Altice S.A.

(Société anonyme)

(successor entity of Altice Six S.A. and Altice VII S.à r.l.)

Annual Report 2013

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R.C.S. Luxembourg number B 143.725

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Consolidated Management Report

INTRODUCTION

The Board of Directors of Altice S.A. (the “Company”) have pleasure in presenting their report, which constitutes the consolidated management report (“Consolidated Management Report”) as defined by Luxembourg Law, together with the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) as at and for the year ended December 31, 2013.

COMPANY STATUS

Altice S.A. (the “Company”) is a public limited liability company (*Société Anonyme*) incorporated in the Grand Duchy of Luxembourg whose head office is in Luxemburg and has been formed on January 3, 2014. Upon admission of the Company’s shares on Euronext Amsterdam on January 31, 2014, the Company received the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice Six S.A. and Altice VII S.à r.l.. Altice Six S.A. is hereafter referred to as “Altice Six” and Altice VII S.à r.l. and its subsidiaries are hereafter referred to as “Altice VII” or “Altice VII Group”. The Company is hence the successor entity of Altice Six and Altice VII (collectively the “Predecessor Entities”).

PRINCIPAL ACTIVITIES OF THE GROUP

As at December 31, 2013, is the Predecessor Entities are a multinational cable and telecommunications group with presence in three regions—Western Europe (comprising Belgium, Luxembourg, Portugal and Switzerland), Israel and the French Overseas Territories (currently comprising the French Caribbean and the Indian Ocean regions). We provide cable based services (high quality pay television, fast broadband Internet and fixed line telephony) and, in certain countries, mobile telephony services to residential and corporate customers.

Outside France and the Dominican Republic where network upgrades are currently underway, our cable networks enable us to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. In the short to medium term, we expect that the substantial majority of our networks outside France and the Dominican Republic can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks.

Prior to the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition, we passed 3.6 million homes with 1.5 million Cable Customer Relationships, 3.2 million cable-based RGUs, an average of 2.1 RGUs per Cable Customer Relationship, 1.1 million mobile telephony RGUs and had 0.1 million xDSL / non cable RGUs, as at December 31, 2013.

FUTURE DEVELOPMENTS

International expansion through price-disciplined acquisitions is the cornerstone of our growth strategy. In addition to having consummated 9 transactions over the past five years, we have entered into an agreement to purchase additional shares in Numericable that enabled us to acquire control over the Numericable Group through which we conduct our operations in France at the end of January 31, 2014 upon regulatory approval (the “Numericable Acquisition”). We have also recently entered into agreements to acquire Tricom and Orange Dominicana (“ODO”) in the Dominican Republic (respectively the “Tricom Acquisition” and the “ODO acquisition”). The Tricom Acquisition was closed on March 12, 2014 upon regulatory approval. The ODO transaction is subject to regulatory approval and is expected to be completed in the second quarter of 2014.

DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS OF THE GROUP

Significant Events Affecting Historical Results

Our results of operations for the twelve months ended December 31, 2013 was impacted by the following events:

- In the first quarter of 2013, Altice VII acquired the remaining equity interests in Cabovisão it did not already own.

- In the third quarter of 2013 Altice VII acquired a controlling equity interest in Outremer. Outremer contributed EUR 102.1 million to revenue, EUR 13.5 million to operating profit and EUR 37.4 million to EBITDA of Altice VII on a consolidated basis in the twelve months ended December 31, 2013 since July 5, 2013.

- In the third quarter of 2013, Altice VII acquired a 100% equity interest in ONI (through its subsidiary Cabovisão). ONI contributed EUR 41.8 million to revenue, EUR -4.9 million to operating profit and EUR 5.7 million to EBITDA of Altice VII on a consolidated basis in the twelve months ended December 31, 2013 since August 8, 2013.

- In the fourth quarter of 2013, Altice VII integrated Ma Chaine Sport S.A.S and SportV S.A., two content producers based in France and Luxembourg respectively. The two entities contributed EUR 6.4 million to revenue, EUR 0.7 million to operating profit and EUR 2.9 million to the EBITDA of Altice VII on a consolidated basis in the twelve months ended December 31, 2013 since October 4, 2013.

- In the fourth quarter of 2013, Altice Six acquired an additional stake in the Numericable Group and thus increased its holding from 24.05% to 27.4%.

Revenue

For the year ended December 31, 2013, we generated total revenue of EUR 1,286.8 million, a 17.8 % increase compared to EUR 1,092.4 million for the year ended December 31, 2012. Our total revenue by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, EUR 881.9 million and EUR 850.4 million, (ii) Belgium and Luxembourg, EUR 72 million and EUR 71.3 million, (iii) in Portugal, EUR 150.4 million and EUR 98.2 million (revenue for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from February 29, 2012 and revenue for the year ended December 31, 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, EUR 127.0 million and EUR 24.4 million (revenue for the year ended December 31, 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013).

Cable based services: For the year ended December 31, 2013, we generated cable based services revenue of EUR 891.9 million, a 2.1% increase compared to EUR 873.3 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services revenue from Portugal for the entire duration of twelve months ended December 31, 2013 of EUR 108.7 million compared to EUR 98.8 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 29, 2012, the inclusion of Outremer's cable based services revenue of EUR 2,6 million for the year ended December 31, 2013 (with effect from July 5, 2013), and an increase in Israel's revenue due to the factors discussed below.

Mobile services: For the year ended December 31, 2013, we generated mobile services revenue of EUR 256.2 million, a 48.4% increase compared to EUR 172.2 million for the year ended December 31, 2013. This was primarily due to an increase in Israel's mobile services revenue due to the factors discussed below and the inclusion of EUR 67.3 million in mobile services revenue generated by Outremer for the year ended December 31, 2013.

B2B and others: For the year ended December 31, 2013, we generated B2B and other services revenue of EUR 138.6 million, a 198.7% increase compared to EUR 46.4 million for the year ended December 31, 2012, predominately due to the inclusion of EUR 41.8 million in B2B services revenue generated by ONI and due to the inclusion of revenue from the content companies Ma Chaîne Sport and SportV in the fourth quarter of 2013.

An in-depth analysis of our key regions is provided below:

Israel: For the year ended December 31, 2013, we generated total revenue in Israel of EUR 881.9 million, a 3.7% increase compared to EUR 850.4 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, our cable based services revenue increased by 3.2% and our mobile services revenue increased by 10.4% during the year ended December 31, 2013.

Cable based services revenue in Israel was positively impacted due to the increase in cable based services ARPU of 7.2% from EUR 44.4 for the year ended December 31, 2012 to EUR 47.6 for the year ended December 31, 2013 primarily as a result of our strategic focus on multiple play offerings and an increase in the take up of our higher value higher speed broadband Internet services (despite a decrease in total broadband Internet RGUs). We experienced an increase in the number of Cable Customer Relationships subscribing for our triple play service as a result of our bundling strategy, with the number of triple play Cable Customer Relationships increasing from 413,000 as of December 31, 2012 to 452,000 as of December 31, 2013. We intend to continue focusing on increasing ARPUs by increasing our triple play penetration. The positive impact of the increase in cable based services ARPU on cable based services revenue was offset by a 48,000 net decrease in our total cable RGUs, comprising a 21,000 net decrease in pay television RGUs, a 27,000 net decrease in broadband Internet infrastructure access RGUs. The decrease in our cable RGUs was mainly due to the fact that during July and August 2013, respectively, our third party customer service and technical support provider had not allocated sufficient resources to manage the intake and connection arrangements for potential new subscribers and had focused on providing relevant assistance and support to existing subscribers only. The decrease in the interconnection fees for fixed line telephony starting December 2013, following the change in the regulation from the Ministry of Communication, had a blended impact the cable based services revenue as the interconnection rate was set at 0.99 agorot per minute for both peak or off peak time calls.

The increase in mobile services revenue in Israel was primarily due to the increase in the number of subscribers for our UMTS based services which were launched in May 2012. For the year ended December 31, 2013, we had 810,000 total mobile RGUs in Israel comprising 218,000 iDEN customers and 592,000 UMTS customers compared to 766,000 mobile customers comprising 325,000 iDEN customers and 441,000 UMTS RGUs as of December 31, 2012. The increase in mobile services revenue was offset by the churn of customers for our iDEN services as a result of decreased marketing efforts and the termination of our contract with the Israeli Defense Force in the third quarter of 2012. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. Mobile services revenue was further offset by a decrease in mobile ARPU by EUR 2.6, or 13.4%, to EUR 16.8 for the year ended December 31, 2013 compared to EUR 19.4 for the year ended December 31, 2012, mainly due to subscribers disconnecting from our higher ARPU iDEN mobile network and offset by an increase in our lower ARPU UMTS based network subscribers. Consequently, ARPU from gross adds to our mobile RGUs were generally lower than the ARPU for customers churned. Mobile ARPU was also negatively impacted by highly competitive prices for mobile services, in particular for UMTS based 3G services. On a constant foreign exchange rate ARPU decreased by 16.2%.

Belgium and Luxembourg: For the year ended December 31, 2013, we generated total revenue in Belgium and Luxembourg of EUR 72 million, a 1.1% decrease compared to EUR 71.3 million for the year ended December 31, 2012. In addition, we launched mobile services (as a MNVO) in Belgium in September 2012 and generated EUR 1.2 million in mobile services revenue in the year ended December 31, 2013. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in Belgium for our cable based services increased by 2.0% and our B2B and other services revenue decreased by 26.9%.

The increase in cable based services revenue in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by 6.1% to EUR 41.9 in the year ended December 31, 2013 compared to EUR 39.5 for the year ended December 31, 2012. The increase in cable based services ARPU was due to price increases in our triple play packages as well as stand-alone pay television offerings. The increase in cable based services revenue can also be attributed to the full period impact of revenues we generated from AIESH, a Belgian municipality, for which we acquired a concession in the third quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. Cable based services revenue was also positively impacted by a slight increase in broadband Internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband networks, our attractive pricing of broadband Internet services and due to increase in uptake of our triple play bundles, which includes broadband Internet services. These factors were offset by a decline in television RGUs, including a net decrease in digital television RGUs, due to customers churning to different platforms such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas. We also experienced a decline in fixed line telephony RGUs due to general the trend of customers switching to mobile services.

The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded the entire AIESH network and converted the analog customers served by the upgraded AIESH network into digital multiple play customers. The decrease in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network in the year ended December 31, 2012, a portion of which reflects non recurring revenues, slightly offset by an increase in recurring revenue earned for fiber links leased to the Brussels police as part of this project in the twelve months ended December 31, 2013.

Portugal: In the year ended December 31, 2013, we generated total revenue in Portugal of EUR 150.5 million, an 53% decrease compared to EUR 98.2 million in the twelve months ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in Portugal for our cable based services increased by 11%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by 45,000, comprising of a net decrease of 21,000 pay television RGUs, 20,000 fixed line telephony RGUs and 3,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2013, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple play offerings also contributed to the decline in cable RGUs. Cable based services ARPU decreased slightly by EUR 0.3, or 0.9%, to EUR 34.6 in 2013 compared to EUR 34.9 in 2012, predominately due the impact of aggressive competition in each segment of the cable services market which required us to offer certain discounts and undertake other promotional offers, despite an increase in the prices of our products in January 2013. As a result, the ARPU from gross adds to our RGUs were generally lower than the ARPU for customers churned. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

Gross Profit

For the year ended December 31, 2013, our total gross profit was EUR 918.9 million, a 16.3% increase compared to EUR 790.3 million for the year ended December 31, 2012. Our gross profit by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, EUR 644.5 million and EUR 621.7 million, (ii) Belgium and Luxembourg, EUR 59.1 million and EUR 60.3 million, (iii) in Portugal, EUR 92.0 million and EUR 59.1 million (gross profit for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and gross profit for the year ended December 31, 2012 and 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, EUR 89.8 million and EUR 20.4 million (gross profit for the year ended December 31, 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013).

Our gross margin decreased from 72.3% in the twelve months ended December 31, 2012 to 71.4% in the twelve months ended December 31, 2013.

Cable based services: For the year ended December 31, 2013, our gross profit from our cable based services was EUR 712.3 million, a 7.86% increase compared to EUR 660.4 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services gross profit from Portugal for the entire duration of the twelve months ended December 31, 2013 of EUR 74.6 million compared to EUR 59.1 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 28, 2012, the inclusion of Outremer's cable based services gross profit of EUR 22.1 million for the year ended December 31, 2013 (with effect from July 5, 2013), and an increase in Israel's gross profit due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a positive impact of EUR 18.4 million on cable based services gross profit. Our gross margin for cable based services increased to 79.9% in the twelve months ended December 31, 2013 from 75.6% in the year ended December 31, 2012.

Mobile services: For the year ended December 31, 2013, our gross profit from our mobile services increased to EUR 126.4 million compared to EUR 102.8 million in the previous year. Although we saw a decrease in gross profit of EUR 22.8 million in Israel, due the factors discussed below, it was offset by the inclusion of gross profit of EUR 46.1 million of Outremer's mobile services with effect from July 5, 2013. Our gross margin for mobile services decreased from 59.5% in the twelve months ended December 31, 2012 to 49.3% in the year ended December 31, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of EUR 2.6 million on mobile services gross profit.

B2B and others: For the year ended December 31, 2013, our gross profit from B2B and others was EUR 80.2 million, a 195.9% increase compared to EUR 27.1 million for the year ended December 31, 2012. Our gross margin for B2B and other services decreased from 57.9% in the year ended December 31, 2012 to 58.4% in the year ended December 31, 2013. The increase in gross profit was primarily due to the inclusion of B2B services gross profit of EUR 17.5 million generated by ONI and EUR 5.0 million gross profit generated by the content companies MCS and SportV.

An in-depth analysis of our key regions follows:

Israel: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Israel were EUR 237.4 million, a 3.8% increase compared to EUR 228.8 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 18.4% and our purchasing and subcontracting services costs for mobile services increased by 54.4%. Foreign exchange translation movements between NIS and euro had the impact of increasing purchasing and subcontracting services costs by EUR 7.8 million (including EUR 4.2 million of cable based services purchasing and subcontracting services costs and EUR 3.6 million of mobile services purchasing and subcontracting services costs).

The decrease in purchasing and subcontracting services costs for cable based services in Israel was primarily due to a decrease in interconnection fees paid as a result of lower call volumes by our customers due to customers switching from fixed line telephony services to mobile services, as a result of the competitive prices and unlimited price plan packages, and a decrease in the royalties paid to the State of Israel following the regulations enacted under the Communications Law pursuant to which the rate of royalties applicable to our cable telecommunication licenses have been reduced to 0% with effect from January 2, 2013. Purchasing and subcontracting services costs for cable based services also decreased due to the positive effect of renegotiated movie channels contracts and the capitalization of costs arising from the purchase of exclusive third party content from April 1, 2013, as previously, we were able to capitalize exclusive in house content costs only. In the twelve months ended December 31, 2013 we capitalized EUR 7.7 million of costs relating to exclusive third party content.

The increase in purchasing and subcontracting services costs for mobile services in Israel was primarily due to an increase in interconnection fees of EUR 83.8 million we incurred in the twelve months ended December 31, 2013 with respect to our 3G mobile services which was launched in May 2012 compared to EUR 43.7 million in the twelve months ended December 31, 2012. Interconnection fees in the year ended December 31, 2013 included national roaming costs of EUR 49.7 million compared to EUR 21.3 million in the year ended December 31, 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Belgium and Luxembourg were EUR 12.9 million, a 17.3% increase compared to EUR 11.0 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our purchasing and subcontracting services costs for cable based services increased by 3.0% and our purchasing and subcontracting services costs for B2B services increased by 67.0% (from EUR 0.6 million to EUR 1.0 million). We began providing mobile services in Belgium in September 2012 as a MVNO and incurred costs of sales in an amount of EUR 0.9 million in the twelve months ended December 31, 2013.

The increase in purchasing and subcontracting services costs for cable based services in Belgium and Luxembourg resulted from (i) the increase in the cost of certain French channels in Belgium and (ii) the inclusion of cost of sales incurred in relation to the migration of AIESH customers from analogue to digital ports during 2013.

The increase in purchasing and subcontracting services costs for mobile services in Belgium and Luxembourg was due to an increase in expenses associated with (i) the launch of our mobile operation in September 2012 and the full year impact of its operations in 2013 and (ii) the payments made to Mobistar under the MNVO agreement. See “Description of Our Business – Material Contracts – MNVO Agreement”.

The increase in cost of sale for B2B services and others in Belgium and Luxembourg was due to (i) the nature of B2B projects undertaken in 2013 as compared to the same period in the previous year (for which costs were primarily in the form of capital expenditures) and (ii) promotional offers and incentives in responses to the strategy adopted by our competitors.

Portugal: For the year ended December31, 2013, our purchasing and subcontracting services costs in Portugal was EUR 58.4 million, a 49% increase compared to EUR 39.1 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 12. 8%.

The 12.8 % decrease in purchasing and subcontracting services costs for cable based services in Portugal can primarily be attributed to the larger impact in the year ended December 31, 2013 compared to the prior year of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

Operating Expenses and EBITDA:

For the year ended December 31, 2013, our total operating expenses (other than purchasing and subcontracting services costs) were EUR 400.9 million, a 3.6% increase compared to EUR 387.0 million for the year December 31, 2012. Our total operating expenses comprise of other operating expenses, which increased by 5.0%, general and administrative expenses, which increased by 3.6% and other sales and marketing expenses, which decreased by 1.7%, in each case in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Our total operating expenses by our key regions in the year ended December 31, 2012 and 2013, respectively, were: (i) in Israel, EUR 316.5 million and EUR 281.5 million, (ii) Belgium and Luxembourg, EUR 14.7 million and EUR 12.7 million, (iii) in Portugal, EUR 29.2 million and EUR 43.0 million (operating expenses for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, EUR 8.3million and EUR 40.5 million (operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013).

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

As a result, for the year ended December 31, 2013, our EBITDA increased to EUR 518.0 million a 28.5% increase compared to EUR 403.2 million for the year ended December 31, 2012. Our EBITDA by our key regions for the years ended December 31, 2012 and 2013, respectively, were: (i) in Israel, EUR 305.2 million and EUR 363.0 million, (ii) Belgium and Luxembourg, EUR 45.6 million and EUR 46.1 million, (iii) in Portugal, EUR 29.8 million and EUR 48.9 million (EBITDA for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and EBITDA for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, EUR 12.1million and EUR 49.3 million due to the fact that EBITDA for the year ended December 31, 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013. Our EBITDA margin for the year ended December 31, 2013 was 40.3% compared to 36.9% for the year ended December 31, 2012.

Depreciation and Amortization

For the year ended December 31, 2013, depreciation and amortization on a historical consolidated basis totaled EUR 399.6 million, a 50% increase compared to EUR 266.4 million for the year ended December 31, 2012. Depreciation and amortization in the twelve months ended December 31, 2013 was impacted by (i) the acquisitions and subsequent consolidation of Outremer (with effect from July 5, 2013) and ONI (with effect from August 8, 2013) and (ii) the impact of the consolidation of Cabovisão for the entire nine months period, following its acquisition on February 29, 2012.

Operating Profit

For the year ended December 31, 2013, on a historical consolidated basis, (i) other expenses, net totaled EUR 15.1 million, a 49.3% decrease compared to EUR 29.8 million for the year ended December 31, 2012; (ii) management fees primarily relating to consulting services totaled EUR 0.6 million compared to EUR 6.2 million for the year ended December 31, 2012 and (iii) restructuring and other non-recurring costs totaled EUR 61.2 million compared to restructuring and other non-recurring costs of EUR 20.8 million for the year ended December 31, 2012 (primarily due to the implementation of a reorganization implemented at ONI, fees and other outlays paid to external consultants in relation to the increased M&A activity in 2013 compared to 2012 and due to a one-off provision at HOT Mobile of EUR 31.6 million relating to its agreement with Pelephone).

As a result of the factors described above, for the year ended December 31, 2013, our operating profit was EUR 41.5 million, compared to an operating loss of EUR 42.0 million for the year ended December 31, 2012.

Profit for the period

As a result of the factors discussed above, on a historical consolidated basis, for the twelve months ended December 31, 2013, our profit for the year was EUR 49.6 million compared to a loss of EUR 180.2 million for the year ended December 31, 2012. This variation was mainly due to the recognition of a gain on step-acquisition resulting from the conversion of Altice Six's convertible instruments, which gave rise to a non-cash gain of EUR 255.7 milion for the year ended December 31, 2013.

Key Operating Measures

We use several key operating measures, including number of homes passed, Cable Customer Relationships, RGUs, RGUs per Cable 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. All of 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 of and for the year ended December 31, 2013 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,282	233	908	154	3,577
Docsis 3.0 Upgraded (%)	100%	100%	99%	53%	98%
Unique Customers					
Cable Customer Relationships[1]	1,127	114	237	40	1,518
Triple-Play Cable Customer	452		135	17	654
Relationships		50			
RGUs & Penetration[2][3]					
Total RGUs	2,295	239	603	74	3,211
Pay Television RGUs	875	129	224	40	1,268
Pay Television Penetration (%)	38%	55%	25%	26%	40%
Broadband Internet RGUs	744	57	156	17	974
Broadband Internet Penetration (%)	33%	25%	17%	11%	30%
Fixed-Line Telephony RGUs	676	53	223	17	969
Fixed-Line Telephony Penetration (%)	30%	23%	25%	11%	30%
RGUs Per Cable Customer	2.0x		2.54	1.86x	2.1x
Relationship		2.1x			
ARPU[4]					
Cable ARPU (€)	47.6	41.9	34.6	51.4	-
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory	61%		-	89%	-
(%)		—			
Subscribers			-		
Total Mobile Subscribers[5]	810	3	-	375	1,188
Postpaid	801	3	-	197	1,001
Prepaid	9	—	-	178	187
ARPU[4]			-		
Mobile ARPU (€)	16.8	36.8	-	27.1	-
xDSL/NON-CABLE BASED SERVICES					
RGUs	-		-		
Total RGUs	-	—	-	133	133
Broadband Internet RGUs	-	—	-	56	56
Fixed Line Telephony RGUs	-	—	-	78	78

	As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,243	233	906	154	3,536
Docsis 3.0 Upgraded (%)	100%	100%	94%	37%	95%
Unique Customers					
Cable Customer Relationships[1]	1,198	120	255	39	1,612
Triple-Play Cable Customer Relationships	413	50	147	12	626
RGUs & Penetration[2][3]					
Total RGUs	2,343	244	648	63	3,298
Pay Television RGUs	896	136	245	39	1,316
Pay Television Penetration (%)	40%	58%	27%	25%	37%
Broadband Internet RGUs	771	55	159	12	997
Broadband Internet Penetration (%)	34%	24%	18%	8%	28%
Fixed-Line Telephony RGUs	676	53	243	12	984
Fixed-Line Telephony Penetration (%)	30%	23%	27%	8%	28%
RGUs Per Cable Customer Relationship	2.0x	2.0x	2.5x	1.6x	2.0x
ARPU[4]					
Cable ARPU (€)	44.4	39.5	34.9	48.3	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	41%	—	—	89%[9]	—
Subscribers					
Total Mobile Subscribers[5]	766	2	—	385	1,153
Postpaid	738	2	—	183	923
Prepaid	28	—	—	203	231
ARPU[4]					
Mobile ARPU (€)	19.4	14.7	—	26.7	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	—	140	140
Broadband Internet RGUs	—	—	—	57	57
Fixed-Line Telephony RGUs	—	—	—	83	83

(1) Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television, broadband Internet or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our mobile or ISP services.

(2) RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

(3) Penetration rates for our pay television, broadband Internet and fixed-line telephony services are presented as a percentage of homes passed.

(4) 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, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, (ii) average rate for the year ended December 31, 2013, €0.2092 = NIS 1.00

(5) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. In Israel, the total number of mobile subscribers for our iDEN and UMTS services were as follows:

	As of December 31,	
	2012	**2013**
	in thousands	
Mobile Subscribers		
iDEN	325	218
UMTS	441	592
Total	**766**	**810**

(6) In Israel, Homes Passed is the number of total Israeli Homes. Our cable network passes a vast majority of Israel's 2.2 million households.

(7) Only relates to the cable based services (pay television, broadband Internet and fixed-line telephony) we provide in Guadeloupe and Martinique and excludes the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte following our acquisition of a controlling interest in Outremer in July 2013.

(8) Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate even though we may not have owned or controlled such business for the entire duration of the periods presented. Israel represents operating measures of HOT (in which we acquired a controlling interest in March 2011) and HOT Mobile; Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest from the Numericable Group in June 2011); Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012); French Overseas Territories represents operating measures of Le Cable and in respect of mobile services only, Outremer (in which we acquired a controlling interest in July 2013).

(9) Excludes French Guiana.

Liquidity and Capital Resources

Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and if required there is USD 80.0 million and EUR 63.8 million of available borrowings under the Revolving Credit Facilities and EUR 75 million under the 2013 Guarantee Facility (of which EUR 8.4 million were drawn in FY 2013 in order to unblock the restricted cash at Cabovisao). As of December 31, 2013, we had EUR 190.0 million equivalent of borrowing capacity under the Revolving Credit Facilities and the 2013 Guarantee Facility. On January 14, 2014, we drew EUR 20.4 under the 2013 Revolving Credit Facility. 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. 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 and any available borrowings under the Revolving Credit Facilities and under the 2013 Guarantee Facility 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 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 unfavorable impact on our cash flows and liquidity.

The Revolving Credit Facilities and the 2013 Guarantee Facility requires us to maintain compliance with a consolidated leverage ratio, calculated on a net basis, tested as of the end of each fiscal quarter of no more than 4.5:1. The HOT Unsecured Notes contain certain financial covenants which require HOT to maintain compliance with a maximum consolidated leverage ratio of 6.0 (calculated on a net debt basis) and minimum equity of NIS300 million. Further, HOT may only distribute dividends if its consolidated leverage ratio (calculated on a net debt basis) is 5.5 or less. In addition, under the Coditel Mezzanine Facility, Coditel's financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cash flow cover ratio, net interest cover ratio and leverage ratio that vary over time and to observe limitations on capital expenditure. For the twelve month period ending on December 31, 2013, the required leverage ratio is 5.65:1 and will fall to 2.60:1 at the termination date. Our ability to maintain compliance with our financial covenants is dependent primarily on our or the relevant operating subsidiaries' ability to maintain or increase EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the incurrence leverage covenants contained in our various debt instruments. See "Description of Certain Indebtedness". Further, if our EBITDA were to decline, we could be required to repay or limit borrowings under the Revolving Credit Facilities, the HOT Unsecured Notes and the Coditel Mezzanine Facility, in order to maintain compliance with applicable covenants.

Financial risk factors

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk) and other risks (including equity price risk and settlement risk). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Group is managed. The Board of Directors establishes the Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies. The Group is not subject to any externally imposed capital requirements.

It is the policy of the Group to enter into hedging foreign exchange contracts to cover specific foreign currency payments and receipts.

Details of the Group's objectives and policies on financial risk management, and of the financial instruments currently in use, can be found in Note 19 to the consolidated financial statements.

DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OF THE GROUP

As at December 31, 2013, Altice S.A had a total asset position of EUR 5,176.6 million and a net asset position of EUR 95.3 million. The major contributor to the consolidated statement of financial position of Altice S.A is the Altice VII Group, which fully consolidates operating companies with substantial tangible and intangible assets and holding companies that are part of the group's financing structure that hold debt.

Current assets

As at December 31, 2013, the group had a current asset position of EUR 1,562.2, a 336.7% increase as compared to EUR 334.7 million in the year ended December 31, 2012. This increase was mainly due to the addition of restricted cash held in escrow to finance the future acquisitions of Orange Dominicana and Tricom, two telecommunication companies based in the Dominican Republic, for a total of EUR 1,242.8 million. As of the date of this report, EUR 291.3 million (USD 400 million equivalent) has been released from escrow to close the Tricom transaction.

Trade and other receivables increased from EUR 193.3 million in 2012 to EUR 232.2 million as at December 31, 2013, a 20.1% increase mainly driven by the different business combinations that occurred during the year.

Non-current assets

Non-current assets amounts to EUR 3,614.4 million as at December 31, 2013 and consists of the following:

Property, Plant and Equipment ("PPE"): the Altice VII Group consolidates operating companies that have substantial PPE relating to their telecommunications network that enable them to run their business. The net book value of such assets (classified under the property, plant and equipment caption) amounted to EUR 1,134.2 million as at December 31, 2013 compared to EUR 1,067.8 million as at December 31, 2012;

Goodwill : As mentioned earlier in this consolidated management report, the Altice VII Group has successfully completed over the last year several transactions in Portugal and in the French Overseas Territories. As required by the International Financial Reporting Standards as adopted in the European Union, goodwill is allocated to assets following a purchase price allocation for identifiable assets and the residual amount is held in the statement of financial position under the "Goodwill" caption. Total goodwill amounted to EUR 1,100.7 million as at December 31, 2013 and increased by 39.2% following the acquisition of Outremer telecom and ONI S.G.P.S. No goodwill impairment was recorded for the year ended December 31, 2013;

Investments in associates: As at December 31, 2013, Altice Six holds a 27.4% stake in the equity of Numericable Group S.A. ("Numericable Group") for an amount of EUR 679.1 million. The share in profit of associates for the year ended December 31, 2013 amounted to EUR 15.5 million compared to EUR 20.4 million as at December 31, 2012.

Current liabilities

The group had a current liability position of EUR 708.0 million as at December 31, 2013 compared to EUR 557.6million as at December 31, 2012, mainly composed of trade and other payables, current portion of debentures and current tax liabilities.

Trade and other payables amounted to EUR 517.4 million as at December 31, 2013, an increase of 25.6% compared to EUR 412.0 as at December 31, 2012, mainly increasing as a result of business combinations. The high level of trade payables is structural and follows industry norms, as customers generally pay in advance, based on their billing cycle and suppliers are paid as per the standard payment terms prevalent in each country. The group generates sufficient operating cash to respect its current debts, and has access to revolving credit facilities in case of an inability to meet its current debt obligations.

Non-current liabilities

The group's non-current liabilities are mainly composed of bonds and debts obtained from banking institutions in order to finance new acquisitions. The non-current debt position was EUR 4,373.2 million as at December 31, 2013 compared to EUR 2,101.9 million as at December 31, 2012.

Altice S.A. being the holding company of the group, raises debt through its Senior and Senior Secured facilities issuers, Altice Finco S.A. and Altice Financing S.A.. With its track record in making successful acquisitions, sustaining growth and profitability and the ability to leverage economies of scale, the group benefits from attractive cost of debt, and thus acts as a central bank for its operating entities.

Non-current debt is split as follows between the Altice VII Group (EUR 3,421.3 million) and Altice Six (EUR 319.7 million). The increase of EUR 2,346 million compared to the year ended December 31, 2013 is mainly due to new debt incurred in June and July 2013 to finance the acquisitions of Outremer Telecom and ONI S.G.P.S, as well as refinance existing debts in different group companies. The Altice VII Group further issued Senior and Senior Secured Notes amounting to EUR 1,242.8 million (gross carrying amount, without transaction costs) in November 2013. As stated above and as at December 31, 2013, these Notes remained unused and therefore are in escrow recorded as restricted cash in the consolidated current assets of Altice S.A.).

Other non-current liabilities consist of loans from related parties (corresponding to subordinated debt instruments issued by Altice VII (EUR 99.2 million as of December 31, 2013) and Altice Six ((EUR 1.5 million as of December 31, 2013) and wholly subscribed by the controlling shareholder, Next L.P. as at December 31, 2013. They also include the fair value of derivative instruments contracted in the course of the above described financing and currently valued at EUR 142.3 million as at December 31, 2013 (an increase of 127.7% compared to December 31, 2012).

DIVIDENDS

The Board of Directors does not intend to propose any dividends to the Shareholders of the Company.

RESEARCH AND DEVELOPMENT

The Predecessor Entities operate cable and mobile networks and provide services to end customers using third party technologies which conform to industry standards. As such, the company has no significant research and development activities, as its business model does not require large investments in R&D.

TREASURY SHARES

As of December 31, 2013, Altice S.A. had no treasury shares in its possession.

EVENTS SINCE BALANCE SHEET DATE

Acquisition of the Mobius Group

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the "Mobius Acquisition"). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the "Mobius Technology" brand and double and triple play services based on xDSL technology to residential customers under the "IZI" brand. The consummation of the Mobius Acquisition occured on January 15, 2014 and was financed via the super senior revolving credit facility that the company has access to. A total of EUR 20.5 million was drawn from the RCF to finance the acquisition. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group (the "Mobius Managers") have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition (approximately EUR 4.6 million) in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two would be reduced to approximately 77%. as of the date of this report, an agreement had been reached with the Managers of Altice Blue Two to transfer their minority holdings in Altice Blue Two into shares of Altice S.A. (please see below for more details).

Conversion of Altice VII subordinated debts

On January 31, 2014, Next L.P. converted all subordinated debt instruments held against Altice VII S.à.r.l, and Altice Six S.A. before the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding YFPECs and ALPECs issued by Altice VII were converted at their nominal value of EUR 133.2 million, which was directly attributed to the net equity of the company. All outstanding YFPECs issued by Altice Six were converted into common shares of Altice Six S.A. at their nominal value of EUR 48.2 million.

Initial public offering

On January 31, 2014, Altice S.A. listed its shares in an initial public offering on Euronext Amsterdam. The company raised capital in two steps, first through a primary offering of new shares of the listed company, for EUR 750 million and a secondary offering, consisting of the sale of shares held by Next L.P. in Altice S.A., for a total amount of EUR 555 million. The shares were traded at opening at an offer price of EUR 28.25. Additionally, an over-allotment option, for the maximum authorised amount (upto 15% of the total shares offered), was exercised by Altice S.A. Following the IPO, 25.6% of the share capital of the company is publicly traded, with the rest held by Next L.P and certain Managers. The shares are traded on Euronext Amsterdam with the ticker ATC:NA.

Change in minority interests of Altice Blue Two

In January 2014, the Company entered into discussion with the management of Outremer Telecom ("OMT Managers"), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and MTVC, to exchange their existing shares in Altice Blue Two S.A.S against shares in the newly floated mother company of Altice VII, Altice S.A.

As per the agreement, which was completed and signed on March 13, 2014, the OMT Managers contributed all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management), for a base value of EUR 55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

Acquisition of the Tricom Group

On March 12, 2014 the Group obtained control of Tricom S.A. and Global Interlink Ltd. (together, "Tricom"), a leading telecommunications operator in the Dominican Republic, providing (i) cable and xDSL-based multiple-play services and stand-alone pay television, broadband Internet and fixed-line telephony services and (ii) 3G and 4G mobile telephony services relying on its mobile network. This acquisition enables the Group to expand its footprint in the Carribean and more especially in the Dominican Republic. Control was obtained upon approval from Indotel, the Dominican Republic antitrust authority. As of the date of the transfer of the shares, the Group acquired 96% of the total equity in Tricom S.A. and 92% of the outstanding interests in Global Interlinks.

For the year ended December 31, 2013, Tricom would have contributed EUR 158.3 million to revenue and EUR 19.9 million to operating profit to the Group's results, if it had been purchased on January 1, 2013 (these figures are based on unaudited US GAAP figures).

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of Tricom amounted to €291.3 million, using the proceeds raised in December 2013.

The total value of assets transferred in consideration for the values mentioned above amounted to EUR 145.7 million, comprising mainly of intangible assets for a net value of EUR 21.0 million, property, plant and equipment for a total value of EUR 133.8 million and trade receivables for a total amount of EUR 16.5 million. Total liabilities amounted to €97.9 million, comprising of EUR 45.1 of non-current liabilities and EUR 52.8 million of current liabilities. The residual value of EUR 145.6 million was recognised provisionally as goodwill (these figures are based on unaudited US GAAP figures).

The values of the assets and liabilities assumed have been determined on a provisional basis until the Group finalizes its assessment of the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	EUR	291.3 million
Fair value of identifiable assets and liabilities	EUR	(145.7) million
Goodwill	EUR	145.6 million

Acquisition of additional shares in Numericable

On November 18, 2013, Altice Six entered into an agreement with other major shareholders in the Numericable group to purchase an additional 10% stake, thus increasing its shareholding to 40% (inclusive of the 2.6% option provided to other shareholders and described elsewhere in this report). This acquisition triggered a change in control of the Numericable Group. The transaction was consummated on February 4, 2014, with the primary proceeds from Altice S.A.'s IPO and thus Altice S.A. became the controlling shareholder of Numericable S.A.

Stock Options provided to Senior Management and Executive Directors

Senior management and Executive Directors of the Company are eligible to participate in the Stock Option Plan ("SOP") at the discretion of the Remuneration Committee.

Members of the management team (including the Executive Directors) will be granted options on Admission to acquire Shares at the Offer Price. These options will vest and become exercisable in tranches of 50%, 25% and 25% respectively, on the second, third and fourth anniversary of Admission, for a period of seven years (or if earlier, ten years from the initial grant) after which time they will lapse. It is intended that no further options will be granted to participants who were granted options on Admission until the last tranche of the initial options have vested, however options may be granted to new members of the management team.

Options with an aggregate value of up to €250 million will be granted on Admission with an exercise price equal to the Offer Price and further options with an aggregate value of up to €100 million will be made available for new hires. Therefore, up to 6.9% of the Company's issued share capital will be allocated to satisfy these option grants.

Clawback and malus will apply to options granted under the SOP, such that options may be adjusted or reduced (even to nil) prior to exercise, and any exercised options reimbursed to the Company, in circumstances in which the Remuneration Committee considers appropriate, including material misstatement of financial results, failure of risk management, reputational damage, fraud or negligence.

Participants who leave the Group by reason of death, injury, ill-health or, for any other reason, if the Remuneration Committee so determines, will retain any vested options. Unvested options will vest on cessation, but will be pro-rated for time (unless the Remuneration Committee determines otherwise). Participants who leave the Group *for* any other reason will forfeit any outstanding unexercised options, unless the Remuneration Committee determines otherwise. Unvested options will normally vest in full on a change of control of the Company.

Contribution in kind by Valemi Corp S.A.

On October 4, 2013, Altice VII S.à r.l., a direct subsidiary of Altice S.A., acquired a controlling stake in two content companies, MCS S.A.S and SportV S.à r.l. from Altice IV and Valemi Corp S.A. This transaction gave rise to a vendor loan, held by Valemi Corp. S.A. against Altice VII S.à r.l.. As part of the pre-IPO restructuring, Altice S.A. and Valemi Corp reached an agreement under which Valemi contributed to the Company a vendor loan payable by Altice VII against the issue of Ordinary Shares. The total amount of the vendor loan held by Valemi was EUR 13.0 million at the time of admission.

Acquisition of SFR

On March 14, 2014, Altice S.A. and Vivendi S.A, the sole shareholder of SFR, France's second largest mobile operator, entered into exclusive talks to negotiate a potential merger between Numericable and SFR.

PRINCIPAL RISKS AND UNCERTAINTIES

Altice S.A. operates a risk management framework that enables our risks to be identified, analysed, evaluated, controlled, monitored and reported though a structured and consistent process. The Board of Directors is ultimately responsible for maintaining effective risk management, which includes our risk governance structure, our system of internal control and our internal audit approach. Management's responsibility is to manage risk across the Group on behalf of the Board. The Corporate Governance Report provides further details of this process which will operate from 2014 onwards.

Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the different financing we entered into.

We have significant debt and debt service requirements and may incur additional debt in the future. Our significant level of debt could have important consequences, including, but not limited to, the following:

- making it more difficult for us to satisfy our financial obligations;
- requiring that a substantial portion of our cash flows from operations be dedicated to servicing debt, thereby reducing the funds available to us to finance our operations, capital expenditures, research and development and other business activities, including maintaining the quality of and upgrading our network;
- impeding our ability to obtain additional debt or equity financing, including financing for capital expenditures, and increasing the cost of any such funding, particularly due to the financial and other restrictive covenants contained in the agreements governing our debt;
- impeding our ability to compete with other providers of pay television, broadband Internet services, fixed-line telephony services, mobile services and B2B services in the regions in which we operate;
- restricting us from exploiting business opportunities or making acquisitions or investments;
- increasing our vulnerability to, and reducing our flexibility to respond to, adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive and economic environment in which we operate; and
- adversely affecting public perception of us and our brands.

We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.

As of December 31, 2013, our primary floating rate debt obligations (excluding finance leases and other liabilities) were in an amount equivalent to EUR1,119 million comprising of the 2013 Term Loan and the Altice Six margin loan. Since December 31, 2013, Altice S.A. has incurred an additional EUR 20.5 million of floating rate debt. In addition, any amounts we borrow under the Revolving Credit Facilities or the 2013 Guarantee Facility will bear interest at a floating rate. Further, as of December 31, 2013 we had an amount equivalent to EUR160.3 million outstanding under Series A of the HOT Unsecured Notes which is linked to the consumer price index in Israel. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

Currency fluctuations and interest rate and other hedging risks could adversely affect our earnings and cash flow.

Our business is exposed to fluctuations in currency exchange rates. HOT's primary transactional currency is the New Israel Shekel. The primary transactional currency of Cabovisão, ONI, Coditel, Outremer and Le Cable is the Euro. The primary transactional currency of Green is Swiss Francs. We conduct, and will continue to conduct, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar.

Our existing debt is primarily denominated in U.S. dollars, euros and New Israeli Shekels although the amounts incurred in euros and New Israeli Shekels do not necessarily match the cash flows generated from operations in such currencies. The exchange rate between the U.S. dollar and the New Israeli Shekel, euro and the Swiss Franc has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. We have historically covered a portion of our U.S. dollar and euro cash outflows arising on anticipated and committed obligations through the use of foreign exchange derivative instruments. Further, while we manage the risk of certain currency fluctuations in respect of a portion of our existing debt and to hedge our exposure to interest rate changes in respect of indebtedness linked to interest rates, these arrangements may be costly and may not insulate us completely from such exposure. There can be no guarantee that our hedging strategies will adequately protect our operating results from the effects of exchange rate fluctuation or changes in interest rates, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in exchange rates or interest rates.

Risks Relating to Our Business, Technology and Competition

We face significant competition in each of the industries in which we operate and competitive pressures could have a material adverse effect on our business.

We face significant competition from established and new competitors in each of the countries and segments in which we operate. The nature and level of the competition we face vary for each of the products and services we offer. Our competitors include, but are not limited to, providers of television, broadband Internet, fixed-line telephony and B2B services using DSL or fiber connections, providers of television services using technologies such as IPTV, providers of television by satellite, DTT providers, mobile network operators, and providers of emerging digital entertainment technologies.

In some instances, we compete against companies which may have easier access to financing, more comprehensive product ranges, greater financial, technical, marketing and personnel resources, larger subscriber bases, wider geographical coverage for their cable or mobile networks, greater brand name recognition and experience or longer established relationships with regulatory authorities, suppliers and customers. Some of our competitors may have fewer regulatory burdens with which they are required to comply because, among other reasons, they use different technologies to provide their services, do not own their own fixed-line network, or are not subject to obligations applicable to operators with significant market power.

Because the telecommunications and mobile markets in certain of the geographic markets in which we operate, including Israel, are reaching saturation, there are a limited number of new subscribers entering the market and therefore in order to increase our market share we are dependent on attracting our competitors' existing subscribers, which intensifies the competitive pressures we are subject to. The competitive landscape in the countries in which we operate is generally characterized by increasing competition, tiered offerings that include lower priced entry level products and a focus on multiple-play offerings including special promotions and discounts for customers who subscribe for multiple-play services, which may contribute to increased average revenue per unique customer relationship, but will likely reduce our ARPU on a per-service basis for each service included in a multiple-play package. We expect additional competitive pressure to result from the convergence of broadcasting and communication technologies, as a result of which participants in the media and telecommunications industries seek to offer packages of fixed and mobile voice, Internet and video broadcast services. In addition, we expect competition to increase as a result of changes in the regulatory regime seeking to increase competition in the markets in which we operate, such as allowing third party access to cable networks on a wholesale basis.

Our products and services are also subject to increasing competition from alternative new technologies or improvements in existing technologies. For example, our pay television services in certain jurisdictions compete with providers who provide IPTV services to customers in our network areas utilizing DSL or very high bitrate DSL ("VDSL") broadband Internet connections. In the broadband Internet market, we generally face competition from mobile operators as they are increasingly able to utilize a combination of progressively powerful handsets and high bandwidth technologies, such as UMTS and long-term-evolution ("LTE") technology. Mobile services, including those offering advanced higher speed, higher bandwidth technologies and mobile virtual network operators ("MVNOs"), also contribute to the competitive pressures that we face as a fixed-line telephony operator. In the past, mobile operators have engaged in "cut the line" campaigns and used attractive mobile calling tariffs to encourage customers with both fixed-line and mobile services to retain only their mobile services. This substitution, in addition to the increasing use of alternative communications technologies, tends to negatively affect our fixed-line call usage volumes and subscriber growth. At the same time, incumbent fixed-line operators have also applied resources to "win-back" activities that can entice our existing telephony customers, as well as prospective telephony customers, to return or remain with the incumbent by offering certain economic incentives.

In addition, new players from sectors that are either unregulated or subject to different regulations (including Internet players such as Yahoo, Google, Microsoft, Amazon, Skype, Apple, YouTube and other audiovisual players) have emerged as competitors to our content offering. The rapid success of audiovisual content streamed through the telecommunications network and insufficient innovation could lead to the emergence of other content or service providers as well as the saturation of the network, which would put pressure on the revenues and margins of operators like Altice S.A. while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect our business, financial condition or results of operations.

The political and military conditions in Israel may adversely affect our financial condition and results of operations.

A significant portion of our operations, our networks and some of our suppliers are located in Israel and are affected by political and military conditions. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Hostilities involving Israel, any interruption or curtailment of trade between Israel and its trading partners and political instability within Israel or its neighboring countries are likely to cause our revenues to fall and harm our business. In particular, in recent conflicts, missile attacks have occurred on civilian areas, which could cause substantial damage to our networks, reducing our ability to continue serving our customers as well as our overall network capacity. In addition, in the event that recent political unrest and instability in the Middle East, including changes in some of the governments in the region, cause investor concerns resulting in a reduction in the value of the New Israeli Shekel, our expenses in non-shekel currencies may increase, with a material adverse effect on our financial results.

During an emergency, including a major communications crisis in Israel's national communications network, a natural disaster, or a special security situation in Israel, control of our networks may be assumed by a lawfully authorized person in order to protect the security of the State of Israel or to ensure the provision of necessary services to the public. During such circumstances, the government also has the right to withdraw temporarily some of the mobile spectrum granted to us. Under the Equipment Registration and Mobilization to the Israel Defence Forces Law, 1987, the Israel Defence Forces may mobilize our engineering equipment for their use, compensating us for the use and damage. This may materially harm our ability to provide services to our subscribers in such emergency circumstances and have a negative impact on our revenue and results of operations.

Moreover, the Prime Minister of Israel may, under powers which the Communications Law (Telecommunication and Broadcasting), 5742 - 1982 (the "Communications Law") grants him for reasons of state security or public welfare, order us to provide services to the security forces, to perform telecommunications activities and to set up telecommunications facilities required by the security forces to carry out their duties. While the Communications Law provides that we will be compensated for rendering such services to security forces, the government is seeking a change in the Communications Law which would require us to bear some of the cost involved with complying with the instructions of security forces. Such costs may be significant and have a negative impact on our revenue and results of operations.

Some of our officers and employees are currently obligated to perform annual reserve duty. All reservists are subject to being called to active duty at any time under emergency circumstances. In addition, some of our employees may be forced to stay at home during emergency circumstances in their area. We cannot assess the full impact of these requirements on our workforce and business if such circumstances arise.

More generally, any armed conflicts, terrorist activities or political instability in the region would likely negatively affect business conditions and could harm our results of operations, including following termination of such conflicts, due to a decrease in the number of tourists visiting Israel. Beginning in 2010 and continuing to date several countries in the region, including Egypt and Syria, have been experiencing increased political instability and armed conflict, which have led to change in government in some of these countries, the effects of which are currently difficult to assess. Further, tensions have increased recently between Israel and Iran over Iran's nuclear program. In the event the conflict escalates, especially if Iran has nuclear weapons capabilities, the impact on our business could be significant.

Our business is capital intensive and our capital expenditures may not generate a positive return or we may be unable or unwilling to make additional capital expenditures.

The pay television, broadband Internet, fixed-line telephony, mobile and B2B businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. In Israel, we recently completed an upgrade to our cable network that made our entire network Docsis 3.0- enabled, which enables us to expand the transfer volume on the network to improve the provision of services that require substantial bandwidth like VoD and increase the number of channels that we can offer our subscribers. We are also in the process of selectively rolling out "FTTx" improvements to our last mile fixed-line network and may need to make similar capital expenditures in the future to keep up with technological advancements. In addition, we are continuing to invest in the expansion of our UMTS mobile network to provide 3G mobile services, which we launched on May 15, 2012 and which offers subscribers faster network capabilities and better roaming coverage as compared to our iDEN platform and the ability to use 3G phones. It is expected that the relevant authorities in Israel will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the short to medium term. In case of a successful award, we will need to upgrade our mobile network and roll out an LTE network, which could involve a significant amount of capital expenditure or investment in the newly formed limited partnership to be set up pursuant to the Network Sharing Agreement between HOT Mobile and Partner. We have, in recent years, also made significant investments in cable and mobile networks in Belgium and Luxembourg, the French Overseas Territories and Portugal. No assurance can be given that our recent or future capital expenditures will generate a positive return or that we will have adequate capital available to finance future upgrades or acquire additional licenses. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks, or making our other planned or unplanned capital expenditures, our growth and our competitive position may be materially adversely affected.

If we fail to successfully introduce new technologies or services, or to respond to technological developments, our business and level of revenue may be adversely affected and we may not be able to recover the cost of investments that we have made.

Our business is characterized by rapid technological change and the introduction of new products and services. If any new or enhanced technologies, products or services that we introduce fail to achieve broad market acceptance or experience technical difficulties, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover investments that we make in order to deploy these technologies and services. Enhanced television, fixed- line telephony, broadband Internet infrastructure access and mobile services provided by competing operators may be more appealing to customers, and new technologies may enable our competitors to offer not only new services, but to also offer existing standard services at lower prices. We may not be able to fund the capital expenditures necessary to keep pace with technological developments. Our inability to obtain the funding or other resources necessary to expand or further upgrade our systems and provide advanced services in a timely manner, or successfully anticipate the demands of the marketplace, could adversely affect our ability to attract and retain customers and generate revenue.

We anticipate that over time, new products and services we may introduce will require upgraded or new customer premises equipment, which may therefore constrain our ability to market and distribute such new services. For example, we do not expect that previously installed Internet modems or set-top boxes will be able to support all the enhancements we may introduce to our broadband Internet or pay television services over time. A portion of our subscribers will therefore require some form of upgrade or potentially a replacement of their customer premises equipment. Implementing such upgrades may entail additional costs to us and could delay the introduction of enhanced services and therefore reduce our cash flow and profitability, particularly where customers rent such customer premise equipment from us.

The deployment of fiber or VDSL2 networks by our competitors may reduce, and ultimately eliminate, the speed and power gap between our cable network and the DSL networks of our main competitors.

We believe that one of our core competitive advantages in the majority of our geographies is the strength and speed of our fiber/cable networks. On a blended basis, 98% of the Predecessor Entities' networks is Docsis 3.0-enabled as of December 31, 2013. The parts of our networks that have been upgraded to FTTx and use Docsis 3.0 technology allow for speed levels that cannot currently be matched by xDSL networks that have not been upgraded to fiber, which is the technology deployed by most of our competitors, and allows for the connection of several devices without impairing the quality of the television signal.

Our competitors may deploy fiber and/or VDSL2 networks allowing for download speeds and bandwidths which may rival those achieved by our network.

Bezeq, through its DSL network, is the leading broadband Internet infrastructure access provider in Israel with 1.2 million subscriptions as of June 30, 2013 including business and residential customers. Based on Bezeq's public filings, Bezeq is currently rolling out a Fiber-to-the- Cabinet ("FTTC") infrastructure. Bezeq has reported that, as of June 30, 2013, approximately 98% of its 1.2 million broadband customers have been migrated to its next generation network. On August 29, 2012, Bezeq announced its decision to broaden the deployment of optical fibers to reach as close as possible to its customers through FTTH or FTTB, in an effort to form the basis of the future supply of advanced communications services and with greater bandwidth than currently provided. In August 2013, Bezeq announced it had already deployed FTTH to 200,000 households and businesses in Israel and that it was planning to have covered 400,000 homes and businesses with fiber by the end of 2013.

If our competitors deploy or significantly expand their fiber networks they may be able to compete with our pay television and broadband Internet offers at a level of quality and speed equal or superior to ours, potentially eliminating our current competitive advantage, increasing pressure on our prices and margins and leading us to incur significant capital expenditures to match their service offerings. Implementation of a VDSL2 solution by such competitors could also reduce our competitive advantage. The deployment of fiber and/or VDSL2 networks by competitors is also a risk for our B2B operations, particularly with respect to SMEs and SoHos, for which our cable and fiber/DSL networks, as applicable, are also currently an advantage. While we have invested and improved our offerings in response to fiber/VDSL2 deployment, such deployment could have a material adverse effect on our business, financial condition and results of operations. [should be aligned with HOT's reports]

We depend on hardware, software and other providers of outsourced services, who may discontinue their services or products, seek to charge us prices that are not competitive or choose not to renew contracts with us.

We have important relationships with several suppliers of hardware, software and related services that we use to operate our pay television, broadband Internet, fixed-line telephony, mobile and B2B businesses. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. For example, while we continue to promote a rapid take up of our premium triple-play services, which combines premium television services including, VOD functionality, HD technology and recording capabilities, very high-speed Internet and fixed-line telephony, using a single set-top box in several of our geographies including Portugal, Belgium and Luxembourg (and which we plan to roll out in Israel in 2014), we face potential risks in securing the required customer set-top box equipment to maintain this roll out as we currently rely on a single provider to provide us with such equipment. Currently, we have a sufficient supply of these boxes available, but a future shortage may involve significant delays in seeking an alternative supply, may constrain our ability to meet customer demand and may result in increased customer churn. Further, in the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts. In particular, in the case of an industry-wide cyclical upturn or in the case of high demand for a particular product, our suppliers of software, hardware and other services may receive customer orders beyond the capacity of their operations, which could result in late delivery to us, should these suppliers elect to fulfill the accounts of other customers first. We have, from time to time, experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors, as well as quality control problems with service providers. We may also not be able to recover monies paid to such suppliers or obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner.

We also outsource some of our support services, including parts of our subscriber services, information technology support, technical services, and maintenance operations. Should any of these arrangements be terminated by either contract party, this could result in delays or disruptions to our operations and could result in us incurring additional costs, including if the outsourcing counterparty increases pricing or if we are required to locate alternative service providers or in-source previously outsourced services.

Further, we are dependent on certain suppliers with respect to our mobile services in Israel who we may not be able to replace without incurring significant costs. With respect to our 3G mobile operations, we have engaged NSN Nokia Solutions and Networks (“NSN”) as a turnkey contractor to plan and build the new UMTS network. With respect to our iDEN-based mobile services, we are dependent on Motorola Solutions which, to the best of our knowledge, holds all the rights to and is the sole provider of infrastructure equipment and end- user equipment for this technology. A cessation or interruption in the supply of the products and/or services by NSN or Motorola Solutions may harm our ability to provide our mobile services to our subscribers.

Our ability to renew our existing contracts with suppliers of products or services, or enter in to new contractual relationships with these or other suppliers, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond our control. The occurrence of any of these risks or a significant disruption in our supply of equipment and services from key sourcing partners could create technical problems, damage our reputation, result in the loss of customer relationships and have a material adverse effect on our business, financial condition and results of operations.

Failure in our technology or telecommunications systems could significantly disrupt our operations, which could reduce our customer base and result in lost revenue.

Our success depends, in part, on the continued and uninterrupted performance of our information technology and network systems as well as our customer service centers. The hardware supporting a large number of critical systems for our cable networks and mobile networks is housed in a relatively small number of locations. Our systems are vulnerable to damage from a variety of sources, including telecommunications failures, power loss, malicious human acts and natural disasters. Moreover, despite security measures, our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautions we have taken, unanticipated problems affecting our systems could cause failures in our information technology systems or disruption in the transmission of signals over our networks. Sustained or repeated system failures that interrupt our ability to provide service to our customers or otherwise meet our business obligations in a timely manner would adversely affect our reputation and result in a loss of customers and revenues.

If any part of our cable or mobile networks, including our information technology systems, is subject to a flood, fire or other natural disaster, terrorism, acts of war, a computer virus, a power loss, other catastrophe or unauthorized access, our operations and customer relations could be materially adversely affected. For example, although our cable networks are generally built in resilient rings to ensure the continuity of network availability in the event of any damage to its underground fibers, if any ring is cut twice in different locations, transmission signals will not be able to pass through, which could cause significant damage to our business. In the event of a power outage or other shortage, we do not have a back-up or alternative supply source for all of our network components. Further, we may incur costs and revenue losses associated with the unauthorized use of our networks, including administrative and capital costs associated with the unpaid use of our networks as well as with detecting, monitoring and reducing the incidences of fraud. Fraud also impacts interconnect costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

Additionally, our businesses are also dependent on certain sophisticated critical systems, including our switches, billing and customer service systems, which could be damaged by any of the aforementioned risks. For example, if we experience problems in the operation of our billing systems, it may be difficult to resolve the issue in a timely and cost effective manner. In addition, the hardware that supports our switches, billing and customer service systems is housed in a relatively small number of locations and if damage were to occur to any of such locations, or if those systems develop other problems, it could have a material adverse effect on our business. Moreover, we may incur liabilities and reputational damages to the extent that any accident or security breach results in a loss of or damage to customers' data or applications, or inappropriate disclosure of confidential information. Additionally, we rely on hardware, software, technical services and customer support provided by third parties. We do not control the proper functioning of such third party equipment, and to the extent hardware, software, technical services and customer support provided by third parties fails, our business operations may be adversely affected.

As the number of our customers and the services that we offer our customers increases, the complexity of our product offerings and network architecture also increases, as does network congestion. A failure to manage the growth and complexity of our networks could lead to a degradation of service and network disruptions that could harm our reputation and result in a loss of subscribers. In Israel, any delays or technical difficulties in establishing our UMTS network may affect our results of operations. Further, although many of our products and services are built on standardized platforms, they have been adapted or tailored to our networks and the offerings we have designed, as a result of which we face the risk of any newly implemented technology that there may be unexpected operational issues that arise. If we were to experience a breakdown of equipment or technology that we cannot timely repair, we might lose subscribers.

We are not generally insured against war, terrorism (except to a limited extent under our general property insurance) and cyber risks and do not generally insure the coaxial portion of our network. Any catastrophe or other damage that affects any of our networks in the jurisdictions in which we operate could result in substantial uninsured losses. In addition, disaster recovery, security and service continuity protection measures that we have or may in the future undertake, and our monitoring of network performance (including in Israel from our network operating center in Yakum), may be insufficient to prevent losses.

In addition, although so far no incidents have occurred in numbers that are statistically significant, our technical equipment has been and may continue to be subject to occasional malfunctioning due to technical shortcomings or imperfect interfaces with equipment in private homes, the networks of other operators or our own network or with other surrounding equipment. We might incur liabilities or reputational damages as a result thereof.

Our reputation and financial condition may be affected by product quality issues, in particular in connection with LaBox.

Many of our products and services, including LaBox which we have rolled out in Belgium, Luxembourg and Portugal and plan to roll out in Israel in early 2014, are manufactured and maintained through complex and precise technological processes. These complex products may contain defects or experience failures when first introduced or when new versions or enhancements to existing products are released. We cannot guarantee that, despite testing procedures, errors will not be found in new products, including LaBox, after launch. Such errors could result in a loss of, or a delay in market acceptance of our products, increased costs associated with customer support, delay in revenue recognition or loss of revenues, writing down the inventory of defective products, replacement costs, or damage to our reputation with our customers and in the industry. Any such error could also require a software solution that would cure the defect but impede performance of the product. In addition, any loss of confidence by customers in us may cause sales of our other products to drop significantly. Furthermore, we may have difficulty identifying customers whose products are defective. As a result, we could incur substantial costs to implement modifications and correct defects. Any of these problems could materially adversely affect our results of operations.

Our brands are subject to reputational risks.

The brands under which we sell our products and services, including HOT, Numericable, Cabovisão, ONI and Only are well-recognized brands in Israel, Belgium and Luxembourg, Portugal and the French Overseas Territories, as applicable. We have developed the brands we use through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. Upon completion of the Tricom Acquisition and ODO Acquisition, brands including Tricom and Orange Dominicana will be added to our portfolio.

Our brands represent a material and valuable asset to us. Although we try to manage our brands, we cannot guarantee that our brands will not be damaged by circumstances that are outside our control or by third parties such as hackers, sponsorees, or interfaces with its clients, such as subcontractors' employees or sales forces, with a resulting negative impact on our activities. In particular, our image is increasingly tied to LaBox, an innovative set-top box we source from a third-party supplier.

In addition, we market our products and services in Belgium and Luxembourg and the French Overseas Territories under the Numericable brand pursuant to trademark licensing agreements between our subsidiaries and Numericable France. These agreements contain usual termination clauses for breach of contract or insolvency, but also a termination right for Numericable France in case of a change of control of our subsidiaries. There is no assurance that the agreements will be renewed at the end of their terms, or that they could not be terminated earlier by Numericable France. In such a case we would probably not be able to find similar advantageous arrangements with other parties. If we were to lose the benefits that these agreements provide, it may have a material adverse effect on our business and results of operations.

Our business may suffer if we cannot continue to license or enforce the intellectual property rights on which our business depends.

We rely on patent, copyright, trademark and trade secret laws and licenses and other agreements with our employees, customers, suppliers and other parties to establish and maintain our intellectual property rights in content, technology and products and services used to conduct our businesses. However, our intellectual property rights or those of our licensors could be challenged or invalidated, we could have difficulty protecting or obtaining such rights or the rights may not be sufficient to permit us to take advantage of business opportunities, which could result in costly redesign efforts, discontinuance of certain product and service offerings or other competitive harm.

We have been, and may be in the future, subject to claims of intellectual property infringement, which could have an adverse impact on our business or operating results.

We have received and may receive in the future claims of infringement or misappropriation of other parties' proprietary rights, particularly creative rights with respect to broadcasted programs. In addition to claims relating to broadcasts on channels which we own, we may be subject to intellectual property infringement claims with respect to programs broadcast on the other channels, including foreign channels that we carry. These claims may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. Generally, law relating to intellectual property contains provisions allowing the owner of an intellectual property right to apply to courts to grant various enforcement measures and other remedies, such as temporary and permanent injunctive relief, a right to confiscate infringing goods and damages. Successful challenges to our rights to intellectual property or claims of infringement of a third party's intellectual property could require us to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be temporarily or permanently prohibited from further use of the intellectual property in question. This could require us to change our business practices and limit our ability to provide our customers with the content that they expect. If we are required to take any of these actions, it could have an adverse impact on our businesses or operating results. Even if we believe that the claims of intellectual property infringement are without merit, defending against the claims can be time-consuming and costly and divert management's attention and resources away from its businesses.

The operation of our conditional access systems is dependent on licensed technology and subject to illegal piracy risks.

We operate conditional access systems to transmit encrypted digital programs, including our digital pay television packages. For example, in Israel, we are party to an agreement with NDS Limited, pursuant to which NDS Limited has agreed to sell and install parts of our conditional access system for our cable distribution, including hardware equipment, to grant licenses for the respective intellectual property rights for the conditional access system and to provide maintenance, support and security services. We are currently in the process of reviewing our contractual arrangements with NDS Limited for the provision of these products and services. We are also party to similar agreements with Cisco, the parent company of NDS Limited, across our other operations. Billing and revenue generation for our services rely on the proper functioning of our conditional access systems.

Even though we require our conditional access system providers to provide state-of-the-art security for the conditional access systems, the security of our conditional access systems may be compromised by illegal piracy and other means. In addition, our set top boxes require smart cards before subscribers can receive programming and our smart cards have been and may continue to be illegally duplicated, providing unlawful access to our television signals. While we work diligently to reduce the effect of piracy, we cannot assure that we will be able to successfully eliminate the piracy we currently face. In addition, we cannot assure that any new conditional access system security that we may put in place will not be circumvented. Encryption failures could result in lower revenue, higher costs and increased basic cable subscriber churn or otherwise have a material adverse effect on our business, financial condition and results of operations.

We collect and process subscriber data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and adversely affect our business.

We accumulate, store and use data in the ordinary course of our operations that is protected by data protection laws. Regulatory authorities in the jurisdictions in which we operate our businesses have the right to audit us and impose fines if they find we have not complied with applicable laws and adequately protected customer data. Although we take precautions to protect subscriber data in accordance with the applicable privacy requirements in the jurisdictions in which we operate, we may fail to do so and certain subscriber data may be leaked or otherwise used inappropriately. We work with independent and third party sales agents, service providers and call center agents, and although our contracts with these third parties generally restrict the use of subscriber data, we can provide no assurances that they will abide by the contractual terms or that the contracts will be found to be in compliance with data protection laws. Violation of data protection laws may result in fines, loss of reputation and subscriber churn and could have an adverse effect on our business, financial condition and results of operations. There can be no guarantee that our assessment of risk will be accurate or that provisions made will be sufficient.

We are exposed to, and currently engaged in, a variety of legal proceedings, including several existing and potential class action lawsuits in Israel.

In addition to a number of legal and administrative proceedings arising in the ordinary course of our business, we have been named as defendants in a number of civil proceedings related to our cable and mobile services, which may result in civil liabilities against us or our officers and directors. These include, amongst other, consumer claims regarding, for example, our tariff plans and billing methods and claims by competitors, which may result in significant monetary damages and civil penalties. The costs that may result from these lawsuits are only accrued when it is more likely than not that a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded in our historical consolidated financial statements as of December 31, 2012 in respect of each lawsuit, which in the aggregate amounted to €15.8 million, is based on a case-by-case assessment of the risk level of each individual lawsuit, and events arising during the course of legal proceedings may require a reassessment of this risk. Our assessment of risk is based both on the advice of legal counsel and on our estimate of the probable settlement amounts that are expected to be incurred, if such a settlement will be agreed by both parties.

In Israel, plaintiffs in these proceedings are often seeking certification as class actions. These claims are generally for significant amounts and may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. In addition, on October 1, 2013 in the Dominican Republic, Servicio Ampliado de Teléfonos, C. por A. (“Satel”) filed a complaint for damages against ODO, claiming violation by ODO of Satel's spectrum entitlements relating to frequencies 941-960Mhz and an alleged violation of articles 105, 103 of Law 153-98 and Article 47 of General Regulation of Use of the Radioelectric Spectrum No. 128-04. Satel seeks US$298 million in damages from ODO. However, on October 23, 2013, Satel voluntarily withdrew its claim. If any of these claims or claims that may arise in the future succeed, we may be forced to pay damages or undertake other actions which could affect our business and results of operations.

There are uncertainties about the legal framework under which we own and operate our network in Belgium and Luxembourg.

In Belgium and in Luxembourg, we built our network pursuant to agreements which we entered into during the 1960s and the 1970s with municipalities which authorized us to build and operate a television cable network in their territory. Since then, the regulatory framework has changed. In particular, the right of certain of the municipalities to receive royalty payments in consideration for the grant of the authorization, to reclaim ownership of the network and to regulate the prices at which we offer our services are arguably incompatible with the liberalization of the telecommunications market within the European Union. These uncertainties are compounded by the fact that the national laws adopted to implement European Union directives did not necessarily deal with these issues, that these agreements were sometimes renewed after the new regulatory regime was entered into force but were not amended to reflect such changes and by the lack of authoritative case law on the subject creating uncertainties as to the status of these networks and the rights of the different interested parties. Furthermore, there is no uniformity among these agreements. These uncertainties have led to litigation, including with the Roeser and Junglinster municipalities in Luxembourg which are currently pending on appeal. If we were to lose what we believe is the ownership of our network and our right to operate it in such litigation or in any new litigation, or because of any new law or regulation that would be favorable to the municipalities’ claims, this would have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to Legislative and Regulatory Matters

We are subject to significant government regulation and supervision, which could require us to make additional expenditures or limit our revenues and otherwise adversely affect our business, and further regulatory changes could also adversely affect our business.

Our activities as a cable television, broadband Internet infrastructure access provider, ISP, fixed-line and international long distance telephony and mobile operator are subject to regulation and supervision by various regulatory bodies, including local and national authorities in the jurisdictions in which we operate. Such regulation and supervision, as well as future changes in laws or regulations or in their interpretation or enforcement that affect us, our competitors or our industry, strongly influence how we operate our business. Complying with existing and future law and regulations may increase our operational and administrative expenses, restrict our ability or make it more difficult to implement price increases, affect our ability to introduce new services, force us to change our marketing and other business practices, and/or otherwise limit our revenues. In particular, our business could be materially and adversely affected by any changes in relevant laws or regulations (or in their interpretation) regarding, for example, licensing requirements, access and price regulation, interconnection arrangements or the imposition of universal service obligations, or any change in policy allowing more favorable conditions for other operators or increasing competition. We cannot assure that the provision of our services will not be subject to greater regulation in the future.

In addition to regulation specific to the telecommunications industry, we are from time to time subject to review by competition authorities concerning whether we exhibit significant market power. Regulatory authorities may also require us to grant third parties access to our bandwidth, frequency capacity, facilities or services to distribute their own services or resell our services to end customers.

Furthermore, a failure to comply with the applicable rules and regulations could result in penalties, restrictions on our business or loss of required licenses or other adverse consequences.

Risks Relating to Our Employees, Management, Principal Shareholder and Related Parties

The loss of certain key executives and personnel or a failure to sustain a good working relationship with employee representatives, including workers' unions, could harm our business.

We depend on the continued contributions of our senior management and other key personnel and in particular, Patrick Drahi, who is our Executive Chairman. We cannot assure that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of our key executives and employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

In our business, we rely on sales forces and call center employees to interface with the major part of our residential customers. Their reliability is key, as is our relationship with employee representatives. Some of our employees currently belong to organized unions and works councils, and we cannot assure that more employees will not form or join unions in the future. An increase in the number of our unionized employees could lead to an increased likelihood of strikes, work stoppages and other industrial actions. In addition, we also face the risk of strikes called by employees of our key suppliers of materials or services as well as our installation providers, which could result in interruptions in the performance of our services. Although we monitor our labor relations, we cannot predict the extent to which future labor disputes or disturbance could disrupt our operations, cause reputational or financial harm or make it more difficult to operate our businesses.

The interests of Next L.P., our main shareholder, may conflict with our interests

Next L.P. owns 100% of the voting interests in Altice S.A. When business opportunities, or risks and risk allocation arise, the interests of Next L.P. (or its affiliates) may be different from, or in conflict with, our interests on a stand alone basis. Because we are controlled by Next L.P., Next L.P. may allocate certain or all of its risks to us and we cannot assure you that Next L.P. will permit us to pursue certain business opportunities. In particular, Next L.P. owns or controls and has an interest in other cable and telecommunication businesses, including 40% (and thus control thereof) of the shares in Numericable (including certain call options).

Altice VII and most of the other Guarantors are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Guarantees.

Each of Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Portugal and Altice Bahamas is a holding company and conducts no business operations of its own and none of them has significant assets other than the shares it holds in its subsidiaries.

The ability of the direct or indirect subsidiaries of these Guarantors to pay dividends or to make other payments or advances to them will depend on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject and, in some cases, receipt of such payments or advances may be subject to onerous tax consequences. Each of Cool Holding and SPV1 has no significant assets other than the shares it holds in HOT. We cannot assure that HOT will report net profit in future years, which in light of legal requirements in Israel relating to the distribution of dividends, may impact its ability to make distributions to Cool Holding and/or SPV1 and in turn impact the ability of the Issuers to make payments of principal and interest on the Notes issued. Under Israeli laws, a company may only make distributions up to the amount of the greater of (i) its retained earnings and (ii) its cumulative net income over the preceding eight quarters (and provided that it meets the solvency test (as defined under Israeli law)), which will be reduced by the amount of distributions already made to the extent not already reflected in, the calculation of distributable profits. As of December 31, 2013, HOT had limited distributable profits. Our other operating subsidiaries may have similar or other restrictions on the ability to pay dividends or make other distributions.

There can be no assurance that arrangements with Altice VII's, Cool Holding's, SPV1's, Altice Holdings's, Altice West Europe's, Altice Caribbean's, Altice Portugal's and Altice Bahamas's direct and indirect subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of such subsidiaries will provide Altice VII, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Portugal and Altice Bahamas, as applicable, with sufficient dividends, distributions or loans to fund payments under their respective Guarantees, and, in turn, fund payments by the Issuers when due.

ADDITIONAL DISCLOSURES

Pursuant to Article 11 of the Luxembourg Law on Takeovers of 19 May 2006, the Company also discloses the following:

- For a 180-day lock-up period commencing on the February 5, 2014, the Company will not issue any interest in the Ordinary Shares without the consent of the Joint Global Coordinators subject to a carve-out which permits equity issuance only in the context of a merger or acquisition transaction following the expiry of the initial 45 days of the 180-day lock-up period. The carve-out permits the Company to issue new shares representing no greater than 50 per cent of the total issued share capital of the Company in connection with a publicly announced merger or acquisition. This carve-out may only be used once during the 180-day lock-up period. If shares are issued pursuant to this carve-out during the lock-up period, no further issue by the Company shall be permitted for the remainder of the 180 day period, or for 90 days after such issuance, whichever is longer. For a 365-day lock-up period commencing on the Settlement Date, Next L.P. will not dispose of any interest in its Ordinary Shares without the prior consent of the Joint Global Coordinators.

- Any resolutions aiming to amend the Articles shall require the holding of an extraordinary general meeting that only validly deliberates if one half of the capital is present or represented and provided that the agenda priory circulated prior to such meeting indicated the proposed amendment(s) to the Articles. If the first of these conditions is not satisfied, a second meeting may be convened, in the manner prescribed by the Law and the Articles. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous meeting. The second meeting shall validly deliberate regardless of the number of shares present or represented. At both meetings, resolutions, in order to be adopted, must be carried by at least two-thirds (2/3) of the votes cast.

The rest of the information required pursuant to Article 11 of the Luxembourg Law on Takeovers of 19 May 2006 has been disclosed elsewhere in the Annual Report.

Corporate governance report

INTRODUCTION

On January 13, 2014, the Board of Directors of the Company adopted a Corporate Governance Charter (the "**Charter**"), effective as from January 13, 2014. The Charter reflects the main principles by which the Board of Directors organises and supervises the operations of the Company. It is subject and without prejudice to the provisions of the Company's articles of association (the "**Articles**") and Luxembourg law, including, without limitation, the Luxembourg Civil Code and the law of 10 August 1915 concerning commercial companies, as amended (the "**Law**"). The Charter has been built following the "*Ten Principles of Corporate Governance of the Luxembourg Stock Exchange*" as issued by Luxembourg Stock Exchange (the "**Principles**") which is a code of best practice applying to listed companies on a non-binding basis.

Notwithstanding its listing on the Euronext in Amsterdam, as the Company is incorporated under Luxembourg law, the Company intends, voluntarily, to follow the Principles and explain in its annual report to the extent it does not comply with the Principles.

The Board of Directors will review the Charter from time to time and make such changes as it deems necessary and appropriate.

The Charter is available, together with the Articles, on the Company's website (http://www.altice.net) and will be updated as required in case of any change made to the Company's corporate governance policy.

Corporate Governance Framework

Going forward, the Company will adopt a clear and transparent corporate governance framework for which it will provide adequate disclosure in its Annual Reports.

Duties of the Board of Directors

The Company is headed by a Board of Directors acting as a collegial body. The board of directors will arrange its procedures, policies and activities in accordance with the internal rules.

The Board of Directors' role is to pursue the long-term success of the Company by actively managing the Company, acting in its corporate interest and serving all the shareholders.

The Company has opted for a "one-tier" governance structure. Accordingly, the Board of Directors is the ultimate decision-making body in the Company, except with respect to such areas which are reserved to the shareholders' meeting by law or by the Articles.

Such powers and responsibilities include, among others, to:

- decide upon and to oversee the Company's objectives, strategy and key policies;
- ensure that the necessary financial and human resources are available to meet the Company's objectives;
- identify the main categories of risk faced by the Company, such as financial risk, strategic risk, operational risk, legal and regulatory risk, reputational risk and other risks, and determine which of those (if any) require particularly close monitoring;
- draw up a code of business ethics;
- determine the Company's values, the code of business ethics, as well as all aspects of the Company's corporate strategy;
- determine the board of directors' internal terms of reference, including details on its responsibilities, duties, composition and functioning;

- appoint and dismiss the CEO, the chairman, the Company Secretary, members of the board committees and their chairmen;

- determine the powers and responsibilities of the CEO;

- prepare, review and approve the annual, six-monthly, and if required quarterly, financial and consolidated statements, and, where required by law, present those to the shareholders' meeting;

- convene the shareholders' meetings and submit resolutions for approval;

- ensure that its obligations to all Company shareholders are understood and met; the board of directors being accountable at law to the shareholders' meeting for the proper discharge of its responsibilities; and

- oversee the Company's policy with respect to corporate communications, it being understood that communication on behalf of the Company to the outside world is reserved to the chairman of the board of directors and the CEO, with the right of delegation.

With respect to its monitoring responsibilities, the Board of Directors shall:

- review the existence and functioning of a system of internal control, including adequate identification and management of risks (including those relating to compliance with existing legislation and regulations);

- take all necessary measures to ensure the integrity of the Company's financial statements;

- review the performance of executive management; and

- supervise the performance of the external auditor and supervise the internal audit function, provided always that any system put in place to deal with any such responsibility will not be overly burdensome on the board of directors taking into account the size of the Company.

All powers not expressly reserved to the shareholders by the Law or the Articles fall within the competence of the Board of Directors, which has full power to carry out and approve all acts and operations consistent with the Company's corporate object.

The Board of Directors is authorised to delegate the day-to-day management, and the power to represent the Company in this respect, to one (1) or more directors, officers, managers or other agents, whether shareholders or not, acting either individually or jointly. If the day-to-day management is delegated to one or more directors, the board of directors must report to the annual general meeting of shareholders any salary, fee and/or any other advantage granted to those director(s) in connection with such delegation during the relevant financial year.

Board meetings frequency

The Board of Directors shall meet as frequently as the interests of the Company shall require but in any case not less than four (4) times per year. The date, hour and place of such meetings will be agreed upon by the board of directors from time to time.

The Board of Directors shall meet at the request of the chairman, any of the vice-chairmen or any two (2) directors at the place indicated in the notice, which shall, in principle, be in the Grand Duchy of Luxembourg.

Composition of the Board and the Special Committees

The Company shall be managed by a Board of Directors, which shall comprise a minimum of three (3) and a maximum of ten (10) directors, who are individuals and who need not be shareholders. The majority of directors shall be executive directors, and the remaining shall be non-executive directors.

The general meeting of shareholders shall appoint directors and determine their number, remuneration and term of office. Directors cannot be appointed for a term of office exceeding six (6) years by the shareholders' meeting, which is entitled to remove them at any time, with or without cause by a resolution of the shareholders' meeting. As part of the Binding Nomination Right (as defined below), if Next L.P. proposes to dismiss or replace an executive director, such proposal must be accepted by the general meeting of shareholders. If a substitute executive director must be appointed as a result of the dismissal, he will be appointed in accordance with the Binding Nomination Right. The actual number of directors and their term may vary depending on the needs of the Company. Directors are eligible for re-appointment at the expiry of their term of office.

In accordance with the Articles, all executive directors shall be appointed by the general meeting of shareholders only from the latest list of candidates proposed (it being understood that the number of candidates proposed shall always exceed the number of available mandates of directors) by Next L.P. (the "**Binding Nomination Right**"). Next L.P. shall only be entitled to exercise its Binding Nomination Right as long as it holds thirty per cent. (30%) or more of the Ordinary Shares of the Company. The Binding Nomination Right cannot be amended without the consent of Next L.P. In circumstances in which Next L.P. is entitled to exercise its Binding Nomination Right, the board of directors shall request by written notice sent at least ten (10) days prior to the publication of the convening notice for the general meeting of shareholders that Next L.P. exercises its Binding Nomination Right. The Binding Nomination Right shall be exercised by Next L.P. in writing by sending the list of proposed candidates to the board of directors within seven (7) days following the receipt of the written notice sent by the board of directors and requesting the exercise of the Binding Nomination Right.

As part of the Binding Nomination Right, the role of chairman of the board of directors shall be conferred upon one of the two candidates as has been nominated for appointment to such role by Next L.P. from the list of candidates proposed by Next L.P. for appointment as executive directors of the Company pursuant to its Binding Nomination Right.

Independent and non-executive directors

The Board of Directors anticipates that, when fully constituted under current assumptions, it shall comprise no more than four (4) executive directors (including an executive chairman) and no more than three (3) non-executive directors (who shall be independent).

Non-executive directors

Non-executive directors should constructively challenge and help develop strategy and key policies proposed by executive management. They should scrutinise the performance of executive management in meeting agreed goals.

Non-executive directors should be made aware of the extent of their duties at the time of their application as director, in particular as to the time commitment involved in carrying out their duties.

While exceptions may be warranted in view of the Company's interest, non-executive directors are encouraged not to take on more than two (2) directorships in listed companies. Changes to other relevant commitments and new commitments of directors outside the Company must be reported to the chairman of the board of directors as they arise.

Independent directors

In considering a director's independence the following criteria, which are based on the European Commission Recommendation of 15 February 2005 on the role of non-executive directors of listed companies and on the committees of the board and which are set out in Schedule D of the Principles, will be taken into account. The term independent director shall mean a director who:

(a) is not, and has not been employed by the Company or its subsidiaries in an executive capacity within the three (3) years immediately prior to the annual meeting at which the nominees of the board of directors will be voted upon;

(b) is not a person that directly or indirectly controls ten per cent. (10%) or has a larger holding in any way in the Company and is not a member of the board of directors of a company controlling directly or indirectly the Company;

(c) does not have (and is not affiliated with a company or a firm that has) and has not had within the last financial year a significant business relationship with the Company, its subsidiaries or the person that directly or indirectly controls the Company either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship;

(d) is not, and has not been affiliated with or employed by a (present or former) auditor of the Company, its subsidiaries or the person that directly or indirectly controls the Company, within the three (3) years immediately prior to the annual meeting at which the nominees of the board of directors will be voted upon;

(e) is not an executive director of the Company and has not been in such a position for the previous five (5) years;

(f) does not receive and has not received, significant additional remuneration from the Company or an associated company apart from a fee received as a non-executive director;

(g) is not an executive director (or manager) in another company in which an executive director of the Company is a non-executive or supervisory director, and does not have other significant links with executive directors of the Company due to positions held in other companies or bodies;

(h) has not served on the board of directors as a non-executive director for more than twelve (12) years; and

(i) is not a spouse, parent, sibling or relative up to the third degree of any person described above under (a) to (h).

The independent director undertakes:

(a) to maintain in all circumstances his or her independence of analysis, decision and action;

(b) not to seek or accept any unreasonable advantages that could be considered as compromising his or her independence, and

(c) to clearly express his or her opposition in the event that he/she finds that a decision of the board of directors may harm the Company. When the board of directors has made decisions about which an independent non-executive director has serious reservations, then that non-executive director should draw all the appropriate consequences from this. If he/she were to resign, he/she should explain his or her reasons in a letter to the board of directors or the audit committee.

When an independent director has served on the board of directors for three (3) terms, he/she is, in principle, not eligible for a fourth (4th) term in the capacity as an independent director subject to exceptional circumstances in the interest of the Company recognised by the board of directors. In such case the proposal to renew his or her mandate as independent director will expressly indicate why the board of directors considers that his or her independence as a director is preserved.

The Company shall disclose on its website which directors it considers to be independent. If one or more of the criteria for independence, as discussed above, are not met with respect to such director, the board of directors shall disclose the reasons why it considers such director as being independent.

An independent director who no longer meets the criteria for independence shall immediately inform the board of directors accordingly.

Directors and Senior Management

The Company places a strong emphasis on corporate governance. Its Board of Directors is composed of six members, two of whom are independent. As at the date of signature of these consolidated financial statements, the Board of Directors has two committees: the Audit Committee and the Remuneration Committee.

Board of Directors

The members of the Board of Directors as of the date of these consolidated financial statements are set forth below. The Executive Directors specified below are non-independent members of the Board and, except Jérémie Bonnin, were all appointed on January 6, 2014. Jérémie Bonnin was appointed as a Director on January 3, 2014. The Non-Executive Directors specified below are the independent members of the Board. Michel Combes was appointed on January 6, 2014 and his term expires at the third annual General Meeting following the date of his appointment and Scott Matlock was appointed on January 16, 2014 and his term expires at the third annual General Meeting following the date of his appointment. It is intended that one additional independent Non-Executive Director will be appointed to the Board within six months of the Admission Date.

Name	Age	Position	Independent/ Non-Independent	Term (Years)
Patrick Drahi..	50	Executive Chairman	Non-Independent	5
Dexter Goei	41	Chief Executive Officer	Non-Independent	5
Dennis Okhuijsen	43	Chief Financial Officer	Non-Independent	4
Jérémie Bonnin..	39	General Secretary	Non-Independent	4
Michel Combes..	51	Non-Executive Director	Independent	3
Scott Matlock...	48	Non-Executive Director	Independent	3

The business address of each Director is: 3, boulevard Royal, L-2449 Luxembourg.

Patrick Drahi, Executive Chairman

Patrick Drahi began his professional career with the Philips Group in 1988 where he was in charge of international marketing (UK, Ireland, Scandinavia, Asia) in satellite and cable TV (DTH, CATV, MMDS). In 1991, Patrick joined the US/Scandinavian group Kinnevik-Millisat, where he was in charge of the development of private cable networks in Spain and France and was involved in the launch of commercial TV stations in Eastern Europe. In 1993, Patrick Drahi founded CMA, a consulting firm specialised in telecommunications and media, which was awarded a mandate from BCTV for the implementation of Beijing's full service cable network. In addition, Patrick founded two cable companies, Sud Câble Services (1994) and Médiaréseaux (1995), where he was involved in several buy-outs. When Médiaréseaux was taken over by UPC at the end of 1999, Patrick Drahi advised UPC on its M&A activities until mid-2000. He then started Altice in 2002.

Patrick Drahi graduated from the Ecole Polytechnique and Ecole Nationale Supérieure de Télécommunications de Paris (post graduate degree in Optics and Electronics) in 1986.

Dexter Goei, Chief Executive Officer

Dexter Goei joined Altice in 2009, after working for 15 years in investment banking. Dexter began his investment banking career with JP Morgan and joined Morgan Stanley in 1999 working in their Media & Communications Group. Over the years, Dexter has worked across all segments of the media industry in the US and EMEA region covering primarily cable, pay TV, broadcasting, Internet, content and gaming companies eventually becoming Co-Head of Morgan Stanley's European TMT Group.

Dexter is a graduate of Georgetown University's School of Foreign Service with cum laude honours.

Dennis Okhuijsen, Chief Financial Officer

Dennis Okhuijsen joined as the CFO of the Altice Group in September 2012. Before joining Altice, he was the Treasurer for Liberty Global. From 1993-1996, he was a senior accountant at Arthur Andersen. He joined UPC in 1996 where he was responsible for accounting, treasury and investor relations up to 2005 before joining Liberty Global. In his previous capacities, he was also responsible for financial risk management, treasury and operational financing.

Dennis holds a Master of Business Economics from Erasmus University, Rotterdam.

Jérémie Bonnin, General Secretary

Jérémie Bonnin joined Altice in May 2005 as Corporate Finance director. Before joining Altice, he was a Manager in the Transaction Services department at KPMG which he joined in 1998. At KPMG, he led several due diligence projects with a significant focus in the telecom area. Since his appointment at Altice, he has been involved in all of Altice's acquisitions which have increased Altice's international footprint (in France, Belgium, Luxembourg, Switzerland, Israel, the French Overseas Territories and the Dominican Republic). He has a long track record of successful cross-border transactions, and in financial management in the telecom sector. As General Secretary, he also focuses on the implementation of consistent operating policies and corporate structure across the Altice Group, where he holds various board positions.

Jeremie received his engineering degree from the Institut d'Informatique d'Entreprise in France in 1998. He also graduated from the DECF in France, equivalent to the CPA.

Michel Combes, Independent Non-Executive Director

Michel Combes has been Chief Executive Officer of Alcatel-Lucent since April 2013. He has more than 20 years of experience in the telecommunications sector and a strong international background. Michel was previously Executive Director of the global mobile communications operator Vodafone plc, where he was appointed CEO, Europe Region in October 2008. In addition to his position as CEO of Alcatel-Lucent, Michel is also Chairman of the Supervisory Board of Assystem SA in France and non-executive board member of MTS.

Michel graduated from the Ecole Polytechnique and Ecole Nationale Supérieure des Télécommunications in France.

Scott Matlock, Independent Non-Executive Director

Scott Matlock recently retired from Morgan Stanley & Co., where he was an investment banker for 25 years. He was the Global Head of Media and Communications M&A from 2005 to 2008, the Chairman of Asia M&A (including Australia, India and Japan) from 2008 through to 2010, and the Chairman of International M&A from 2010 to 2014. Scott started his career at Morgan Stanley focused on transportation, industrial and technology companies. In 1997, he switched his focus to the media and communications sectors. When he moved to London in 2002, he became the Head of European Media Coverage and then the Co-Head of European Media and Communications Coverage for the firm. Scott was responsible for some of Morgan Stanley's most important clients and transactions in the media and communication sectors. Sectors on which he has been particularly focused have included cable, mobile/cellular, satellite and broadcast.

Scott graduated from the University of California, Berkeley in 1988.

Other Directorships and Partnerships

The details of the main companies and partnerships outside the Group of which the Directors are currently directors or partners are as follows:

Name	Position	Company/Partnership	Position still held (Y/N)
Dexter Goei	Director	F300	Y
	Director	Hubgrade	Y
	Director	Knewon	Y
	Director	ONI Maderia	Y
	Director	ONI Açores	Y
	Director	VInluam	Y
	Director	Wananchi	Y
	Director	Titan Consulting	Y
	Director	HOT Telecommunication Systems Ltd.	Y
	Director	Numericable Group S.A.	Y
Jérémie Bonnin ...	Director	Altice Participations GP	Y
	Director	Next GP	Y
	Director	Uppernext GP	Y
	Director	CPA Lux	Y
	Director	F300	Y
	Director	Hubgrade	Y

	Director	Knewon	Y
	Director	ONI Maderia	Y
	Director	ONI Açores	Y
	Director	Vinluam	Y
	Director	Hamaja	Y
	Director	Altice VII Bis	Y
	Director	Titan Consulting	Y
	Director	Auberimmo	Y
	Director	Wananchi	Y
	Director	Altice Securities	Y
	President's Representative	Valvision SAS	N
	Director	Numericable Group S.A.	Y
Michel Combes...	CEO	Alcatel	Y
	President of the Supervisory Board	Assystem	Y
	Non Executive Director	ISS World Services A/S	Y
	Executive Director	ISS A/S	Y
	Non Executive Director	ISS Holding AS	Y
	Non Executive Director	Mobile TeleSystems OJSC	Y

Conflicts of Interest and Business Ethics Rules

The Directors must show integrity and commitment. Each will represent the shareholders as a whole, and will make decisions solely in the company's interest, and independently of any conflict of interest.

Each director is encouraged to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the Company.

In accordance with Article 57 of the Law, each director should avoid any direct or indirect conflict of interest with the Company or any subsidiary controlled by the Company. A director who has a personal interest in a transaction which conflicts with the interests of the Company shall advise the board of directors accordingly and have the statement recorded in the minutes of the meeting at which such matter is discussed. The director concerned shall not take part in the deliberations (including, but without limitation, any preliminary discussions within the board of directors) or vote concerning that matter. A special report on the relevant matter shall be submitted to the next general meeting of shareholders, before any other matter is put to the vote at that meeting. These provisions do not apply where the decision of the board of directors relates to transactions entered into under fair market conditions in the ordinary course of business.

Corporate Opportunities

For the purpose of this section, the term "**Relevant Opportunity**" means (a) any businesses, services or activities (including marketing) engaged in by the Company or any of its subsidiaries on the date of the Company's admission and listing on Euronext in Amsterdam, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by the Company or any of its subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof, in each case, in Western Europe, Israel, Africa and the Caribbean Basin.

For so long as Next L.P. or any other entity controlled by Patrick Drahi owns more than thirty per cent. (30%) in aggregate of the share capital of the Company, Patrick Drahi must present all new opportunities that he believes are capable of execution and relating to a Relevant Opportunity ("**Corporate Opportunities**") to the board of directors. Patrick Drahi and any other entity controlled by Patrick Drahi may also, but are not obliged to, present opportunities other than Relevant Opportunities to the board of directors if Patrick Drahi and any such entity or entities think the opportunity is one which is in the interests of the Company or the group and shareholders as a whole. Patrick Drahi and any other entity controlled by Patrick Drahi must be clear as to their intention to pursue the Relevant Opportunity in their personal capacity in the event the Company does not pursue the Relevant Opportunity.

Subject to the application of law relating to directors' conflicts of interest procedure, the full board of directors will consider the Corporate Opportunity having regard to the interests of the Company, the group and shareholders as a whole.

If the Board of Directors decides against the pursuit of the Corporate Opportunity, Patrick Drahi and any other entity controlled by Patrick Drahi shall be entitled to pursue the Relevant Opportunity in a private capacity.

This obligation on Patrick Drahi and any other entity controlled by Patrick Drahi with respect to the disclosure of Corporate Opportunities terminates upon Next L.P.'s shareholding in the Company falling below thirty per cent. (30%) of the Company's issued ordinary share capital.

Patrick Drahi and any other entity controlled by Patrick Drahi are not obliged to present to the Company any opportunities and interests relating to assets held by Patrick Drahi and any such entity or entities outside of the group prior to the Company's admission and listing on the Euronext in Amsterdam.

Evaluation of the performance of the Board of Directors

Periodically, under the guidance of its chairman, the board of directors will undertake a formal evaluation of its own performance and that of its committees in order to assess its size, composition, operation and interaction with executive management. The evaluation process has four main objectives: (i) to assess whether the board of directors operates effectively as a collegiate body, (ii) to assess its organisational structure, (iii) to assess the board's relationship with executive management and (iv) to check the actual composition of the board of directors against the desired composition. Such evaluation will be done at least once every two (2) years. The Board of Directors may instruct an external expert to perform the evaluation.

The number of Board of Directors and board committee meetings and the individual attendance record of directors will be disclosed in the Corporate Governance Statement of the annual report.

The Board of Directors will take into account the results of the performance evaluation by recognising its strengths and addressing its weaknesses. Where appropriate, this can involve proposing new members for appointment, proposing not to re-elect existing members or taking any measure deemed appropriate for the effective operation of the Board of Directors.

Remuneration Policy

Only the non-executive directors shall receive a fixed remuneration for their membership of the Board of Directors and their attendance at the meetings of committees of which they are members. They will not receive any performance related remuneration, nor will any option or warrants be granted to them in their capacity as director.

The remuneration committee recommends the level of remuneration for directors, including the chairman of the board, subject to approval by the Board of Directors and, subsequently, by the shareholders' meeting when it approves the annual accounts.

The remuneration of the non-executive directors is linked to the time committed to the Board of Directors and its various committees.

Currently, the following fees have been approved by the Board of Directors:

- for the position of non-executive director, a fixed annual fee of EUR 60,000, reduced by EUR 5,000 for each board meeting not attended;

- for membership of the audit committee, a fixed annual fee of EUR 20,000, reduced by EUR 4,000 for each audit committee meeting not attended;

- for holding the position of chairman of the audit committee, a fixed annual fee of EUR 20,000;

- for attendance at the remuneration committee, a fixed annual fee of EUR 5,000, which is payable following attendance at the annual remuneration committee meeting; and

- for holding the position of chairman of the remuneration committee, a fixed annual fee of EUR 10,000.

The Board of Directors sets and revises, from time to time, the rules and level of compensation for directors carrying out a special mandate or sitting on one of the board committees and the rules for reimbursement of directors' business-related out-of-pocket expenses. Directors shall be required to provide adequate documentation evidencing the expenditures to be reimbursed. Remuneration for directors will be disclosed to shareholders in accordance with applicable laws and stock exchange rules.

Remuneration Committee

The Company has established a remuneration committee.

The remuneration committee makes recommendations to the Board of Directors on the remuneration of the members of the board of directors and the executive managers.

The remuneration committee is authorised to:

(a) prepare proposals to the board of directors concerning the remuneration policy for directors;

(b) prepare and evaluate proposals to the Board of Directors concerning the remuneration policy concerning executive managers, at least with regard to:

(i) the main contractual provisions including the most important features of pension schemes and make arrangements for termination of the contractual relationship;

(ii) the main features of determining remuneration, including:

(A) the relative importance of each component of the remuneration;

(B) the performance criteria applicable to the variable elements;

(C) benefits in kind; and

(iii) prepare proposals concerning individual remuneration, including, depending on the situation, bonuses, long-term incentives, which may or may not be linked to the shares in the Company, in the form of options or other financial instruments.

The remuneration committee comprises no less than two (2) directors and no more than three (3) directors. All members of the remuneration committee must be independent non-executive directors provided that executive directors may attend but not vote at such meetings.

The members of the remuneration committee are appointed and may be dismissed at any time by the board of directors. The duration of the appointment of a member of the remuneration committee must not exceed the duration of his or her directorship.

The remuneration committee is chaired by a non-executive director.

The remuneration committee meets as frequently as is necessary for the efficient operation of the remuneration committee, but at least once a year and whenever one or more of its members has requested a meeting.

Audit Committee

The audit committee assists the Board of Directors in the discharge of its responsibilities in the areas of financial reporting, internal control and risk management, the observance of administrative, legal and tax procedures and the follow-up of financial and operational audits and advises on the choice and remuneration of the auditor. The committee, which reports directly to the Board of Directors, has per se a supervisory and advisory role. The audit committee shall act in accordance with Annex I of Commission Recommendation of February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board and the Principles. The audit committee ensures the integrity of the financial information supplied by the Company, in particular:

- the audit committee ensures that financial reporting gives a truthful, honest and clear picture of the situation and prospects of the Company, on both an individual and a consolidated basis;

- the audit committee checks the accuracy, completeness and consistency of financial information before it is announced;

- the audit committee assesses the choice of accounting policies and the impact of new accountancy rules;

- the audit committee discusses significant matters relating to financial reporting both with the executive directors and the external auditor;

- the audit committee evaluates at least once a year the internal supervision and risk management system established by the executive director;

- the audit committee also examines the declarations relating to internal supervision and risk management included in the annual report of the Company;

- the audit committee investigates the specific arrangements to enable staff to express concerns in confidence about any irregularities in financial reporting and other areas. The audit committee ensures that all the staff of the Company and its subsidiaries are aware of such arrangements ;

- the audit committee decides on the appointment and dismissal of the internal auditor. The audit committee approves annual budgets and the internal audit budget. The responsibilities of the audit committee also include evaluation of the effectiveness of the internal audit function and the follow-up given by executive directors to the findings and recommendations made by the internal auditor ;

- the audit committee supervises the relationship between the Company and the external auditor and makes recommendations to the board of directors concerning the selection, appointment, reappointment, dismissal and conditions of appointment of the external auditor;

- the audit committee supervises the independence of the external auditor;

- the audit committee monitors the external auditor's schedule and ensures the effectiveness of the external audit process. The audit committee examines the extent to which the executive management complies with the recommendations made by the external auditor in its management letter; and

- the audit committee examines which non-audit services have been entrusted to the external auditor and the scope of such services. The audit committee determines and updates a formal policy with regard to the types of non-audit services that: a) are excluded; b) are permissible after verification by the committee and c) are permissible without being referred to the committee, taking account of the specific provisions of Luxembourg law.

The audit committee consists of no less than two (2) and no more than three (3) directors. All members of the audit committee must be independent non-executive directors provided that executive directors may attend but not vote at such meetings.

The members of the audit committee are appointed by the board of directors and may be dismissed by the Board of Directors at any time. The duration of the appointment of a member of the audit committee must not exceed the duration of his or her directorship.

The chairman of the audit committee shall be designated by the board of directors from among the members of the audit committee. The chairman of the Board of Directors may not also chair the audit committee.

The members of the audit committee shall have sufficient relevant expertise, in particular in financial matters, to effectively discharge their functions.

After each meeting, the chairman of the audit committee shall make a report to the Board of Directors identifying the issues where the audit committee considers that action and/or improvement is required and shall make recommendations on the measures to be so taken. The chairman of the audit committee shall provide further information to the Board of Directors on the results of the audit committee's discussions, if necessary.

The audit committee shall report to the board of directors on its activity and the adequacy of the internal control system at least every six (6) months, at the time the annual and semi-annual accounts are approved.

Financial Reporting, Internal Control and Risk Management

The Board of Directors will establish strict rules, designed to protect the company's interests, in the areas of financial reporting, internal control and risk management. This is still being prepared by the Board at the time of issuance of this Annual Report.

Shareholders

The Company will respect the rights of its shareholders and ensure they receive equal treatment. The Company will establish a policy of active communication with the shareholders.

For the purpose of this chapter all capitalised terms shall have the meaning ascribed to those terms in the Warrant Terms and Conditions dated January 13, 2014 (the "**Warrant Terms**").

The Warrant is exercisable in full, or partially, on one or several occasions in accordance with the Warrant Terms.

The Holder (Mr. Patrick Drahi) has the right (but not the obligation) to subscribe for Warrant Shares in consideration of the payment of the Exercise Price in accordance with Clause 4 of the Warrant Terms at any time upon and following each date of occurrence of an Exercise Event as long as the Exercise Event continues to exist. In the case of an exercise following a Durational Exercise Event, the Holder may exercise its Warrant only during a period commencing on the date of occurrence of the relevant Durational Exercise Event and expiring on the date which is six (6) months following such date.

The Holder has the right to subscribe for such number of Warrant Shares in order for the Holder to reach a maximum of either (i) sixty six point sixty seven per cent. (66.67%) of the issued and outstanding share capital of the Company in the event of a Low Threshold Exercise Event, or (ii) seventy five per cent. (75%) of the issued and outstanding share capital of the Company, plus one (1) Warrant Share in the event of a High Threshold Exercise Event (as defined in the Articles); taking into account the Shares already held by the Holder.

Upon the occurrence of an Exercise Event, notwithstanding any previous exercise of the Warrant, the Warrant and the Warrant Exercise Right continue to exist and are capable of utilisation, provided that at the time of the occurrence of a subsequent Exercise Event, the Holder does not already hold Shares representing the relevant proportion of the Company's share capital the Holder would hold should it exercise the Warrant on the basis of the relevant Exercise Event as set out under Clause 4.1.1 of the Warrant Terms.

Within one (1) Business Day following the occurrence of an Exercise Event, the board of directors shall give the Holder written notice of the Exercise Event (the Exercise Event Notice), specifying (i) the date of such Exercise Event, (ii) details of such Exercise Event (including, where applicable, any circular, acceptance or participation form(s) and/or all other information provided to the Company and other holders of Shares in respect of such Exercise Event) and (iii) the maximum number of Warrant Shares that the Holder may subscribe for in accordance with Clause 4.1.1 of the Warrant Terms.

Once an Exercise Event Notice has been given the board of directors shall inform the Holder of any subsequent changes or circumstances which are material to the relevant Exercise Event. The Holder shall keep all information it receives relating to the Exercise Event strictly confidential unless such information is made public by the Company, or is required to be disclosed by law, any court of competent jurisdiction or any regulatory body.

The rights attaching to the Ordinary Shares are set out in the Articles.

The rights attaching to the Class B Shares as set out in the Articles are set out here below.

In accordance with article 49-8 of the Law, the Company shall mandatorily repurchase all the Class B Shares and the holder of the Class B Shares shall offer its Class B Shares for repurchase to the Company, at a purchase price equal to the nominal value of the repurchased Class B Shares upon or following the exercise of the Warrant (the "**Mandatory Repurchase**"):

- if the holder of the Class B Shares Transfers any Class B Shares to any person other than the Company or an affiliate, except in the case of a Permitted Transfer; or

- if Next L.P. holds less than thirty per cent. (30%) of the Ordinary Shares of the Company; or

- following the occurrence of a Durational Exercise Event, immediately following the passing of the resolution of the general meeting of shareholders approving the renewal of the Company's authorised share capital and the board of director's authority to issue Class B Shares out of such authorised share capital; or

- following the occurrence of a Low Threshold Exercise Event, if no single holder of Ordinary Shares (excluding Next L.P.), and no holders of Ordinary Shares (excluding Next L.P.), acting in concert (as defined in accordance with article 3 of the law of 11 January 2008 on transparency requirements in relation to issuers whose securities are admitted to trading on a regulated market, as amended) continue to hold twenty per cent. (20%) or more of the aggregate number of voting rights attached to the Ordinary Shares of the Company; or

- following the occurrence of a High Threshold Exercise Event, the general meeting of shareholders has voted in favour of the continuity of the Company.

Capitalised terms used with respect to the Mandatory Repurchase shall have the meaning as ascribed to them in the Articles attached hereto.

Only subscribed and fully paid-up Class B Shares are mandatorily repurchasable.

Alternatively, the Board of Directors may in its sole discretion decide to convene a general meeting of shareholders in order to proceed with a capital decrease and the cancellation of the Class B Shares to implement the Company's obligation to repurchase the Class B Shares pursuant to the Articles.

In the event of a Mandatory Repurchase, the holder of the Class B Shares expressly undertakes to:

(a) take any and all actions necessary to permit the repurchase, or the capital decrease followed by the cancellation of, all its Class B Shares, including, but not limited to: (i) the use of any rights attached to the Class B Shares, (ii) the convening of a general meeting of shareholders, and (iii) the approval at such general meeting of shareholders the decrease of the Company's share capital, and the subsequent cancellation of the Class B Shares; and

(b) provide the Company with all financial resources necessary to undertake the repurchase of the Class B Shares in accordance with the Law if (i) the Company is not in a position to repurchase the Class B Shares in accordance with the Law, and (ii) Next L.P. refuses to vote in favour of the cancellation of the Class B Shares and decrease of the share capital of the Company as provided for in the Articles.

An amount equal to the nominal value or, in the absence thereof, the accounting par value of all Class B Shares redeemed shall be blocked in a special bank account and only be used for the purpose of paying the price related to the Mandatory Repurchase.

Upon a Mandatory Repurchase implemented in accordance with article 49-8 of the Law or in accordance with the Articles, notice shall be sent in writing to the registered Class B Shareholder at least five (5) days prior to the repurchase date, at his address last shown in the register of shareholders, notifying such Class B Shareholder of:

- The number of Class B Shares to be repurchased;

- The repurchase date;

- The repurchase price; and

- The procedures necessary to submit the Class B Shares to the Company for repurchase.

The repurchase price of such Class B Shares shall be payable to the order of the person whose name appears on the share register as the owner thereof on the bank account provided to the Company by such shareholder before the repurchase date.

Statement of Director's responsibilities

The Directors are responsible for preparing the Annual Report, including the consolidated financial statements, the consolidated management report and the Corporate Governance Report, in accordance with Luxembourg legal and regulatory requirements ("Company Law"). The Directors are also responsible for ensuring that the Annual Report is published in accordance with Company Law.

Company Law requires the Board of Directors to prepare consolidated financial statements for each financial year. The Directors are required by Regulation (EC)1606/2002 of 19 July 2002 ("IAS Regulation") to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs").

IFRS requires that the consolidated financial statements give a true and fair view of the Company's consolidated financial position, consolidated financial performance and cash flows for each financial year. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In doing so, the Directors are responsible for ensuring compliance with all applicable IFRSs so as to ensure that the consolidated financial statements give a true and fair view.

The Directors are also required to properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

Responsibility statement

We confirm to the best of our knowledge that:

1. The consolidated financial statements of Altice S.A. as at and for the year ended December 31, 2013 presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included within the consolidation taken as a whole.

2. The consolidated management report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board of Directors

Dexter Goei
Chief Executive Officer

Dennis Okhuijsen
Chief Financial Officer

March 18, 2014

Deloitte.

Deloitte Audit
Société à responsabilité limitée

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
Altice S.A.
3, boulevard Royal
L-2449 Luxembourg
Grand-Duchy of Luxembourg

Report on the consolidated financial statements

Following our appointment by the Shareholders, we have audited the accompanying consolidated financial statements of Altice S.A. (the successor entity of Altice Six S.A. and Altice VII S.à r.l.) which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement : 10022179

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice S.A. (the successor entity of Altice Six S.A. and Altice VII S.à r.l.) as of December 31, 2013, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 18, 2014

Consolidated financial statements

for the year ended December 31, 2013

Consolidated statement of income
For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Revenues	24	1,286.8	1,092.4
Purchases and subcontracting services	24	(367.8)	(302.1)
Other operating expenses	25	(186.2)	(162.6)
Staff costs and employee benefits expenses(1)		(134.7)	(145.3)
General and administrative expenses		(36.2)	(33.3)
Other sales and marketing expenses		(43.9)	(45.9)
Operating profit before depreciation, amortization and non-recurring-costs(*)		**518.0**	**403.1**
Depreciation and amortization	26	(399.6)	(266.4)
Goodwill impairment		-	(121.9)
Other expenses, net	28	(15.1)	(29.8)
Management fees		(0.6)	(6.2)
Restructuring and other non-recurring costs	28	(61.2)	(20.8)
Operating profit/(loss)		**41.5**	**(42.0)**
Gain arising on settlement of financial instruments	27	255.7	-
Finance income	29	120.9	40.7
Finance costs	29	(376.6)	(225.4)
Share in income of associates	7	15.5	20.4
Profit/(loss) before income tax expenses		**57.0**	**(206.2)**
Income tax (expenses)/benefit	23	(7.4)	26.0
Profit/(loss) for the year		**49.6**	**(180.2)**
Attributable to equity holders of the parent		*71.8*	(139.3)
Attributable to non-controlling interests		*(22.2)*	*(40.9)*

(*) Operating profit before depreciation, amortization and non-recurring costs is further referred to as "EBITDA" in these consolidated financial statements.

(1) Staff costs and employee benefits have been reclassified for the year ended December 31, 2012 to reflect the total staff costs for all operating departments, i.e. technical and maintenance staff and marketing staff in order to match the new reporting requirements of the group. Such costs amounted to EUR 86.3 million for technical and maintenance staff and EUR 34.2 million for marketing staff and have been reclassified from the lines other operating expenses and other sales and marketing expenses respectively.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income
For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Profit/(loss) for the year		**49.6**	**(180.2)**
Other comprehensive income			
Exchange differences on translating foreign operations		0.3	(5.1)
Net fair value gain on available-for-sale financial assets		1.7	-
Employee benefits		0.6	-
Total comprehensive profit/(loss) for the year		**52.4**	**(185.3)**
Attributable to equity holders of the parent		*74.5*	*(143.1)*
Attributable to non-controlling interests		*(22.1)*	*(42.2)*

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position
December 31, 2013

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents	12	61.6	129.8
Restricted cash	12	1,242.8	-
Trade and other receivables	11	232.2	193.3
Inventories	10	11.0	6.1
Current tax assets	23	14.6	5.5
Total Current assets		**1,562.2**	**334.7**
Non-current assets			
Deferred tax assets	23	47.4	19.3
Investment in associates	7	679.1	81.3
Financial assets	8	50.6	160.5
Trade and other receivables	11	22.8	24.6
Property, Plant & Equipment	6	1,134.2	1,067.8
Intangible assets	5	579.6	458.5
Goodwill	4	1,100.7	790.9
Total non-current assets		**3,614.4**	**2,602.9**
Total assets		**5,176.6**	**2,937.6**
EQUITY AND LIABILITIES			
Current liabilities			
Debentures	17	59.7	111.9
Loan from related parties	17	-	14.3
Deferred revenue	21	55.9	34.1
Trade and other payables	20	517.4	377.8
Other current liabilities	17	15.9	8.7
Provisions	14	31.1	25.7
Current tax liabilities	23	57.1	10.7
Total current liabilities		**737.0**	**583.3**
Non-current liabilities			
Debentures	17	2,527.0	1,108.5
Borrowings from financial institutions	17	1,214.0	257.2
Loans from related parties	17	100.7	322.4
Other financial liabilities	17	271.6	181.2
Deferred revenue	21	10.6	10.8
Trade and other payables	20	29.0	38.7
Retirement benefit obligations	15	8.2	9.1
Deferred tax liabilities	23	183.1	148.2
Total non-current liabilities		**4,344.2**	**2,076.1**
Equity			
Invested equity	13	**95.8**	**272.8**
Non-controlling interests	16	(0.5)	5.2
Total equity		**95.3**	**278.1**
Total equity and liabilities		**5,176.6**	**2,937.6**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
Year ended December 31, 2013

	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		(in millions of euros)	
Equity at January 1, 2012	**367.2**	**349.2**	**716.4**
Loss for the year	(139.3)	(40.9)	(180.2)
Variation in CPEC			
Employee benefits	0.1	0.4	0.5
Variation in Currency Translation Reserve	(3.7)	(1.3)	(5.0)
Increase or decrease of ownership interest	(16.2)	21.6	5.4
Dividends paid	-	(26)	(26.1)
Option warrants	(3.9)	-	(3.9)
Purchase of minority interest	68.3	(298.4)	(230.1)
Other variations	0.3	0.7	1.0
Equity at December 31, 2012	**272.8**	**5.2**	**278.1**
Profit/(Loss) for the year	71.8	(22.1)	49.7
Employee benefits	0.6	-	0.6
Variation in CPEC	(203.9)	-	(203.9)
Shareholders’ contribution	151.9	-	151.9
Effect of discounting of financial instruments	(45.7)	-	(45.7)
IFL fair value variation	2.6	-	2.6
Variation in Currency Translation Reserve	0.1	0.3	0.4
Increase in equity	5.4	-	5.4
Increase or decrease of ownership rate	(132.8)	16.0	(116.8)
Acquisition of companies under common control	(31.2)	-	(31.2)
Other variations	4.2	0.1	4.3
Equity at December 31, 2013	**95.8**	**(0.5)**	**95.3**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Net profit/(loss), including non-controlling interests		**49.6**	**(180.2)**
Adjustments for:			
Depreciation and amortization		399.6	391.0
Share in profit of associates		(15.5)	(20.4)
Gains and losses on disposals	28	(1.0)	4.8
Other non-cash operating gains and losses	17	(268.7)	53.6
Net cash provided by operating activities before changes in working capital, finance costs and income tax		**164.1**	**248.8**
Finance costs recognized in profit and loss		244.6	181.9
Income tax (benefit)/expense recognized in the statement of income	23	7.4	(26.0)
Income tax (paid)/received		(2.3)	1.6
Changes in working capital		25.3	58.2
Net cash provided by operating activities		**439.1**	**464.5**
Purchases of tangible and intangible assets	5,6	(288.8)	(347.0)
Acquisitions of financial assets		(18.1)	(35.8)
Proceeds from disposal of tangible, intangible and financial assets		1.5	0.1
Increase/(decrease) in non-current financial assets		0.5	(16.1)
Acquisition of shares in associates	7	(243.7)	-
(Increase)/ use of restricted cash	12	(1,234.9)	32.6
Payment to acquire subsidiaries, net	3.3	(253.1)	(172.9)
Transactions with non-controlling interests	17	(120.9)	32.6
Net cash provided used by investing activities		**(2,157.5)**	**(574.2)**
Proceeds from issue of equity instruments	13	1.8	-
Dividends paid to non-controlling-interests	-	-	(26.0)
Proceeds from issuance of debts	17	2,795.5	891.5
Repayment of debt	17	(756,3)	(532.6)
Distribution to CPEC holders	13	(212.5)	-
Interest paid		(178.6)	(117.8)
Net cash provided in financing activities		**1,649.8**	**215.1**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1	0.2
Net increase in cash and cash equivalents		**(68.1)**	**105.6**
Cash and cash equivalents at beginning of year	12	129.7	24.2
Net (decrease) / increase in cash and cash equivalents		(68.1)	105.6
Cash and cash equivalents at end of year	12	**61.6**	**129.8**

The accompanying notes form an integral part of these consolidated financial statements.

1 Notes to the consolidated financial statements

1.1 Presentation of the Two Groups forming Altice Group

Altice S.A.

Altice S.A. (the “Company”) is a public limited liability company (*Société Anonyme*) incorporated in the Grand Duchy of Luxembourg whose head office is in Luxemburg and has been formed on January 3, 2014. Upon admission of the Company’s shares on Euronext Amsterdam on January 31, 2014, the Company received the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice Six S.A. and Altice VII S.à r.l.. Altice Six S.A. is hereafter referred to as “Altice Six” and Altice VII S.à r.l. and its subsidiaries are hereafter referred to as “Altice VII” or “Altice VII Group”. The Company is hence the successor entity of Altice Six and Altice VII (collectively the “Predecessor Entities”).

Altice Six

As at December 31, 2013, Altice Six holds shares in Numericable Group, a French group listed on Euronext Paris. Numericable Group is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. They also provide French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

Additionally to the Business To Consumer (“B2C”) described above and through its main operational entity, Completel S.A.S., Numericable Group operates the largest alternative fiber-to-the-office (“FTTO”), network in France, constituting the third alternative Digital Subscriber Line (“DSL”) network in France. Completel SAS provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Altice VII

Altice VII offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Where possible, Altice VII Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and common knowledge. In addition, the Altice VII group companies aim at sharing skills and best practices across the various operations of Altice VII Group.

Television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (‘‘VoD’’) and near-video-on-demand (‘‘NVoD’’), digital video recorders (‘‘DVR’’), high definition (‘‘HD’’) television services and, in certain areas, exclusive content, purchased or produced. The Altice VII Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Altice VII Group also offers broadband Internet access services and fixed-line telephony in all its footprints. It also owns and operates mobile infrastructures in certain geographies (French Overseas Territories) and offers mobile services through an MVNO (Mobile Virtual Network Operator) arrangement in Belgium.

1.2 Description of the context

Altice Six and Altice VII (collectively the “**Two Groups**”, the “**Reporting Entity**” or the “**Consolidated Group**”) are as at December, 2013, entities under common control and considered together to be the reporting entity for the purposes of these consolidated financial statements. The Two Groups are ultimately controlled by Patrick Drahi. The purpose of the consolidated financial statements is to present a fair depiction of the financial condition, and the assets and liabilities of the Two Groups, using historical bases in the assets, liabilities and results of operations and cash flows for each period presented in the consolidated financial statements.

Accordingly, the consolidated financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Altice Six and Altice VII, which are separate legal groups as at December 31, 2013.

1.3 Statement of compliance

The Consolidated financial statements of Altice Group include a consolidated statement of financial position as of December 31, 2013, a consolidated statement of income, a consolidated statement of other comprehensive income, a consolidated statement of cash flows and a Consolidated statement of changes in equity for the year ended December 31, 2013 and the underlying Notes. The Consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (**"IFRS"**) as published by the International Accounting Standards Board ("**IASB**") and as adopted by the European Union.

The Consolidated Financial Statements were approved by the Board of Directors on March 18, 2014.

1.4 Basis of presentation of the consolidated financial statements

The consolidated financial statements were prepared using the accounting records that were used to prepare the financial statements of the Altice Six and Altice VII sub-groups for the year ended December 31, 2013.

All intra-group balances and transactions have been eliminated in preparing the consolidated financial statements, including the transactions between Altice Six and Altice VII and their respective subsidiaries.

As described above, the Combination of the Two Groups is considered a combination of entities under common control of Patrick Drahi and the Consolidated Financial Statements reflects the combination of Altice Six and Altice VII using the following methods and principles:

- In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 *Business Combinations (Revised 2008)* ("**IFRS 3**"), has not been applied to reflect the combination of the Two Groups. In the absence of specific guidance under IFRS for transactions between entities under common control, we considered and applied standards on business combination and transactions between entities under common control issued by the regulators in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* and SEC Regulation S-X Article 3A – *Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the Consolidated Financial Statements.

- Likewise, the Consolidated Financial Statements were prepared by aggregating the separate financial statements of Altice Six and Altice VII at their historical book value:
    - Assets, liabilities, income and expenses of the Two Groups have been extracted from the accounting records of the respective Altice Six and Altice VII sub-groups and fully aggregated at their historical book value without being revalued;
    - The invested equity has been determined by aggregating the consolidated equity of the subgroups Altice Six and Altice VII ;
    - No goodwill has been recognized and the net assets and liabilities have been recognized at their historical book value; however, historical goodwill balances of the Two Groups existing before the combination have been maintained at their book value in the Consolidated Financial Statements;

The effects of transactions between the Two Groups on assets, liabilities, revenue, and expenses for periods presented have been eliminated except for the operations that relate to associates which are not eliminated.

1.2.Application of new and revised International Financial Reporting Standards (IFRSs)

1.2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements:

In the current year, the Consolidated Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Consolidated Group has early applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Consolidated Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation — Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The Directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) and has not identified any impact in the scope of consolidation linked to application of IFRS 10 on the existing companies that are in the scope of consolidation as at December 31, 2013.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties’ rights and obligations under the arrangements.

Types of Joint Arrangement	Features	Accounting under IFRS 11
Joint venture	Joint ventures have rights to the net assets of the arrangement.	Equity method of accounting – Proportionate consolidation is no longer allowed
Joint operation	Joint operators have rights to the assets and obligations for the liabilities of the arrangement.	Each joint operator recognizes its assets, liabilities, revenue and expenses relating to its interest in joint operation in accordance with the IFRSs applicable to those particular assets, liabilities, revenues and expenses

Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

Application of IFRS 11 has no impact on the consolidated financial statements of the Consolidated Group for the year ended December 31, 2013.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair Value Measurement

The Consolidated Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Consolidated Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendment to IFRS 7 disclosure – Offsetting Financial Assets and Financial Liabilities

The Consolidated Group has applied the amendments to IFRS 7 disclosures – Offsetting financial assets and liabilities for the first time in the current period, The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral pricing agreements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Consolidated Group does not have an offsetting arrangement in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Annual improvements to IFRSs 2009-2011 cycle issued in May 2012

The Annual Improvements to IFRSs 2009-2011Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRS include:

Amendments to IAS 16 Property Plant and Equipment; and

Amendments to IAS 32 Financial Instruments: Presentation.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of the property, plant and equipment in IAS 16 and as inventory otherwise. This amendment does not have a significant impact on the Consolidated Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 income taxes. This amendment does not have a significant impact on the Consolidated Group's consolidated financial statements.

Standards issued but not yet effective

In its financial statements, the Consolidated Group has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2013. Their impact on the Consolidated Group's financial statements is estimated not to be significant and/or not applicable.

IAS 36 Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets

This standard's objective is to amend the disclosure requirements in IAS 36 Impairment of Assets with regard to the measurement of the recoverable amount of impaired assets that were made as a consequence of issuing IFRS 13 Fair Value Measurement in May 2011.

The Consolidated Group anticipates additional disclosures in relation to the application of this standard.

IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments: Novation of derivatives and continuation of hedge accounting*

This standard's objective is to provide an exception to the requirement for the discontinuation of hedge accounting in IAS 39 and IFRS 9 in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

The Consolidated Group does not apply hedge accounting and therefore does not expect any impact from the application of this Standard.

2 Significant accounting policies

2.1 Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Consolidated Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Reporting Entity and entities (including structured entities) controlled by the Reporting Entity and its subsidiaries, except as disclosed in note 1.6. Control is achieved when the Reporting Entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Group are eliminated in full on consolidation.

All companies in which the Consolidated Group has a controlling interest are fully consolidated. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Consolidated Group’s equity therein.

2.4 Functional currency

The consolidated financial statements are presented in millions of euros. Euro is the functional of Altice VII and the presentation currency of the Consolidated Group.

The functional currency, which is the currency that best reflects the economic environment in which the Consolidated Group operates and conducts its transactions, is separately determined for each Consolidated Group entity, including an associate accounted for using the equity method, and is used to measure its financial position and operating results.

2.5 Foreign currency translation

The presentation currency of the Consolidated Group is euro. In individual companies, transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are accounted for in the income statement. On consolidation, assets and liabilities of the Consolidated Group's entities reported in their functional currencies are translated into euro, the Consolidated Group's presentation currency, using the year-end exchange rates. Income and expense items are translated into euro at the annual weighted average exchange rate or at the rate of the date the transaction occurred for significant items.

Differences arising from the translation of opening net assets of the Consolidated Group entities, together with differences arising from the restatement of the net results for the year of the Consolidated Group entities, are recognized in other comprehensive income.

2.6 Subsidiaries and associates

2.6.1 Subsidiaries

All companies in which the Consolidated Group has a controlling interest are fully consolidated. Control exists when the Consolidated Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Consolidated Group's equity therein.

2.6.2 Associates

Investments, over which the Consolidated Group exercises significant influence, but not control, are accounted for under the equity method. Such investees are referred to as "associates" throughout these consolidated financial statements.

Significant influence is presumed to exist when the Consolidated Group holds at least 20% of the voting power in the associates. Associates are initially recognized at cost at acquisition date. The Consolidated Financial Statements include the Consolidated Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

As per the provisions of IAS 28 *Investment in associates* the interest income and expenses recorded in the consolidated financial statements of the Consolidated Group on loans with associates have not been eliminated in the consolidated statements of income and therefore are still recorded in the consolidated financial statements.

2.7 *Operating profit before depreciation, amortization and non-recurring costs*

The Consolidated Group has included the subtotal "Operating profit before depreciation, amortization and no-recurring costs" on the face of the consolidated statements of income. The Consolidated Group believes that this subtotal is useful to users of the Consolidated Group's financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization as well as non-recurring transactions and management fees, enhancing the predictive value of the Consolidated Group's financial statements and providing information regarding the results of the Consolidated Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Consolidated Group's financial performance.

This non-IFRS measure is used by the Consolidated Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel.

The Consolidated Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from this measure do ultimately affect the operating results, which is also presented within the consolidated financial statements in accordance with IFRS 1.

2.8 *Revenue recognition*

Revenue from the Consolidated Group's activities is mainly composed of television, broadband Internet, fixed and mobile telephony subscription and installations fees invoiced to residential and business clients.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Consolidated Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the group.

Revenues on bundle packages sold by the Consolidated Group are split into and recognised under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play television', 'triple play data' and 'triple play telephony' on a straight-line basis over their subscription period and revenues from telephone calls are recognized in revenue when the service is rendered.

Revenue is recognized as follows, in accordance with IAS 18 *Revenue*:

- Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony (fixed and mobile) are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered ;

- When a promotion not related to a customer's past consumption and purchases (such as subscription's rate discount, service free period) is offered to customer in relation to a subscription, the Consolidated Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract ;

- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients, when they are only allowed access to the services that are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period ; and

- The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use ("IRU") arrangements are recognized on a straight-line basis over the life of the contract.

Revenues from mobile services resulting from the sale of mobile services:

- Revenues from the sale of equipment includes the sale of mobile devices and ancillary equipment for those devices. The revenues from the sales are recognized where all of the significant risk and yields that are derived from the ownership of the equipment are transferred to the purchaser and the seller does not retain continuing managerial involvement. Generally, the time of the delivery is the time at which ownership is transferred. The charge in respect of terminal equipment is made separately from the monthly charge for the consumption of services, in accordance with the amounts that is denoted in a separate invoice, which reflects the fair value of the terminal equipment, which is not subsidized by the Consolidated Group. In the light of the aforesaid, the Consolidated Group recognizes revenues in respect of the sale of devices on the transfer of the ownership of the devices to its customers. The revenues are recognized on the first day in accordance with its fair value as of that time and the difference between the fair value and the denoted amount of the consideration is recognized as financing income over the course of the period of the installment payments.

Income from credit arrangements

- Revenues deriving from long-term credit arrangements (such as the sale of devices in installments) are recorded on the basis of the present value of the future cash flows (against long-term receivables) and are discounted in accordance with interest rates. The difference between the original amount of the credit and the present value, as aforesaid, is spread over the length of the credit period and recorded as interest income over the length of the credit period.

2.9 Finance costs

Finance costs primarily comprise:

- Interest charges and other expenses paid for financing operations recognized at amortized costs ;
- Changes in the fair value of interest rate derivative instruments that do not qualify as hedges for accounting purposes according to “IAS 39” ;
- Interest income relating to cash and cash equivalents; and
- Gains/losses on extinguishment of debt.

2.10 Income taxes

Taxes on income in the income statement include current taxes and deferred taxes. The tax expenses or income in respect of current taxes or deferred taxes are recognized in profit or loss unless they relate to items that are recorded directly in equity, in these cases the tax effect is reflected under the relevant equity item.

2.10.1 Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2.10.2 Deferred taxes

Differences existing at closing between the tax base value of assets and liabilities and their carrying value in the Consolidated Statement of Financial Position give rise to temporary differences. Pursuant to the liability method, these temporary differences result in the accounting of:

- Deferred tax assets, when the tax base value is greater than the carrying value (expected future tax saving),
- Deferred tax liabilities, when the tax base value is lower than the carrying value (expected future tax expense).

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carry-forwards and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists to make use of those deductible temporary differences, tax loss carry-forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For deductible temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax assets are recorded to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that a taxable profit will be available against which the temporary difference can be utilized.

The carrying value of deferred tax assets is reviewed at each closing date, and revalued or reduced to the extent that it is more or less probable that a taxable profit will be available to allow the deferred tax asset to be utilized. When assessing the probability of a taxable profit being available, account is taken, primarily, of prior years' results, forecasted future results, non-recurring items unlikely to occur in the future and the tax strategy. As such, the assessment of the group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the group proved to differ significantly from those expected, the group would be required to increase or decrease the carrying value of deferred tax assets with a potentially material impact on the Consolidated Statement of Financial Position and Consolidated Income Statement of the Consolidated Group.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability results from goodwill or initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

For taxable temporary differences arising from investments in subsidiaries, joint ventures and other associated entities, deferred tax liabilities are recorded except to the extent that both of the following conditions are satisfied: the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Current tax and deferred tax shall be charged or credited directly to other comprehensive income, and not earnings, if the tax relates to items that are credited or charged directly to other comprehensive income.

2.11 *Goodwill and business combinations*

Business combinations, not occurring under common control, are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business combinations" are recognized at their fair value at acquisition date.

The Consolidated Group recognizes goodwill as of the acquisition date and is measured as the excess of (a) over (b) as follows :

a) *The aggregate of:*

- The consideration transferred, which generally requires acquisition-date fair value;
- The amount of any non-controlling interests in the acquiree measured;
- In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) The net of the acquisition-date balances of the identifiable assets acquired and the liabilities measured in accordance with IFRS 3.

Any excess of the cost of acquisition over the Consolidated Group's share in the fair value of all identified assets and liabilities is recognized as goodwill.

The goodwill is determined provisionally by the end of the period. The Consolidated Group recognizes any adjustments to those provisional values within twelve months after the acquisition date.

During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting.

If the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the purchase price, a gain is recognized immediately.

Subsequently, goodwill is measured at its initial amount less recorded accumulated impairment losses. Impairment loss for goodwill is recorded in the income statement as a deduction from operating income (account "Depreciation and amortization") and is never reversed subsequently.

Changes in the Consolidated Group's ownership interests in subsidiaries that do not result in the Consolidated Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Consolidated Group.

For acquisitions under common control, the Consolidated Group does not perform a purchase price allocation. Any difference between the consideration paid and the book value of the net assets acquired is directly attributed to the reserves of the Consolidated Group and no residual goodwill is recorded.

2.12 Other intangible assets

Intangible assets acquired separately are recorded at cost on initial recognition, with the addition of direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses. In our Israeli entity, the costs of producing in-house content is also considered to be an intangible assets and recognized at the cost of production of the shows. Following initial recognition, these intangible assets are carried at cost less any accumulated amortization and less any accumulated impairment losses.

According to Management, intangible assets have either definite or indefinite useful lives.

Assets with definite useful lives are amortized over their useful lives and assessed for impairment signs which would indicate impairment in value. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits that are expected to derive from the asset are treated as a change in an accounting estimate which is treated prospectively. The amortization expenses regarding intangible assets with finite useful lives are recognized in the income statement.

The useful lives of the intangible assets are as follows:

	Duration
Software	3 years
Customer relations	7 to 37 years
Licences	5 years
Customer relations with a defined contractual term	3 years
Subscriber purchase costs	based on average duration of subscriptions

Assets with indefinite useful lives are tested for impairment annually as well as where there is an indication that it may be impaired by comparing their carrying amount with their recoverable amount.

2.13 Impairment of tangible and intangible assets

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, other intangible assets, property, plant and equipment and assets in progress, the Consolidated Group re-examines the value of these assets. In addition, goodwill, other intangible assets with an indefinite useful life, and intangible assets in progress are all subject to an impairment test performed annually.

This test is performed in order to compare the recoverable amount of an asset to its carrying amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the cash-generating unit to which the asset belongs. A Cash Generating Unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The value in use of each asset or group of assets is determined as the discounted value of future cash flows (discounted cash flow method or "DCF") by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtained from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the caption "Depreciation and amortization" in the income statement. Only impairment loss recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful life and property, plant and equipment, may be reversed.

2.14 Property, plant and equipment

Property, plant and equipment are presented at cost with the addition of direct purchase costs less accumulated depreciation and accumulated losses on impairment and they do not include routine maintenance expenses. The cost includes spare parts and ancillary equipment that can only be used in connection with the plant and machinery.

Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

	Duration
Buildings	25 to 50 years
Cables Network	4 to 20 years
Call center (primarily electronic equipment)	5 to 9 years
Converters and modems	7 years
Computers and ancillary equipment	3 to 6 years
Office furniture and equipment	6 to 16 years
Communication network infrastructure	6 to 16 years
Leasehold contracts	see below

Leasehold contracts are depreciated according to the straight line method during the rental period (including the option period for an extension by the Consolidated Group, which it intends to exercise) or the estimated useful lifetime of the improvement.

Elements of a fixed asset item, having a cost that is significant in comparison to the overall cost of the item, are depreciated separately, using the components method. The depreciation is calculated in accordance with the straight line method at annual rates that are considered to be sufficient in order to depreciate the assets over the length of their estimated useful lives.

The useful life, depreciation method and residual value of an asset are reviewed at least annually and any changes are accounted for prospectively as a change in accounting estimate.

2.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.15.1 The Consolidated Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Consolidated Group’s net investment in the leases. Finance lease income is allocated in an accounting periods so as to reflect a constant periodic rate of return on the Consolidated Group’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Rental income from the leasing of customer premises equipment (set top boxes, modems and decoders) is recognized on a straight-line basis over the term of the subscription held by the client. At the end of the contract or in case of voluntary contract termination by the client, this equipment is repossessed and thus remains in the inventory of the Consolidated Group.

2.15.2 The Consolidated Group as lessee

Assets held under finance leases are initially recognized as assets of the Consolidated Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Consolidated Group's general policy on borrowing costs (see note 2.16 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to management, it does not take a substantial period of time to get ready for the intended use because of the incremental deployment of the network. This standard has consequently no impact on the consolidated financial statements.

2.17 Government grants

Government grants are not recognized until there is reasonable assurance that the Consolidated Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Consolidated Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Consolidated Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Consolidated Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2.18 Financial assets

The Consolidated Group classifies financial assets in four categories: available-for-sale, loans and receivables, held-to-maturity and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets according to IAS 1 “Presentation of financial statements”.

Purchases and sales of all financial assets are recognized on a trade date basis.

2.18.1 Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are reported at their fair value. Gains and losses arising from changes in their fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in non-consolidated companies. Fair value corresponds to quote price for listed securities. For non-listed securities, and when a reliable estimate of fair value cannot be made using valuation techniques, the Consolidated Group values financial assets at historical cost, less any impairment losses.

When there is objective evidence that available-for-sale assets are impaired, the cumulative impairment loss included in equity is reclassified from other comprehensive income to income. Objective evidence that an available-for-sale financial asset is impaired includes, among other things, a decrease in the estimated future cash flows arising from these assets, as a result of significant financial difficulty of the issuer, a material decrease in expected future profitability or a prolonged decrease in the fair value of the security. Impairment losses recognized in profit or loss for equity instruments classified as available-for-sale are never reversed through profit or loss.

2.18.2 Loans and receivables

Loans and receivables are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest rate method.

This category mainly includes trade receivables.

If there is objective evidence that an impairment loss has occurred, the amount of this loss, measured as the difference between the financial assets’ carrying value and its recoverable amount is recognized in the income statement. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases in the future.

2.18.3 Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Consolidated Group has both the intention and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, in accordance with the effective interest rate method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired.

The Consolidated Group currently does not hold any held to maturity financial assets.

2.18.4 Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value with gains and losses recorded as finance income or costs.

This category mainly includes:

- Assets held for trading which the Consolidated Group intends to sell in the near future (primarily marketable securities);
- Assets voluntarily classified at inception in this category;
- Derivatives financial assets.

2.19 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

Cost of inventories is determined using the weighted average cost method.

The Consolidated Group periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

2.20 Cash and cash equivalents

Cash consists of cash in banks and deposits.

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Consolidated Group's cash management.

2.21 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Consolidated Group’s liabilities to banking entities in accordance with the Consolidated Group’s credit agreement and therefore amounts that the Consolidated Group cannot use at its discretion.

Restricted cash can also consist of cash held in escrow to finance certain acquisitions (in the period between the agreement to acquire and the actual closing of the acquisition and the transfer of shares and cash and other considerations). Restricted cash may also consist of guarantees provided by different group companies to financial institutions related to financing or other activities. Restricted cash is not considered to be a component of cash and cash equivalents since such balances are not held for the purposes of meeting short term cash commitments.

2.22 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value.

The Consolidated Group enters into interest rate swaps and caps to manage its interest or foreign currency exchange rate exposure. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement within financial income and expenses.

2.23 Share based payment arrangements

The Consolidated Group's employees are entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. These stock options based remunerations mainly concerned the Israeli entity, HOT Telecom and these plans were terminated post the take private of the company in December 2012 and the delisting of all active shares of HOT Telecom on the Tel Aviv stock exchange.

2.24 Financial liabilities

Financial liabilities other than derivative instruments include:

2.24.1 Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument.

2.24.2 Financial liabilities that are measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

The Consolidated Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the Consolidated Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair value is determined by the use of valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

2.24.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.24.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the value of the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Consolidated Group also issued some CPECs (Convertible Preferred Equity Certificates). Details of these subordinated financial instruments are set out in note 17.4.

2.25 Other liabilities

2.25.1 Provisions

A provision in accordance with IAS 37 is recognized in the statement of financial position when the Consolidated Group has a present obligation (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required in order to settle the obligation and it is possible to reliably estimate it. Where the impact is significant, the provision is measured by discounting the forecasted future cash flows, using a pre-tax interest rate that reflects the expectations of the market in respect of the time frame of the money and in certain cases, the risks that are specific to the liability.

The following types of provisions are recorded in the financial statements:

2.25.2 Legal claims

A provision regarding legal claims is recognized when the Consolidated Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Consolidated Group will be required to expand economic resources to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

2.25.3 Warranty

The Consolidated Group recognizes a provision for warranty for the sale of its products. The warranty is limited to malfunctions as defined by the Consolidated Group and does not include warranty for damages incurred by the customer.

2.25.4 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Consolidated Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.25.5 Restructuring

A restructuring provision is recognized when the Consolidated Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Consolidated Group.

2.26 Liabilities for employment benefits

In accordance with the laws and practices of each country in which it operates, the Consolidated Group participates in, or maintains, several employee benefits. There are as follows:

2.26.1 Short-term benefits for employees

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the Consolidated Group has a legal or an implicit commitment to pay the said amount in respect of service that has been provided by the employee in the past and where the amount can be reliably estimated.

2.26.2 Post-retirement benefits

In Israel, the Consolidated Group operates a defined benefits plan in respect of the payment of severance pay in accordance with the Israeli Severance Pay Law. According to this law, employees are entitled to receive severance pay if they are dismissed or on their retirement. The liability in respect of the termination of employee-employer relations is measured in accordance with the actuarial value of a forecast unit of entitlement method. The actuarial calculation takes into account increases in salaries in the future and the rate at which employees leave the Consolidated Group and this on the basis of an estimate of the timing of the payment. The amounts are presented on the basis of the discounting of the forecast future cash flows, in accordance with government bonds' interest rates, whose repayment dates are close to the period relating to the liability in respect of severance pay.

The Consolidated Group deposits funds in respect of its severance pay liability in pension funds and insurance companies (hereafter - the plan assets). The plan assets are assets that are held by the employee benefits plan for the long-term or in qualifying insurance policies. The plan assets are not available for use by the Consolidated Group's creditors, and cannot be paid directly to the Consolidated Group.

The liability regarding employee benefits presented in the statement of financial position represents the present value of the defined benefits obligation less the fair value of the plan assets, and the past service costs. Actuarial gains and losses are reflected in the income statement in the period in which they arise, as part of the salary costs.

The Consolidated Group has defined contribution plans pursuant to the Severance Pay Law under which the Consolidated Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

2.26.3 Other long-term employee benefits

The Consolidated Group's employees are entitled to benefits and other long-service grants. These benefits are accounted for as other long-term benefits since the Consolidated Group estimates that these benefits will be used and the respective Consolidated Group's obligation will be settled during the employment period and after one year from the end of the reporting period.

The Consolidated Group's net obligation regarding other long-term employee benefits is in respect of the future benefit amount due to employees for services rendered in current and prior periods. This amount of benefits is discounted to its present value and the fair value of the assets relating to this obligation is deducted from said amount. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Consolidated Group's obligation. The obligation is calculated using the projected unit credit method. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

2.26.4 Benefits in respect of the termination of employment

Severance pay for employees is reflected as an expense when the Consolidated Group has made an undertaking, with no real possibility of cancellation, for the dismissal of employees before they reach the customary retirement age in accordance with a detailed formal plan. The benefits that are given to the employees who take voluntary retirement when the Consolidated Group has offered the employees a plan that encourages voluntary retirement, it is expected that the offer will be accepted and the number of persons accepting the offer can be reliably estimated.

2.27 Significant accounting judgments and estimates used in the preparation of the financial statements

2.27.1 Judgments

In the process of applying the significant accounting policies, the Consolidated Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the consolidated financial statements.

2.27.2 Estimates and assumptions

The preparation of the consolidated financial statements requires the Consolidated Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

2.27.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Directors. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1.5-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 6.3% to 11%.

2.27.4 Legal claims

In estimating the likelihood of outcome of legal claims filed against the Consolidated Group and its investees, the group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

2.27.5 Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

2.27.6 Deferred tax asset

Deferred tax assets relate primarily to tax loss carry forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carry forwards are recognized if it is probable that the Consolidated Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Consolidated Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Consolidated Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carry forwards.

2.27.7 Discounting of Yield Free Preferred Equity Certificates (YFPEC) and similar instruments

The Consolidated Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4.76% has been used for YFPECs and a discount rate of 6.79% for the Interest Free Loans (IFLs) issued by the Consolidated Group. YFPECs issued by Altice Six S.A. have been discounted at a rate of 5.3%, representing the effective borrowing rate for Altice Six as of December 31, 2013.

3-Scope of consolidation

3.1 The entities included in the scope of consolidation

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the Consolidated Group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice Six S.A.	Luxembourg	FC(*)	FC(*)	FC(*)	100%
Altice VII S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Cool Holding LTD	Israel	FC(*)	FC(*)	100%	100%
H. Hadaros 2012 LTD	Israel	FC(*)	FC(*)	100%	100%
HOT Telecommunication Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot Mobile LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Cable Telecommunications Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC(*)	FC(*)	100%	100%
Hot Vision LTD	Israel	FC(*)	FC(*)	100%	100%
Nonstop Ventures LTD	Israel	Equity method	Equity method	50%	50%
South Saron Communications LTD	Israel	FC(*)	FC(*)	100%	100%
Iscarable LTD	Israel	FC(*)	FC(*)	100%	100%
Hot TLM Subscription Television LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Eden Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Israel Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Net Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot EDOM LTD	Israel	FC(*)	FC(*)	100%	100%
Zira (Copyrights on the Internet) LTD	Israel	Equity method	Equity method	25%	25%
Altice Securities S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Holdings S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	-
Altice Africa S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Blue One S.A.S.	France	FC(*)	FC(*)	100%	100%
MTVC S.A.	France	FC(*)	FC(*)	76.97%	100%
WSG S.A.	France	FC(*)	FC(*)	76.97%	99.95%
Green.ch	Switzerland	FC(*)	FC(*)	99.12%	99.12%
Valvision S.A.S.	France	-	FC(*)	-	100%
Auberimmo S.A.S.	France	FC(*)	FC(*)	100%	100%
Green Datacenter AG	Switzerland	FC(*)	FC(*)	97,3%	97%
Deficom Telecom S.à r.l.	Luxembourg	FC(*)	FC(*)	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding Lux S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding S.A.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%

Coditel Brabant S.p.r.l.	Belgium	FC(*)	FC(*)	84.4%	44.39%
Coditel S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Management S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Altice Caribbean S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Portugal S.A.	Portugal	FC(*)	FC(*)	100%	60%
Cabovisao S.A.	Portugal	FC(*)	FC(*)	100%	60%
Altice Finco S.A.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Financing S.A.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice West Europe S.à r.l.	Luxembourg	FC(*)	-	100%	-
OMT Invest S.A.S	France	FC(*)	-	76.97%	-
Groupe Outremer Telecom S.A.	France	FC(*)	-	76.97%	-
Outremer Télécom S.A.S	France	FC(*)	-	76.97%	-
Outremer Télécom Océan Indien S.A.S	France	FC(*)	-	76.97%	-
Altice Blue Two S.A.S	France	FC(*)	-	76.97%	-
City Call Ltd	Mauritius	FC(*)	-	76.97%	-
Outremer Telecom Ltee	Mauritius	FC(*)	-	76.97%	-
Telecom Reunion SNC	France	FC(*)	-	76.97%	-
Telecom 2004 SNC	France	FC(*)	-	76.97%	-
OPS S.A.S	France	FC(*)	-	76.97%	-
WLL Antilles-Guyane S.A.S	France	FC(*)	-	76.97%	-
WLL Réunion SAS	France	FC(*)	-	76.97%	-
ONI S.G.P.S., S.A.	Portugal	FC(*)	-	100%	-
Winreason S.A.	Portugal	FC(*)	-	100%	-
Onitelecom-Infomunicações, S.A.,	Portugal	FC(*)	-	100%	-
Knewon S.A.	Portugal	FC(*)	-	100%	-
Onitelecom Açores S.A.	Portugal	FC(*)	-	100%	-
Onitelecom Madeira S.A.	Portugal	FC(*)	-	100%	-
Altice Content S.à r.l.	Luxembourg	FC(*)	-	100%	-
Ma Chaine Sport S.A.S.	France	FC(*)	-	100%	-
Sport Lux S.à r.l.	Luxembourg	FC(*)	-	100%	-
Sportv S.A.	Luxembourg	FC(*)	-	100%	-
CPA Lux S.à r.l.	Luxembourg	FC(*)	-	100%	-
Altice Bahamas S.à r.l.	Luxembourg	FC(*)	-	100%	-
Ypso Holding S.à r.l.(**)	Luxembourg	-	Equity method	-	24.06%
Altice B2B Lux S.à r.l.(**)	Luxembourg	-	Equity method	-	24.06%
Numericable Group S.A.(**)	France	Equity method	-	27.4%	-

(*) FC stands for “Full Consolidation”

(**) Numericable Group S.A. is the Successor Entity of Ypso Holding S.à r.l. and Altice B2B Lux S.à r.l.

3.1.1 Composition of the Consolidated Group

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries	
		31/12/2013	31/12/2012
Distribution of cable based telecommunication services	Israel	9	9
	Belgium	1	1
	Luxembourg	1	1
	Portugal	5	1
	France	3	2
Provider of mobile services	France	2	-
	Israel	1	1
Production and distribution of content based services	Israel	1	1
	France	1	-
	Luxembourg	1	-
Total		**25**	**16**

3.2.2 *Details of non-wholly owned subsidiaries that have material non-controlling interests*

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/ (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice Blue Two S.A.S	France	23%	-	(2.7)	-	(1.4)	-
Deficom Telecom S.à r.l.	Luxembourg	26%	26%	(17.1)	(10.6)	(9.3)	(13.5)
Green.ch	Switzerland	0.88%	0.88%	-	-	0.3	0.4
Green Datacenter AG	Switzerland	3%	3%	-	-	0.2	0.2
Cool Holding Ltd	Israel	-	-	-	(39.4)	9.3	9.1
Winreason S.A.	Portugal	-	-	-	-	0.4	-
Altice Portugal S.A.	Portugal	-	40%	(2.3)	9.1	-	9.1
Total				**(22.1)**	**(40.9)**	**(0.5)**	**5.2**

3.2 Modification of the scope of consolidation

3.2.1 Main acquisitions in 2013

3.2.1.1 Acquisition of OMT

On July 5, 2013 the Consolidated Group obtained control of OMT, a telecommunications operator in the French Overseas Territories, by acquiring 77% of the shares and voting interests in the company. This acquisition enables the Consolidated Group to expand its footprint in the French Overseas Territories.

Since July 5, 2013 OMT contributed EUR 102.1 million to revenue and EUR 13.5 million to operating profit to the Consolidated Group's results for the year ended December 31, 2013.

A purchase price allocation was performed following the acquisition of OMT based on the assumptions described below.

Brand:

The ONLY brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions :

- Discount rate – 11.4%
- Royalty rate – 1.5%

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumption:

- EBIT margin rate: 13.5% for fixed telephone clients, 12.4% for internet clients, 19.3% for mobile clients, 26.4% for B2B clients.
- Attrition rate: 9.7% for fixed telephone clients, 29.2% for internet clients, 48.5% for mobile clients, 16.4% for B2B clients.
- Discount rate: 11.4%
- Perpetuity growth rate: 2%

3.2.1.2 Acquisition of ONI Communication

On August 8, 2013 the Consolidated Group obtained control of ONI, a business to business telecommunications operator in Portugal, by acquiring 100% of the shares and voting interests in the company. This acquisition enables the Consolidated Group to expand its footprint in Portugal and eventually realise synergies with the Consolidated Group's other business within the same country.

Since August 8, 2013 ONI contributed EUR 41.8 million in revenue and EUR 4.9 million in operating loss to the Consolidated Group's result for the year ended December 31, 2013.

A purchase price allocation was performed following the acquisition of ONI based on the assumptions described below.

Brand:

The ONI brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions :

- Discount rate – 6.5%;
- Royalty rate – 2.0%.

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumptions :

- EBIT margin rate: 14.1%;
- Attrition rate: 22.9% for B2B clients;
- Discount rate: 6.5%;
- Perpetuity growth rate: 0%.

3.2.1.3 Integration of content channels

On October 4, 2013 Ma Chaine Sport S.A.S. ("MCS") and SportV S.A. ("SportV"), two exclusive content producing companies based in France and Luxembourg respectively were transferred to the Consolidated Group by Altice IV and Valemi Corp, Altice IV S.A. being considered as a related party as it shares the same controlling shareholder as the Consolidated Group at time of acquisition. In the absence of any specific guidance concerning the accounting for common control transactions within IFRS, no purchase price allocation was performed. These transactions allow the Consolidated Group to pursue a strategy of vertical integration and also provide a more integrated solution to its customers.

Since October 4, 2013, Ma Chaine Sport and SportV contributed EUR 6.4 million in revenue and EUR 0.3 million in operating profit to the Consolidated Group's result for the year ended December 31, 2013.

3.2.2 Change in the Consolidated Group's ownership interest in 2013

3.2.2.1 Acquisition of minority interests in Cabovisao

On April 23, 2013, the Company completed the acquisition of 40% of minority stake held by Apax Partners in its Portuguese subsidiary Cabovisao S.A, through an investment in the holding company of Cabovisao S.A, Altice Portugal.

The total consideration of EUR 105.0 million was paid on April 23, 2013, of which EUR 90.0 million was paid in consideration for the shares acquired and EUR 15.0 million towards the repayment of an existing vendor note. An amount of EUR 9.1 million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred between non-controlling interests to controlling interest. The difference of EUR 80.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3.2.2.2 Disposal of Valvision

On June 6, 2013, the Consolidated Group disposed of its interests in Valvision S.A.S, a cable based service provider in France to Altice VII Bis S.à r.l., a sister concern under common control of the Company's sole shareholder, Next L.P.

The difference of EUR 3.3 million gain generated on this transaction (representing the difference between the net asset value of the entity prior to transfer and the consideration received) has been recognized directly in equity.

3.2.2.3 Acquisition of minority interests in Coditel

Deficom Telecom S.à r.l., a majority owned subsidiary of Altice VII, is the owner of 60% of the outstanding shares of Coditel Holding Lux II and Coditel Management. On November 29, 2013, Altice Holdings S.à r.l. purchase 40% of the interest of Coditel Holding Lux II and Coditel Management held by Codilink S.à r.l. .

The total consideration of EUR 82.5 million was paid on November 29, 2013, of which EUR 30.6 million was paid in consideration for shares and EUR 51.9 million paid as repayment of subordinated debt instruments held by Codilink (the Coditel PECs). An amount of EUR (9.3) million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred from non-controlling interests to controlling interest. The difference of EUR 39.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3.2.2.4 Acquisition of an additional stake in Numericable Group ("NG Group")

In November 2013, concomitantly with the initial public offering of Numericable Group on the Paris Stock Exchange, Altice Six increased its stake in NG group to reach a percentage holding of 27.4% from 24.06%..

3.3 Acquisitions of businesses

Business combinations that occurred during the reporting period are described in note 3.2.

The major classes of assets acquired and liabilities assumed at the acquisition date are:

	Total Business Combinations	**OMT**	**ONI**	**MCS(1)**	**SportV(1)**
	(in millions of euros)				
Cost of acquisition(2)	280.6	223.3	22.3	23.0	12.0
ASSET					
Intangible assets	154.1	106.7	45.9	1.3	0.2
Property, plant and equipment	122.9	69.5	52.6	0.9	-
Non-current financial assets	1.6	1.6	-	-	-
Inventories	6.3	4.9	1.4	-	
Trade accounts receivable and other	55.7	28.1	19.6	6.0	2.0
Tax receivable	3.0	2.6	0.4	-	-
Cash and cash equivalents	36.3	33.6	0.7	0.3	1.7
Other current assets	13.0	3.2	8.7	0.6	0.5
Total assets	**393.0**	**250.2**	**129.3**	**9.1**	**4.4**
EQUITY AND LIABILITIES					
Non-current liabilities	253.1	205.3	47.5	0.3	-
Current liabilities	185.7	115.5	60.8	6.7	2.7
Total liabilities	**438.8**	**320.8**	**108.3**	**7.0**	**2.7**
Net assets	**(45.9)**	**(70.6)**	**21.0**	**2.1**	**1.7**
Residual goodwill	**295.2**	**293.9**	**1.3**	**-**	**-**
Including impact of non-controlling interests on goodwill	*67.7*	*67.7*		-	-

(1) No goodwill is attributed to neither MCS nor SportV as these were deemed by the Board of Directors to be integration under common control and thus any difference in the net asset value and the purchase price is recorded directly in the reserves of the group attributable to the shareholders.

(2) When acquiring OMT, ONI and integrating MCS and Sport, the company did not, (i) pay the vendors of OMT and ONI directly as the cash was transferred directly from the lenders to the sellers' accounts, or to their debt holders in case of refinancing of the acquired entities debts or (ii) did not pay the entire amount in cash (as was the case for MCS and SportV), thus generating vendor notes held by the vendors. The total cash out from the accounts of the company amounted to EUR 13.0 million. These vendor notes were settled in 2014.

The acquisition of a controlling stake in OMT Invest S.A.S ("OMT") and Winreason S.A. ("ONI") are considered to be non-cash transactions, as the consideration paid to the vendors flows directly from the lending parties to final sellers, without transitioning through the company's accounts. Thus, the cost of such transactions is deducted directly from the issuance of debt in the consolidated statement of cash flows.

The main figures of the entity, since the beginning of the year, and until the business combination, are presented as follows:

	OMT	ONI	MCS	SportV
	(in millions of euros)			
Revenues	**96.5**	**59.0**	**13.8**	**4.5**
Cost of sales	(30.1)	(31.2)	(3.4)	(1.1)
Gross Profit	**66.4**	**27.8**	**10.5**	**3.3**
Other operating expenses	(19.8)	(11.2)	(1.4)	-
General and administrative expenses	(6.1)	(5.9)	(1.1)	(0.1)
Other sales and marketing expenses	(7.3)	(1.3)	(0.2)	(0.2)
Operating profit before depreciation, amortization and non-recurring costs	**33.2**	**9.4**	**7.7**	**3.0**
Depreciation and amortization	(11.4)	(9.9)	(6.2)	(1.1)
Other expenses, net	(2.0)	(1.7)	(0.5)	-
Management fees	-	-	-	-
Reorganization and non-recurring costs	(0.4)	(0.5)	-	-
Operating profit	**19.4**	**(2.7)**	**1.0**	**1.9**
Profit / (loss) for the period (including non-controlling interests)	**10.9**	**(8.8)**	**0.8**	**1.4**

4-Goodwill

The Company identified six operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the cash generating units. Goodwill is allocated as follows to each of the Company's operating segments:

	December 31, 2012	Business combinations	Impairment losses	Changes in foreign currency translation	Disposals	December 31, 2013
				(in millions of euros)		
WSG	4.6	-	-	-	-	4.6
Valvision	1.4	-	-	-	(1.4)	(0.0)
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	601.8	-	-	18.4	-	620.3
OMT Invest	-	293.9	-	-	-	293.9
ONI	-	1.3	-	-	-	1.3
Total Gross Value	**921.1**	**295.2**	**-**	**18.4**	**(1.4)**	**1,233.3**
WSG	(4.6)	-	-	-	-	(4.6)
Valvision	(1.4)	-	-	-	1.4	-
Green.ch	-	-	-	-	-	-
Coditel	-	-	-	-	-	-
Hot Telecom	(124.2)	-	-	(3.8)	-	(128.0)
OMT Invest	-	-	-	-	-	-
ONI	-	-	-	-	-	-
Total Cumulative impairment	**(130.1)**	**-**	**-**	**(3.8)**	**1.4**	**(132.6)**
WSG	(0.0)	-	-	-	-	(0.0)
Valvision	(0.0)	-	-	-	-	(0.0)
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	477.6	-	-	14.6	-	492.3
OMT Invest	-	293.9	-	-	-	293.9
ONI	-	1.3	-	-	-	1.3
Total Net book value	**790.9**	**295.2**	**-**	**14.6**	**-**	**1,100.7**

	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
			(in millions of euros)		
WSG	4.6	-	-	-	4.6
Valvision	1.4	-	-	-	1.4
Green ch	17.8	-	-	-	17.8
Coditel Brabant	209.2	-	-	-	209.2
Coditel S.à r.l.	86.3	-	-	-	86.3
Hot Telecom	600.2	-	-	1.6	601.8
Total Gross Value	**919.5**	**-**	**-**	**1.6**	**921.1**
WSG	(4.6)	-	-	-	(4.6)
Valvision	(1.4)	-	-	-	(1.4)
Green ch	-	-	-	-	-
Coditel Brabant	-	-	-	-	-
Coditel S.à r.l.	-	-	-	-	-
Hot Telecom	(1.6)	-	(121.9)	(0.7)	(124.2)
Total Cumulative impairment	**(7.6)**	**-**	**(121.9)**	**(0.7)**	**(130.2)**
WSG	-	-	-	-	-
Valvision	-	-	-	-	-
Green ch	17.8	-	-	-	17.8
Coditel Brabant	209.2	-	-	-	209.2
Coditel S.à r.l.	86.3	-	-	-	86.3
Hot Telecom	598.6	-	(121.9)	0.9	477.6
Total Net book value	**911.9**	**-**	**(121.9)**	**0.9**	**790.9**

The carrying amount of goodwill as at December 31, 2013 was EUR 1,100.7 million (December 31, 2012 was EUR 790.9 million).

Goodwill is reviewed at the Consolidated Group of cash-generating unit ("CGU") level for impairment annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2013, goodwill was tested at the CGU level for impairment as of December 31. The CGU is at the subsidiary level of the Company. The recoverable amounts of the CGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the CGUs as the carrying value of the CGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the churn rate during the period. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

The value in use of the CGUs was determined by estimating cash flows for a period of five years, giving due consideration to the nature of the industry in which each CGU operates. Assumptions for churn rates and EBIT margin were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

When estimating turnover for purposes of the 2013 impairment test, the Company used a growth rate between (3.6)-6% over the next 5 years. Those estimates were determined on the basis of the analysis of the markets where the Company is active in as well as on the basis of projections provided by external sources.

	Green. ch	Coditel	Hot Mobile
Average long term growth rate in 2012 (in %).........................	2.0	2.0	1.5-2
Average long term growth rate in 2103 (in %).........................	2.0	2.0	2.0

When estimating EBIT margin for purposes of the 2013 impairment test, the Company used a stable ratio of EBIT margin over the next 5 years.

Management estimated discount rates using post-tax rates that reflected current market rates for investments of similar risk. The discount rate for the CGUs was estimated from the weighted average cost of capital ("WACC") of companies which operate a portfolio of assets similar to those of the Company's assets.

	Green ch	Coditel	Cabovisao	Hot Mobile
CGU weighted average post-tax WACC rate used in 2012 (in %).........................	7.0	8.0-8.5	-	10-11
CGU weighted average pre-tax WACC rate used in 2013 (in %).........................	6.5	6.6	6.3	10-11

The results of the goodwill impairment test of 2012 and 2013 for each CGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the CGU, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

In validating the value in use determined for the CGU, key assumptions used in the discounted cash-flow model were sensitized to test the resilience of value in use and no impairments were noted in these sensitivity analysis.

	Green.ch	Coditel	Hot Telecom
Recoverable amount	124.4	466.6	1,357.1
Carrying amount	17.8	295.5	477.6
Excess of recoverable amount over carrying amount	106.6	171.1	879.5

The following changes in key assumptions in projected cash flows in every year of the initial five-year period, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value.In addition, the Company analyzed the sensitivity of the estimated recoverable amounts to the reasonable expected changes in assumptions, assuming unchanged values for the other assumptions:

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the weighted average cost of capital (WACC), all other assumptions being stable and the impact would be :

- Green.ch: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 90.2 million and therefore no impairment would be required.

- Coditel: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 103.9 million and therefore no impairment would be required.

- HOT Mobile: an increase of 50 bps in the WACC decreases the recoverable amount to EUR 807.2 million and therefore no impairment would be required.

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the perpetuity growth rates, all other assumptions being stable and the impact would be :

- Green.ch: an increase of 50 bps in the growth rate decreases the excess of recoverable amount to EUR 93 million and therefore no impairment would be required.

- Coditel: an increase of 50 bps in the growth rate decreases the excess of recoverable amount to EUR 66.1 million and therefore no impairment would be required.

- HOT Mobile: an increase of 50 bps in the growth rate decreases the recoverable amount to EUR 825.1 million and therefore no impairment would be required.

The analysis did not result in a scenario whereby a reasonable possible change in the aforementioned key assumptions would result in a recoverable amount for the CGU which is inferior to the carrying value.

5-Intangible assets

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
				(in millions of euros)			
Software	64.9	23.5	-	-	3.0	0.1	91.2
Brand name	79.8	0.3	-	49.1	0.7	-	129.9
Customer relations(1)	325.6	-	-	52.9	8.2	-	386.7
Licenses	31.9	6.2	-	14.7	0.5	3.6	56.8
R&D costs acquisitions	-	-	-	1.8	-	2.1	3.8
Subscriber purchase costs(2)	173.9	20.2	-	-	6.2	-	200.3
Intangible assets under construction	-	5.2	(0.5)	7.7	-	(5.9)	6.5
Other intangible assets	118.9	37.1	(0.7)	28.0	2.5	0.5	186.3
Total Gross Value	**795.0**	**92.5**	**(1.2)**	**154.1**	**21.1**	**0.5**	**1,061.9**
Software	(28.1)	(25.4)	-	-	(1.9)	(0.1)	(55.5)
Brand name	(2.6)	(2.2)	-	-	(0.2)	-	(5.0)
Customer relations(1)	(52.9)	(36.1)	-	-	(2.5)	-	(91.5)
Licenses	(9.9)	(7.3)	-	-	(0.1)	0.1	(17.2)
R&D costs	-	(0.7)	-	-		-	(0.7)
Subscriber purchase costs(2)	(166.3)	(21.8)	-	-	(6.0)	-	(194.1)
Intangible assets under construction	-	-	-	-	-	-	
Other intangible assets	(76.7)	(40.7)	0.7	-	(1.6)	-	(118.3)
Total Cumulative amortization and depreciation	**(336.5)**	**(134.1)**	**0.7**	**-**	**(12.3)**	**-**	**(482.3)**
Software	36.8	(1.9)	-	-	1.1	-	36.0
Brand name	77.2	(1.9)	-	49.1	0.5	-	124.9
Customer relations(1)	272.7	(36.1)	-	52.9	5.8	-	295.3
Licenses	22.0	(1.1)	-	14.7	0.4	3.8	39.7
R&D costs	-	(0.7)	-	1.8	-	2.1	3.1
Subscriber purchase costs(2)	7.6	(1.6)	-	-	0.2	-	6.2
Intangible assets under construction	-	5.2	(0.5)	7.7	-	(5.9)	6.5
Other intangible assets	42.2	(3.6)	-	28.0	0.9	0.5	68.0
Total Net book value	**458.5**	**(41.7)**	**(0.5)**	**154.1**	**8.7**	**0.5**	**579.6**

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
				(in millions of euros)			
Software	37.1	27.3	-	-	0.3	0.1	64.9
Brand name	50.0	-	-	29.6	0.2	-	79.8
Customer relations[1]	316.4	-	-	8.2	1.0	-	325.6
Licenses	19.2	13.2	(0.6)	-	-	0.1	31.9
Subscriber purchase costs[2]	152.1	21.2	-	-	0.6		173.9
Intangible assets under construction	-	0.3	-	-	-	(0.3)	-
Other intangible assets	95.3	23.1	-	0.1	0.4		118.9
Total Gross Value	**670.3**	**85.1**	**(0.6)**	**37.9**	**2.5**	**(0.1)**	**795.0**
Software	(10.8)	(17.2)	0.2	-	(0.2)	0.1	(28.1)
Brand name	(1.1)	(1.5)	-	-	-		(2.6)
Customer relations[1]	(21.6)	(31)	-	-	(0.3)		(52.9)
Licenses	(7.1)	(2.9)	0.2	-	-	(0.1)	(9.9)
Subscriber purchase costs[2]	(140.4)	(25.3)		-	(0.6)		(166.3)
Intangible assets under construction	-	-	-	-	-	-	-
Other intangible assets	(30.9)	(46.1)	-	-	(0.3)	0.6	(76.7)
Total Cumulative amortization and depreciation	**(211.9)**	**(124.0)**	**0.4**	**0.0**	**(1.4)**	**0.4**	**(336.5)**
Software	26.3	10.1	0.2	-	0.1	-	36.8
Brand name	48.9	(1.5)	-	29.6	0.2	-	77.2
Customer relations[1]	294.8	(31.0)	-	8.2	0.7	-	272.7
Licenses	12.1	10.3	(0.4)	-	-	-	22.0
Subscriber purchase costs[2]	11.7	(4.1)	-	-	-	-	7.6
Intangible assets under construction	-	0.3	-	-	-	(0.3)	-
Other intangible assets	64.4	(23.0)	-	0.1	0.1	0.6	42.2
Total Net book value	**458.3**	**(38.9)**	**(0.2)**	**37.9**	**1.1**	**0.3**	**458.5**

(1) Customer relations have been valued on the basis of the fair value of the existing customers. These are amortized on the basis of the local churn rate.

(2) Subscriber purchase costs were recognized in respect of the costs of acquisition of subscribers (including additional sales commissions). The amortization expenses are linked to the length of the average commitment of the subscribers.

6-Property, Plant & Equipment

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
				(in millions of euros)			
Land	2.9	0.2	-	0.2	-	-	3.3
Buildings	68.6	8.7	-	5.6	1.4	2.5	86.8
Cable networks[1]	661.8	58.8	(0.2)	0.7	31.8	1.1	754.0
Call center (primarily electronic equipment)[2]	94.9	16.1	(0.4)	1.0	7.5	0.1	119.1
Converters and modems	230.5	26.3	(1.0)	2.9	14.8	2.0	275.5
Computers and ancillary equipment	39.5	3.1	(0.1)	0.8	2.0	-	45.3
Office furniture and equipment[3]	110.7	17.1	(19.2)	1.0	(0.5)	1.3	110.4
Communication network infrastructure[4]	361.7	41.5	(3.6)	89.2	9.7	25.0	523.5
Other data center equipment	2.0	0.7		-	(0.0)	0.6	3.3
Tangible assets under construction	17.0	19.9	-	19.9	0.0	(31.6)	25.2
Prepayments on tangible assets	3.1	0.3	-	0.7	(0.0)	(4.1)	-
Other tangible assets	9.5	4.0	(0.1)	1.0	0.5	0.6	15.5
Total Gross Value	**1,602.1**	**196.7**	**(24.6)**	**123.0**	**67.2**	**(4.3)**	**1,961.9**
Buildings	(12.9)	(9.0)	-	-	(0.7)	-	(22.6)
Cable networks[1]	(136.4)	(112.1)	0.2	-	(18.5)	-	(266.8)
Call center (primarily electronic equipment)[2]	(26.7)	(25.6)	-	-	(5.5)	-	(57.8)
Converters and modems	(50.5)	(50.3)	0.6	-	(9.3)	0.2	(109.3)
Computers and ancillary equipment	(27.6)	(5.4)	0.1	-	(1.8)	-	(34.7)
Office furniture and equipment[3]	(37.0)	(14.1)	15.2	-	0.1	-	(35.8)
Communication network infrastructure[4]	(235.0)	(46.2)	3.6	-	(5.9)	(0.5)	(284.0)
Other data center equipment	(1.4)	(0.4)	-	-	-		(1.8)
Tangible assets under construction	(0.3)	-	-	-	-	0.3	(0.1)
Other tangible assets	(6.4)	(8.0)	-	-	(0.5)	0.1	(14.8)
Total Cumulative amortization and depreciation	**(534.3)**	**(271.1)**	**19.7**	**-**	**(42.1)**	**0.1**	**(827.7)**
Land	2.9	0.2	-	0.2	-	-	3.3
Buildings	55.7	(0.3)	-	5.6	0.7	2.5	64.2
Cable networks[1]	525.4	(53.3)	-	0.7	13.3	1.1	487.2
Call center (primarily electronic equipment)[2]	68.1	(9.5)	(0.4)	1.0	2.0	0.1	61.3
Converters and modems	180.0	(24.0)	(0.4)	2.9	5.5	2.2	166.2
Computers and ancillary equipment	11.9	(2.3)	-	0.8	0.2	-	10.6
Office furniture and equipment[3]	73.7	3.0	(4.0)	1.0	(0.4)	1.3	74.6
Communication network infrastructure[4]	126.7	(4.7)	-	89.2	3.8	24.5	239.5
Other data center equipment	0.6	0.3	-	-	-	0.6	1.5
Tangible assets under construction	16.6	19.9	-	19.9	-	(31.3)	25.1
Prepayments on tangible assets	3.1	0.3	-	0.7	-	(4.1)	0.0
Other tangible assets	3.1	(4.0)	(0.1)	1.0	-	0.7	(0.7)
Total Net book value	**1,067.8**	**(74.4)**	**(4.9)**	**123.0**	**25.1**	**(2.4)**	**1,134.2**

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
				(in millions of euros)			
Land	2.6	-	-	0.3	-	-	2.9
Buildings	55.5	12.3	-	0.5	0.3	-	68.6
Cable networks(1)	480.3	58.3	(0.9)	110.4	3	10.7	661.8
Call center (primarily electronic equipment)(2)	68.3	25.8	-	-	0.7	-	94.8
Converters and modems	161.8	70.4	(3.2)	-	1.5	-	230.5
Computers and ancillary equipment	29.1	6.4	-	0.1	0.2	3.7	39.5
Office furniture and equipment(3)	97.7	12.2	(0.5)	0.7	0.2	0.4	110.7
Communication network infrastructure(4)	301.9	58	(2.3)	3.1	1.0	-	361.7
Other data center equipment	3.0	-	(2.8)	-	-	1.8	2.0
Tangible assets under construction	7.2	19.8	(1.8)	8.4	-	(16.6)	17.0
Prepayments on tangible assets	0.1	3.0	-	-	-	-	3.1
Other tangible assets	6.2	3.2	-	0.1	-	-	9.5
Total Gross Value	**1,213.7**	**269.4**	**(11.5)**	**123.6**	**6.9**	**0.0**	**1,602.1**
Buildings	(8.7)	(4)	-	-	(0.2)	-	(12.9)
Cable networks(1)	(24.7)	(110.6)	0.8	-	(1.9)	-	(136.4)
Call center (primarily electronic equipment)(2)	(5.8)	(19.6)	(0.8)	-	(0.5)	-	(26.7)
Converters and modems	(11)	(44.9)	6.3	-	(0.9)	-	(50.5)
Computers and ancillary equipment	(20.4)	(5.0)	(2.0)	-	(0.2)	-	(27.6)
Office furniture and equipment(3)	(23.7)	(15.2)	1.9	-	-	-	(37.0)
Communication network infrastructure(4)	(212.3)	(28.2)	6.0	-	(0.5)	-	(235.0)
Other data center equipment	(1.1)	(0.3)	-	-	-	-	(1.4)
Tangible assets under construction	(0.1)	(0.3)	-	-	-	-	(0.3)
Prepayments on tangible assets	-	-	-	-	-	-	
Other tangible assets	(4.1)	(2.9)	0.6	-	-	-	(6.4)
Total Cumulative amortization and depreciation	**(311.9)**	**(231.1)**	**12.8**	**-**	**(4.3)**	**-**	**(534.3)**
Land	2.6	-	-	0.3	-	-	2.9
Buildings	46.8	8.3	-	0.5	0.1	-	55.7
Cable networks(1)	455.6	(52.2)	(0.1)	110.4	1.1	10.7	525.4
Call center (primarily electronic equipment)(2)	62.6	6.2	(0.8)	-	0.2	-	68.1
Converters and modems	150.8	25.5	3.1	-	0.6	-	180.0
Computers and ancillary equipment	8.7	1.4	(2.0)	0.1	-	3.7	11.9
Office furniture and equipment(3)	74	(3.0)	1.4	0.7	0.2	0.4	73.7
Communication network infrastructure(4)	89.6	29.8	3.7	3.1	0.5	-	126.7
Other data center equipment	1.9	(0.3)	(2.8)	-	-	1.8	0.6
Tangible assets under construction	7.1	19.5	(1.8)	8.4	-	(16.6)	16.6
Prepayments on tangible assets	0.1	3.0	-	-	-	-	3.1
Other tangible assets	2.0	0.3	0.6	0.1	-	-	3.1
Total Net book value	**901.8**	**38.4**	**1.3**	**123.6**	**2.7**	**0.0**	**1,067.8**

(1) Cable network: the Consolidated Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

(3) Office furniture and equipment refers to furnishings and IT equipment.

(4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

The increase in the intangible and tangible assets of the Consolidated Group can mainly be attributed to the acquisition of Outremer Telecom and ONI Telecom during the course of 2013. These increases were slightly offset by the disposal of the Company’s interests in Valvision.

7—Investment in associates

The breakdown of the investments in associates is detailed as follows:

(in millions of euros)	December 31, 2013	
	Consolidated Group's share of profits of associates	**Consolidated Group's investments in associates**
Numericable Group S.A.	15.5	679.1
Total	**15.5**	679.1

(in millions of euros)	December 31, 2012	
	Consolidated Group's share of profits of associates	**Consolidated Group's investments in associates**
Numericable Group S.A. (*)	20.4	81.3
Total	**20.4**	**81.3**

Variation in the statement of financial position of investment in associates is shown below:

(in millions of euros)	Balance on December 31, 2012	Share in profit of associates	Loan conversions/ (Disposals)	Balance on December 31, 2013
Numericable Group S.A. (*)	**81.3**	15.5	582.3	679.1
Total	**81.3**	15.5	582.3	**679.1**

(*): The comparatives are for Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l.. 2013 shows the Numericable Group S.A. figures which is the successor entity of Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l..

The Numericable Group S.A. figures are detailed as follows:

(in millions of euros)	December 31, 2013	December 31, 2012 (*)
Current assets	561.3	430,6
Non-current assets	3,398.6	3,199.2
Current liabilities	828.1	1,008.4
Non-current liabilities	2,878.1	3,141.5
Total Equity	**253.5**	**(320,1)**
% of interest = 27.4% (24.06%)	69.4	(77,0)
Revenue for the year	**1,314.2**	**-**
Profit and loss for the year	**64.6**	**-**
Total other comprehensive income	**(0.5)**	**-**
Total comprehensive income	**64.1**	**-**
% of interest = 27.4%	**15.5**	**-**

(*): The comparatives are for Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l.. 2013 shows the Numericable Group S.A. figures which is the successor entity of Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l..

On November 7, 2013, the newly formed Numericable Group S.A. completed its initial public offering. The Numericable Group is considered to be the successor entity of Ypso Holding S.à r.l and Altice B2B Lux Holding S.à r.l.

Effective upon initial public offering of Numericable Group, a restructuring of the capital structure of Ypso Holding S.à r.l and Altice B2B Lux Holding S.à r.l. was undertaken, as a result of which, all shares and loans held by Altice Six S.A. against these entities were converted into common shares of the new entity, Numericable Group S.A..

Altice Six holds 33.9 million of shares of Numericable Group as at December 31, 2013. Based on the share price as of December 31, 2013 (EUR 26.4), the fair value of the investment amounted to EUR 895.9 million. Based on this valuation, it is concluded that the fair value is greater than the carrying value of the investment and therefore no impairment shall be recorded in the consolidated financial statements for the year ended December 31, 2013.

8-Financial assets

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Investments held as available for sale[(1)]	40.3	6.1
Loans and receivables[(2)]	3.0	144.8
Other financial assets	5.5	-
Restricted cash[(3)]	1.8	9.6
Total	**50.6**	**160.5**

(1) Investment in available for sale financial asset:s are composed of:
Partner Communications LTD: A subsidiary company, operating through Hot Net Internet Services LTD. (formerly Hot Properties) and Finance LTD. (hereinafter-Hot Net) holds 1 454 663 regular shares in Partner Communications LTD, (hereinafter-Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Wananchi Group Holdings Ltd. In February 2013, the Company exercised its right to convert loans and receivables held against Wananchi Group Holdings Ltd. into shares. These notes were initially recorded as a long term trade receivable for the year ended December 31, 2012 and subsequently converted into equity in February 2013. The Board of Directors considers the investment in Wananchi to be available for sale investment and has injected further funds in Wananchi during the course of the year ended December 31, 2013. Wananchi operates in the fast developing East-African market and given the evolving nature of the business in this region, the Board of Directors considers that the nominal value of its investment in Wananchi represents the fair value of the investment. As of December 31, 2013, Altice VII held 17.05% of the capital of Wananchi and the Board of Directors is of the opinion that it has no significant influence on the Board of Wananchi.

(2) As of December 31, 2013, this caption includes an additional investment made by the company in Wananchi, in return for which it was issued convertible notes, convertible at the discretion of the holder. The investment amounted to EUR 3.0 million ($4 million equivalent). The decrease compared to December 31, 2012 is explained by :

- the conversion of loans and receivables due from Wananchi to equity

- the conversion of loans and receivables against Ypso Holdings S.à r.l. and Altice B2B Lux Holding S.à r.l..See note 7 for more information.

(3) Restricted cash (see Note 2.21)
As of December 31, 2013 the restricted cash caption contained cash accounts pledged at Cabovisao, HOT and Green.ch held as guarantees to various financial institutions. The decrease in the amount of restricted cash compared to the year ended December 31, 2012, was mainly due to substitution of a guarantee given to Banco Esprito Santo by Cabovisao by an amount of EUR 8.4 million drawn from the Company's guarantee facility.

9-Non-current trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Prepaid expenses	0.6	0.8
Other receivables[(1)]	22.2	23.7
Total	**22.8**	**24.6**

(1) The balance reflects customer's debts in respect of the sale of devices under long-term credit terms (sales in installments). The balance of the debt is presented at its value, as discounted using an interest rate of 5% for a period of up to 36 months, less the current maturities, which are presented under trade receivables.

10-Inventories

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Work in progress	0.1	0.1
Finished/semi-finished goods	12.4	7.1
Total Gross Value	**12.5**	**7.2**
Work in progress	-	(0.1)
Finished/semi-finished goods	(1.5)	(1.0)
Total Depreciation	**(1.5)**	**(1.1)**
Work in progress	0.1	-
Finished/semi-finished goods	10.9	6.2
Total Net book value	**11.0**	**6.1**

Inventories are almost exclusively comprised finished goods corresponding to customer premises equipment (modems, decoders, mobile handsets etc.), which is used in the daily business activity of the Consolidated Group. Management considers that inventory will be fully renewed in the next twelve months.

Movement for allowance for obsolescence of inventory or slow moving inventory:

	December 31, 2012	Business Combinations	Variation	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)		
Work in progress (goods)	(0.1)	-	0.1	-	-
Finished/semi-finished goods	(1.0)	-	(0.5)	-	(1.5)
Total Cumulative amortization and depreciation	**(1.1)**	**-**	(0.4)	-	**(1.5)**

	December 31, 2011	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)		
Work in progress (goods)	-	(0.1)	-	-	(0.1)
Finished/semi-finished goods	(1.9)	-	0.9	-	(1.0)
Total Cumulative amortization and depreciation	**(1.9)**	**(0.1)**	**0.9**	**-**	**(1.1)**

The cost of inventories recognised as an expense consists of EUR 0.4 million (2012: EUR 0.1 million) in respect of write-downs of inventory to net realisable value. This write down mainly concerns the write off of mobile handsets and accessories at OMT to reflect their net recoverable value.

11-Trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade receivables	194.0	150.8
Other receivables	38.2	42.5
Total current trade and other receivables	**232.2**	**193.3**
Trade receivables		
Other receivables	22.8	24.6
Total non-current trade and other receivables	**22.8**	**24.6**
Total	**255.0**	**223.9**

11.1 Trade receivables

	December 31, 2012	Business Combinations	Net increase/(decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)			
Trade receivables	175.6	50.0	(6.8)	-	5.5	224.3
Allowance for doubtful debts	(24.8)	-	(10.1)	7.0	(2.4)	(30.3)
Trade receivable, net	**150.8**	**50.0**	**(16.9)**	**6.9**	**3.1**	**194.0**

	December 31, 2011	Business Combinations	Net increase/(decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Trade receivables	129.1	5.9	40.4	-	0.1	175.6
Allowance for doubtful debts	(26.4)	-	(3.0)	4.4	0.2	(24.8)
Trade receivable, net	**102.7**	**5.9**	**37.4**	**4.4**	**0.3**	**150.8**

The increase in trade receivables in the year ended December 31, 2013, as compared to the year ended December 31, 2012 is mainly explained by the acquisition of OMT, ONI as well as the integration of MCS and SportV during the course of the year.

11.2 Age of trade receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Not yet due	137.1	116.7
30-90 days	22.1	14.0
91-121 days	34.8	20.2
Total	**194.0**	**150.8**

11.3 Other current receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Loans to related party	0.1	13.1
Bank guarantee[1]	-	14.0
Prepaid expenses[2]	20.9	6.3
Other current receivables	17.2	9.1
Total	**38.2**	**42.5**

(1) Bank guarantees were provided to the Israeli regulator by HOT mobile in relation with the acquisition of the UMTS mobile license and then subsequently released after the occurrence of certain events. Please see note 32 for details on guarantees given by HOT and HOT mobile.

(2) The increase in prepaid expenses is mainly explained by the acquisition of ONI and the entry of MCS in the Consolidated Group scope during the year ended December 31, 2013. The new entities contributed EUR 4.7 million and EUR 2.6 million to prepaid expenses and mainly concerned prepayments made on long term contracts.

The Consolidated Group provides services on credit for an average of 16 days, 24 days and 96 days in average to its customers in the cable television field, the in-country fixed line communications field and the mobile communication field, respectively. The Consolidated Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Consolidated Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information.

12-Cash and cash equivalents and current restricted cash

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Term deposits	1.4	5.2
Bank balances	60.2	124.5
Cash and cash equivalents presented in the consolidated statement of cash flows	**61.6**	**129.8**
Restricted cash [1]	1,242.8	-
Restricted cash	**1,242.8**	**-**

(1) Current restricted cash refers to cash held in escrow accounts on behalf of Altice Finco and Altice Financing S.A., related to the acquisition of Orange Dominicana and Tricom. The Board of Directors expects the transactions to close in the first quarter of 2014, thus ensuring utilization of the cash in less than twelve months following December 31, 2013. As of the date of signing of these accounts, the Tricom acquisition had been successfully closed (See note 35).

13-Invested equity

As of December 31, 2013, the invested equity consists of the sum of the net equity of the Altice Six and Altice VII sub-groups. On January 31, 2014, Altice S.A. listed its shares in an initial public offering on Euronext Amsterdam. The company raised capital in two steps, first through a primary offering of new shares of the listed company, for EUR 750 million and a secondary offering, consisting of the sale of shares held by Next L.P. in Altice S.A., for a total amount of EUR 555 million. Additionally, an over-allotment option, for the maximum authorised amount (upto 15% of the total shares offered), was exercised by Altice S.A. Following the IPO, 25.6% of the share capital of the company is publicly traded, with the rest held by Next L.P and certain Managers.

13.1 Earnings per share:
In the context of these consolidated financial statements, it is not meaningful to present earnings per share in accordance with IAS 33 since the Reporting Entity does not have a legal share capital. Upon completion of its initial public offering, the Company had 202,787,193 shares in issue. The earnings for the year ended December 31, 2013 divided by the number of shares in issue immediately following the initial public offering are equivalent to EUR 0.35 (2012 – EUR (0.69))

14-Provisions

	December 31, 2012	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)			
Litigations[(1)]	15.8	3.2	3.7	(6.9)	2.2	18.0
Other risks	8.0	0.2	1.3	(0.1)	(1.6)	7.9
Provisions for other expenses	1.8	4.7	0.5	(0.7)	(1.0)	5.3
TOTAL	**25.7**	**8.2**	**5.5**	**(7.7)**	**(0.4)**	**31.1**

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Litigations[(1)]	38.8	-	1.9	(24.0)	(0.9)	15.8
Other risks	1.7	5.0	1.4	(0.1)	(0.1)	8.0
Provisions for other expenses	-	-	1.8	-	-	1.8
TOTAL	**40.5**	**5.0**	**5.1**	**(24.1)**	**(1.0)**	**25.7**

(1) Provisions for litigations : For the year ended December 31, 2013, Hot made payments to Tali, AGICOA and ESHKOLOT copyright owners. Total payments amounted to EUR 5.4 million. HOT also recorded additional provisions for litigation based on a class action lawsuit for a total of EUR 2.9 million.

Provisions for litigations are mainly relating to, (i) claims made by associations representing the owners of certain copyrights in Israel, (ii) class action suits filed by certain consumers in Israel and (iii) lawsuits pertaining to the take-private operation performed in December 2012.

More information on these provisions is provided in note 32.. Management considers that all potential risks of cash-outs on such litigations and claims is properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2013.

15-Employee benefits

Breakdown of the employee benefits by entity :

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
Coditel Brabant		0.5	0.5
Hot Telecom	15.1	3.8	6.5
Green.ch	15.1	1.8	1.8
OMT Invest	15.1	2.2	-
Total		**8.2**	**9.1**

15.1 Description of employee benefits by entity

15.1.1 HOT Telecom

(a) Defined Benefit Plans

Employee benefit liabilities

HOT Telecom has several employee benefit plans:

- Short-term employee benefits

Short-term employee benefits are benefits that are forecast to be cleared in full within 12 months of the end of the annual reporting period in which the employees provide the related services. These benefits include salaries, paid annual leave, paid sick leave, recuperation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Consolidated Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

- Post-employment benefits

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

Since 2011, the Consolidated Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Consolidated Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

In addition, the Consolidated Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to receive severance pay upon dismissal or retirement. The liability for termination of employment is measured in accordance with an actuarial evaluation of the projected unit credit. The actuarial calculation takes into account the future salary costs and the rate at which employees leave the Consolidated Group, which is done on the basis of an evaluation of the timing of the payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds with a term that matches the estimated term of the obligation relating to severance pay.

In respect of its severance pay obligation to certain of its employees, the Consolidated Group makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Consolidated Group's own creditors and cannot be returned directly to the Consolidated Group.

The employee benefit liabilities, which are presented in the statement of financial position, represents the present value of the defined benefit liabilities less the fair value of the plan assets.

Re-measurements of the net liability are reflected under other comprehensive income as they arise.

Actuarial gains and losses are reflected in other comprehensive income.

- Other long-term employee benefits

The Consolidated Group's net obligation in respect of other long-term employee benefits is calculated on the basis of an actuarial valuation and is in respect of the future benefit amount due to employees for services rendered in current and prior periods, taking the rate of expected salary increases into account. This amount of benefits is discounted to its present value. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Consolidated Group's obligation.

Re-measurements of the net liabilities are reflected in profit or loss in the period in which they arise.

- Termination benefits:

Employee termination benefits are recognized as an expense at the earlier of such time at which the Consolidated Group has committed to terminate employees before the normal retirement date and it is unable to cancel the proposal or where the Consolidated Group recognized costs in respect of a structural change that includes the payment of termination benefits.

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with section 14 of the Israeli Severance Pay Law, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee’s employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	**December 31, 2012**
	(in millions of euros)	
Current service cost	3.5	4.7
Interest expenses in respect of the benefit liabilities	0.8	1.0
Expected yield in the plan assets	(0.6)	(0.8)
Net actuarial gain which has been recognized in the year	0.1	0.6
Total expenses in respect of employee benefit	**3.8**	**5.5**

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(19.3)	(26.8)
Fair value of the plan assets	15.5	20.3
Total net assets/(liabilities)	**(3.8)**	**(6.5)**

(d) Changes in the present value of the liabilities in respect of a defined plan

	December 31, 2013 (*)	December 31, 2012
	(in millions of euros)	
Opening balance	**27.6**	**25.4**
Interest expenses	0.8	1.0
Current service cost	3.6	4.6
Benefits paid	(10.6)	(3.2)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss (profit)	0.0	0.6
Closing balance	**19.3**	**26.8**

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	**20.9**	**20.7**
Expected yield	0.6	0.8
Deposits by the employer into the plan	3.8	4.1
Benefits paid	(8.3)	(3.7)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss	0.6	-
Closing balance	**15.4**	**20.3**

(f) The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.61	3.54
Expected yield on the plan assets	3.74	3.84
Expected yield of salary increases	2-5	2–4

15.1.2 Green.ch

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.4	-
Net actuarial gain which has been recognized in the year	(0.3)	-
Total expenses in respect of employee benefit	**0.2**	-

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(7.5)	-
Fair value of the plan assets	5.7	-
Total net assets/(liabilities)	**(1.8)**	-

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013 (*)	December 31, 2012
	(in millions of euros)	
Opening balance	**6.6**	-
Interest expenses	0.1	-
Current service cost	0.4	-
Participant contribution	0.3	-
Benefits received	0.4	-
Net actuarial loss (profit)	(0.4)	-
Closing balance	**7.5**	-

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	**4.6**	-
Expected yield	0.1	-
Deposits by the employer into the plan	0.3	-
Participant contribution	0.3	
Benefits received	0.4	-
Net actuarial loss	(0.1)	-
Closing balance	**5.7**	-

(f) The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	2.5	-
Expected yield on the plan assets	-	-
Expected yield of salary increases	1.0	-

15.1.3 OMT Invest

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.1	-
Interest expenses in respect of the benefit liabilities	-	-
Expected yield in the plan assets	-	-
Net actuarial loss which has been recognized in the year	0.1	-
Total expenses in respect of employee benefit	**0.2**	-

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	2.2	-
Fair value of the plan assets	-	-
Total net assets/(liabilities)	**2.2**	-

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013 (*)	December 31, 2012
	(in millions of euros)	
Opening balance	**2.1**	-
Interest expenses	0.0	-
Current service cost	0.2	-
Participant contribution	-	
Benefits paid	(0.0)	-
Net actuarial loss (profit)	(0.1)	-
Closing balance	**2.2**	-

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	-	-
Expected yield	-	-
Deposits by the employer into the plan	-	-
Participant contribution		
Net actuarial loss	-	-
Closing balance	-	-

() The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.15	-
Expected yield on the plan assets	-	-
Expected yield of salary increases	1.5-2.0	-

16-Variations in non-controlling interests

	December 31, 2013	December 31, 2012
Balance at beginning of year	**5.2**	**349.2**
Share in loss for the year...	(22.1)	(40.9)
Acquisition of non-controlling interests on Hot Telecom Ltd	-	(298.4)
Dividends paid to non-controlling interests.............	-	(26.0)
Acquisition of non-controlling interests in Altice Portugal S.A.	(9.1)	21.6
Acquisition of non-controlling interests in OMT Invest S.A.S	1.3	-
Acquisition of non-controlling interests in Winreason S.A.	0.4	-
Acquisition of non-controlling interests in Coditel Holding Lux II S.à r.l.	23.6	-
Effect of foreign exchange translation.....................	0.2	(1.3)
Other variations	-	1.0
Balance at end of year	**(0.5)**	**5.2**

17-Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Bonds	2,527.0	1,108.5
Related party bonds[(5)]	100.7	322.4
Borrowings from financial institutions[(1)]	1,214.0	257.2
Finance leases[(2)]	23.4	29.3
Other financial liabilities	105.9	89.4
Financial instruments..	142.3	62.5
Non-current liabilities[(3)]...	**4,113.3**	**1,869.4**
Bonds	26.4	25.4
Borrowings from financial institutions	-	86.5
Finance leases[(2)]	11.4	8.7
Other financial liabilities	4.5	-
Loan from related party	-	14.3
Accrued interest	33.3	-
Current liabilities[(4)]..	**75.6**	**134.9**
Total	**4,188.9**	**2,004.3**

(1) Borrowings from financial institutions mainly comprised of (i) EUR 764.8 million corresponding to the Altice Financing term loan facility, (ii) the Coditel Mezzanine facility for EUR 104.0 million, (iii) Green data center debt for a total of EUR 23.7 million, (iv) EUR 319.7 million Altice Six margin loan

(2) Liabilities related to finance leases were included in the line item 'other financial liabilities' for the year ended December 31, 2012 and have been reclassified for comparative purposes for the year ended December 31, 2013.

(3) Non-current liabilities shown here correspond to the total of the line items, 'borrowings from banking corporations and debentures', 'long term loans from related parties' and 'other financial liabilities' as presented in the consolidated statement of financial position.

(4) Current liabilities shown above correspond to the total of the line items, 'borrowings from banking corporations and debentures','other current liabilities' and 'related party bonds', as presented in the consolidated statement of financial position.

(5) As part of the proposed initial public offering of the newly incorporated Altice S.A., it was decided to redeem the related party preferred equity certificates issued by Altice VII. The redemption proceeds will be contributed by Altice S.A. to Altice VII against shares in Altice VII and related premium.

17.1 Bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Hot Telecom						
- Debentures	310.1	Between 3.9% and 6.9% + Consumer Price Index	2018	280.1	282.5	269.2
Altice Financing						
- Senior Secured Notes USD 460 M	346.1	7.875%	2019	305.1	333.9	348.4
- Senior Secured Notes EUR 210M	219.1	8.00%	2019	201.8	210.5	210.5
- New Senior Secured Notes EUR 300M (1)	300.0	6.5%	2022	292.8	300.0	-
- New Senior Secured Notes USD 900M (1)	652.7	6.5%	2022	637.3	652.7	
Altice Finco						
- Senior Notes USD 425M	309.6	9.875%	2020	309.1	309.1	322.7
- Senior Notes EUR 250M	272.2	9.00%	2023	245.3	250.0	-
- New Senior Notes USD 400M (1)	351.6	8.125%	2024	282.5	290.1	-
Nominal value of bonds	**2,761.3**			**2,554.0**	**2,628.8**	**1,150.8**
Of which due within one year	26.8			26.8	26.8	-
Of which due after one year	**2,734.6**			**2,527.0**	**2,602.0**	**1,150.8**

(1) New notes issued by Altice Finco S.A. and Altice Financing S.A. are held in escrow and are not used as of December 31, 2013 (See note 11).

During the year ended December 31, 2013, Debentures issued by the Company included:

The Hot Telecom Debentures:

The Series A' debentures-EUR 167 million, linked to the Consumer Prices Index for Tel Aviv, bear yearly interest at a rate of 3,9%. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

The Series B' debentures-EUR 137 million bear yearly interest at a fixed rate of 6,9%. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

Altice Financing Senior Secured Notes:

Altice Financing S.A. has issued Senior Secured Notes in December 2012 and December 2013 to finance various acquisitions:

- $ 460.0 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7.875% and maturing on December 15, 2019.

- EUR 210.0 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8.0% and maturing on June 15, 2023.

- $ 900.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

- EUR 300.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

Altice Finco Senior Notes:

Altice Finco S.A. has issued Senior Notes in December 2012, June 2013 and December 2013 to finance various acquisitions:

- $ 425.0 million senior notes issued in December 2012, bearing a semi-annual coupon of 9.875% and maturing on December 15, 2020.

- EUR 250.0 million senior notes, issued in June 2013, bearing a semi-annual coupon of 9.0% and maturing on June 15, 2023.

- $ 400.0 million senior notes issued in December 2013, bearing a semi-annual coupon of 8.125% and maturing in 2024. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange.

17.2 Covenants

17.2.1 Hot Telecom

The unsecured debentures issued on the Tel Aviv Stock Exchange by the Consolidated Group’s subsidiary Hot Telecom include financial covenants measured on Hot Telecom performance, which mainly include:

- A debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;

- No distribution of a dividend when Hot Telecom exceeds a debt to EBITDA ratio of 5.5.

As of December 31, 2013, Hot Telecom was in compliance with all of the required financial covenants.

17.2.2 Altice Blue One

As of December 31, 2012, Altice Blue One was in default of financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt agreements, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

Altice Blue One debt was refinanced its external debt on July 2, 2013 and Altice Blue One is no longer subject to any debt covenants.

17.2.3 Coditel Holding

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A. On June 2, 2013, the senior facilities (A and B) were refinanced and repaid by anticipation, thus releasing Coditel Holding S.A. from any covenant requirements on the senior debt facility.

As of December 31, 2013, Coditel Holding S.A. was in compliance with all of the required financial covenants on the Coditel Mezzanine debt.

17.2.4 Altice Finco and Altice Financing

Altice Finco and Altice Financing, the Senior and Senior Secured Notes issuers are subject to covenants that only come into effect every time new debts are issued with the following requirements:

- Secured net debt to EBITDA ratio: < 3:1

- Unsecured net debt to EBITDA ratio: <4:1

The Consolidated Group is 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 under the indenture. In addition, the Consolidated Group is allowed to use a general debt basket adjustment amounting to 4% of the total assets of the group, against the gross debt of the Group.

In case the Consolidated Group exceeds any of the two conditions mentioned above, it cannot incur any new debt, till such time as the ratios are met again. The Consolidated Group also has access to two super senior revolvers provided under the indenture, in case of any financing needs the Consolidated Group may face (for a total EUR equivalent amount of EUR 118.0 million).

17.2.5 Altice Six

Altice Six has pledged the shares it holds in the Numericable Group as collateral for a margin loan. Under the provision of the loan agreement, Altice Six must respect a certain ratio, the ‘Collateral LTV ratio’, failure to comply with which would entail certain penalties, which are enumerated below.

- The collateral LTV ratio is defined as the ratio between the aggregated outstanding loan amount (including accrued interests), less any cash present in the pledge account, divided by the market value of the shares provided as collateral by Altice Six.

- If the Collateral LTV ratio is greater or equal to 60%, then Altice Six is required to make a cash infusion into the collateral cash account, for an amount that represents the shortfall between the aggregate amount of outstanding debt (including accrued interest) and the amount of the aggregated amount of outstanding debt representing a collateral LTV ratio of 50%. The latter value is calculated using the share price of the collateral shares at closing on the day of default.

As of December 31, 2013, Altice Six was not in breach of the covenant, with a collateral LTV ratio of 36.4%.

17.3 Borrowings from financial institutions

In addition to the bonds described above, the Consolidated Group has issued the following debts:

- A mezzanine debt issued by Coditel Holding S.A. in 2011 with a principal amount of EUR 100.0 million, bearing cash interest at 8.5% and a PIK interest at 5.25% which is capitalized annually. This debt matures in 2016.

- A covenant lite term loan issued by Altice Financing S.A for a total amount of USD 1,034 million (EUR 795 million), bearing interest at Prime FFER, Libor + 4.5%) and maturing in June 2019.

- A margin loan facility at Altice Six, with a principal amount of EUR 323.9 million, bearing interest at a variable rate of 12 months Euribor + 4.25% for the first period, then 6 months Euribor +4.25% and maturing in October 2016

17.4 Related party bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Related party bonds						
Altice VII						
-Alpecs	94.3	Variable	2057 to 2061	94.3	94.3	104.6
-Yfpecs	4.8	4.76%	2058 to 2061	4.8	4.8	4.4
-IFL	0.2	4.76%	2061	0.2	0.2	-
Altice Six						
-PECs		7.3786%	2058 to 2061	-	-	57.6
-Super PECs		Variable	2058 to 2061	-	-	43.8
-Super PECs		20.0%	2058 to 2061	-	-	14.9
-IFPECs		6.38%	2058 to 2061	-	-	86.5
-IFPECs		6.38%	2058 to 2061	-	-	4.2
-Tracking IFPECs		6.38%	2058 to 2061	-	-	5.7
-YFPECs		6.38%	2058 to 2061	-	-	0.7
- New YFPECs	1.5	5.263%	2058 to 2061	1.5	1.5	-
Nominal value of bonds	**100.7**			**100.7**	**100.7**	**322.4**
Of which due after one year	**100.7**			**100.7**	**100.7**	**322.4**

Subordinated financial instruments have been issued by Altice VII and Altice Six.

(a) Altice VII

Subordinated financial instruments have been issued by Altice VII consists of:

YFPECs: Yield Free Preferred Equity Certificates;

ALPECs: Asset Linked Preferred Equity Certificate;

IFL: Interest Free Loans.

Conversely, according to our appreciation, and upon application of IAS 32/39, following instruments have to be classified as debt instruments:

ALPECs instruments (about EUR 94.3 Million as at the end of 2013; 2012 amount: EUR 104.6 million)

YFPECs instruments (about EUR 4.8 Million as at the end of 2013; 2012 amount: EUR 4.4 million)

IFL instruments (about EUR 0.2 million at the end of 2013; 2012 amount: EUR 0.2 million)

The YFPECs have been valued using a discount rate of 4.76% given its preferred interest rate which therefore values the liabilities at EUR 4.8 million as at December 31, 2013.

(b) *Altice Six*

All debt instruments previously issued by Altice Six have been reimbursed in exchange for capital increase of Altice Six or cash payments made by Altice Six. New YFPECs were issued by Altice Six on November 12, 2013 and subscribed by Next L.P. The New YFPECs are yield free instruments and hence under IAS 32/39, a fair value evaluation of such instruments is mandated.

The fair value of the new instruments was EUR 1.5 million as at December 31, 2013. The discounting rate used corresponds to the effective interest rate for Altice Six S.A. and is indexed to the external debt issued by the Company (5.3% as at December 31, 2013).

All such debt instruments issued by Altice Six were converted into common shares of Altice S.A. on January 31, 2014.

17.5 Other financial liabilities

Other financial liabilities mainly consist of:

(i) Preferred equity certificates (PECs): These instruments bear a yield and shall have a maturity of 49 years.

On November 29, 2013, Altice Holding S.à r.l. acquired the PECs held by Codilink S.à r.l. (40% of the total amount). Following this transaction, all remaining PECs issued by Coditel Holding Lux II have been subscribed by Deficom Telecom, of which 26.2% is detained by Deficom Group S.A

Name	**Issuing date**	**Maturity date**	**Number of instruments**	**Nominal value per instrument in euro**	**Interest rate**	**Convertible**	**Amount as at the end of 2012**	**Amount as at the end of 2013**
			(in millions)	**(in euro)**			**(in millions of euros) including interests**	
PECs C................................	30/06/2011	30/06/2060	16.90	1	12.98%	No	51.4	14.9
PECs C................................	02/12/2011	02/12/2060	3.86	1	12.98%	No	10.5	2.8
***Total*....................................**			***20.76***				***61.9***	***17.7***

(ii) Debt related to Altice Caribbean put: Altice Caribbean, the sole shareholder of Altice Blue Two S.A.S, has the option to repurchase the minority stake in Altice Blue Two S.A.S, valued at EUR 52.7 million for the year ended December 31, 2013.

(iii) EUR 20.2 million in vendor notes owed by Altice VII S.à r.l. to the previous shareholders of MCS S.A.S. and SportV S.A., payable in 2014. Of the total purchase price of EUR 23.0 million for MCS and EUR 12.0 million for SportV S.A. cash payments were made for an amount of EUR 14.9 million in the year ended December 31, 2013. These vendor notes were settled after year end.

17.5 Maturity of financial liabilities

	December 31, 2013	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds	2,554.0	26.8	253.7	2,273.3
Related party bonds	100.7	-	-	100.7
Borrowings from financial institutions	1,213.2	-	319.8	893.4
Finance leases	34.8	11.4	23.4	-
Accrued interest	33.3	33.3	-	-
Other financial liabilities	110.4	2.0	59.3	49.1
Financial instruments	142.3	0.0	142.3	-
Nominal value of borrowings	**4,188.6**	**73.5**	**798.5**	**3,316.5**

	December 31, 2012	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds	1,133.9	25.4	77.3	1,031.2
Related party bonds	322.4	-	-	322.4
Borrowings from financial institutions	343.7	86.5	27.5	229.7
Finance leases	38.0	8.7	3.4	25.9
Accrued interest	14.3	14.3	-	-
Other financial liabilities	89.4	-	7.8	81.6
Financial instruments	62.5	-	-	62.5
Nominal value of borrowings	**2,004.2**	**134.9**	**116.0**	**1,753.3**

17.6 Currency of borrowings

	December 31, 2013	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
	(in millions of euros)				
Bonds	2,554.0	739,4	1534.0	280.6	-
Related party bonds	100.7	100.7			
Borrowings from financial institutions	1,213.2	1,189.7	-	-	23.4
Finance leases	34.8	5.8	-	26.5	2.5
Accrued interest	33.3	27.9	5.4	-	-
Other financial liabilities	110,4	107.1	-	3.0	0.2
Financial instruments	142.3	142.3	-	-	-
TOTAL	**4,188.6**	**2,312.9**	**1,539.4**	**310.1**	**26.1**

	December 31, 2012	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
	(in millions of euros)				
Bonds	1,133.9	-	839.3	294.6	-
Related party bonds	322.4	322.4	-	-	-
Borrowings from financial institutions	343.7	319.7	-	-	24
Finance leases	38.0	6.2	-	29.2	2.6
Accrued interest	14.3	12.5	1.6	-	0.2
Other financial liabilities	62.5	-	62.5	-	-
Financial instruments	1,133.9	-		-	-
TOTAL	**2,004.2**	**747.4**	**903.4**	**326.5**	**27.0**

17.7 Nature of interest rate

	December 31, 2013	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	2,554.0	2,554.0	-
Related party bonds	100.7	6.5	94.0
Borrowings from financial institutions	1,213.2	129.1	1,084.0
Finance leases	34.8	34.8	-
Accrued interest	33.3	15.4	17.8
Other financial liabilities	110.4	103.3	7.1
Financial instruments	142.3	-	142.3
TOTAL	**4,188.6**	**2,843.1**	**1,345.5**

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	1,133.9	969.7	164.2
Related party bonds	322.4	278.6	43.8
Borrowings from financial institutions	343.7	229.9	113.8
Finance leases	38.0	31.8	6.2
Accrued interest	14.3	11.8	2.5
Other financial liabilities	84.9	82.0	2.9
Financial instruments	62.5	62.5	-
TOTAL	**2,004.2**	**1,670.8**	**333.4**

17.8 Derivatives

As of December 31 2013, the Consolidated Group had entered into the following swap transactions:

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 400 million principal of Altice Finco's Senior Notes (of which USD 25 million is unhedged), based on which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of 145 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate and a fixed spread of between 8.0% and 8.25%

- A coupon only cross-currency swap transaction covering USD 225 million of the USD 450 million principal of Altice Financing's Senior Secured USD Notes (of which USD 10 million is unhedged), on the basis of which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of EUR 163 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of between 5.9% and 6.2%

- A coupon only cross-currency swap transaction covering EUR 100 million of the EUR 200 million principal of Altice Financing's Senior Secured Euro Notes (of which EUR 10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to EUR 100 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of 5.775%

- A coupon only cross-currency swap transaction covering a part of the USD 1,034 million Term loan notional (USD 292.8 million), in which Altice pays Israeli Shekels and receives US Dollars, amounting to USD 212 million with a maturity date on October 31, 2018 and an interest rate composed of an ILS TELBOR 3M floating rate of between 1.18 and 1.2% and a fixed spread of between 5.0% and 5.6%

- A coupon only cross-currency swap transaction covering part of the USD 1,034 million Term loan notional (USD 540.5 million), in which Altice pays Euros and receives US Dollars, amounting to EUR 392 million with a maturity date on October 31, 2018 and an interest rate composed of an EURIBOR 3M floating rate of between 0.22% and 0.26% and a fixed spread of between 4.5% and 4.8%

As of December 31, 2013, the Consolidated Group has entered into the following forward transactions:

- A forward transaction covering USD 500 million of the total USD nominal due at maturity of the Altice Finco USD Senior Notes and Altice Financing USD Senior Secured Notes (USD 885 million) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate ranging from 4.28-4.33 ILS/USD.

- A forward transaction to cover the repayment of a part of the nominal of the USD 1,034 million Term loan at maturity, in which Altice pays Israeli Shekels and Euros to receive US Dollars. As part of the transaction, Altice will pay ILS 1,076 million and receive USD 293 million at a hedged rate of 3.678 ILS/USD and will pay EUR 415 million and receive USD 541 million at a hedged rate of 1.301.

- A coupon only forward transaction covering USD 200 million of the USD 400 million Senior Notes issued by Altice Finco (of which USD 25 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.

- A coupon only forward transaction covering USD 225 million of the USD 450 million Senior Secured Notes issued by Altice Financing (of which USD 10 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.

- A coupon only forward transaction covering EUR 200 million of the EUR 200 million Senior Secured Notes issued by Altice Financing (of which EUR 10 million are unhedged), in which Altice pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5.036 ILS/EUR.

17.9 Non-cash transactions

Non-cash transactions consist of transactions where the Group has made payments to sellers of acquired entities or lenders (in case of debt repayments), with the cash being transferred directly to the third party.

The details of non-cash transactions are given below:

(in millions of euros)	**December 31, 2013**
Transaction costs related to acquisitions	(40.1)
Transaction with non-controlling interests	(120.9)
Acquisition of shares in associates	(243.7)
Net payments on acquisition of subsidiaries	(559.8)
Repayment of debt	(641.7)
TOTAL	**(1,606.2)**

In addition to this, Altice Six realized a non-cash gain arising from contribution of financial instruments to Numericable Group S.A. See note 27 for more details.

18 – Obligations under finance leases

18.1 Leasing arrangements

The Consolidated Group leased certain of its office facilities under financial leases. The average lease term is 5 years (2012: 5 years). The Consolidated Group has options to purchase the equipment for a nominal amount at the end of the lease terms. Obligations under finance leases are secured by the lessors' title to the leased assets. Entities with major lease contracts are, (i) HOT and HOT mobile, (ii) Outremer Telecom and (iii) Auberimmo.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2012: 3.75% to 6%) per annum.

18.1.1. Leasing arrangements

	Minimum lease payments	
	31 December 2013	31 December 2012
Less than one year	12.6	12.3
Between one and two years	7.3	7.2
Between two and three years	5.0	4.9
Between three and five years	2.8	2.9
More than five years	7.6	7.6
Less: future finance expenses	(2.9)	(2.6)
Present value of minimum lease payments	**35.3**	**34.9**

	31 December 2013	31 December 2012
Included in the consolidated financial statements as:		
Current borrowings (note 17)	23.4	27.1
Non-current borrowings (note 17)	11.4	7.8
Total	**34.8**	**34.9**

Current leasing obligations for HOT are listed below:

The HOT group (HOT Telecom and HOT mobile) leases equipment under finance leasing agreements. An arrangement exists within the framework of the leases, which does not meet the legal definition of leasing, but which is treated as a leasing agreement, based upon its terms. The leased equipment serves as collateral for the liabilities under the lease contract. As of December 31, 2013 the net carrying value of the leased facilities and equipment is EUR 38.1 million (NIS 182 million) (2012 – EUR 41.7 million/NIS 205 million).

HOT Mobile has finance leasing in an amount of EUR 2.9 million in accordance with its rental contract with the company "Airport City" Ltd., which is for a period of 10 years ending in 2019. As of December 31, 2013, there is no balance recorded in the accounting records in respect of leasehold improvements (as of December 31, 2012, the net carrying value of leasehold improvements was EUR 3.0 million).

The Consolidated Group has recorded finance leasing in respect of the Bezeq agreement. As of December 31, 2013, the finance leasing commitment in respect of the long-term Bezeq rental fees was updated by an amount of EUR 0.4 million (NIS 2 million), as a result of additional payments made in respect of the leasing in the reporting period (as of December 31, 2012 – EUR 0.4 million/NIS 2 million).

Other leasing contracts exist at Auberimmo, a datacenter owned by the Consolidated Group and operating in France. The facility was purchased under a finance lease agreement for an initial amount of EUR 5.6 million. A second tranche was issued to carry out renovations and leasehold improvements, amounting to a total of EUR 3.0 million.

19-Financial risk factors

In the course of its business, the Consolidated Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk) and other risks (including equity price risk and settlement risk). This note presents the Consolidated Group’s objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Consolidated Group is managed. The Board of Directors establishes the Consolidated Group’s financial policies and the Chief Executive Officer establishes objectives in line with these policies.

The Consolidated Group is not subject to any externally imposed capital requirements.

19.1 Credit risk

The Consolidated Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body or as the result of commitments with a number of groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Consolidated Group’s income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Consolidated Group regularly monitors its customers’ debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Consolidated Group does not have significant concentration of credit risk, as a result of the Consolidated Group’s policy, which ensures that the sales are mostly made under standing orders or via credit cards.

19.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

19.3 Market risks

The Consolidated Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

19.3.1 Interest rate risk

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Consolidated Group has an exposure to changes of interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

Interest structure of non-current financial debt (including interest effects of derivatives):

	December 31, 2013	**December 31, 2012**
	(in millions of euros)	
Financial debt at fixed rates	2,843.1	1,670.8
Financial debt at variable rates	1,345.5	333.4
TOTAL	**4,188.6**	**2,004.2**

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
31 December 2013						
Non- interest bearing	-	-	-	4.9	4.9	4.9
Variable interest rate instruments(1)	5.9%	73.9	1,309.7	481.1	1,864.7	1,345.5
Fixed interest rate instruments	7.7%	272.6	1,942.4	1,712.6	3,927.7	2,838.2

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
31 December 2012						
Non- interest bearing	-	-	-	4.4	4.4	4.4
Variable interest rate instruments	5.1%	-	5.6	326.3	842.2	333.4
Fixed interest rate instruments	7.4%	-	-	839.4	839.4	1,666.4

(1) The carrying amount of variable interest rate instruments excludes the following items included in note 17.6, 'accrued interest. Other financial liabilities and financial instruments'

19.3.2 Israeli CPI risk

The Consolidated Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Consolidated Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Consolidated Group is exposed to changes in the Israeli CPI amounted to approximately EUR 187.0 million (NIS 895 million) as of December 31, 2013.

19.3.3 Foreign currency management

1. Foreign currency sensitivity analysis

The Consolidated Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Consolidated Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in euros, which is, in principle, not hedged. The Consolidated Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures and swaps.

	December 31, 2013		
	Israeli Shekel	**Swiss Franc**	**Total**
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12.8)	(0.2)	(12.9)
Decrease of 10% in exchange rate	12.8	0.2	12.9
Equity			
Increase of 10% in exchange rate	5.6	2.1	7.6
Decrease of 10% in exchange rate	(5.6)	(2.1)	(7.6)

	December 31, 2012		
	Israeli Shekel	**Swiss Franc**	**Total**
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12.9)	(0.1)	(13.1)
Decrease of 10% in exchange rate	12.9	0.1	13.1
Equity			
Increase of 10% in exchange rate	23.3	3.0	26.3
Decrease of 10% in exchange rate	(23.3)	(3.0)	(26.3)

Exchange differences recorded in the income statement represented a profit of EUR 66.5 million in 2013 (2012: loss of EUR 22.5 million). They are allocated to the appropriate headings of expenses by nature.

The Consolidated Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the presented above allows to assess the impact of a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

2. Foreign currency hedging

It is the policy of the Consolidated Group to enter into hedging foreign exchange contracts to cover specific foreign currency payments and receipts.

The following table details the hedging contracts outstanding at the end of the financial year :

	Average exchange rate	Foreign currency	Notional Value	Fair Value of assets (1)
Outstanding swap contracts (ILS coupons only)	4.34	3,201.8	620.6	(25.0)
Outstanding swap contracts (EUR coupons only)	0.79	415.5	392.0	(12.9)
Outstanding forward contracts (ILS coupons only)	4.31	2,154.3	426.7	(22.7)
Outstanding forward contracts (ILS nominal only)	5.07	2,125.0	362.6	(81.7)

(1) Fair value of swap and forward contracts as of December 31, 2012 amounted to EUR 62.5 million

19.3.4 Price risk

The Consolidated Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Consolidated Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2013, the carrying amount of these investments was EUR 9.4 million (6.1 million as of December 31, 2012).

19.4 Gearing computation

For the year ended December 31, 2013, the Consolidated Group had a net equity position of EUR 95.3 million, thus resulting in a gearing ratio of 43.3

	December 31, 2013	**December 31, 2012**
	(in millions of euros)	
Net Debt	**4,188.9**	**2,004.3**
Cash and cash equivalents	(61.6)	(129.8)
Total equity	**95.3**	**278.1**
Gearing	**43.3**	**6.7**

19.5 Fair value of financial assets and liabilities

19.5.1 Fair value of the Consolidated Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Consolidated Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable differences	Relationship of unobservable differences
	31/12/2013	31/12/2012				
Foreign currency forward contracts (see notes17.8)	(104.9)	(52.6)	Level 2	Zero curve	N/A	N/A
					N/A	N/A
Interest rate swaps (see note 17.8)	(37.9)	(9.8)	Level 2	Zero curve	N/A	N/A
					N/A	N/A
AFS					N/A	N/A
- Wananchi (1)	31.9	-	Level 3	Internal approach using business plans	N/A	N/A
- Partner and Co.	8.4	6.1	Level 1	Quoted price in an active market	N/A	N/A

(1) In April 2012, the Consolidated Group made an investment in the East-African cable operator Wananchi, to gain a foothold in the strategic and fast developing African cable and telecom market. To date the Consolidated Group has invested a total of EUR 34.9 million ($ 48.4million, of which EUR 31.9 million in equity and EUR 3.0 as a convertible note, as of the year ended December 31, 2013) in this venture, alongside other industry peers, and has acquired a total stake of 17.5% in Wananchi. Given the specific geo-economic context of the zone that Wananchi operates in, the high growth rate, infrastructure development needs and volatilities associated with the region, the Board of Directors considers that the carrying amount of its investment reflects the fair value of the investment as of December 31, 2013.

19.5.2 Reconciliation of Level 3 fair value measurements

	Available for sale (unlisted shares)	Others	Total
31 December 2013			
Opening balance	0.0	–	0.0
Total gains or losses:			
– in profit or loss	0.0	–	0.0
– in other comprehensive income		–	
Purchases (*)	31.9		31.9
Issues	–	–	–
Disposals/settlements	-	–	-
Transfers in level 3	-	-	-
Transfers out of level 3	-	-	-
Closing balance	**31.9**	**–**	**31.9**

There were no available for sale instruments classified as level 3 for the year ended December 31, 2012.

(*) As at December 31, 2012 and during the year 2013, the Consolidated Group invested into convertible bonds issued by Wananchi. Such bonds have been converted during the year in exchange for shares of Wananchi.

20-Trade and other payables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade payables	392.9	314.2
Corporate and social security contributions	29.8	24.5
Other payables	94.3	38.9
Amounts due to related parties	0.1	0.2
Deposit and guarantee received	0.4	-
Total current payables	**517.4**	**377.8**
Trade payables-acquisition of assets	13.0	5.9
Other payables	16.0	32.9
Total non-current payables	**29.0**	**38.8**

The increase in trade payables can mainly be attributed to the acquisitions of Outremer, ONI and integration of MCS and SportV in the scope of consolidation of the Consolidated Group in 2013.

The increase in income tax payables can be attributed to an improvement in the profit before tax at HOT and a concomitant increase in the income tax rate in Israel from 25.0% to 26.5% as compared to FY2012.

21-Deferred revenues

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current deferred revenue	55.9	34.1
Non-current deferred revenue	10.6	10.8
Total deferred revenues	**66.5**	**44.9**

Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off. Non-current deferred revenues result from multi-year contracts with business customers.

The increase in deferred revenues for the year ended December 31, 2013 was mainly due to an increase in price of certain products for the year ended December 31, 2013 and the subsequent billing and revenue collection of these subscriptions before the year end.

22-Classification and fair value of financial assets and liabilities

On December 31, 2013 and 2012, the principles for measuring financial instruments and their market value break down as follows:

	December 31, 2013			
			Fair Value	
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
	(in millions of euros)			
Current assets				
Cash and cash equivalents	61.6	61.6	-	-
Restricted cash	1242.7	1242.7	-	-
Trade receivables	194.0	194.0	-	-
Other receivables	38.4	38.4	-	-
Non-current assets			-	-
Restricted cash	1.8	1.8	-	-
Loans and receivables	3.0	3.0		
Available for Sale	40.3	-	-	40.3
Long term trade receivables	5.5	5.5	-	-
Other long-term trade receivables	22.8	22.8	-	-
	1,610.1	**1,569.8**	**0.0**	**40.3**

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	59.7	59.7	-
Loans from related parties	-	-	-
Trade payables	383.4	383.4	-
Others payables	246.8	246.8	-
Other current liabilities	15.9	15.9	-
Non-current liabilities			-
Loans from banking corporations and debentures	3,840.2	3,840.2	-
Other financial liabilities	271.6	129.3	142.3
Other non-current liabilities	39.6	39.6	-
	4,857.2	**4,714.9**	**142.3**

	December 31, 2012			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
Current assets				
Cash and cash equivalents	129.7	129.7	-	-
Trade receivables	150.8	150.8	-	-
Other receivables	37.9	37.9	-	-
Non-current assets				
Restricted cash	9.6	9.6	-	-
Investments in financial assets available for sale	-	-	-	-
Available for Sale	6.1	-	-	6.1
Long term trade receivables	18.7	18.7	-	-
Other long-term trade receivables	24.2	24.2	-	-
	377.0	**370.9**	**-**	**6.1**

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	111.9	111.9	-
Trade payables	311.3	311.3	-
Others payables	111.4	111.4	-
Short-term loans from related parties	14.3	14.3	-
Other current liabilities	8.7	8.7	
Non-current liabilities			
Loans from banking corporations and debentures	1,365.7	1,365.7	-
Long-term loans from related parties	322.4	322.4	-
Other financial liabilities	181.2	118.70	62.5
Other non-current liabilities	49.5	49.5	-
	2,476.4	**2,413.9**	**62.5**

23-Taxes on income

23.1 Income tax (expense)/benefit

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current income tax	(38.0)	4.2
Deferred taxes on deductible temporary differences	30.6	21.8
TOTAL	**(7.4)**	**26.0**

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current tax assets	14.6	5.5
Current tax liabilities	(57.1)	(10.7)
TOTAL	**(42.5)**	**(5.2)**

23.2 Deferred tax assets and liabilities

	December 31, 2012	Reclassifications	Business combination	From equity	From profit and loss	December 31, 2013
			(in millions of euros)			
Other	0.4	0.2	-	-	-	0/4
IAS 19R Employee Benefits	-	(0.2)	-	0.7	0.3	0.8
IAS 36, Depreciable fixed assets	(0.6)	0.6	-	-	-	-
IAS 38, Intangible assets	-	-	1.3	-	0.1	1.4
IAS 39, Financial Instruments	19.0	-	-	(1.5)	26.2	43.7
Compensation DTA/DTL	-	(6.6)	-	-	-	(6.6)
Other	0.4	0.4	-	4.9	2.1	7.7
Total deferred taxes assets	**19.3**	**(6.1)**	**1.3**	**4.1**	**28.7**	**47.4**

	December 31, 2012	Reclassi-fication	Business combination	From equity	From profit and loss	December 31, 2013
				(in millions of euros)		
Customer relationships	51.3	(.3)	15.1	-	(4.1)	62.0
Brand	16.7	.3	13.7	-	-	30.8
Other Intangible assets	21.3	14.1	2.0	2.3	17.6	57.3
Reevaluation of Tangible assets	30.1	(8.8)	.2	.0	(4.1)	17.4
IAS 23, Borrowing Costs	3.1	-	-	-	-	3.1
IAS 36, Depreciable fixed assets	(8.8)	(4.9)	-	(.4)	32.0	17.8
Present value of YFPECS financial instrument	9.3	-	-	-	.4	9.7
Present value of IFL financial instrument	-	-	-	1.1	-	1.1
Capitalisation of transaction costs	-	-	-	-	7.8	7.8
Temporary differences	22.3	(22.3)	-	-	-	-
Other	3.1	22.5	-	6.6	(49.4)	(17.2)
Compensation DTA/DTL	-	(6.6)	-	-	-	(6.6)
Total deferred taxes liabilities	**148.2**	**(6.0)**	**31.0**	**9.6**	**.2**	**183.1**

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
			(in millions of euros)		
Other	0.2	-	-	0.2	0.4
IAS 16, Property, Plant and Equipment	0.1	-	-	0.3	0.4
IAS 36, Depreciable fixed assets	-	-	(0.6)	-	(0.6)
IAS 38, Intangible assets	-	-	-	-	-
IAS 39, Financial Instruments	-	-	-	19.0	19.0
Total deferred taxes assets	**0.3**	**-**	**(0.6)**	**19.5**	**19.3**

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
			(in millions of euros)		
Customer relationships	52.0	3.6	-	(2.8)	51.3
Brand	9.3	7.4	-	-	16.7
Other Intangible assets	23.9	-	(4.7)	2.1	21.3
Reevaluation of Tangible assets	11.0	23.2	-	(4.1)	30.1
IAS 23, Borrowing Costs	3.6	-	-	(0.4)	3.1
IAS 36, Depreciable fixed assets	(11.1)	-	(1.4)	3.6	(8.8)
Present value of YFPECS financial instrument	9.0	-	-	0.2	9.3
Temporary differences	22.8	-	-	(0.5)	22.3
Other	3.1	-	0.1	(0.1)	3.1
Total deferred taxes liabilities	**123.7**	**32.7**	**(6.0)**	**(2.0)**	**148.2**

23.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net income	**49.6**	**(180.2)**
Share of net income-associates	15.5	**20.4**
Share of net income-equity holders	**65.1**	**(159.8)**
Tax charge [(−) expenses/(+) income]	(7.4)	26.0
Earnings/(Loss) before tax	**72.5**	**(185.7)**
Theoretical tax rate	29.22%	28.80%
Income tax calculated on theorical tax	21.2	53.5
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(6.5)	(5.8)
Permanent differences	28.0	(47.3)
Restatements without tax impact	(2.9)	18.7
Utilization of previously non capitalized tax credit	13.9	20.0
Carry-back	0.0	0.1
Tax loss carry forwards of the periods non activated	(61.2)	(13.2)
Effect of unused tax losses not recognized as Deferred tax asset	-	1.0
Effective Tax	**(7.4)**	**25.9**
Effective tax rate	10%	14%

Permanent differences present in different Consolidated Group companies are summarized below:

	Altice VII	ABO	Altice Financing	Cool Holding	Hot Mobile	Altice Six	Others	December 31, 2013
Permanent differences	(1.5)	(3.9)	22.7	(0.5)	(2.5)	37.5	(0.6)	**51.2**
Tax adjustments	-	-	-	0.4	1.1	-	-	**1.5**
Regularization of deferred tax from prior periods	-	-	-	(8.3)	-		-	**(8.3)**
Regularization of local tax from prior periods	-	-	-	3.5	-	-	-	**3.5**
Others	-	0.3	-	-	-	-	0.3	**0.6**
Earn out adjustment	-	-	(13.4)	-	-	-	(0.1)	**(13.5)**
Tax provisions	-	-	(6.8)	-	-	-	-	**(6.8)**
Total	**(1.5)**	**(3.6)**	**2.5**	**(4.9)**	**(1.4)**	**37.5**	**(0.4)**	**28.2**

23.4 Tax assessments

23.4.1 Hot Telecom

On December 22, 2013, an agreement was signed between Cool Holdings Ltd and all of its subsidiary companies (except for HOT Mobile Ltd.) (hereinafter in this section – the companies) and the Israeli Income Tax Authority for the closure of disputes that had arisen in the assessment discussions for the years 2006 – 2011 and in continuation of the tax assessments that had been received in December 2009 and during the course of 2010 for the 2006 – 2008 tax years. Pursuant to the compromise agreements the companies will be required to pay an additional amount of tax in respect of the said tax years, primarily in respect of timing differences in respect of the depreciation of the infrastructure and the cables network and the amortization of intangible assets. The implementation of the compromise agreements will result in the Company having chargeable income in 2012 and 2013 as well.

HOT Telecom's management has recorded the provision relating to the assessments in its financial statements in the past.

The impact of such assessment agreement in HOT's financial statements, including in respect of the updating of the HOT's deferred tax balances, is a net income of EUR 5.0 million.

Most of the companies have been issued with final tax assessments up to and including the 2011 tax year. HOT Mobile has been issued with tax assessments up to and including the 2009 tax year, which are deemed to be final.

23.4.2 Cabovisao

For the years 2012 and 2013, Cabovisao is subject to corporate income tax ("IRC – Imposto sobre o Rendimento das Pessoas Colectivas") at a rate of 25%, increased (i) up to a maximum of 1.5% of taxable income through a municipal tax ("Derrama""); and (ii) by a 3% and 5% state tax ("Derrama Estadual") applicable on taxable income between 1,5 million Euros and EUR 10 million (EUR 7.5 million as from January 1, 2013, following a change in Portuguese tax legislation occurred in December 2012) and on taxable income in excess of EUR 10 million (EUR 7.5 million as from January 1, 2013), respectively, in accordance with the article 87- A of the Portuguese Corporate Income Tax code, resulting in a maximum aggregate tax rate of approximately 31.5%.

In accordance with article 88º of the Portuguese Corporate Income Tax code, the Company is subject to an autonomous taxation over some expenses at the rates defined in that article.

As at December 31, 2013, the Company's tax returns, for the fiscal periods of 2006 until 2010, are being reviewed by Portuguese tax authorities. During the year ended December 31, 2013, the Company already received a tax notification, adjusting the Company's tax losses obtained in the fiscal year ended 2006, in the amount of approximately EUR 16.5 million. However, as of December 31, 2013, any carrying forward tax losses obtained in the fiscal year ended 2006 already expired, and therefore cannot be used to reduce future taxable profits.

The Company was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

- An assessment of the Portuguese Tax Authorities related to 2005, requested an adjustment of tax losses in the amount of EUR 17.2 million, as well as an additional tax payment in the amount of EUR 4.1 million for withholding tax and stamp tax. The Company paid EUR 2.9 million and contested this decision through an appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1.0 million (excluding related late payment interests) was contested on appeal. In the year ended August 31, 2012, the Corporate Tax Authority accepted the claim. As of today, there were not any subsequent deliberations after that decision. The Board of Directors understands that the final outcome of this matter will be favorable to the Company.

- An assessment of the tax payable concluded that there was withholding tax due in the amount of approximately EUR 5.2 million (excluding related late payment interests). Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6.8 million. As of December 31, 2013, the administrative and tax court of Almada didn't pronounce itself on that claim. The Board of Directors understands that the final outcome of this matter will be favorable to the Company.

23.4.3 Other entities

The Board of Directors has not identified any other material tax assessments in other group entities.

23.5 Unrecognized deferred tax assets

As at December 31, 2013, unrecognized deferred tax assets amount to EUR 253.0 million and are mainly split as follows:

	December 31, 2013	December 31, 2012
	(in million Euros)	
Cool Holding and HOT Telecom	(13.9)	-
HOT Mobile	(118.9)	(10.8)
Altice Financing	(3.9)	-
Altice Six	(342.6)	(342.6)
Cabovisao	(56.0)	(51.3)
Altice Finco	(1.8)	-
Altice Holdings	(36.9)	-
Altice Caribbean	(1.5)	-
Altice Blue Two	(6.4)	-
ONI	(11.8)	-
Others	(2.0)	-
Total	**(595.7)**	**(404.8)**

24-Segment analysis

24.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geography is inalienable to the Group strategy of managing its different businesses. It has thus been decided by the central management team to analyse the business across geographies and then by activity. The following geographies have been identified:

- Israel,
- Belgium and Luxembourg (Western Europe),
- Portugal (Western Europe)
- France (Western Europe)
- French Overseas Territories (Antilles and Indian Ocean),
- Others (Switzerland, Africa, France etc.).

Activities have been split as follows:

- Cable,
- Mobile,
- B2B and Others (Content/etc.).

Following the signature of agreements to acquire Tricom and Orange Dominicana in the Dominican Republic in October and November 2013 respectively, a new segment, "Dominican Republic", will be defined. Given the nature of the activities of the two firms, there will be no changes to the activities segment.

24.1.1 Operational KPIs

It has also been decided by Management that operating subsidiaries shall report operational KPIs every week together with financial KPIs every month, using a standard reporting format.

The main operational KPIs include:

The main operational KPIs that will be tracked will be:

Subscriber base evolution (both cable and mobile),

ARPU (Average Revenue per Unit) (cable and mobile),

Other relevant cost drivers.

These KPIs are benchmark indicators followed throughout the industry and allow for a thorough and accurate analysis of the business and strategic decision making.

24.1.2 Financial KPIs

Each local operational company will also report on a monthly basis the following financial KPIs by segment:

Revenues (Cable/Mobile/B2B and Others),

Cost of Sales (Cable/Mobile/B2B and Others),

Capex (Cable/Mobile/B2B and Others).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Consolidated Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

The cable business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable Capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).

Mobile Capex are mainly driven by investment in new mobile sites, upgrade to new mobile technology and licences to operate. Once Capex are engaged and operational, there are limited Capex requirement.

Management believes that operations in Switzerland are currently not substantial enough to require a separate reporting segment, and will be reported under 'B2B and Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity.

24.2 Regional specificities

24.2.1 Israel

Israel is currently an important contributor to the Consolidated Group revenues and EBITDA and has particularities that differentiate it. For this reason, it is classified as a separate region.

It is characterised by a high broadband and cable penetration and a very technology-savy population. Segments within the Israeli telecom market show different level of maturity and competition, with relatively frequent interventions from the regulator. Management is factoring expectations for price pressure and increasing competition in its strategic plan.

Triple play penetration is low and represents a valuable growth driver.

The regulatory environment does not yet allow for quadruple play packages (coupling fixed and mobile services), which Management need to consider when setting up integration plans and operational synergies. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

24.2.2 Belgium and Luxembourg

Even though Belgium/Luxembourg and Portugal can be considered to be the same sub-region, the challenges posed by these two regions are quite different.

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration. Customers are willing to pay more for premium services and hence price pressure appears limited.

These regions are marked by the presence of many well established local cable operators with no overlap thou. Customer retention is a key factor in maintaining strong profit margins.

Given the density and presence of mobile operators, the mobile strategy has been driven by Mobile Virtual Network operations, through the deployment of quadruple play packages.

24.2.3 France

The French market is a large and mature market with high cable penetration and a large consumer base. French operations represent the oldest and largest part of the cable operations of the combined Group to date.

This region is marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins. Competition is tough and innovations in cable technology, such as Fiber to the home (FTTH) are driving market growth. Incumbent operators are slowly migrating to fiber optic based networks which gives the Group a head start in capturing the ultra-high speed internet market, given its pre-existing high density cable network.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

24.2.4 Portugal

The Portuguese market is marked by a high concentration of double play subscribers and a mature telecommunications market, which, when coupled with slow economic recovery, makes it difficult to achieve revenue growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

The challenge in Portugal is to maintain a subscriber base and migrate the customer base from double play to triple play offers.

24.2.5 French Overseas Territories

The French Overseas Territories present growth opportunities with relatively limited competition and room to attract more subscribers on our cable infrastructure. Additional growth potential exists notably through the deployment of multiple-play services and efficiency gains in distribution network, , as multiple-play packages penetration remains low. Price pressure is low in these regions and customers are willing to pay more for value added services.

Additional opportunities have been identified and pursued in the e-banking sector.

24.3 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

		December 31, 2013					
	Total	**Belgium & Luxembourg**	**France**	**Israel**	**French Overseas Territories**	**Portugal**	**Others**
				(in millions of euros)			
Cable							
Revenue	891.8	61.8	-	694.2	27.1	108.7	-
Costs of sales	(179.3)	(10.6)	-	(129.6)	(5.0)	(34.1)	-
Gross Profit	**712.5**	**51.2**	-	**564.6**	**22.1**	**74.6**	**-**
Mobile							
Revenue	256.2	1.2	-	187.6	67.3	-	-
Costs of sales	(129.9)	(0.9)	-	(107.8)	(21.2)	-	-
Gross Profit	**126.2**	**0.3**	-	**79.8**	**46.1**	**-**	-
B2B and others							
Revenue	138.5	8.9	-	-	32.5	41.8	55.3
Costs of sales	(58.2)	(1.0)	-	-	(10.9)	(24.3)	(22.1)
Gross Profit	**80.2**	**7.9**	-	**-**	**21.6**	**17.5**	**33.2**
Total							
Total Revenue	**1,286.8**	**71.9**	-	**881.8**	**126.9**	**150.5**	**55.3**
Total Costs of sales	**(367.8)**	(12.9)	-	(237.4)	(36.9)	(58.4)	(22.1)
Total Gross Profit	**918.9**	**59.0**	-	**644.4**	**89.8**	**92.1**	**33.2**
Operating expenses	**(400.9)**	(12.9)	(0.7)	(281.7)	(40.5)	(43.0)	(22.0)
Depreciation and amortisation	**(399.6)**	(18.1)	-	(274.9)	(26.6)	(65.1)	(14.8)
Other operating income & expenses	**(76.9)**	(4.2)	-	(57.4)	(9.5)	(10.7)	5.0
Operating income	**41.5**	24.2	(0.7)	30.4	13.3	(26.8)	1.5

	December 31, 2012						
	Total	**Belgium & Luxembourg**	**France**	**Israel**	**French Overseas Territories**	**Portugal**	**Others**
				(in millions of euros)			
Cable							
Revenue	873.3	70.3	-	677.9	24.4	98.2	2.5
Costs of sales	(212.9)	(10.3)	-	(159.0)	(4.1)	(39.1)	(0.5)
Gross Profit	**660.4**	**60.0**	**-**	**518.9**	**20.4**	**59.1**	**2.0**
Mobile							
Revenue	172.7	0.2	-	172.5	-	-	-
Costs of sales	(69.9)	(0.1)	-	(69.8)	-	-	-
Gross Profit	**102.8**	**0.1**	**-**	**102.7**	**-**	**-**	**-**
B2B and others							
Revenue	46.4	0.8	-	-	-	-	45.6
Costs of sales	(19.3)	(0.6)	-	-	-	-	(18.7)
Gross Profit	**27.1**	**0.2**	**-**	**-**	**-**	**-**	**26.9**
Total							
Total Revenue	**1.092.4**	**71.3**	**-**	**850.4**	**24.4**	**98.2**	**48.1**
Total Costs of sales	**(302.1)**	**(11.0)**	**-**	**(228.8)**	**(4.1)**	**(39.1)**	**(19.2)**
Total Gross Profit	**790.3**	**60.3**	**-**	**621.7**	**20.4**	**59.1**	**28.9**

25-Operating expenses

	December 31, 2013	**December 31, 2012**
	(in millions of euros)	
Technical and maintenance costs	(149.7)	(141.9)
Customer services	(32.9)	(18.3)
Taxes	(3.6)	(2.4)
Total	**(186.2)**	**(162.5)**

26-Depreciation, amortization and goodwill impairment.

It consists in (i) amortization of intangible assets for a total of EUR 133.4 million (2012: EUR 245.7 million including EUR 121.9 million of goodwill impairment), (ii) depreciation of tangible assets for a total of EUR 251.4 (2012: EUR: 219.6 million) and (iii) other additions and reversals for a total of EUR 14.8 million (mainly representing additional depreciation on inventories and receivables) (2012: EUR 77.10 million, representing a net reversal for the year).

27- Gain on settlement of financial instruments

The gain on settlement of financial instruments recorded in the financial statements of Altice Six S.A. in the year ended December 31, 2013, corresponds to the difference between the carrying amount of the loans and receivables contributed by Altice Six in exchange for shares in Numericable Group S.A. and the fair value of these instruments as recorded in the IFRS financial statements of Altice Six at the time of the contribution.

The carrying amount of the loans at the time of the contribution was EUR 418.3 million and the fair value recorded in the IFRS accounts of Altice Six amounted to EUR 162.6 million, thus leading to a gain of EUR 255.7 million.

28-Other operating incomes and expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Other incomes and expenses	(17.0)	(24.9)
Other revenues	0.9	-
Disposal of tangible assets	1.0	(4.8)
Other expenses, net	**(15.1)**	**(29.8)**
Non-recurring costs[1]	(58.3)	(22.4)
Restructuring costs[2]	(2.9)	(6.7)
Restructuring and other non-recurring costs	**(61.2)**	**(20.8)**
Total	**(76.3)**	**(50.5)**

(1) The increase of non-recurring costs is mainly explained by a one-off EUR 31.6 million charge booked at HOT Mobile concerning the entering into a new network sharing agreement with Partner Telecommunication and the termination of the existing agreement with Pelephone. The provision relates to any cost overlap resulting from the use of Pelephone’s network during the transition phase. In addition, Altice financing incurred costs related to consultants’ fees and other outlays related to the acquisition of OMT Invest S.A.S and Winreason S.A.

(2) Restructuring costs decreased in the year ended December 31, 2013 as a result of the completion of restructuring at Cabovisao. The charge of EUR 2.9 million refers to the restructuring costs engaged at ONI telecom since its acquisition in august 2012.

29-Net finance costs

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Gain arising on fair value of financial instruments[1]	2.6	1.2
Foreign exchange gains	91.0	24.7
Interest income	27.3	10.3
Other financial income	2.5	4.5
Finance income	**120.9**	**40.7**
Interest charges on borrowings and overdrafts [2]	(201.5)	(118.5)
Loss arising on fair value of financial instruments	(99.4)	(72.0)
Interest on subordinated debt	(37.6)	(11.5)
Foreign exchange losses	(24.5)	(2.1)
Net book-value of disposal/financial assets	(13.6)	(21.2)
Finance costs	**(376.6)**	**(225.4)**
Total	**(255.6)**	**(184.7)**

(1) Gains arising on fair value variations of financial and subordinated financial instruments issued by the Company for a total amount of EUR 1.4 million and a gain on interest rate swaps recorded at Altice financing for a total amount of EUR 1.3 million.

(2) The increase in interest expense for the year ended December 31, 2013 was primarily due to (i) the issuance of new debt to finance the Outremer Telecom and ONI transactions (EUR 12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (EUR 47.45 million in 2013).

30-Transactions with non-controlling interests

On April 23, 2013, the company repurchased the 40% minority interests held by Apax in its Portuguese subsidiary, Cabovisao for a total consideration of EUR 105.0 million, of which EUR 90.0 million was paid as consideration for equity acquired and EUR 15.0 million used in the repayment of a shareholder loan. The total amount of equity acquired was valued at EUR 13.1 million and the impact on the net equity of the Consolidated Group was EUR 77.0 million following the consummation of the deal.

On November 29, 2013, the company repurchased the 40% minority interests held by Apax though its holding company Codilink S.à r.l. in Coditel Holding Lux and Coditel Management. The total consideration paid was EUR 82.5 million, of which EUR 30.6 million was paid to acquire shares in Coditel Holding Lux II and EUR 51.9 paid to reimburse subordinated debt instruments (CPECs) held by the minority shareholder. The amount of equity acquired by the Consolidated Group was valued at EUR 1.7 million, with a total impact of EUR 28.9 on the Consolidated Group net equity following the consummation of the deal.

31-Average workforce

	December 31, 2013	December 31, 2012
Managers	352	268
Technicians	857	660
Employees	3,011	4,719
	4,220	**5,647**

32-Transaction with related parties

32.1 Trading and financial transaction

Transactions with related parties mainly related to transactions with Numericable Group, Next L.P. or Altice Six S.A.. Such transactions are limited to (i) re-invoicing of certain operational services granted by Numericable Group to certain subsidiaries of Altice VII, or (ii) shareholder preferred equity certificates or loan issued by Altice VII and held by Next L.P.

Transaction with related parties that directly impact the reserves of the Consolidated Group are summarized in note 13.

Other related parties include consulting firms specialized in the management and operations of telecom companies and executive managers of Altice VII. The fees paid to the consulting companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII. Transactions with executive managers include loans provided to them by the Company.

	Revenue		Operating expenses		Financial expenses	
Consolidated Income and expenses	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**
			(In millions of euros)			
Equity holders	0.2	0.1	12.1	0.2	-	0.6
Executive managers	-		-	-	-	-
Remuneration and benefits in kind	-		2.5	-	-	-
Associate companies	-	0.1	-	0.7	-	-
TOTAL	**0.2**	**0.2**	**14.6**	**0.9**	**-**	**0.6**

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
	(In millions of euros)					
Equity holders	-	-	-	0.2	-	-
Executive managers	2.7	-	-	-	-	-
Associate companies	126.1	-	9.3	0.8	-	-
TOTAL	**2.7**	**0.0**	**-**	**1.0**	**-**	**-**

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
	(In millions of euros)					
Equity holders	322.4	100.7	1.6	-	0.6	-
Executive managers	-	-	-	-	-	-
Associate companies	-	-	-	6.6	-	-
TOTAL	**322.4**	**100.7**	**1.6**	**6.6**	**0.6**	**-**

32.2 Compensation of key management personnel

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice S.A. for the financial year 2013, is EUR 2.3 million compared to EUR 1.7 million for the financial year 2012.

The remuneration of directors and other members of key management personnel during the year was as follows:

	December 31, 2013	December 31, 2012
Short-term benefits	2.3	1.7
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Termination benefits	-	-
TOTAL	**2.3**	**1.7**

33-Contractual obligations and commercial commitments

The Consolidated Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below.

	December 31, 2013					
Unrecognised contractual commitments	**< 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Five years or more**	**Total**
Good and service purchase commitments	101.3	70.0	36.0	1.4	21.9	230.6
Investment commitments	38.9	1.2	.6	-	-	40.7
Guarantees given to suppliers/customers	5.8	2.7	2.3	2.3	1.2	14.3
Guarantees given to government agencies	14.1	7.5	.5	4.0	22.3	48.3
Commitments to buy shares	340.9					340.9
Other commitments	-	51.5	-	-	-	51.5
Total	**501.0**	**132.9**	**39.3**	**7.7**	**45.4**	**726.3**

33.1 Hot Telecom Commitments

33.1.1 Commitments

A. <u>Contingent liabilities</u>

1. Within the framework of the merger of the cable companies on December 31, 2006, the Company assumed responsibility for the existing claims in the field of activity of the acquired companies (the cable companies in their former format), furthermore, it was determined that the Company would assume responsibility for any claim that might be filed in the interim period by any of the acquired companies after the time of the completion of the merger of the cable companies.

In addition, the Company has entered into a commitment under an indemnification agreement with each of the three previous holders of the rights in the HOT Gold Partnership (the Tevel Group, the Yedioth Communications and the Fishman Group) in accordance with which the Company has undertaken to fully indemnify the partners in the HOT Gold Partnership, prior to the completion of the merger transaction, so that they will be released from all responsibility, commitment or debt of any sort whatsoever that HOT Gold had on December 31, 2006 or that HOT Gold might have had after that date, and which relate to the period prior to the completion of the merger, including in respect of claims and legal proceedings.

2. Lawsuits have been filed and are pending against companies in the Consolidated Group in the routine course of business and various legal proceedings are outstanding against it (hereinafter - Lawsuits).

In the opinion of the managements of the Consolidated Group companies, based, inter alia, on legal opinions in respect of the chances of the lawsuits, appropriate provisions have been recorded in the financial statements as of December 31, 2013 in an amount of EUR 11.1 million, were provisions are required, to cover the exposure in respect of the said lawsuits.

In the opinion of the management of the Consolidated Group companies the additional exposure in an amount of approximately EUR 565 million (over and above the provisions that have been recorded in these financial statements), as of December 31, 2013 in respect of lawsuits that have been filed against companies in the Consolidated Group on various issues is as follows:

a) An amount of approximately EUR 377 Million in respect of claims, the chances of which, in the assessment of the Company's management, in reliance on opinions from its legal advisors, do not exceed 50%.

b) An amount of approximately EUR 105 Million in respect of claims, which it is not possible to evaluate at this stage, and which consist primarily of applications for approval as class actions that were filed shortly before the date of the financial statements.

c) An amount of approximately EUR 84 Million in respect of claims, where the chances of there being accepted in the assessment of the Company's management, in reliance on the opinion of its legal advisers, exceed 50%.

The following table is an abbreviated summary of the Consolidated Group's contingent liabilities, which are outstanding as of December 31, 2013, according to groupings having similar characteristics:

The subject matter of the lawsuit	Amount of the additional exposure over and above the provision as of December 31, 2013	Amount of the lawsuits that it is not possible to assess, which were presented shortly before the date of the financial statements (primarily applications for approval as class actions)	Provision recorded in the financial statements as of December 31, 2013	Provision recorded in the financial statements as of December 31, 2012	Updating of the expense (income) in the reporting period
	EUR in Millions				
Customers [1]	490.0	82.0	4.2	2.1	2.1
Copyright	-	-	6.3	11.3	0.4
Suppliers [2]	22.6	11.3	0.4	0.6	-
Employees	1.0	-	0.2	0.2	-
The merger transaction	50.2	-	-	-	-
Total	**563.8**	**93.3**	**11.1**	**14.2**	**2.5**

[1] The amount includes EUR 10.5 million in respect of claims after the balance sheet date.
[2] The amount includes EUR 9.4 million in respect of claims after the balance sheet date.

B. Commitments

1. Royalties to the Ministry of Communications and other payments to the government

a) Hot Telecom used to be committed to pay annual royalties in accordance with the Telecommunications Regulations (Concessions) - 1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) - 2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalties rates that HOT Telecom and HOT Mobile have each been charged to pay stood at 1.75% in 2012 and decreased to 0% from 2013 onwards.

b) In July 2001, the cables companies, including Hot Telecom, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure for a period of 12 years. It was also stipulated in the agreement that in so far as Hot has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to Hot as a merged company.

c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies) -1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 29 million and NIS 26 million in respect of the years 2013 and 2012 respectively.

2. Other royalties

a) Within the framework of the Consolidated Group's routine operations in the broadcasting field, the Consolidated Group enters into commitments under arrangements and agreements under which the Consolidated Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Consolidated Group within this context in the years 2013 and 2012 amounted to NIS 45 million and NIS 42 million respectively.

b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 (hereinafter, in this section - "The draft law") was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, Hot is unable to assess what the impact of the said legislation will be on its business results, if it is passed.

3. A commitment to invest in original productions

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, Hot is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2012 and 2013 Hot complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In this connection, in October 2011 the Council informed Hot that as from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to receive broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to them regarding the inclusion of income from terminal equipment for the purpose of the calculation of the requirement for original productions was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that Hot will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

4. Agreement to deploy and maintain a cables network

On January 1, 1990 and on May 1, 1989, Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together - The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with the Bezeq company (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called - the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on the Bezeq company's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied the Bezeq company with the base equipment (as defined in the agreement) that comprises the cables network whereas the Bezeq company supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and the Bezeq company conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

It is determined in the agreement that it will remain in force for the length of the period of the concession, and that it will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. The Bezeq company is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing.

The total of the expenses recorded in Hot's accounting records for the network services payable to the Bezeq company in the years 2013 and 2012 amounted to NIS 47 million and NIS 48 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

5. Commitments to lease assets

The Consolidated Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimal future rental fees in respect of the rental contracts as of December 31, 2013, exclusive of the option period, are as follows:

	EUR Million	EUR Million
	December 31, 2013	December 31, 2012
2014	37.3	37.8
2015	30.2	30.0
2016	19.7	24.4
2017	10.1	17.5
2018 and thereafter	7.3	61.7
	104.6	**171.3**

6. On July 19, 2011, Hot's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Consolidated Group can offer to its subscribers, faster internet services and it will also enable Hot to deal with increased demand for traffic capacity on the network in the future, which is expected to arise as a result of increased uses and applications that require a considerable band width.

7. On May 27, 2010, a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter -the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that are required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network from Motorola alone during the period of the agreement.

8. As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.

In December 2011, the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

9. On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party, 60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

10. On June 16, 2011, HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter - the supplier) for the setting up of the infrastructure for HOT Mobile's new network.

In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which HOT Mobile is required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Consolidated Group will pay the supplier an amount of 52 million Dollars, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement.

11. In 2013 and at the beginning of 2014, a number of additions to the agreement were signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with Hot acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

12. On October 27, 2011, an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter - Comverse), in accordance with which Comverse will supply Hot with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter - The system) and Comverse will also supply Hot with hardware, software and services, including the operation and maintenance of the system The agreement is for a period of five years. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately 12.5 million US Dollars. In January 2012, the parties signed on an addendum to this agreement, in accordance with which Comverse is committed to allocate seven additional employees to be available for the project (instead of the manpower that Hot had to make available for the project), for a payment of 500,000 US Dollars.

13. On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter - HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter - The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

14. On November 11, 2013, Hot's Audit Committee approved Hot's commitment under a sub-leasing agreement with the Middle East Company Ltd. (hereinafter – the lessor) for the sub-leasing of a plot of land in the Jaffa Port, which Hot is leasing (hereinafter – the leased property), retroactively, as from July 2013.

The leased property will be used by the tenant, which is a company that produces broadcasts for a foreign news company, which is 85% owned by Mr. Patrick Drahi, the ultimate controlling interest in Hot.

The lease fees that will be paid to Hot in respect of the leased property have been set in accordance with the rental fees that Hot pays in respect of the property and under the same payment terms (back to back), with the addition of a monthly amount in respect of: (1) the tenant's relative share of the municipal taxes, electricity, water, security and cleaning expenses (back to back terms to those paid by Hot) and (2) adaptations to the leased property that Hot has executed at its own expense.

It is determined in the rental agreement that in any case in which the agreement ends before the end of the rental period, the tenant shall pay Hot the balance of the payments in respect of the adaptations that Hot made in the leased property, as discounted using a real annual interest rate that has been set in the agreement.

15. On November 8, 2013, HOT Mobile signed on agreements with Partner Communications Ltd. (hereinafter – Partner), which are subject to the receipt of all of the approvals that are required, as detailed below: HOT Mobile and Partner will set up a limited partnership, which will hold, develop and operate a single advanced cellular communications network, for both of the companies, each of which will hold half of the rights in it. In accordance with the agreement, each of the parties will continue to hold and to operate its core of the network separately and provide cellular communications services, including the marketing and the selling of such services, to its customers alone.

The agreement arranges the management of the joint network and its development, the manner of the management of the partnership, including a mechanism for the appointment of a board of directors, the resolution of disagreements, the bearing of the costs of upgrading the network and so on.

The agreement will be in force for a period up to December 31, 2028, and thereafter, the agreement will be extended automatically for additional periods of 5 years each, unless either of the parties gives notice of its desire to terminate the agreement by giving notice in advance of 24 months before each automatic renewal. Despite the aforesaid, as from the end of a period of 8 years from the entry of the agreement into force, it may be cancelled by either of the parties, in accordance with their own judgment and by giving two years notice in advance from that time. The agreement also sets a mechanism for the separating of the parties in the event of the termination of the agreement.

In consideration for the agreement, HOT Mobile will pay a non-recurring amount, which is to be paid by the beginning of 2017, and thereafter, each party will bear half of the capital investments that are required to set up and to upgrade the joint network and the bearing of the operating expenses for the joint network will be in accordance with a mechanism that is set in the agreement and which is based, inter alia, on the volume of the data traffic that each party consumes from the joint network.

As an interim stage and until the receipt of the approvals that are required under the law, Partner will extend to HOT Mobile the right to use its cellular communications network for the purposes of the provision of brad national cover to its customers. The services under the agreement will apply after the completion of the preparations and in accordance with any agreement or regulation.

In the light of the commitment with Partner in connection with the in-country roaming services, HOT Mobile and Pelephone Telecommunications Ltd. (with which HOT Mobile had entered into an exclusive agreement in the past for in-country roaming services up to December 31, 2014) reached agreement regarding the cancellation of the exclusivity clause.

16. In the reporting period, the management of HOT Mobile Ltd. (hereinafter – HOT Mobile), made a decision regarding the vacation of its offices at Airport City, in respect of which there is a long-term rental contract with Airport City, for the period up to and including 2019. As a result of this decision, Hot has recognized losses of NIS 34 million (EUR 7.1 million) in the reporting period, which have been recorded under other expenses, reflecting the rental expenses, taxes and amortization of leasehold improvements, which in HOT Mobile's assessment are irrecoverable, and which meet the definition of anonerous contract.

17. Capitalized leasing rights on land from the Israel Lands Authority

Capitalized leasing rights on land from the Israel Lands Authority over an area of 20,713 square meters on which the Consolidated Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. See also Note 2K. The lease periods end in the years 2021-2045.

C. Guarantees and liens

1. As collateral for Hot's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed

a) A floating charge on Hot's assets.

b) A fixed charge on the shares in the subsidiary companies.

c) HOT Telecom has given a charge on some of its assets.

The said charges are in an unlimited amount, vis-à-vis Hot, the investee partnership - HOT Telecom and the subsidiary company - HOT Net, jointly and severally.

2. As collateral for the commitments of Hot, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the assets and the rights belonging to debtors of companies in the Consolidated Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Consolidated Group.

3. As collateral for Hot's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

4. As collateral for the Consolidated Group's commitments, as determined in the Consolidated Group's licenses and in the decisions by the Director and the Council, the Consolidated Group has issued a number of guarantees, as follows:

a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.

b) Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until May 2015.

5. HOT has given a number of bank guarantees to various bodies in an overall amount of NIS 32 million.

6. Guarantees for HOT Telecom and HOT Mobile

a) The Consolidated Group has extended guarantees in a cumulative amount of 22 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

b) The Consolidated Group has extended a guarantee in an amount of NIS 246 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

c) The Consolidated Group has extended a guarantee in an amount of 36 million Dollars as collateral for HOT Mobile's commitments to Bank Crédit Agricole in connection with transactions with suppliers of equipment.

d) The Consolidated Group has extended a guarantee in an amount of NIS 11 million as collateral for the commitments of HOT Telecom to various bodies.

7. On May 23, 2013, Hot signed on a credit agreement with Bank Discount Le'Israel Ltd., the First International Bank Le'Israel Ltd. and HSBC Bank PLC (hereinafter – the banks and the credit agreement, respectively).

The amounts of the credit are divided into a number of facilities: A working capital facility, which may be exploited by the drawing down of loans in an amount of up to NIS 200 million and a credit facility for guarantees in an amount of up to NIS 105 million.

The collateral that exists under the financing agreement that Hot signed with Altice Financing S.A., which is a related party of Hot, will serve as collateral, together with the creation of new, additional liens on Hot's holdings in subsidiary companies and partnerships, except for HOT Mobile. As of the balance sheet date, Hot has taken up a guarantee in an amount of NIS 84 million from these facilities, however it has not taken up credit for working capital from these facilities.

33.2 Cabovisao commitments

33.2.1 Contingent assets

During the year ended December 31, 2013 and the analysis of the Decree-Law n º 123/2009 of 21 May, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2013, Cabovisao had outstanding claims against several municipalities, totaling EUR 2.6 million. To present date, the Company received EUR 0.4 million from sixteen municipalities, and executed receivable plan of EUR 1.7 million for the next three years.

33.2.2 Contingent liabilities

a) Bank guarantees

	December 31, 2013
	In millions of euros
Tax Authority	9.6
City Council	0.9
Third Parties	0.1
Total	10.6

b) Commitments with third parties to add services to be provided in future years:

On December 31, 2013, the commitments with third parties to tangible assets and services to be provided in future years with an amount to approximately EUR 2.7 million Euros and EUR 65.7 million respectively.

c) Real guarantees:

During the year ended December 31, 2013, considering the refinancing and debt restructuring operations performed by Altice Group, headed by Altice VII S.à r.l., Cabovisao has signed a collateral agreement which involved the pledge of some Cabovisao's bank accounts, as well as a pledge on the Cabovisao's shares (representing 100% of Cabovisao's share capital and respective voting rights).

d) Other contingent liabilities:

As a result of the Cabovisao's decision to do not pay any taxes charged by municipalities (since September 2010), the municipality of Almada initiated a litigation process, regarding the municipality taxes charged for the period between 2006 and 2009, in the amount of 595.000 Euros. Until the present date, there are no subsequent deliberations. The Board of Directors understands that the final outcome will be favorable to Cabovisao, based on the legal counsels' opinion.

In addition, there are several legal proceedings, initiated by third parties, in particular claims by several suppliers, related to the supply of services and equipment, in the amount of approximately 174.000 Euros. Until the present date, Cabovisao has not recognized any provision, since it is Board of Directors understanding that the final outcome will be favorable to the company, based on the legal counsels' opinion.

33.3 Coditel Holding commitments

As of December 31, 2013, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged in the framework of the Coditel facility. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

33.4 Altice Six

Altice Six has an outstanding commitment to buy an additional 10% stake in the Numericable Group S.A. from other major shareholders. This commitment, signed on November 7, 2013, amounted to a total of EUR 317 million for the year ended December 31, 2013. An additional price is due to be paid in the second quarter of 2014, which is based on the evolution of the share price of Numericable Group S.A. between the offering price at IPO and the price on the date of the transaction.; as of March 17, 2014 the additional price amounts to EUR 23.9 million.

33.5 Others

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Portugal S.A., Altice Carribean S. à r.l., Cool Holdings LTD S.A., H.Hadaros 2012 LTD., Hot Telecommunications System LTD, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidiaries, Coditel Holding S.A., Winreason S.G.P.S and its subsidiaries have been pledged for the issued Senior Secured Notes and the Altice financing term loan. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Altice Financing S.A. has access to two super senior secured revolving credit facilities amounting to a total of USD 80 million and EUR 60 million respectively. In addition to these facilities, it also has access to a guarantee facility of EUR 75 million. As of December 31, 2013 the revolving credit facilities remain undrawn. EUR 8.4 million were drawn down on the guarantee facility, and recorded in the accounts of Cabovisao. All pledges applicable for the senior secured notes and the term loan are also applicable to these facilities.

34-Statutory Auditors' fees

In 2013, an amount of EUR 3.8 million was paid to various networks affiliates of the Consolidated Group's auditors, split mainly between EUR 1.4 million for audit services, EUR 2.0 million for assurance services and EUR 0.4 million for non-audit services (tax and consultancy).

35-Going concern

During the year ended December 31, 2013, the company had a net current asset position of EUR 854.2 million (mainly due to current restricted cash of EUR 1,242.7 million), a net profit of EUR 49.6 million (down from a net loss of EUR 180.2 million in FY12), positive cash flow from operations of EUR 438.9 million and negative working capital of EUR 198.4 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 198.4 million is mainly driven by trade receivables and payables. The net profit recorded in FY13 was mainly driven by the recognition of a gain on the de-recognition of assets in the accounts of Altice Six related to the public offering of Numericable Group (See note 27). The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 194.0 million vs. EUR 392.4 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2013, the company had few short term loan payments (< 1y), and long term debt was refinanced in June 2013. Despite the net current liability position, Management is of the view that the company will continue to act as a going concern for 12 months from the date of approval of these financial statements based on the following:

The Consolidated Group has a strong track record of generating positive operating income before amortisation and depreciation and generated strong positive operating cash flows in 2013 (EUR 438.9 million). Operating income before D&A amounted to EUR 518.0 million, an increase of 28.5% compared to FY12, thus reaffirming management's ability to drive profits in the different operating companies.

The Consolidated Group had healthy unrestricted cash reserves at the end of 2013 (EUR 61.6 million vs. EUR 129.7 million in 2012), which would allow it to cover any urgent cash needs. Additionally, the Consolidated Group had access to a revolving credit facility ("RCF") of up to USD 80.0 million and EUR 63.8 million (EUR 124 million equivalent), as well as access to a guarantee facility of up to EUR 75 million (of which EUR 8.4 million were drawn in FY2013 in order to unblock restricted cash at Cabovisao).

The Consolidated Group had a net equity position of EUR 95.3 million as of December 31, 2013, a decrease of 66.0% compared to EUR 280.0 million for the year ended December 31, 2012. The decrease in the equity position was mainly driven by accounting adjustments related to losses made on the acquisition of minority interests from non-controlling shareholders recorded at Altice VII. It is management's view that these acquisitions have a strategic founding and will allow the Group to better integrate, absorb and utilize the cash generated by the concerned entities. In addition, Altice Six had enough reserves to absorb such non-cash losses and maintain a positive net equity position.

In addition to the points enumerated above, the Group has implemented a new budgeting exercise, with monthly account reviews with CFOs of operating companies to track budget accuracy. This exercise is complemented by a mid-year reforecast based on real first semester numbers.

Management also tracks operational key performance indicators (KPIs) on a weekly basis, thus closely tracking top line trends very closely. This allows management and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and ensure that the budgeted targets are met.

In the view of the initial public offering of the newly formed company Altice S.A., the new direct controlling shareholder of Altice VII Sà r.l., it was decided to convert all existing subordinated debt instruments issued by Altice VII and Altice Six and subscribed by Next L.P.., into share capital, before the contribution of Altice VII and Altice Six to Altice S.A. Thus, YPFECs and ALPECs issued by Altice VII, and YFPECs issued by Altice Six were converted into equity at their nominal value, totalling EUR 181.5 million (EUR133.3 million at Altice VII and EUR 48.2 million at Altice Six).

35-Events after the reporting period

Acquisition of the Mobius Group

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the "Mobius Acquisition"). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the "Mobius Technology" brand and double and triple play services based on xDSL technology to residential customers under the "IZI" brand. The consummation of the Mobius Acquisition occured on January 15, 2014 and was financed via the super senior revolving credit facility that the company has access to. A total of EUR 20.5 million was drawn from the RCF to finance the acquisition. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group (the "Mobius Managers") have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition (approximately EUR 4.6 million) in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two would be reduced to approximately 77%. as of the date of this report, an agreement had been reached with the Managers of Altice Blue Two to transfer their minority holdings in Altice Blue Two into shares of Altice S.A. (please see below for more details).

Conversion of Altice VII and Altice Six subordinated debts

On January 31, 2014, Next L.P. converted all subordinated debt instruments held against Altice VII S.à.r.l, and Altice Six S.A. before the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding YFPECs and ALPECs issued by Altice VII were converted at their nominal value of EUR 133.2 million, which was directly attributed to the net equity of the company. All outstanding YFPECs issued by Altice Six were converted into common shares of Altice Six S.A. at their nominal value of EUR 48.2 million.

Initial public offering

On January 31, 2014, Altice S.A. listed its shares in an initial public offering on Euronext Amsterdam. The company raised capital in two steps, first through a primary offering of new shares of the listed company, for EUR 750 million and a secondary offering, consisting of the sale of shares held by Next L.P. in Altice S.A., for a total amount of EUR 555 million. The shares were traded at opening at an offer price of EUR 28.25. Additionally, an over-allotment option, for the maximum authorised amount (upto 15% of the total shares offered), was exercised by Altice S.A. Following the IPO, 25.6% of the share capital of the company is publicly traded, with the rest held by Next L.P and certain Managers. The shares are traded on Euronext Amsterdam with the ticker ATC:NA.

Change in minority interests of Altice Blue Two

In January 2014, the Company entered into discussion with the management of Outremer Telecom ("OMT Managers"), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and MTVC, to exchange their existing shares in Altice Blue Two S.A.S against shares in the newly floated mother company of Altice VII, Altice S.A.

As per the agreement, which was completed and signed on March 13, 2014, the OMT Managers contributed all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management), for a base value of EUR 55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

Acquisition of the Tricom Group

On March 12, 2014 the Group obtained control of Tricom S.A. and Global Interlink Ltd. (together, "Tricom"), a leading telecommunications operator in the Dominican Republic, providing (i) cable and xDSL-based multiple-play services and stand-alone pay television, broadband Internet and fixed-line telephony services and (ii) 3G and 4G mobile telephony services relying on its mobile network. This acquisition enables the Group to expand its footprint in the Carribean and more especially in the Dominican Republic. Control was obtained upon approval from Indotel, the Dominican Republic antitrust authority. As of the date of the transfer of the shares, the Group acquired 96% of the total equity in Tricom S.A. and 92% of the outstanding interests in Global Interlinks.

For the year ended December 31, 2013, Tricom would have contributed EUR 158.3 million to revenue and EUR 19.9 million to operating profit to the Group's results, if it had been purchased on January 1, 2013 (these figures are based on unaudited US GAAP figures).

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of Tricom amounted to €291.3 million, using the proceeds raised in December 2013.

The total value of assets transferred in consideration for the values mentioned above amounted to EUR 145.7 million, comprising mainly of intangible assets for a net value of EUR 21.0 million, property, plant and equipment for a total value of EUR 133.8 million and trade receivables for a total amount of EUR 16.5 million. Total liabilities amounted to €97.9 million, comprising of EUR 45.1 of non-current liabilities and EUR 52.8 million of current liabilities. The residual value of EUR 145.6 million was recognised provisionally as goodwill (these figures are based on unaudited US GAAP figures).

The values of the assets and liabilities assumed have been determined on a provisional basis until the Group finalizes its assessment of the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	EUR	291.3 million
Fair value of identifiable assets and liabilities	EUR	(145.7) million
Goodwill	EUR	145.6 million

Acquisition of additional shares in Numericable

On November 18, 2013, Altice Six entered into an agreement with other major shareholders in the Numericable group to purchase an additional 10% stake, thus increasing its shareholding to 40% (inclusive of the 2.6% option provided to other shareholders and described elsewhere in this report). This acquisition triggered a change in control of the Numericable Group. The transaction was consummated on February 4, 2014, with the primary proceeds from Altice S.A.'s IPO and thus Altice S.A. became the controlling shareholder of Numericable S.A.

Stock Options provided to Senior Management and Executive Directors

Senior management and Executive Directors of the Company are eligible to participate in the Stock Option Plan ("SOP") at the discretion of the Remuneration Committee.

Members of the management team (including the Executive Directors) will be granted options on Admission to acquire Shares at the Offer Price. These options will vest and become exercisable in tranches of 50%, 25% and 25% respectively, on the second, third and fourth anniversary of Admission, for a period of seven years (or if earlier, ten years from the initial grant) after which time they will lapse. It is intended that no further options will be granted to participants who were granted options on Admission until the last tranche of the initial options have vested, however options may be granted to new members of the management team.

Options with an aggregate value of up to €250 million will be granted on Admission with an exercise price equal to the Offer Price and further options with an aggregate value of up to €100 million will be made available for new hires. Therefore, up to 6.9% of the Company's issued share capital will be allocated to satisfy these option grants.

Clawback and malus will apply to options granted under the SOP, such that options may be adjusted or reduced (even to nil) prior to exercise, and any exercised options reimbursed to the Company, in circumstances in which the Remuneration Committee considers appropriate, including material misstatement of financial results, failure of risk management, reputational damage, fraud or negligence.

Participants who leave the Group by reason of death, injury, ill-health or, for any other reason, if the Remuneration Committee so determines, will retain any vested options. Unvested options will vest on cessation, but will be pro-rated for time (unless the Remuneration Committee determines otherwise). Participants who leave the Group *for* any other reason will forfeit any outstanding unexercised options, unless the Remuneration Committee determines otherwise. Unvested options will normally vest in full on a change of control of the Company.

Contribution in kind by Valemi Corp S.A.

On October 4, 2013, Altice VII S.à r.l., a direct subsidiary of Altice S.A., acquired a controlling stake in two content companies, MCS S.A.S and SportV S.à r.l. from Altice IV and Valemi Corp S.A. This transaction gave rise to a vendor loan, held by Valemi Corp. S.A. against Altice VII S.à r.l. As part of the pre-IPO restructuring, Altice S.A. and Valemi Corp reached an agreement under which Valemi contributed to the Company a vendor loan payable by Altice VII against the issue of Ordinary Shares. The total amount of the vendor loan held by Valemi was EUR 6.7 million at the time of admission.

Acquisition of SFR

On March 14, 2014, Altice S.A. and Vivendi S.A, the sole shareholder of SFR, France's second largest mobile operator, entered into exclusive talks to negotiate a potential business combination between Numericable and SFR.