, 2019</b>								
€m								
Capital expenditure (accrued)	196.4	117.7	59.4	2.1	-	-	(.4)	375.1
Capital expenditure - working capital items	12.1	3.1	(5.3)	-	-	-	-	10.0
<b>Payments to acquire tangible and intangible assets</b>	<b>208.5</b>	<b>120.8</b>	<b>54.1</b>	<b>2.1</b>	<b>-</b>	<b>-</b>	<b>(.4)</b>	<b>385.1</b>
<i>As percentage of revenue</i>	20.3%	25.9%	19.4%	1.1%	0.0%	0.0%	nm	19.6%
<b>June 30, 2018</b>								
€m								
Capital expenditure (accrued)	211.0	118.6	56.7	-	3.8	17.3	(.2)	407.3
Capital expenditure - working capital items	45.7	4.2	(2.6)	-	4.5	2.6	-	54.5
<b>Payments to acquire tangible and intangible assets</b>	<b>256.7</b>	<b>122.9</b>	<b>54.1</b>	<b>-</b>	<b>8.3</b>	<b>19.9</b>	<b>(.2)</b>	<b>461.7</b>
<i>As percentage of revenue</i>	24.5%	25.5%	18.1%	0.0%	33.1%	nm	nm	21.8%

### 11.2. Geographical segments

**Portugal:** For the six months ended June 30, 2019, PT Portugal's total capital expenditures were €208.5 million (representing 20.3% of revenue in Portugal), a 18.8% decrease compared to €256.7 million for the six months ended June 30, 2018 (representing 24.5% of revenue in Portugal). The decrease in capital expenditures is explained by lower mobile network related capital expenditures due to the completion of the Mobile Access Network Transformation Project - Single RAN during 2018 and a decrease in capital expenditures related working capital. These decreases were partially offset by higher capital expenditures for IT projects.

Israel: Capital expenditures in Israel decreased by 1.7%, from €122.9 million (representing 25.5% of revenue in Israel) in the six months ended June 30, 2018 to €120.8 million (representing 25.9% of revenue in Israel) in the six months ended June 30, 2019. On a constant currency basis, capital expenditures decreased by 5.7%, which was mainly driven by changes in capital expenditures related working capital.

Dominican Republic: For the six months ended June 30, 2019, the total capital expenditures were €54.1 million (representing 19.4% of revenue in the Dominican Republic), a 0.0% increase compared to €54.1 million for the six months ended June 30, 2018 (representing 18.1% of revenue in the Dominican Republic). On a constant currency basis, the capital expenditures decreased by 2.3% mainly due to higher CPE and installation spend, which was offset by changes in capital expenditures related working capital.

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

Altice TV: For the six months ended June 30, 2019, the total capital expenditures were nil compared to €8.3 million for the six months ended June 30, 2018. This decrease is explained the sale of Altice TV, which is no longer part of the Group following the sale to Altice Group Lux S.à r.l. on May 15, 2018.

Others: For the six months ended June 30, 2019, the total capital expenditures were nil, compared to capital expenditures of €19.9 million for the six months ended June 30, 2018.

## 12. Key Operating Measures

The Group uses several key operating measures, including number of homes passed, Cable/Fibre Customer Relationships, RGUs, RGUs per Cable/Fibre 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 the Group's internal operating and financial systems. As defined by the Company's management, these terms may not be directly comparable to similar terms used by competitors or other companies.

	As and for the six months ended June 30, 2019			
	Portugal	Israel	Dominican	Total
			Republic	
Fiber homes passed	4,712	2,146	759	7,617
<b><u>FIXED B2C</u></b>				
Fiber / cable unique customers	879	999	191	2,069
Net adds	76	9	-1	84
Total fixed B2C unique customers	1,586	999	326	2,911
Net adds	5	9	8	22
<b><u>MOBILE B2C</u></b>				
Postpaid subscribers	3,023	1,152	593	4,768
Net adds	64	12	25	101
Prepaid subscribers	3,304	173	2,348	5,825
Total mobile B2C subscribers	6,327	1,326	2,941	10,593
<b>As and for the six months ended June 30, 2018</b>				
	Portugal	Israel	Dominican	Total
			Republic	
Fiber homes passed	4,284	2,104	752	7,140
<b><u>FIXED B2C</u></b>				
Fiber / cable unique customers	714	1,001	198	1,914
Net adds	95	1	-6	90
Total fixed B2C unique customers	1,565	1,001	324	2,891
Net adds	10	1	1	12
<b><u>MOBILE B2C</u></b>				
Postpaid subscribers	2,890	1,144	539	4,572
Net adds	72	-8	3	67
Prepaid subscribers	3,492	156	2,637	6,286
Total mobile B2C subscribers	6,382	1,300	3,176	10,857

### Notes to the Key Operating Measures:

- Portugal fibre homes passed figures include homes where MEO has access through wholesale fibre operators (c.0.4 million in Q2 2019)
- 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 premise basis. For Israel, it refers to the total number of unique customer relationships, including both B2C and B2B
- Mobile subscribers are equal to the net number of lines or SIM cards that have been activated on the Group's mobile networks and excludes M2M. In Israel, the split between iDEN and UMTS (B2C only, including prepaid) services is as follows: 4k iDEN and 1,321k UMTS as of June 30, 2019, and 7k iDEN and 1,294k UMTS as of June 30, 2018

## 13. Other disclosures

### 13.1. Related party transactions

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

- exchange of services between PT Portugal and their associate companies;
- exchange of services between Altice USA and Altice France with Teads, PT Portugal and Altice Dominicana;
- exchange of services like healthcare insurance, infrastructure services, management of emergency network and broadcasting of sport events between PT Portugal and its associate companies;

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

Related party transactions - income, expense and capex (€m)	June 30, 2019				Capex
	Revenue	Operating expenses	Financial expenses	Financial income	
Equity holders	2.1	16.1	76.9	53.6	-
Altice USA and its subsidiaries	7.8	0.2	-	-	-
Altice France and its subsidiaries	15.8	1.7	-	0.2	-
Executive managers	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	6.1	64.1	-	0.5	-
<b>Total</b>	<b>31.9</b>	<b>82.1</b>	<b>76.9</b>	<b>54.3</b>	<b>-</b>

Related party transactions - income, expense and capex (€m)	June 30, 2018				Capex
	Revenue	Operating expenses	Financial expenses	Financial income	
Equity holders	-	2.1	29.2	-	-
Altice USA and its subsidiaries	3.3	-	-	-	-
Altice France and its subsidiaries	405.2	71.3	-	0.2	-
Executive managers	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	16.9	57.8	0.4	3.8	4.8
<b>Total</b>	<b>425.4</b>	<b>131.3</b>	<b>29.5</b>	<b>4.0</b>	<b>4.8</b>

Related party balances - assets (€m)	June 30, 2019			December 31, 2018		
	Loans and receivables	Trade receivables and other	Current accounts	Loans and receivables	Trade receivables and other	Current accounts
Equity holders	1,623.7	16.8	22.6	1,636.7	16.8	24.7
Altice USA and its subsidiaries	-	4.8	-	2.4	8.2	-
Altice France and its subsidiaries	8.3	16.9	0.5	10.1	11.5	0.8
Executive managers	-	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	73.4	16.5	-	71.9	31.6	-
<b>Total</b>	<b>1,705.4</b>	<b>55.0</b>	<b>23.1</b>	<b>1,721.1</b>	<b>68.0</b>	<b>25.6</b>

Related party balances - liabilities (€m)	June 30, 2019			December 31, 2018		
	Other financial liabilities	Trade payables and other	Current accounts	Other financial liabilities	Trade payables and other	Current accounts
Equity holders	877.1	201.6	-	867.8	190.6	0.2
Altice USA and its subsidiaries	-	0.2	-	-	2.3	0.5
Altice France and its subsidiaries	-	13.9	1.4	0.7	12.9	1.4
Executive managers	-	-	-	-	-	-
Associate companies, joint ventures and non-controlling interests	0.9	26.2	0.7	-	86.2	-
<b>Total</b>	<b>878.0</b>	<b>241.9</b>	<b>2.2</b>	<b>868.5</b>	<b>291.9</b>	<b>2.0</b>

For the six months ended June 30, 2019, the main related party transactions and balances are the following:

- The operating expense reported with associate companies, joint ventures and non-controlling interest mainly related to OMTEL for operating expenses related to fees of the infrastructure service of towers.
- Financial expense with the Company's equity holder for the six months ended June 30, 2019 and June 30, 2018 was related to the interest expense on loan due to Altice Luxembourg S.A and the variations in the fair value of non-hedged derivative in Altice Holding with Altice Luxembourg S.A.
- Financial incomes with the Company's equity holder for the six months ended June 30, 2019 was mainly composed of interest incomes on loan and facility agreement with Altice Luxembourg S.A. of €44.6 million and other interest incomes with various entities outside of the Group.
- The investment, right-of-use assets, loans and receivables with the Company's equity holder as of June 30, 2019 related to receivables related to loans, advances, facility agreements, vendor loans and the accrued interests with entities in the Altice Group. It mainly consisted of facility agreement and loan with Altice Luxembourg of €1,185.0 million, advances and vendor loans with Altice TV of €294.7 million and loan with Altice Group Lux of €146.0 million.
- Other financial liabilities with the Company's equity holder as June 30, 2019 mainly related to the Mandatory Convertible Notes issued by Altice International S.à r.l. that were subscribed by Altice Luxembourg S.A. of €673.4 million and other debts and financial liabilities with the Altice Group companies.
- The trade payables and other with the Company's equity holders as of June 30, 2019 and December 31, 2018 mainly related to trade payable to Altice N.V. to the fine imposed by the European Commission on the gun jumping investigation during the acquisition of PT Portugal, management fee payables to entities in the Altice Group and trade payable in PT Portugal with Altice TV.

For the full details regarding the Group's related party transactions, please refer to Note 14 to the condensed interim consolidated financial statements of the Company as of and for the six months ended June 30, 2019.

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

There are no key transactions since June 30, 2019 which may have a significant impact on the Group's financial condition and results of operations.

### **13.3. Contractual obligations and commercial commitments**

For details regarding the Group's Contractual obligations and commercial commitments, please refer to Note 13 to the condensed interim consolidated financial statements of the Company as of and for the six months ended June 30, 2019.

### **13.4. 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 condensed interim consolidated financial statements of the Company as of and for the six months ended June 30, 2019.

## 14. Key Income Statement Items

### Revenue

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

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

*Residential—Mobile services:* Revenue from residential mobile services from our B2C customers primarily consists of (i) recurring subscription revenue for our postpaid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our prepaid 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.

*Business services:* Revenue from business services primarily consists of (i) revenue from the same services as the above fixed and mobile services, but for the business sector, (ii) revenue from wholesale services derived from renting our network infrastructure, including IRUs and bandwidth capacity on our network, to other telecommunications operators, including MVNOs as well as related maintenance services, and (iii) revenue from other services consisting of (a) data center activities, (b) content production and distribution, (c) advertising, (d) customer services, (e) technical services, (f) construction, and (g) other activities that are not related to our core fixed or mobile businesses.

*Media services:* Revenue from media services consists of media, content and advertisement revenues in Teads. In 2018, Media revenues also included revenues in Altice TV prior to its disposal to Altice Group Lux in May 2018.

*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.

### Impact of IFRS 15 (Revenue from Contracts with Customers)

In May 2014, the International Accounting Standards Board issued IFRS 15 (Revenue from Contracts with Customers) (“IFRS 15”), which establishes a single comprehensive five-step model to account for revenue arising from contracts with customers. IFRS 15 supersedes all current revenue recognition guidance when it becomes effective for annual periods on or after January 1, 2018. The Group is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and has the option to either (i) restate each prior period and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the beginning of the earliest period presented or (ii) retain prior period figures as reported under the previous standards and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. The Group has decided to adopt IFRS 15 based on the full retrospective approach.

*Mobile Activities:* The most significant impact is in the Group’s B2C and B2B mobile activities as some arrangements include multiple elements that are bundled, such as a discounted handset sale coupled with a communication service component. In applying IFRS 15, the Group has identified such bundled items as separate performance obligations. Total revenue is allocated to both elements based on their standalone selling price, leading to more revenue being allocated to the handset up-front, even though total revenue would not change in most cases over the life of the contract. Other IFRS 15 impacts include (i) the capitalization of commissions which are broader than the current capitalization

model, along with depreciation patterns which require estimates relating to contract duration in some instances and (ii) the impact of early termination and early renewals as well as contract modifications. Further, B2B transactions are affected by variable considerations such as bonuses and, in some instances, the identification of options for additional handsets at discounted prices.

*Fixed Activities:* In most cases, fixed services and equipment are not considered as distinct performance obligations. Additional services are examined separately. Connection fees, related costs and the capitalization of commissions are also affected, including the determination of the depreciation period for capitalized assets based on the length of contractual periods and any additional periods related to anticipated contracts that the Group can specifically identify.

*Wholesale Activities:* No major impact has been identified except for the effect of any constraints on variable consideration.

*Other Activities:* No major impact has been identified so far on the Group's other revenue streams, such as content and media.

### **Purchasing and subcontracting costs**

Purchasing and subcontracting costs 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. Purchasing and subcontracting costs consist of the following subcategories:

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

*Others:* Other purchasing and subcontracting costs consist of the (i) cost of renting space for data centers (subject to certain exceptions), (ii) utility costs related to the operation of data centers (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) since the acquisition of ATS and ATS France, 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) since the acquisition of ACS, 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 data center 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, amortization and impairment**

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

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



Share of earnings 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***

For periods prior to the application of IFRS 16, Adjusted EBITDA is defined as operating profit before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and share-based expenses. Following the application of IFRS 16, Adjusted EBITDA is defined as operating income before depreciation and amortization, non-recurring items (capital gains, non-recurring litigation, restructuring costs) and share-based expenses and after operating lease expenses (i.e., straight-line recognition of the rent expense over the lease term as performed under IAS 17 Leases for operating leases).

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 the condensed interim consolidated financial statements 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 our financial performance. Adjusted EBITDA should not be considered as a substitute measure for net income or loss, operating profit, cash flow or other combined income or cash flow data prepared in accordance with IFRS and may not be comparable to similarly titled measures used by other companies.

### ***Capital expenditures***

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.