



MANAGEMENT'S DISCUSSION AND ANALYSIS

ALTICE LUXEMBORG S.A.

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018

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Overview

Our Business

We deliver fixed services, mobile telephony services and media and advertising services to B2C and B2B customers in all of the territories in which we operate. In addition, we offer a variety of wholesale and other services across our footprint. We also invest in specific content to supplement and enrich the services that we are providing to our customers. Our footprint extends across 10 territories with approximately 35 million customers over fiber networks and mobile broadband as at September 30, 2018.

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

France: The Group controls Altice France S.A., the second largest telecom operator in France, which provides services to residential (B2C) and business clients (B2B) as well as wholesale customers, providing mobile and high-speed internet services using SFR and the associated brands. As of 2018, this segment also comprises of the French Overseas Territories (FOT), Altice Technical Services France (ATSF) and Altice Customer Services (ACS). As of July 2, 2018, this segment also includes MCS following the sale of this company by AENS S.à r.l. to Altice France.

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

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

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

Teads: Provides **digital** advertising solutions.

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

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

Historically, we have made substantial investments in our network and the development of new and innovative products and other service offerings for our customers as a way of differentiating ourselves from our competitors and may continue to do so in the future. Our fixed services (high-quality pay TV, broadband Internet and fixed line telephony) are mainly provided over its cable- and fiber-based network infrastructure which are either DOCSIS 3.0, DOCSIS 2.0 or FTTH enabled, offering download speeds of between 30 Mbps and 1 Gbps depending on geography. At September 30, 2018, we had a total of 9.2 million unique fixed B2C customers. We also offer mobile services in the geographies in which we operate, through 2G, 3G and 4G Long-Term-Evolution (“LTE”) technology, and, on a blended basis, as at September 30, 2018, we had 26.1 million mobile B2C customers (of which 18.2 million were post-paid customers).

In all territories in which we provide mobile telephony services, we are focused on the convergence of fixed and mobile services by cross-selling and up-selling our offerings to further increase our multiplay penetration (except for Israel, where the regulator does not allow it). Our cable, fiber 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 our subscribers, including exclusive football rights in France and Netflix. We have leveraged our network advantage to drive our multiplay strategy and offer an attractive combination of content, speed and functionality. We offer our B2C customers bundled double- and triple-play services, which comprises paying for a combination of TV,

broadband Internet access and fixed line telephony services (e.g., through its 'Box Home de SFR' offering in France) at what we believe are attractive prices. We believe the demand for our multi-play packages is primarily driven by the inherent quality of the various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe that our products offer the best value for money and cost-savings for customers when purchased as part of multi-play packages, the we typically also offer most of these services on a stand-alone basis in most of its geographies. In some markets, such as France and Portugal, we offer quad-play bundles including mobile services, as well.

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

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and our results of operations include, among others, network upgrades, competition, acquisitions and integration of acquired businesses, disposals, macro-economic and political risks in the areas where we operate, our pricing and cost structure, churn and the introduction of new products and services, including multi-play services.

Recent Transactions

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 values the business at an enterprise value of approximately 214 million CHF (9.9x LTM Adjusted EBITDA). The capital gain recorded during the nine month period ended September 30, 2018 amounted to €88.8 million, net of tax. The total proceeds received related to the sale amounted to €156.4 million.

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

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

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

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

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 fixed price of €147 million, bearing interests at an annual rate of EURIBOR 1 month plus 3.5%. The total amount of €156.3 million has been paid on November 26, 2018. As a result of the exercise of the call option, the Company's ownership in ATS increased to 100%.

Sale of i24News Europe to Altice USA

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

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

During November and December 2017, the Board of Directors of Altice Europe N.V. decided the transfer of shares of Altice TV to Altice Group Lux S.à r.l. (the parent company of Altice Luxembourg). The transaction was closed on May 15, 2018. The capital loss was recorded in shareholders' equity (within the transaction with Altice's shareholder) for an amount of €164.2 million net of tax. Consideration received was €1. In accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, non-current assets classified as held for sale shall be measured at the lower of its carrying amount and fair value less costs to sell. For Altice Content, the Group has recorded an impairment loss through equity of €51.1 million as of December 31, 2017.

Acquisition of MCS

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

Sale of international wholesale business

On July 18, 2018, three Sale and Purchase Agreements were signed by Altice France, Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in France, the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018. The total consideration received was €33.0 million. The capital gain recorded for the nine month period ended September 30, 2018 was €9.9 million.

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

On August 29, 2018, Altice Technical Services France S.à r.l. ("ATS France") signed sale and purchase agreements with each of the five minority shareholders of ERT Luxembourg S.A. ("ERT Lux") in order to acquire 253 shares of ERT Lux for a total price of €42.0 million. Four of the five sale and purchase agreements contemplated a transfer of the ERT Lux shares to ATS France upon signing. As a result, on the date hereof, ATS France owns 84.3 % of the share capital of ERT Lux. Upon completion of the sale under the fifth sale and purchase agreement, which is expected to occur on January 31, 2019, ATS France will own 100% of the share capital of ERT Lux. The payment of this acquisition will be made in several installments from January 2019 until January 2024.

Altice France acquired the minority interest in Diversité TV Holding

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

Sale of towers of Portugal

On July 18, 2018, PT Portugal reached an agreement with a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners for the sale of the newly formed tower company called OMTEL, that comprises 2,961 sites operated by Altice Portugal, and an acquisition of 25% of the stake of OMTEL by PT Portugal. The transaction closed on September 4, 2018, and the total consideration received was €539.5 million. The capital gain recorded during the nine month period ended September 30, 2018 amounted to €611 million.

Assets held for sale

In December 2017, the Board of Directors of the Company decided to sell the Group's International Wholesale business. The transits and international outgoing traffic business in Portugal and the Dominican Republic was classified as held for sale as of December 31, 2017, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. On July 18, 2018, three Sale and Purchase Agreements were signed by Altice France, Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in France, the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018. As a result, the related assets and liabilities were no longer classified as held for sale as of September 30, 2018, in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*.

On July 18, 2018, PT Portugal reached an agreement with a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners for the sale of the newly formed tower company called OMTEL, that comprises 2,961 sites operated by Altice Portugal, and an acquisition of 25% of the stake of OMTEL by PT Portugal. The transaction closed on September 4, 2018 and therefore the assets and liabilities were no longer classified as held for sale as of September 30, 2018.

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

On October 3, 2018, Altice Europe announced the closing of the transaction to sell 100% in the tower company Teletorres del Caribe, which comprises 1,039 sites formerly operated by its subsidiary Altice Dominicana, to Phoenix Tower International, a portfolio company of Blackstone. As a result, the corresponding assets and liabilities have been classified as held for sale as of September 30, 2018.

During 2017, the Board of Directors of Altice Europe N.V. decided the following transfer of shares within the Altice Group:

1. Altice TV to Altice Group Lux S.à r.l. (Parent company of Altice Luxembourg)
2. AMI to Altice Group Lux S.à r.l. (Parent company of Altice Luxembourg).

Therefore, Altice TV and AMI had been classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* as of December 31, 2017. The transfer of shares of AMI and Altice TV to Altice Group Lux S.à r.l. was completed respectively on January 31, 2018 and on May 16, 2018. As consequence, the assets and liabilities of Altice TV and AMI were no longer classified as held for sale as of September 30, 2018. Furthermore, since both entities were not considered or qualified as major lines of business of the Group, they were not presented as discontinuing operation as of September 30, 2018. The contribution of Altice TV and AMI to the statement of income for the nine month period ended September 30, 2018 and 2017 are provided in note 4, in the segment Altice TV and Others, respectively.

Disposal groups held for sale (€m)	September 30, 2018			December 31, 2017					
	Teletorres del Portugal Caribe		Total	Green	Wholesale Market	Altice TV	AMI	Other	Total
Goodwill	-	-	-	18.2	-	7.8	-	-	26.1
Tangible and intangible assets	56.4	13.3	69.7	113.1	-	215.7	(0.8)	-	328.0
Other non-current assets	-	-	-	0.4	-	70.6	(1.5)	-	69.4
Investment in associates	-	5.6	5.6	-	-	-	-	4.4	4.4
Currents assets	-	-	-	13.6	36.0	115.0	9.3	-	174.1
Total assets held for sale	56.4	18.9	75.3	145.3	36.0	409.1	6.9	4.4	602.0
Non-current liabilities	-	-	-	(54.2)	-	(21.3)	(.1)	-	(75.6)
Current liabilities	-	-	-	(25.0)	(25.4)	(298.1)	(107.8)	-	(456.3)
Total Liabilities related to assets held for sale	-	-	-	(79.2)	(25.4)	(319.4)	(107.9)	-	(531.9)

Disclaimers:

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read together with the consolidated financial statements of Altice Luxembourg S.A. as of and for the nine months ended September 30, 2018, including the accompanying notes. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties.

Unless the context otherwise requires, when used in this section, the terms “we,” “our,” “Company,” the “Group,” and “us” refer to the business constituting the Group as of September 30, 2018, even though we may not have owned such business for the entire duration of the periods presented.

The Group applies International Financial Reporting Standards (IFRS) as endorsed in the European Union. Adjusted EBITDA and Capex are not defined in IFRS, they are “non-GAAP measures”. Management believes that these measures are useful to readers of Altice’s financial statements as they provide a measure of operating results excluding certain items that we believe are either outside of our recurring operating activities, or items that are non-cash. Excluding such items enables trends in our operating results and cash flow generation to be more easily observable. We use the non-GAAP measures internally to manage and assess the results of our operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in our industry, and thus are a basis for comparability between us and our peers. Moreover, our debt covenants are based on Adjusted EBITDA and other associated metrics.

Key Factors Affecting Our Results of Operations

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

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

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

Basis of Presentation


The discussion and analysis for each of the periods presented is based on the financial information derived from the audited consolidated financial statements of Altice Luxembourg S.A. as of and for the nine months ended September 30, 2018.

Please refer to the Glossary for a definition of the key financial terms discussed and analysed in this document.

Discussion and Analysis of Our Results of Operations

For the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017

The below table sets forth our consolidated statement of income for the nine months ended September 30, 2018 and 2017, in millions of Euros.

Consolidated Statement of Income (€m)	For the nine month ended September 30, 2018	For the nine month ended September 30, 2017 (* revised)	Change
Revenues	10,623.6	11,354.8	-6.4%
Purchasing and subcontracting costs	(3,199.9)	(3,575.2)	-10.5%
Other operating expenses	(2,366.8)	(2,311.5)	2.4%
Staff costs and employee benefits	(1,079.6)	(1,197.1)	-9.8%
Depreciation, amortization and impairment	(2,725.1)	(3,107.0)	-12.3%
Other expenses and income	576.2	(1,009.1)	-157.1%
Operating profit	1,828.4	155.0	1079.7%
Interest relative to gross financial debt	(1,164.3)	(1,573.1)	-26.0%
Other financial expenses	(449.5)	(80.7)	457.0%
Finance income (expense)	26.2	46.9	-44.1%
Net result on extinguishment of a financial liability	(145.2)	(36.2)	301.4%
Finance costs, net	(1,732.8)	(1,643.1)	5.5%
Share of earnings of associates	(3.1)	(3.4)	NM
Loss before income tax from continuing operations	92.5	(1,491.5)	-106.2%
Income tax benefit	(226.2)	239.8	-194.3%
Loss for the period from continuing operations	(133.7)	(1,251.7)	-89.3%
Discontinued operations			
Profit/loss after tax for the year from discontinued operations	-	- 	#DIV/0!
Loss for the period	(133.7)	(1,251.7)	-89.3%
<i>Attributable to equity holders of the parent</i>	<i>(96.0)</i>	<i>(1,156.9)</i>	<i>-91.7%</i>
<i>Attributable to non-controlling interests</i>	<i>(37.7)</i>	<i>(94.8)</i>	<i>-60.2%</i>

Significant Events Affecting Historical Results

Our results of operations as of and for the nine months ended September 30, 2018 and the nine months ended September 30, 2017 were significantly impacted by the following events:

Transactions completed in the prior period

Acquisition of a stake in SPORT TV

On February 24, 2017, PT Portugal acquired a 25% stake in the capital of SPORT TV for €12.3 million. SPORT TV is a sports broadcaster based in Portugal. Following this investment, SPORT TV's shareholders are PT Portugal, NOS, Olivedesportos and Vodafone, each of which with a 25% stake. This new structure benefits, above all, PT Portugal's customers and the Portuguese market, guaranteeing all the operators' access to the sports content considered essential in fair and non-discriminatory market conditions.

Disposal of Coditel

As at December 31, 2016, the Group had entered into an agreement to sell its Belgian and Luxembourg (Belux) telecommunication businesses, and accordingly classified the associated assets and liabilities as a disposal group held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. On September 19, 2017, the Group completed the sale of Coditel Brabant SPRL and Coditel S.à r.l, to Telenet Group BVBA, a direct subsidiary of Telenet Group Holding N.V. After the final post-closing price adjustments, the Group received €280.8 million, and recognized a loss on sale after transactions costs of €24.0 million.

Acquisition of Teads

On September 22, 2017, Altice Teads (a company which the Group has 98.5% of the financial interest, with 1.5% attributable to the managers of Teads) closed the acquisition of Teads. Teads is the number one online video advertising marketplace in the world with an audience of more than 1.2 billion unique visitors. The acquisition values Teads at an enterprise of up to €302.3 million. The acquisition purchase price was due 75% at closing, with the remaining 25% earn-out subject to Teads obtaining defined revenue performance in 2017. As the defined revenue targets for 2017 were met, an earn-out payment of €48.6 million was made to the former owners of Teads during Q2 2018, with an additional earn-out payment of €13.1 million made on July 3, 2018.

Acquisition of SFR Group S.A. shares

During the nine month period ended September 30, 2017, the Company acquired an aggregate number of 53,574,173 SFR Group shares in private off-market transactions. In consideration for these acquisitions, the Company delivered common shares A, which it held previously as treasury shares.

Following these transactions noted above, the Group held in excess of 95% of the share capital and voting rights of SFR Group. As a result, the Group filed with the French financial market authority, in September 2017, a buyout offer followed by a squeeze-out for the remaining SFR Group shares for a price of €34.50 per share.

The Group acquired 12,053,363 shares during September at the agreed price. Following these acquisitions, as at September 30, 2017, the Group held 437,356,940 SFR Group shares, representing 98.57% of the share capital and 98.53% of the voting rights of SFR Group. Owing to the announcement to buyout the remaining SFR shares, the Group had a constructive obligation to acquire the remaining 1.43% of SFR Group shares. As at September 30, 2017 the Group recognised a liability in the Statement of Financial Position (in “other current financial liabilities”) for a total amount of €237 million with a corresponding increase in the interest in SFR to 100% and a reduction of non-controlling interests in SFR Group to zero. On October 9, 2017, the squeeze-out of the remaining SFR Group shares occurred.

Pho Holding

On July 26, 2017, SFR Group obtained approval for the take-over of Pho Holding (owner of the Numero 23 channel) by NextRadioTV. Following the take-over, SFR Group owned 51% of Pho Holding, the consolidation method changed as of September 30, 2017 (from equity accounted to full consolidation), €8.9 million income has been recorded in the Other Expenses and Income caption in the consolidated statement of income in 2017. The purchase price allocation was finalized. The total additional goodwill resulted from the take-over was €53.4 million. In the third quarter of 2018, Pho Holding was renamed Diversité Holding.

Transactions completed in the current period

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 values the business at an enterprise value of approximately 214 million CHF (9.9x LTM Adjusted

EBITDA). The capital gain recorded during the nine month period ended September 30, 2018 amounted to €88.8 million, net of tax. The total proceeds received related to the sale amounted to €156.4 million.

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Exercise of the ATS call option

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

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Sale of international wholesale business

On July 18, 2018, three Sale and Purchase Agreements were signed by Altice France, Altice Dominicana and MEO with Tofane Global related to the sale of the international wholesale voice carrier business in France, the Dominican Republic and Portugal, respectively. The transaction closed on September 6, 2018. The total consideration received was €33.0 million. The capital gain recorded for the nine month period ended September 30, 2018 was €9.9 million.

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

On August 29, 2018, Altice Technical Services France S.à r.l. ("ATS France") signed sale and purchase agreements with each of the five minority shareholders of ERT Luxembourg S.A. ("ERT Lux") in order to acquire 253 shares of ERT Lux for a total price of €42.0 million. Four of the five sale and purchase agreements contemplated a transfer of the ERT Lux shares to ATS France upon signing. As a result, on the date hereof, ATS France owns 84.3 % of the share capital of ERT Lux. Upon completion of the sale under the fifth sale and purchase agreement, which is expected to occur on January 31, 2019, ATS France will own 100% of the share capital of ERT Lux. The payment of this acquisition will be made in several installments from January 2019 until January 2024.

Altice France acquired the minority interest in Diversité TV Holding

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

Sale of towers of Portugal

On July 18, 2018, PT Portugal reached an agreement with a consortium including Morgan Stanley Infrastructure Partners and Horizon Equity Partners for the sale of the newly formed tower company called OMTEL, that comprises 2,961 sites operated by Altice Portugal, and an acquisition of 25% of the stake of OMTEL by PT Portugal. The transaction closed on September 4, 2018, and the total consideration received was €539.5 million. The capital gain recorded during the nine month period ended September 30, 2018 amounted to €611 million.

Revenue

From January 1, 2018, the Group has implemented the new standard on revenue recognition, IFRS 15, as decreed and adopted by the European Union. As a result, the presentation and recognition of our revenues was adopted to accurately reflect the requirements of the standard. More information on these changes is provided in Notes 2.1.4.1 of the Altice Luxembourg S.A. financial statements as of and for the nine month period ended September 30, 2018.

For the nine months ended September 30, 2018, we generated total revenues of €10,623.6 million, a 6.4% decrease compared to €11,354.8 million for the nine months ended September 30, 2017. This decrease in revenues was recorded in all lines of activities, in general as a result of increased competition and the associated impact on the subscriber base and ARPU's, in addition to an unfavourable development of the Foreign currency rates for the Dominican Peso and the Israel Shekel. These unfavourable effects on revenue are partly offset by the additional revenue recorded by Teads, which was acquired on June 22, 2017.

The tables below set forth the Group's revenue by lines of activity in the various geographical segments in which the Group operates for the nine months ended September 30, 2018 and September 30, 2017, respectively:

For the nine months ended September 30, 2018								
Revenue (€m)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Revenue Fixed - B2C	1,902.6	463.9	442.7	75.3	-	-	0.0	2,884.5
Revenue Mobile - B2C	3,085.5	417.9	183.1	262.6	-	-	-	3,949.2
B2B	1,327.0	437.5	88.3	61.5	-	-	-	1,914.3
Wholesale	896.1	165.0	-	47.0	-	-	-	1,108.2
Other revenue	502.7	99.0	0.2	0.5	235.5	28.6	0.6	867.1
Total standalone revenues	7,713.9	1,583.3	714.4	447.0	235.5	28.6	0.7	10,723.2
Intersegment eliminations	(39.9)	(36.9)	(0.4)	(0.7)	(1.1)	(20.1)	(0.5)	(99.6)
Total consolidated revenues	7,674.0	1,546.4	713.9	446.3	234.4	8.5	.1	10,623.6

For the nine months ended September 30, 2017 (* revised)								
Revenue (€m)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Total
Fixed - B2C	2,107.2	500.1	498.3	82.2	-	-	37.0	3,224.8
Mobile - B2C	3,199.6	427.2	176.4	313.3	-	-	0.6	4,117.2
B2B	1,403.4	447.5	103.2	71.3	-	-	8.5	2,034.0
Wholesale	1,001.3	214.6	-	61.0	-	-	5.3	1,282.3
Other	634.9	109.8	0.4	2.9	65.8	290.9	133.4	1,238.0
Total standalone revenues	8,346.4	1,699.1	778.3	530.7	65.8	290.9	184.9	11,896.1
Intersegment eliminations	(121.5)	(33.2)	(0.9)	(0.4)	-	(280.7)	(104.6)	(541.3)
Total consolidated revenues	8,224.9	1,665.9	777.4	530.3	65.8	10.2	80.3	11,354.8

Revenues for the Group's fixed business decreased from €3,224.8 million for the nine months ended September 30, 2017 to €2,884.5 million for the nine months ended September 30, 2018, an 10.6% decrease compared to the nine months ended September 30, 2017. This decrease was driven primarily by growing competition and associated impact on subscriber numbers and pricing pressure.

The Group's mobile business revenue decreased to €3,949.2 million for the nine months ended September 30, 2018, a 4.1% decrease compared to €4,117.2 million for the nine months ended September 30, 2017, mainly due to a decrease in France resulting from continued pricing pressure on mobile offers for our B2C base, impacts of customer loss from previous quarters and the repricing of the B2B mobile base in the second quarter of 2017. In addition mobile revenues decreased in the Dominican Republic resulting from price erosion.

The Group's B2B business revenue decreased to €1,914.3 million for the nine months ended September 30, 2018, a 5.9% decrease compared to €2,034.0 million for the nine months ended September 30, 2017, mainly due to a decrease in France resulting from price reductions which were implemented during Q2 2017.

The Group's Wholesale business revenue decreased to €1,108.2 million for the nine months ended September 30, 2018, a 13.6% decrease compared to €1,282.3 million for the nine months ended September 30, 2017, mainly due to decreases in France and Portugal due to lower international voice traffic.

Revenues from the Group's other activities totalled €867.1 million for nine months ended September 30, 2018, a 30.0% decrease as compared to €1,238.0 million for the nine months ended September 30, 2017. The decrease in other revenues was mainly due to a reduction of intersegment recharging of services provided to group companies. These decreases are partly offset by an increase of revenues related to Teads, which was acquired on September 22, 2017.

Geographical segments

France

For the nine months ended September 30, 2018, the Group generated external revenue in France of €7,674.0 million, a 6.7% decrease compared to €8,224.9 million for the nine months ended September 30, 2017. This decrease is attributable to decreases in all service revenues.

Revenues from the Group's fixed business decreased by 9.7% from €2,107.2 million for the nine months ended September 30, 2017 compared to €1,902.6 million for the nine months ended September 30, 2018. This decrease is explained by customer losses experienced in previous quarters and more intense market competition following SFR's successful churn reduction and more proactive retention activity. B2C fixed revenue was also impacted by the loss of favourable VAT treatment on telecom/press bundles, which ended in February 2018.

The Group's mobile business posted a net revenue decrease of 3.6% from €3,199.6 million for the nine months ended September 30, 2017 compared to €3,085.5 million for the nine months ended September 30, 2018. This decrease was driven primarily by continued pricing pressure on mobile offers for our B2C base and the impact of customer loss from previous quarters. B2C mobile revenue was also impacted by the loss of favourable VAT treatment on telecom/press bundles, which ended in February 2018.

Revenues from the Group's B2B business decreased by 5.4%, from €1,403.4 million for the nine months ended September 30, 2017 compared to €1,327.0 million for the nine months ended September 30, 2018. B2B revenues were impacted by price reductions in the first half of 2017.

Revenues from the Group's Wholesale business decreased by 10.5%, from €1,001.3 million for the nine months ended September 30, 2017 compared to €896.1 million for the nine months ended September 30, 2018. Wholesale revenues decreased mainly due a decrease in revenues from white label operators and a decline in the international wholesale voice business, which was disposed of during the third quarter of 2018.

Other revenues mainly include the contribution of the media assets. Revenues decreased from €634.9 for the nine months period ended September 30, 2017 to €502.7 million for the nine months ended September 30, 2018, a decrease of 20.8%. This decrease was driven by the sale of certain press businesses in the second half of 2017, thus impacting 2018 revenues. The revenues from these disposed businesses was included for the nine months ended Sep 30, 2017. This reduction was partly offset by record audiences and ad revenues from our BFM and RMC brand channels.

Portugal

For the nine months ended September 30, 2018, the Group generated revenues in Portugal of €1,546.4 million, a 7.2% decrease compared to €1,665.9 million for the nine months ended September 30, 2017. This decrease was mainly due to a decline in the fixed revenues, reflecting the competitive pressure in the market and the resulting price erosion notwithstanding an improved performance in customer net additions in the period. In addition, wholesale revenues decreased due to lower international voice traffic.

Revenues from the Group's fixed business decreased by 7.2% from €500.1 million for the nine months ended September 30, 2017 compared to €463.9 million for the nine months ended September 30, 2018. This decrease is explained

by the year on year decline in fixed ARPU due to competitive pressure, which more than offset the positive net adds reported during the first nine months of 2018, as compared to negative net adds during the same period of last year.

The Group's mobile business posted a net revenue decrease of 2.2% from €427.2 million for the nine months ended September 30, 2017 compared to €417.9 million for the nine months ended September 30, 2018. This decrease was driven primarily by a decline in mobile ARPU due to competitive pressure and lower prepaid revenues.

Revenues from the Group's B2B business decreased by 2.2%, from €447.5 million for the nine months ended September 30, 2017 compared to €437.5 million for the nine months ended September 30, 2018. B2B revenues were impacted by intense competition and the resulting continued repricing.

Revenues from the Group's Wholesale business decreased by 23.1%, from €214.6 million for the nine months ended September 30, 2017 compared to €165.0 million for the nine months ended September 30, 2018. Wholesale revenues decreased mainly due to lower international voice traffic, which was disposed of during the third quarter of 2018.

Other revenues decreased from €109.8 million for the nine months period ended September 30, 2017 to €99.0 million for the nine months ended September 30, 2018, a decrease of 9.8%. This decrease is primarily driven by a decline in non-group revenues of Altice Labs.

Israel

For the nine months ended September 30, 2018, the Group generated revenue in Israel of €713.9 million, an 8.2% decrease compared to €777.4 million for the nine months ended September 30, 2017. On a constant currency basis, revenues decreased by 3.9%. On a constant currency basis, this was mainly due to a decrease in fixed revenues due to a lower subscriber base resulting from high competition in the TV market, partly offset by an increase in mobile revenues due to an increase in both the pre- and post-paid mobile subscriber base.

Dominican Republic

For the nine months ended September 30, 2018, the Group generated total revenue of €446.3 million, a 15.8% decrease compared to €530.3 million for the nine months ended September 30, 2017. On a constant currency basis, revenues decreased by 7.5%. On a constant currency basis, this was largely driven by a decrease in mobile B2C revenues as a result of voice erosion, which is only partially offset by an increase of B2C post-paid ARPU as a result of an increase in data usage and the implementation of our upgrade strategy.

Teads

Due to the fact that Teads was acquired on June 22, 2017, 2 months of revenue was reported for the nine months ended September 30, 2017 versus nine months of revenue for the nine months ended September 30, 2018.

Altice TV

For the nine months ended September 30, 2018, the Group generated total revenue in Altice TV of €8.5 million, compared to €10.2 million for the nine months ended September 30, 2017.

Others

For the nine months ended September 30, 2018, the Group generated total revenue in Others (which comprises of the Group's corporate entities) of €0.1 million, compared to €80.3 million for the nine months ended September 30, 2017.

Adjusted EBITDA

For the nine months ended September 30, 2018, our Adjusted EBITDA was €3,977.6 million, a decrease of 7.4% compared to the nine months ended September 30, 2017 (€4,293.5 million). This decrease can be attributed to lower revenue, as explained above, and higher other operating expenses, partially offset by decreased purchasing and subcontracting expenses and staff costs and employee benefits.

- Purchasing and subcontracting costs decreased by 10.5%, from €3,575.2 million in the nine months ended September 30, 2017 to €3,199.9 million in the nine months ended September 30, 2018.
- Other operating expenses increased by 2.4% to €2,366.8 million in the nine months ended September 30, 2018 from €2,311.5 million in the nine months ended September 30, 2017.
- Staff costs and employee benefit expenses decreased by 9.8%, from €1,197.1 million in the nine months ended September 30, 2017 to €1,079.6 million in the nine months ended September 30, 2018.

For the nine months ended September 30, 2018 €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter- segment elimination	Total
Revenues	7,713.9	1,583.3	714.4	447.0	235.5	28.6	0.7	(99.6)	10,623.6
Purchasing and subcontracting costs	(2,432.9)	(409.1)	(194.0)	(126.9)	0.3	(99.0)	-	61.8	(3,199.9)
Other operating expenses	(1,685.3)	(296.3)	(160.9)	(70.2)	(148.7)	(3.2)	(6.3)	4.0	(2,366.8)
Staff costs and employee benefits	(742.4)	(206.8)	(47.5)	(19.8)	(60.2)	(1.5)	(1.7)	0.3	(1,079.6)
Total	2,853.3	671.0	312.0	230.1	26.9	(75.1)	(7.4)	(33.5)	3,977.3
Stock option expense	0.2	-	0.1	-	-	-	-	-	0.3
Adjusted EBITDA	2,853.5	671.0	312.1	230.1	26.9	(75.1)	(7.4)	(33.5)	3,977.6
Depreciation, amortisation and impairment	(1,995.0)	(495.6)	(236.7)	(95.0)	(12.3)	-	109.5	-	(2,725.1)
Stock option expense	(0.2)	-	(0.1)	-	-	-	-	-	(0.3)
Other expenses and income	(293.7)	551.8	(10.2)	1.2	(0.2)	300.0	4.1	23.2	576.2
Operating profit	564.7	727.2	65.1	136.3	14.4	224.9	106.2	(10.3)	1,828.4

For the nine months ended September 30, 2017 (*revised) €m	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Inter- segment elimination	Total
Revenues	8,346.4	1,699.1	778.3	530.7	65.8	290.9	184.9	(541.3)	11,354.8
Purchasing and subcontracting costs	(2,991.6)	(449.9)	(205.4)	(144.3)	-	(132.6)	(19.2)	367.8	(3,575.2)
Other operating expenses	(1,786.0)	(287.2)	(165.3)	(86.6)	(37.8)	(12.4)	(102.4)	166.3	(2,311.5)
Staff costs and employee benefits	(836.0)	(210.4)	(53.7)	(22.6)	(15.9)	(4.1)	(59.1)	4.8	(1,197.1)
Total	2,732.8	751.7	353.9	277.2	12.0	141.7	4.1	(2.4)	4,271.1
Stock option expense	1.1	-	-	-	-	-	21.3	-	22.4
Adjusted EBITDA	2,733.9	751.7	353.9	277.2	12.0	141.7	25.4	(2.4)	4,293.5
Depreciation, amortisation and impairment	(2,100.3)	(551.5)	(247.6)	(103.9)	(0.2)	(93.0)	(10.5)	-	(3,107.0)
Stock option expense	(1.1)	-	-	-	-	-	(21.3)	-	(22.4)
Other expenses and income	(975.9)	(74.3)	(13.0)	(19.8)	(0.4)	0.3	76.8	(2.7)	(1,009.1)
Operating profit/(loss)	(343.5)	126.0	93.3	153.5	11.4	49.0	70.5	(5.1)	155.0

Geographical segments

France

For the nine months ended September 30, 2018, the Group's Adjusted EBITDA in France was €2,853.5 million, an increase of 4.4% from €2,733.9 million compared to the nine months ended September 30, 2017. This increase was mainly due to a decrease in content, other operating costs and staff costs, offset partially by the decrease in revenues described above. The decrease in content costs is mainly driven by lower costs for premium content supplied by other Altice group companies following the restructuring and the creation of the new Altice TV unit announced in January 2018. Other operating expenses decreased due to a decrease in customer service and sales and marketing costs, which was offset by an increase in general and administrative costs. The decrease in staff costs is mainly driven by a decrease in employee numbers as part of the voluntary restructuring plan launched in 2017.

Portugal

For the nine months ended September 30, 2018, the Group's Adjusted EBITDA in Portugal was €671.0 million, a decrease of 10.7% from €751.7 million compared to the nine months ended September 30, 2017. This decrease is attributable to a decline in gross margin reflecting primarily the reduction in fixed revenues, higher costs of goods sold related to mobile handsets, higher subscriber acquisition costs and an increase in infrastructure rental mainly due to the sale of the tower business and subsequent lease of towers. The impact of these drivers was only partially offset by lower international voice traffic costs, in line with the decline in related revenues, and lower staff costs as a result of a lower headcount.

Israel

For the nine months ended September 30, 2018, the Group's Adjusted EBITDA in Israel was €312.1 million, a decrease of 11.8% compared to €353.9 million for the nine months ended September 30, 2017. Adjusted EBITDA on a constant currency basis decreased by 7.5% compared to 2017. On a constant currency basis, this decrease is mainly due to a decrease in revenues and increases in purchasing and sub-contracting costs and other operating expenses (mainly costs of handsets and inter-connect in the mobile sector), which are only partly offset by a reduction in content expenses and in staff costs and employee benefits as a result of the departure plan which was implemented during the third quarter of 2017.

Dominican Republic

For the nine months ended September 30, 2018, the Group's Adjusted EBITDA in the Dominican Republic decreased by 17.0% from €277.2 million for the nine months ended September 30, 2017 to €230.1 million (3.1% on a constant currency basis). On a constant currency basis, this decrease is mainly attributable to a decline in revenues and higher cost, mainly due to the introduction of the LDB tax for the 911 Emergency number at the end of Q3 2017.

Teads

Due to the fact that Teads was acquired on June 22, 2017, 2 months of Adjusted EBITDA was reported for the nine months ended September 30, 2017 versus nine months of Adjusted EBITDA for the nine months ended September 30, 2018.

Altice TV

For the nine months ended September 30, 2018, the Group's Adjusted EBITDA for Altice TV decreased by 153.0% from €141.7 million for the nine months ended September 30, 2017 to a negative Adjusted EBITDA of €75.1 million. This decrease is mainly attributable to a reduction of intersegment recharging of services provided to group companies.

Others

For the nine months ended September 30, 2018, the Group's Adjusted EBITDA in Others was a negative amount of €7.4 million, an increase of 129.1% from an Adjusted EBITDA of €25.4 million for the nine months ended September 30, 2017.

Other items Impacting Profit/(Loss)

Depreciation and Amortization and Impairment

For the nine months ended September 30, 2018, depreciation and amortization totalled 2,725.1 million, an 12.3% decrease compared to €3,107.0 million for the nine months ended September 30, 2017.

Other expenses and income

For the nine months ended September 30, 2018, our other income totalled €576.2 million, a 157.1% increase compared to €1,009.1 million of other expenses for the nine months ended September 30, 2017. A detailed breakdown of other expenses income is provided below:

Other expenses and income	For the nine month ended September 30, 2018	For the nine month ended September 30, 2017 (* revised)
(€m)		
Stock option expense	0.3	22.4
Items excluded from adjusted EBITDA	0.3	22.4
Restructuring costs	19.7	734.2
Onerous contracts	32.1	80.8
Net (gain)/loss on disposals of assets	(14.7)	94.2
Disputes and litigation	(67.1)	48.0
Management fee	106.3	9.4
Net gain on sale of consolidated entities	(709.6)	(27.4)
Deal fees	19.3	4.6
Other expenses and income (net)	37.9	65.2
Other expenses and income	(576.2)	1,009.1

Stock option expenses

The Group has several stock option plans across its various entities comprising of mainly the Long-Term Incentive Plan (“LTIP”), the Share Option Plan (“SOP”) and the options granted to Next Alt. During the nine month period ended September 30, 2018, the Group incurred stock option expenses of €0.3 million, as Altice Management International (“AMI”), which incurred the recharged stock option expense, was sold. During the nine month period ended September 30, 2017, AMI incurred €22.4 million of stock option expenses.

Restructuring costs

Restructuring costs for the nine month period ended September 30, 2018 mainly relate to the restructuring plans in PT Portugal for €7.3 million and Altice France of €12.1 million of which €7.0 million was the expense related to the departure plan in Intelcia. Restructuring costs incurred for the nine month period ended September 30, 2017 of €734.2 million mainly related to the voluntary departure plan in Altice France (€702.9 million), as well as restructuring expenses in PT Portugal (€24.5 million), FOT (€3.4 million) and HOT (€1.7 million).

Onerous contracts

For the nine month period ended September 30, 2018, the expenses recognised for onerous contracts mainly relate to the costs related to the change in office premises to the new Altice Campus (€31.9 million).

Net gain/loss on disposal of assets

For the nine month period ended September 30, 2018, the gain on disposal of assets was primarily related to the gain on scrapped assets in Altice France (€30.0 million). This was offset by losses on scrapped property, plant and equipment, assets in France (€10.7 million) and in PT Portugal due to forest fires damages (€1.7 million) and other disposed tangible assets (€2.8 million). The main loss on disposal in 2017 was recorded in Altice France, related to the loss on sale of

Completel ADSL network to KOSC (€32 million).

Disputes and litigation

For the nine month period ended September 30, 2018, disputes and litigation mainly relate to releases of Altice France litigations provisions with Orange of €122 million, which was offset by €5.0 million of compensation to Free, and €15.0 million of settlements of operational litigation with Orange. Additionally, a €20.0 million litigation provision was recorded in PT Portugal.

Net gain on sale of consolidated entities

This relates to the gain on the sale of the tower business in PT Portugal of €611 million, the sale of telecommunications solutions business and Data Center operations in Switzerland, green.ch AG and Green Datacenter AG, the capital gain generated by the sale of the Wholesale business recorded in France (€2.0 million), Dominican Republic (€5.4 million), PT Portugal (€2.5 million).

Deal fees

Deal fees consisted mainly of €10.6 million deal fees in Altice France, €6.8 million expenses in PT Portugal for the financial and legal advisory fees in the ongoing sale of the tower business.

Management fee

Management fee corresponds to the corporate costs charged. to Altice Luxembourg S.A. by Altice Group Lux S.à r.l (€104.7 million) and Altice Europe N.V. (€1.6 million) for the nine month period ended September 30, 2018. The management fee income for the nine month period ended September 30, 2017, of €20.7 million was related to fees incurred in Altice USA due to AMI.

Other expenses and incomes (net)

Consisted mainly of expenses in Altice Holdings of €13.0 million related to the removal of managers and board of Altice Blue Two (“AB2”, part of the French Overseas Territories) and the corresponding termination agreement. In addition, PT Portugal recorded €3.3 million of fines (mostly related to the termination fee of a real estate rental agreement of €2.4 million) and €10.1 million of deferred capital gains related to the disposal of towers in PT Portugal.

Finance costs (net)

Net finance costs amounted to €1,732.8 million for the nine months ended September 30, 2018, registering an decrease of 5.5% compared to €1,643.1 million for the nine months ended September 30, 2017. A detailed breakdown of Finance costs (net) is provided below:

Finance costs, net	For the nine month ended September 30, 2018	For the nine month ended September 30, 2017 (* revised)	Change
(€m)			
Interest relative to gross financial debt	(1,164.3)	(1,573.1)	-26.0%
Other financial expenses	(449.5)	(80.7)	457.0%
Finance income (expense)	26.2	46.9	-44.1%
Net result on extinguishment of a financial liability	(145.2)	(36.2)	301.4%
Finance costs, net	(1,732.8)	(1,643.1)	5.5%

Interest relative to gross financial debt

For the nine months ended September 30, 2018, our interest relative to gross financial debt totalled €1,164.3 million, a 26.0% decrease compared to €1,573.1 million for the nine months ended September 30, 2017. Interest relative to gross financial debt includes the variation in the mark to market of our derivative financial instruments, which was a main driver

of the variation in this line item from the nine months ended September 30, 2018.

Other financial expenses

For the nine months ended September 30, 2018, our other financial expenses totalled €449.5 million, an 457.0% increase compared to €80.7 million for the nine months ended September 30, 2017. The change in Finance Income is largely driven by fluctuations in exchange rates.

Finance Income

For the nine months ended September 30, 2018, our Finance income totalled €26.2 million, a 44.1% decrease compared to Finance income of €46.9 million for the nine months ended September 30, 2017. The change in Finance Income is largely driven by fluctuations in exchange rates.

Net result on extinguishment of a financial liability

For the nine months ended September 30, 2018, our Net result on extinguishment of a financial liability amounted to €145.2 million related to the refinancing transactions of the Altice France credit pool, compared to a Net result on extinguishment of a financial liability of €36.2 million for the nine months ended September 30, 2017, which was related to the refinancing of debt in Altice Financing, which closed in April 2017.

Share of earnings of associates

For the nine months ended September 30, 2018, our share of loss of associates totalled €3.1 million compared to a loss of €3.4 million in the nine months ended September 30, 2017.

Income tax benefit

For the nine months ended September 30, 2018, the income tax loss totalled €226.2 million compared to an income tax benefit of €239.8 million in the nine months ended September 30, 2017.

Capital Expenditures

For the nine months ended September 30, 2018, our total capital expenditures were €2,358.6 million (representing 22.2% of revenue), a 10.5% decrease compared to €2,634.7 million (representing 23.2% of revenue) for the nine months ended September 30, 2017.

For the nine months ended September 30, 2018	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
€m									
Capital expenditure (accrued)	1,674.6	303.3	170.4	83.9	-	3.8	-	(2.8)	2,233.3
Capital expenditure - working capital items	55.2	56.4	13.3	(4.0)	-	4.5	-	-	125.4
Payments to acquire tangible and intangible assets	1,730.0	359.7	183.6	79.9	-	8.3	-	(2.8)	2,358.6

For the nine months ended September 30, 2017 (*revised)	France	Portugal	Israel	Dominican Republic	Teads	Altice TV	Others	Eliminations	Total
€m									
Capital expenditure (accrued)	1,677.0	304.9	179.1	76.0	-	30.4	14.3	(4.4)	2,277.4
Capital expenditure - working capital items	254.1	13.6	8.0	(7.6)	-	131.4	(42.1)	-	357.3
Payments to acquire tangible and intangible assets	1,931.1	318.4	187.0	68.4	-	161.8	(27.8)	(4.4)	2,634.7

France

For the nine months ended September 30, 2018, total capital expenditure in France was €1,730.0 million (representing 22.5% of revenue in France), a 10.4% decrease compared to €1,931.1 million for the nine months ended September 30, 2017 (representing 23.5% of revenue in France). The decrease is mainly explained by the significant capital expenditure incurred in previous years in order to improve our mobile network and to roll out new fiber homes (we are the market leader in very high-speed internet).

Portugal

For the nine months ended September 30, 2018, PT Portugal's total capital expenditures were €359.7 million (representing 23.3% of revenue in Portugal), a 13.0% increase compared to €318.4 million for the nine months ended September 30, 2017 (representing 19.1% of revenue in Portugal). The increase in capex is explained by an increase in mobile network related capex reflecting the deployment of the single RAN technology, higher SAC-related capex reflecting both higher gross adds and an increase in the unitary SAC and changes in capital expenditure related working capital. These increases are partially offset by lower fixed network related capex as a result of a lower number of homes passed.

Israel

Capital expenditure in Israel decreased by 1.8%, from €187.0 million (representing 25.7% of our revenue in Israel) in the nine months ended September 30, 2017 to €183.6 million (representing 24.1% of our revenue in Israel) in the nine months ended September 30, 2018. On a constant currency basis, capital expenditure decreased by 3.0%, driven by higher network and installation spend but which was offset by lower investments in CPE.

Dominican Republic

For the nine months ended September 30, 2018, our total capital expenditures were €79.9 million (representing 17.9% of our revenue in the Dominican Republic), a 16.9% increase compared to €68.4 million for the nine months ended September 30, 2017 (representing 12.9% of revenue in the Dominican Republic). On a constant currency basis, accrued

capital expenditures increased by 36.3%, to a large extent driven by mobile related purchase of equipment and services for the migration to single RAN technology, in addition to the impact of working capital changes.

Teads

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

Altice TV

For the nine months ended September 30, 2018, our total capital expenditures were €8.3 million, a 94.9% decrease compared to €161.8 million for the nine months ended September 30, 2017.

Others

For the nine months ended September 30, 2018, our total capital expenditures were nil, compared to negative capital expenditures of €27.8 million for the nine months ended September 30, 2017 due to working capital changes.

Liquidity and Capital Resources

Cash and Debt Profile

As of September 30, 2018, our consolidated cash and cash equivalents amounted to €692.6 million on an actual basis. Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to-day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2013 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period.

Refinancing of a portion of the existing debt of the Altice France credit pool

On July 16, 2018, the Company priced and allocated for its Altice France credit pool \$2.5 billion of new 8-year Term Loans B's. The new Term Loan B will bear interest at a margin of 400bps over LIBOR. On August 14 the new financing closed and the proceeds have been used by Altice France to call a portion of its \$4.0 billion May 2022 6.0% Senior Secured Notes.

Refinancing of a portion of the existing debt of the Altice France credit pool

On July 18, 2018, the Company had successfully priced and allocated for its Altice France credit pool €1.0 billion and \$1.75 billion of new 8.5-year Senior Secured Notes. The new €1.0 billion and \$1.75 billion Senior Secured Notes have a coupon of 5.875% and 8.125% respectively. The proceeds from this transaction, in conjunction with the proceeds raised through the \$2.5 billion of new Term Loans priced earlier in July 2018, have been used by Altice France to redeem in full its \$4.0 billion May 2022 6.0% Senior Secured Notes and €1.0 billion May 2022 5.375% Senior Secured Notes.

Following the consummation of this refinancing, and pro forma for the \$2.5 billion of new 8-year Term Loans priced in July 2018, the average maturity of Altice France's capital structure has been extended from 6.4 to 7.1 years as at September 30, 2018 and the weighted average cost of Altice France's debt is 5.0%. As a result of the refinancing transactions of the Altice France credit pool, a net loss on extinguishment of debt of €145.2 million has been recorded for the nine months ended September 30, 2018.

Our total third-party debt (excluding certain other long term and short-term liabilities, finance leases, of the Group, any intercompany loans among the Group and preferred equity certificates issued to certain minority shareholders of our subsidiaries) as of September 30, 2018 was € 22,056.9 million relating to debentures and €9,301.6 million relating to loans from financial institutions, including drawings under the Existing Revolving Credit Facilities. As of September 30, 2018, we have €300.0 million drawn and outstanding under the Existing Revolving Credit Facilities and can borrow a further €1,856.0 million in aggregate thereunder. The following table presents the maturity profile of the Group's debt.

Maturity of debentures (€m)	Less than one year	One year or more	September 30, 2018	December 31, 2017
Altice France	-	9,344.8	9,344.8	10,956.3
Altice USA	-	-	-	-
Altice Luxembourg	-	6,525.1	6,525.1	6,385.1
Altice Financing	-	4,600.0	4,600.0	4,454.7
Altice Finco	-	1,587.1	1,587.1	1,562.7
HOT Telecom	-	-	-	199.0
Total	-	22,056.9	22,056.9	23,557.8

Maturity of loans from financial institutions (€m)	Less than one year	One year or more	September 30, 2018	December 31, 2017
Altice France (including RCF)**	157.8	7,077.8	7,235.6	5,036.4
Altice Financing (including RCF)**	243.6	1,812.6	2,056.2	1,911.8
Others	2.2	7.6	9.8	26.3
Total	403.5	8,898.1	9,301.6	6,974.4

** RCF amounts have been classified as amounts which mature in less than one year, but can be extended till the end of the maturity date of the RCF agreement

The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and, if required, borrowings under the Existing Revolving Credit Facilities. As of September 30, 2018, our drawings under the Existing Revolving Credit Facilities amounted to €300.0 million. We expect 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 availability of borrowings under the Existing Revolving Credit Facilities is conditioned upon compliance with specified leverage ratios. Our ability to generate cash from our operations will depend on our 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 our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries, the cash expected to be received from future transactions and any available borrowings under the Existing Revolving Credit Facilities will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete the Refinancing Transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

The debt issued by the subsidiaries of the Company is subject to certain restrictive covenants, which apply in the case of debt issued by:

- Altice Luxembourg, to Altice Luxembourg and its restricted subsidiaries,
- Altice Financing S.A. and Altice Finco S.A., to Altice International S.à r.l. and its restricted subsidiaries,
- SFR Group, to SFR Group and its restricted subsidiaries,

Other than the revolving credit facilities, described below, such debt issued by the Group's subsidiaries is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the relevant restricted group's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to shareholders or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to several important exceptions and qualifications.

To be able to incur additional debt under an applicable debt instrument, the relevant restricted group must either meet the ratio test described below (on a pro forma basis for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

Senior Secured Debt and Senior Debt is subject to an incurrence test as follows:

- Senior Secured debt of Altice International is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Senior Secured Debt) and Senior Debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Total Debt),
- Senior Secured Debt of SFR Group is subject to an incurrence test of 3.25:1 (Adjusted EBITDA to Net Senior Secured Debt),
- Senior Debt of Altice Luxembourg is subject to an incurrence test of 4:1 (adjusted EBITDA to Net Total Debt).

The Company or its relevant subsidiaries are allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments.

The Group has access to various Revolving Credit Facilities, which are subject to maintenance covenants in addition to the incurrence covenants described above.

Revolving Credit Facilities are subject to a maintenance test as follows:

1. Revolving Credit Facilities of Altice International are subject to a maintenance test of 5.25:1 (Adjusted EBITDA to Net Total Debt) if outstanding at the end of the quarter,
2. Revolving Credit Facilities of SFR Group are subject to a maintenance test of 4.5:1 (Adjusted EBITDA to Net Senior Secured Debt) if outstanding at the end of the quarter,
3. Revolving Credit Facilities of Altice Luxembourg are subject to a maintenance test of 5.5:1 (Adjusted EBITDA to Net Total Debt) if outstanding at the end of the quarter.

The Issuer is a holding company with no direct source of operating income. Therefore, the Issuer will be dependent on dividends and other payments from its operating subsidiaries to meet its liquidity requirements.

Working Capital

As of September 30, 2018, the Group had net current liability position of €4,998.9 million (mainly due to trade payables amounting to €7,198.3 million) and a negative working capital of €2,303.0 million. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding, and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect that our operating cash flows and, if required, available borrowings under the Existing Revolving Credit Facilities will be sufficient to meet our working capital requirements during the next 12 months.

Net Cash Flows (€m)	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017 (* revised)	Change
Net cash flow from operating activities	3,314.9	3,515.4	-5.7%
Net cash flow from investing activities	(1,768.8)	(2,642.2)	-33.1%
Net cash flow from financing activities	(1,609.0)	(822.4)	95.7%
Changes in cash and cash equivalents	(62.9)	50.8	-223.8%
Effects of exchange rate changes on cash held in foreign currencies	2.3	(5.2)	-144.2%
Net changes in cash and cash equivalents	(60.6)	45.6	-232.8%

ash provided by operating activities

Net cash provided by operating activities decreased by 5.7% to €3,314.9 million for the nine months ended September 30, 2018 compared to €3,515.4 million for the nine months ended September 30, 2017. The decrease in net cash provided by operations was related to a significant increase in the result for the nine months ended September 30, 2018 compared to

the comparable period of last year, but this increase was more than offset by changes in working capital and other non-cash movements, mainly related to the gain on disposal of business and restructuring expenses recorded in previous year.

Net cash used in investing activities

Net cash used in investing activities decreased by 33.1% to €1,768.8 million for the nine months ended September 30, 2018 compared to €2,642.2 million for the nine months ended September 30, 2017. The decrease is explained by the higher proceeds from the disposal of businesses during the nine months period ended September 30, 2018, mainly our telecommunications solutions business and data center operations in Switzerland, green.ch AG and Green Datacenter AG, the international wholesale business and the sale of the newly formed tower company called OMTEL in Portugal. During the nine months period ended September 30, 2017 the main disposal of businesses related to the sale of Coditel Brabant SPRL and Coditel S.à r.l., for which we received €302.8 million. In addition, capital expenditures decreased compared to previous year.

Net cash provided by (used in) financing activities

Net cash used in financing activities increased by 95.7% to cash used for an amount of €1,609.0 million for the nine months ended September 30, 2018 compared to cash used amounting to €822.4 million for the nine months ended September 30, 2017. The increase in net cash used can primarily be attributed to the net proceeds of debt of €136.2 million during the nine months period ended September 30, 2018, whereas during the nine months period ended September 30, 2017 there was a net repayment of debt of €773.3. In addition, during the nine months ended September 30, 2017 a contribution from shareholder was received for an amount of €701.5 million. These increases were partly offset by lower transfers to restricted cash and payments to non-controlling interest.

Key Operating Measures

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

	As and for the nine months ended September 30, 2018					
	France	FOT	Portugal	Israel	Dominican Republic	Total
Homes passed	23,842	178	5,115	2,113	791	32,040
Fiber / cable homes passed	11,865	172	4,372	2,113	753	19,275
<u>FIXED B2C</u>						
Fiber / cable unique customers	2,457	59	759	992	193	4,460
Fiber / cable customer net adds	71	0	44	(9)	(4)	102
Total fixed B2C unique customers	6,193	82	1,572	992	316	9,156
Total fixed B2C customer net adds	166	0	8	(9)	(9)	156
Fixed ARPU (€/month)	€ 31.7	€ 43.3	€ 32.4	€ 48.8	€ 26.6	-
<u>MOBILE B2C</u>						
Postpaid subscribers	13,364	212	2,927	1,133	544	18,179
Postpaid net adds	378	6	37	(10)	5	416
Prepaid subscribers	1,550	52	3,634	158	2,569	7,963
Total mobile B2C subscribers	14,914	263	6,561	1,292	3,113	26,143
Postpaid Mobile ARPU (€/month)	€ 22.4	€ 34.9	€ 9.8	€ 12.2	€ 21.1	-
	As and for the nine months ended September 30, 2017					
	France	FOT	Portugal	Israel	Dominican Republic	Total
Homes passed	25,107	178	5,025	2,080	777	33,168
Fiber / cable homes passed	10,396	172	3,914	2,080	704	17,266
<u>FIXED B2C</u>						
Fiber / cable unique customers	2,162	59	577	1,006	207	4,010
Fiber / cable customer net adds	44	0	35	(5)	(3)	72
Total fixed B2C unique customers	5,988	84	1,549	1,006	322	8,947
Total fixed B2C customer net adds	(75)	0	(11)	(5)	3	(88)
Fixed ARPU (€/month)	€ 35.9	€ 45.7	€ 33.6	€ 54.6	€ 27.3	-
<u>MOBILE B2C</u>						
Postpaid subscribers	12,455	182	2,784	1,144	538	17,104
Postpaid net adds	16	7	15	24	(12)	51
Prepaid subscribers	2,109	55	3,760	141	2,720	8,785
Total mobile B2C subscribers	14,564	237	6,544	1,285	3,258	25,889
Postpaid Mobile ARPU (€/month)	€ 25.8	€ 35.9	€ 9.7	€ 12.9	€ 23.8	-

Notes to the Key Operating Measures:

1. Total homes passed in France includes unbundled DSL homes outside of SFR's fibre / cable (FTTH / FTTB) footprint. Portugal total homes passed includes DSL homes enabled for IPTV outside of MEO's fibre footprint and fibre homes passed figures include homes where MEO has access through wholesale fibre operators (c.0.4m in Q3 2018).
2. Fibre / cable unique customers represents the number of individual end users who have subscribed for one or more of our fibre / cable based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Fibre / cable customers for France excludes white-label wholesale subscribers and includes 4G Box subscribers (9k as of September 30, 2018). For Israel, it refers to the total number of unique customer relationships, including both B2C and B2B.
3. ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel and Dominican Republic, ARPU has been calculated by using the following exchange rates: average rate for Q3 2018, €1.00 = ILS 4.2251, €1.00 = 58.7678 DOP.
1. Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile networks and excludes M2M. In Israel, the split between iDEN and UMTS (B2C only, including prepaid) services as follows: 6k iDEN and 1,286k UMTS as of September 30, 2018, and 8k iDEN and 1,277k UMTS as of September 30, 2017.

Other disclosures

Post-Balance Sheet Date Events

The following is an overview of key transactions since September 30, 2018 which may have a significant impact on the Group's financial condition and results of operations.

Strategic review of its fiber infrastructure

On October 3, 2018, Altice Europe N.V. announced that it had undertaken a strategic review of its fiber infrastructure to further accelerate its deployment and is exploring financial partnerships. No final decision with respect to any strategic transaction involving its fiber infrastructure has been taken, and it is yet uncertain that any such transaction will be concluded.

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

On October 3, 2018, Altice Europe N.V. announced the closing of the transaction to sell 100% in the tower company Teletorres del Caribe, which comprises 1,039 sites formerly operated by its subsidiary Altice Dominicana, to Phoenix Tower International, a portfolio company of Blackstone. The capital gain recorded amounted to DOP 4,300 million (€71.2 million). The consideration received was \$168.0 million (€148.6 million).

PT Portugal acquired the shares of SIRESP

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

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

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

Settlement of put option with minority shareholders of HOT

On November 2, 2018, the Company paid a put option agreement with minority shareholders of HOT for an amount of €52.1 million.

Payment of ATS call option exercise

On November 26, 2018, the Group paid an amount of €156.3 million for the exercise of the ATS call option to acquire the remaining 49% in Altice Technical Services.

Contractual obligations and commercial commitments

During the nine month period ended September 30, 2018, no significant contractual obligations and commercial commitments have been signed as compared to the year ended December 31, 2017, except the additional commitments described below:

2. Master Service Agreement (MSA) signed between MEO and OMTEL (see note 3.1.11), in accordance with which OMTEL will provide (1) turn-key hosting services, allowing MEO to host its telco equipment (mainly antennas) on the passive infrastructure (mainly towers) existing in the 2,961 sites under the scope of the transaction, and (2) ancillary services, including preventive and corrective maintenance of the passive infrastructure, engineering services, technical studies, among other. The MSA has an initial term of 20 year, automatically renewed for 5-year periods unless terminated by either party with a 24 months' prior notice. Amount of the commitments for the initial term is €1.2 billion.
3. Master Service Agreement (MSA) signed on September 28, 2018, between Altice Dominicana and Teletorres Del Caribe (see note 16.2), in accordance with which Teletorres del Caribe will provide (1) turn-key hosting services, allowing Altice Dominicana to host its telco equipment (mainly antennas) on the passive infrastructure (mainly towers) existing in the 1,039 sites under the scope of the transaction, and (2) ancillary services, including preventive and corrective maintenance of the passive infrastructure, engineering services, technical studies, among other. The MSA has an initial term of 20 year, with renewal options of 5-years. Amount of the commitments for the initial term is €0.4 billion.

Related Party Transactions

Following the changes in the Altice organizational structure that also impacts Altice Management International (“AMI”), Altice management decided to cancel the Altice Way fee from December 31, 2017 onwards. Instead AMI will recharge corporate costs plus mark-up to Altice France, PT Portugal, HOT and Altice Dominicana based on their revenue’s contribution in 2017.

In addition to the related party transactions and balances disclosed in the Condensed Interim Consolidated Financial Statement as of and for the six month period ended June 30, 2018, the significant related party transactions and balances during the third quarter of 2018 were related to the management fees charged by Altice Group Lux S.à r.l. to Altice Luxembourg S.A., which increased operating expenses and trade payable by €104.7 million.

Critical Accounting Policies, Judgments and Estimates

For details regarding the Group's critical accounting policies, judgments and estimates, see Note 2 to the audited consolidated financial statements of Altice Luxembourg S.A. as of and for the nine months ended September 30, 2018.

Key Income Statement Items

Revenue

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

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

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

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

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

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

Purchasing and subcontracting services

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

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

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

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

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

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

Other operating expenses

Other operating expenses mainly consist of the following subcategories:

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

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

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

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

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

Staff costs and employee benefits

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

Depreciation and amortization

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

Impairment losses

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

Other expenses and income

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

Interest relative to gross financial debt

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

Other financial expenses

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

Financial income

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

Net result on disposal of businesses

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

Share of profit of associates

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

Income tax expenses

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

Adjusted EBITDA

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

Capital expenditure

We classify our capital expenditures in the following categories.

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

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

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