ALTICE VII S.À R.L.

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

ALTICE VII S.À R.L.

3, Boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg

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TABLE OF CONTENTS

DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms "Group", "we", "us" and "our" as used in this Annual Report refers to Altice VII and its subsidiaries (but excluding Tricom and ODO). Definitions of certain term and certain financial and operating data can be found below. For explanations or definitions of certain technical terms relating to our business as used herein, see "Glossary" on page G-1 of this Annual Report.

"2012 Notes" collectively refers to the 2012 Senior Secured Notes and the 2012 Senior Notes.

"2012 Revolving Credit Facility" refers to the revolving facility agreement, dated November 27, 2012, as amended and restated on December 12, 2012, as further amended, restated, supplemented or otherwise modified from time to time among, *inter alios*, the Senior Secured Notes Issuer, as borrower, the lenders from time to time party thereto, Citibank International PLC as facility agent and Citibank, N.A., London Branch as security agent.

"2012 Senior Notes Indenture" refers to the indenture dated as of December 12, 2012, as amended, among, *inter alios*, the Senior Notes Issuer, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the Senior Notes.

"2012 Senior Notes Proceeds Loan" refers to the proceeds loan agreement dated the 2012 Transaction Completion Date between the Senior Notes Issuer and the Senior Secured Notes Issuer pursuant to which the proceeds of the 2012 Senior Notes were on-lent by the Senior Notes Issuer to the Senior Secured Notes Issuer.

"2012 Senior Notes" refers to the $425 million aggregate principal amount of $9^{7}/_{8}$% senior notes due 2020 issued by the Senior Notes Issuer under the 2012 Senior Notes Indenture.

"2012 Senior Secured Notes Indenture" refers to the indenture dated as of December 12, 2012, among, *inter alios*, the Senior Secured Notes Issuer, as Issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2012 Senior Secured Notes.

"2012 Senior Secured Notes" collectively refers to the €210 million aggregate principal amount of 8% senior secured notes due 2019 and the $460 million aggregate principal amount of $7^{7}/_{8}$% senior secured notes due 2019 issued by the Senior Secured Issuer under the 2012 Senior Secured Notes Indenture.

"2012 Transaction Completion Date" means December 27, 2012 and refers to the date on which the 2012 Transaction completed.

"2012 Transaction" collectively refers to the Take Private Transaction, the refinancing of certain indebtedness of Cool Holding and HOT, the entering into of the 2012 Revolving Credit Facility Agreement, the issuing of the HOT Refinancing Notes, the Acquisition Note and the Cool Proceeds Note, the making of the 2012 Senior Notes Proceeds Loan and the offering and sale of the 2012 Notes.

"2013 Coditel Acquisition" has the meaning ascribed to it under "*Description of Our Business-Material Contracts.*"

"2013 Dollar Senior Notes Indenture" refers to the indenture governing the 2013 Dollar Senior Notes.

"2013 Dollar Senior Notes" refers to the $400 million aggregate principal amount of $8^{1}/_{8}$% senior notes due 2024 of the Senior Notes Issuer offered hereby.

"2013 Dollar Senior Secured Notes" refers to the $900 million aggregate principal amount of $6^{1}/_{2}$% 2013 Dollar Senior Secured Notes due 2022 offered under the 2013 Senior Secured Notes Indenture.

"2013 Euro Senior Notes Indenture" refers to the indenture dated as of June 14, 2013, as amended, among, *inter alios*, the Senior Notes Issuer, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2013 Euro Senior Notes.

"2013 Euro Senior Notes Proceeds Loan" refers to the intercompany loan made with the proceeds of the offering of the 2013 Euro Senior Notes by the Senior Notes Issuer as lender to the Senior Secured Notes Issuer as borrower in connection with the July 2013 Transactions.

"2013 Euro Senior Notes" refers to the €250 million aggregate principal amount of 9% senior notes due 2023 of the Senior Notes Issuer issued by the Senior Notes Issuer under the 2013 Euro Senior Notes Indenture.

“2013 Euro Senior Secured Notes” refers to the €300 million aggregate principal amount of $6^{1}/_{2}$% 2013 Euro Senior Secured Notes due 2022 offered under the 2013 Euro Senior Secured notes Indenture.

“2013 Guarantee Facility” refers to the guarantee facility agreement dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among the Existing Senior Secured Issuer as borrower, the lenders from time to time party thereto, Wilmington Trust (London) Limited as facility agent and Citibank, N.A., London Branch as Security Agent.

“2013 Revolving Credit Facility” refers to the revolving facility agreement, dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among the Senior Secured Notes Issuer as borrower, the lenders from time to time party thereto Citibank International Plc as facility agent and Citibank, N.A., London Branch as security agent.

“2013 Senior Secured Notes Indenture” refers to the indenture governing the 2013 Dollar Senior Secured Notes and the 2013 Euro Senior Secured Notes.

“2013 Term Loan” refers to the term loan credit agreement on or prior to between the Senior Secured Notes Issuer as borrower and the persons listed in Schedule 2.01 thereto as lenders, an agent to be mutually agreed among the borrower and the lenders as the Administrative Agent and Citibank, N.A., London Branch as Security Agent.

“ABO Proceeds Loan” refers to the intercompany loan made by Altice Holdings as lender to ABO as borrower in connection with the ABO Refinancing and the July 2013 Transactions.

“ABO Refinancing” refers to ABO’s refinancing of approximately € 70 million of its existing indebtedness to third parties with the proceeds of the 2013 Term Loan and the 2013 Euro Senior Notes on July 2, 2013.

“ABO” refers to Altice Blue One S.A.S., a *société par actions simplifiée*, incorporated under the laws of France.

“Acquisition Note” refers to SPV1’s NIS 955.5 million aggregate principal amount of notes due 2019 issued to the Senior Secured Notes Issuer on the 2012 Transaction Completion Date.

“Acquisition of Content Subsidiaries” has the meaning ascribed to it under “*Description of Our Business-Material Contracts.*”

“AH Proceeds Loan” refers to the intercompany loan made by the Senior Secured Notes Issuer as lender to Altice Holdings as borrower in connection with the July 2013 Transactions.

“Altice Bahamas” refers to Altice Bahamas S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg.

“Altice Blue Two” refers to Altice Blue Two S.A.S., a private limited liability company (*société par actions simplifiée*) incorporated under the laws of France.

“Altice Caribbean” refers to Altice Caribbean S.à r.l. a private limited liability company incorporated under the laws of the Grand Duchy of Luxembourg.

“Altice Holdings” refers to Altice Holdings S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg.

“Altice Portugal” refers to Altice Portugal S.A. (formerly known as Rightproposal—Telecomunicações, S.A.) a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“Altice West Europe” refers to Altice West Europe S.à r.l. a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg.

“Altice” or “Altice VII” refers to Altice VII S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg.

“Cabovisão Proceeds Notes” refers to the outstanding bonds issued by Cabovisão and subscribed for by Altice Holdings on April 23, 2013 (“Original Cabovisão Proceeds Notes”) and on July 2, 2013 (“July 2013 Cabovisão Proceeds Notes”).

“Cabovisão Refinancing” refers to the repayment by Altice Financing of the outstanding indebtedness under the Cabovsiao Bridge Facility of € 203 million with the proceeds of the 2013 Term Loan and the 2013 Euro Senior Notes on July 2, 2013.

“Cabovisão” refers to Cabovisão—Televisão por Cabo, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“Coditel Belgium” refers to Coditel Brabant S.P.R.L., a private limited liability company (*société privée à responsabilité limitée*) incorporated under the laws of Belgium.

“Coditel Holding” or “Coditel Holding S.A.” or “Coditel” refers to Coditel Holding S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg, or collectively, Coditel Holding S.A. and its subsidiaries as the context requires.

“Coditel Luxembourg” refers to Coditel S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg.

“Coditel Mezzanine Facility Agreement” refers to the mezzanine facility agreement, dated November 29, 2011, among, *inter alios,* Coditel Holding Lux S.à r.l., Coditel Holding as the company, Wilmington Trust (London) Limited as agent and ING Bank N.V. as security agent.

“Coditel Mezzanine Facility” refers to the facility available under the Coditel Mezzanine Facility Agreement.

“Coditel Refinancing” refers to the prepayment by Coditel Holding of approximately €7 million of its €138 million indebtedness outstanding under the Coditel Senior Facility and the purchase by Altice Holdings of substantially all of the remaining interests of the existing lenders under the Coditel Senior Facility with the proceeds of the 2013 Term Loan and the 2013 Euro Senior Notes on July 2, 2013.

“Coditel Senior Facilities Agreement” refers to the senior facilities agreement, dated November 29, 2011, among, *inter alios*, Coditel Holding Lux S.à r.l. as parent, Coditel Holding as the company, GE Corporate Finance Bank S.A.S., HSBC France, ING Belgium SA/NV, KBC Bank NV and Natixis as mandated lead arrangers, ING Bank N.V. as agent and security agent.

“Collateral” refers to the Senior Secured Collateral and the Senior Notes Collateral.

“Cool Holding” refers to Cool Holding Ltd., (a) a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg and (b) a private limited liability company incorporated under the laws of Israel.

“Cool Proceeds Note” refers to Cool Holding’s NIS 1,052.8 million aggregate principal amount of notes due 2019 issued to the Senior Secured Notes Issuer on the 2012 Transaction Completion Date.

“Cool Shareholder Loan” refers to the amended and restated interest free loan agreement dated January 11, 2013 between Altice VII and Cool Holding pursuant to which Altice VII agreed to grant Cool Holding a loan in a maximum aggregate amount of NIS 1.5 billion.

“Covenant Party Pledged Proceeds Loans” has the meaning ascribed to it under “*Corporate and Financing Structure*”.

“December 2013 AH Proceeds Loan” refers to the intercompany loans made by the Senior Secured Notes Issuer as lender to Altice Holdings, and any successor entity, as borrower, in connection with the December 2013 Transactions.

“December 2013 Indentures” refers to the 2013 Senior Secured Notes Indenture and the 2013 Dollar Senior Notes Indenture.

“December 2013 Notes” refers to the 2013 Dollar Senior Secured Notes, the 2013 Euro Senior Secured Notes and the 2013 Dollar Senior Notes, collectively.

“December 2013 Senior Notes Proceeds Loan” has the meaning ascribed to it under “*The Transactions—The Financing*”.

"December 2013 Senior Secured Notes" refers to, collectively, the 2013 Euro Senior Secured Notes and the 2013 Dollar Senior Secured Notes.

"December 2013 Transactions" refers collectively to the ODO Acquisition, the Tricom Acquisition, the issuance of the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes.

"Escrow Accounts" refers to the Senior Secured Notes Escrow Accounts and the Senior Notes Escrow Account.

"Escrow Agent" refers to the Senior Secured Notes Escrow Agent or the Senior Notes Escrow Agent and "Escrow Agents" refers to them collectively.

"Euro Senior Secured Notes" refers to the €300 million aggregate principal amount of $6^{1}/_{2}$% December 2013 Senior Secured Notes due 2022 offered hereby.

"Fold-in" refers to the transfer by Altice VII of all of the share capital of Altice Holdings and certain of its subsidiaries, including Cabovisão, Coditel Holding, ABO, Green and Le Cable into the Group in connection with the July 2013 Transactions.

"French Overseas Territories" refers to Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

"Global Interlinks Ltd." refers to Global Interlinks Ltd., a corporation organized under the laws of The Bahamas.

"Green Datacenter" refers to Green Datacenter AG (company registration no. CHE-115.555.342), a Swiss company limited by shares (*Aktiengesellschaft*), incorporated and existing under the laws of Switzerland.

"Green" refers to green.ch AG (company registration no. CHE-113.574.742; formerly Solution25 AG), a Swiss company limited by shares (*Aktiengesellschaft*), incorporated and existing under the laws of Switzerland.

"Group Outremer Telecom" refers to Groupe Outremer Telecom S.A., a public limited liability company incorporated under the laws of France, or collectively, Group Outremer Telecom S.A. and its subsidiaries as the context requires.

"Group" refers to Altice VII and its subsidiaries (but excludes Tricom and ODO), unless the context otherwise requires.

"Guarantees" collectively refers to the Senior Notes Guarantees and the Senior Secured Notes Guarantees.

"Guarantors" collectively refers to the Senior Notes Guarantors and the Senior Secured Notes Guarantors.

"HOT Net" refers to HOT Net Internet Services Ltd.

"HOT Proceeds RCF Note" refers to HOT's NIS 320 million aggregate principal amount of notes issued to the Senior Secured Notes Issuer on the 2012 Transaction Completion Date subject to the terms of the revolving loan agreement dated December 27, 2012 among the Senior Secured Notes Issuer, HOT, the HOT Refinancing Note Guarantors and Citibank, N.A., London Branch as security agent.

"HOT Proceeds Term Note" refers to HOT's NIS 1,900 million aggregate principal amount of notes issued to the Existing Senior Secured Issuer on the 2012 Transaction Completion Date.

"HOT Refinancing Note Collateral" refers to the pledge over substantially all of the assets of HOT (including all of the share capital of HOT Mobile) and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes, but, in each case, excluding licenses granted by the Israeli Ministry of Communication and certain end-user equipment, with respect to which HOT is not permitted to grant a security interest, securing the HOT Refinancing Notes. The 2013 Dollar Senior Notes (and the December 2013 Senior Secured Notes) will not benefit from the HOT Refinancing Notes Collateral.

"HOT Refinancing Note Guarantors" refers to HOT Net, HOT Telecom, Hot Vision Ltd., HotIdan Cable Systems Israel Ltd., HotIdan Cable Systems (Holdings) 1987 Ltd., HotEdom Ltd., Hot T.L.M Subscribers Television Ltd. and HotCable System Media Haifa Hadera Ltd.

"HOT Refinancing Notes" collectively refers to the HOT Proceeds RCF Note and the HOT Proceeds Term Note.

"HOT Telecom" refers to HOT Telecom Limited Partnership.

"HOT Unsecured Notes" refers to the NIS 825 million notes (Series A) and the NIS 675 million notes (Series B) of HOT, offered to Israeli investors pursuant to an Israeli shelf offering report dated March 29, 2011 under an Israeli shelf prospectus dated February 28, 2011, as amended on March 29, 2011, and as amended from time to time.

"HOT Minority Shareholder Agreements" has the meaning given to such term in "Description of Our Business".

"HOT Minority Shareholder Call Options" has the meaning given to such term in "Description of Our Business".

"HOT Minority Shareholder Option Exercises" has the meaning given to the term "Minority Shareholder Option Exercise" in the "Description of Senior Secured Notes".

"HOT Minority Shareholders" has the meaning given to such term in "Management and Governance".

"HOT Mobile" refers to HOT Mobile Ltd., formerly known as MIRS Communications Ltd.

"HOT" refers to HOT Telecommunication Systems Ltd., or collectively, HOT Telecommunication Systems Ltd. and its subsidiaries as the context requires.

"IFRS" refers to the International Financial Reporting Standards as adopted by the European Union, unless the context otherwise requires.

"Intercreditor Agreement" refers to the intercreditor agreement dated December 12, 2012, as amended from time to time, among, *inter alios*, the Senior Notes Issuer, the Senior Secured Notes Issuer, Cool Holding, and Citibank, N.A., London Branch, as the Security Agent.

"Issuers" refers to the Senior Notes Issuer and the Senior Secured Notes Issuer.

"July 2013 Transactions" refers collectively to the Fold-in, the ABO Refinancing, the Cabovisão Refinancing, the Coditel Refinancing, the ONI Transaction, the Outremer Transaction, the 2013 Coditel Acquisition and the Acquisition of Content Subsidiaries.

"Le Cable Guadeloupe" refers to World Satellite Guadeloupe S.A., a public limited liability (*société anonyme*) company incorporated under the laws of France.

"Le Cable Martinique" refers to Martinique TV Câble S.A. a public limited liability company (*société anonyme*) incorporated under the laws of France.

"Le Cable Proceeds Loans" collectively refers to the intercompany loans by Altice Holdings as lender to Le Cable Martinique and Le Cable Guadeloupe as borrowers in connection with the Le Cable Refinancing and the July 2013 Transactions.

"Le Cable Refinancing" has the meaning given to such term in "*Corporate and Financing Structure*".

"Le Cable" collectively refers to Le Cable Martinique and Le Cable Guadeloupe.

"Luxembourg" refers to the Grand Duchy of Luxembourg.

"Mobius Acquisition" has the meaning ascribed to it under "*Description of Our Business-Material Contracts.*"

"Mobius Group" means the group headed by Mobius S.A.S., a private limited liability company (*société par actions simplifiée*) incorporated under the laws of France.

"Next L.P." refers to Next Limited Partnership Incorporated, a limited partnership with separate legal personality registered in Guernsey, acting by its general partner, Next GP Limited, a limited liability company registered in Guernsey.

"Numericable Group" refers to Numericable Group S.A. and its subsidiaries.

"ODO Acquisition" has the meaning ascribed to it under "*The Transactions*".

"ODO" refers to Orange Dominicana S.A.

"OMT Invest" refers to OMT Invest S.A.S., a *société par actions simplifiée*, incorporated under the laws of France.

"ONI Acquisition" refers to the purchase by Cabovisão of all of the outstanding shares of Winreason and Winreason shareholders' credits, which was consummated on August 8, 2013.

"ONI Facility Agreement" refers to the facility agreement dated 10 November 2011 between, amongst others, Onitelecom, as borrower, and Banco Efisa, S.A., as agent.

"ONI Hedging Agreements" refers to the hedging agreements entered into by Onitelecom in connection with the ONI Facility Agreement.

"ONI Refinancing" refers to, collectively, the repayment of the outstanding indebtedness under the ONI Facility Agreement by Altice Financing and the termination of, and repayment of the outstanding indebtedness under, the ONI Hedging Agreements by Onitelecom, which were consummated on August 8, 2013.

"ONI S.G.P.S." means ONI S.G.P.S., S.A. a holding company (*sociedade gestora de particiopações sociais*) incorporated under the laws of Portugal.

"ONI Security Agreement" refers to the security agreement dated 10 November 2011 among, inter alios, Winreason, ONI S.G.P.S., Onitelecom, Hubgrade, S.A., F300—Fiber Communications, S.A. and Knewon, S.A., as pledgors, and Banco Efisa, S.A., as security agent (as amended and restated on August 8, 2013).

"ONI Transaction" refers to, collectively, the ONI Acquisition and the ONI Refinancing.

"ONI" and "ONI Group" refer to Winreason, ONI S.G.P.S., Onitelecom and/or their subsidiaries as the context requires.

"Onitelecom" means Onitelecom—Infomunicações, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

"Outremer Investment Agreement" refers to the investment agreement between the parties to the Outremer Purchase Agreement.

"Outremer Proceeds Loans" collectively refers to the intercompany loans made by Altice Holdings as lender to Altice Caribbean, Altice Blue Two, OMT Invest and Group Outremer Telecom as borrowers in connection with the Outremer Transaction.

"Outremer Purchase Agreement" refers to the sale and purchase agreement dated June 7, 2013 between Altice VII and certain of its subsidiaries and the existing investors in, and certain managers of, OMT Invest and certain of its affiliates.

"Outremer Transaction" refers collectively to the following transactions: (i) the purchase by Altice (through Altice Blue Two) of all of the outstanding share capital of OMT Invest other than shares that were contributed separately pursuant to the Outremer Investment Agreement and the refinancing of all of the outstanding indebtedness of OMT Invest and its subsidiaries pursuant to the Outremer Purchase Agreement; and (ii) the contribution by the Group of all of the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe to Altice Blue Two and the contribution by the managers of OMT Invest of all of the outstanding shares of OMT Invest not sold to Altice under the Outremer Purchase Agreement to Altice Blue Two pursuant to the Outremer Investment Agreement. The Outremer Transaction was consummated on July 5, 2013.

"Outremer" refers to Groupe Outremer Telecom and its subsidiaries.

"Pledged Proceeds Notes" collectively refers to the Covenant Party Pledged Proceeds Loans and the Senior Secured Notes Issuer Pledged Proceeds Notes.

"Restricted Group" refers to Altice VII and its Restricted Subsidiaries, as defined in the December 2013 Indentures.

"Revolving Credit Facility Agreements" collectively refers to the 2012 Revolving Credit Facility and the 2013 Revolving Credit Facility.

"Security Agent" refers to Citibank, N.A., London Branch.

"Senior Notes Collateral" has the meaning ascribed to it under "*The Offering—Security—2013 Dollar Senior Notes*".

"Senior Notes Escrow Account" has the meaning ascribed to it under "*The Offering—Escrow of Proceeds; Special Mandatory Redemption*".

"Senior Notes Escrow Agent" refers to Citibank, N.A., London Branch, acting in its capacity as escrow agent under the Senior Notes Escrow Agreement.

"Senior Notes Escrow Agreement" has the meaning ascribed to it under "*The Offering—Escrow of Proceeds; Special Mandatory Redemption*".

"Senior Notes Guarantees" has the meaning ascribed to it under "*The Offering—Guarantees—Senior Notes.*"

"Senior Notes Guarantors" has the meaning ascribed to it under "*The Offering—Guarantees—Senior Notes.*"

"Senior Notes Issuer" refers to Altice Finco S.A., a public limited liability company (*société anonyme*), incorporated under the laws of Luxembourg.

"Senior Notes Proceeds Loans" collectively refers to the December 2013 Senior Notes Proceeds Loan, the 2012 Senior Notes Proceeds Loan and the 2013 Euro Senior Notes Proceeds Loan.

"Senior Notes" collectively refers to the 2012 Senior Notes, the 2013 Euro Senior Notes and the 2013 Dollar Senior Notes .

"Senior Secured Collateral" has the meaning ascribed to it under "*The Offering—Security—December 2013 Senior Secured Notes*".

"Senior Secured Debt" refers to the 2012 Senior Secured Notes, the 2012 Revolving Credit Facility, the 2013 Term Loan, the 2013 Revolving Credit Facility, the 2013 Guarantee Facility and the December 2013 Senior Secured Notes.

"Senior Secured Notes Escrow Accounts" has the meaning ascribed to it under "*The Offering—Escrow of Proceeds; Special Mandatory Redemption.*"

"Senior Secured Notes Escrow Agent" refers to Citibank, N.A., London Branch, acting in its capacity as escrow agent under the Senior Secured Notes Escrow Agreement.

"Senior Secured Notes Escrow Agreement" has the meaning ascribed to it under "*The Offering—Escrow of Proceeds; Special Mandatory Redemption*".

"Senior Secured Notes Guarantees" has the meaning ascribed to it under "*The Offering—Guarantees—Senior Secured Notes.*".

"Senior Secured Notes Guarantors" has the meaning ascribed to it under "*The Offering—Guarantees—Senior Secured Notes*".

"Senior Secured Notes Issuer Pledged Proceeds Notes" collectively refers to the AH Proceeds Loan, the December 2013 AH Proceeds Loans, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Notes.

"Senior Secured Notes Issuer" refers to Altice Financing S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg.

"SPV1" refers to H. Hadaros 2012 Ltd.

"Take Private Transaction" refers to the acquisition by Cool Holding and SPV1 of all the outstanding shares of HOT (other than certain share options) and the subsequent delisting from the Tel Aviv Stock Exchange of the shares of HOT, which was completed on the 2012 Transaction Completion Date.

"Tricom Acquisition" has the meaning ascribed to it under "*The Transactions*".

"Tricom" refers collectively to Tricom S.A., a corporation (*Sociedad Anónima*) incorporated under the laws of the Dominican Republic and Global Interlinks Ltd.

"Trustee" refers to Citibank, N.A., London Branch, acting in its capacity as trustee under the December 2013 Indentures.

"U.S. Securities Act" refers to the U.S. Securities Act of 1933, as amended.

"Winreason" refers to Winreason, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

FORWARD-LOOKING STATEMENTS

This Annual Report contains “forward-looking statements” as that term is defined by the U.S. federal securities laws. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this Annual Report including, but without limitation, those regarding our future financial condition, results of operations and business, our product, acquisition, disposition and finance strategies, our capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, potential synergies and cost savings, competitive and economic factors, the maturity of our markets, anticipated cost increases, synergies, liquidity, credit risk and target leverage levels. In some cases, you can identify these statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should”, and “will” and similar words used in this Annual Report.

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond our control. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. Such forward looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. We caution readers not to place undue reliance on the statements, which speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward looking statements included in this Annual Report include those described under “Risk Factors”.

The following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash flow to service our debt and to control and finance our capital expenditures and operations;
- restrictions and limitations contained in the agreements governing our debt;
- our ability to raise additional financing or refinance our existing indebtedness;
- fluctuations in currency exchange rates, inflation and interest rates;
- negative changes to our credit rating;
- risks associated with our structure, this offering, and our other indebtedness;
- risks related to the December 2013 Transactions;
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to arise from the Tricom Acquisition, the ODO Acquisition and the cost savings we expect to realize from our Network Sharing Agreement in Israel;
- the competitive environment and downward price pressure in the broadband communications, television sector, fixed line telephony, mobile telephony and B2B sectors in the countries in which we operate;
- risks related to royalties payments and our licenses;
- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;

- changes in the political, judicial, economic or security environment in the countries in which we operate or will operate in the future;
- changes in consumer television viewing preferences and habits and our ability to maintain and increase the number of subscriptions to our digital television, telephony and broadband Internet services and the average revenue per household;
- capital spending for the acquisition and/or development of telecommunications networks and services and equipment and competitor responses to our products and services, and the products and services of the entities in which we have interests;
- increases in operating costs and inflation risks;
- consumer acceptance of existing service offerings, including our analog and digital video, fixed-line and mobile telephony and broadband Internet services and or multiple-play packages and consumer acceptance of new technology, programming alternatives and broadband services that we may offer;
- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to achieve cost saving from network sharing arrangements for our mobile services in Israel;
- the availability of attractive programming for our analog and digital video services or necessary equipment at reasonable costs;
- technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- the ability of third party suppliers and vendors to timely deliver qualitative products, network infrastructure, equipment, software and services;
- our ability to protect our intellectual property rights and avoid any infringement of any third party's intellectual property rights;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we have recently acquired or may acquire in the future;
- any disruptions in the credit and equity markets which could affect our credit instruments and cash investments;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in laws or treaties relating to taxation in the countries in which we operate, or the interpretation thereof;
- our ability to maintain subscriber data and comply with data privacy laws;
- our ability to manage our brands;
- changes in, or failure or inability to comply with, government regulations and adverse outcomes from regulatory proceedings;
- the application of law generally and government intervention that opens our fixed-line and mobile networks to competitors, which may have the effect of increasing competition and reducing our ability to reach the expected returns on investment;
- our ability to obtain building and environmental permits for the building and upgrading of our networks, including our mobile network in Israel, and to comply generally with city planning laws;
- our inability to completely control the prices we charge to customers or the programming we provide;
- the outcome of any pending or threatened litigation;

- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;

- our ability to integrate acquired businesses and realize planned synergy benefits from acquisitions (including without limitation the Tricom Acquisition and the ODO Acquisition);

- our ability to maintain adequate managerial controls and procedures as the business grows;

- our ultimate parent's interest may conflict with our interests;

- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;

- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events; and

- other factors discussed in this Annual Report.

The cable television, broadband Internet access, fixed-line telephony, ISP services, mobile services and B2B industries are changing rapidly and, therefore, the forward looking statements of expectations, plans and intent in this Annual Report are subject to a significant degree of risk. These forward looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward looking statement.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of this Annual Report.

We disclose important factors that could cause our actual results to differ materially from our expectations in this Annual Report. These cautionary statements qualify all forward looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations and ability to make payments under the December 2013 Notes.

This Annual Report contains certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the Tricom Acquisition and the ODO Acquisition and estimates of cost savings we expect to realize from our Network Sharing Agreement in Israel as well as related costs to implement such measures. The estimates present the expected future impact of these transactions and the integration of Tricom and ODO into our existing business. Such estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating the synergies arising from the Tricom Acquisition and the ODO Acquisition are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates. Our estimates of cost savings from our Network Sharing Agreement assume, among other things, that our historical performance data will remain substantially unchanged and assumes certain capital expenditure savings.

EXCHANGE RATE INFORMATION

We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate.

	U.S.$ per euro			
	Period Average (1)(2) (4)	High(4)	Low(4)	Period End(3) (4
Year				
2010	1.3266	1.4510	1.1952	1.3366
2011	1.3924	1.4874	1.2925	1.2960
2012	1.2859	1.3463	1.2053	1.3197
2013(4)	1.3282	1.3084	1.2772	1.3890
Month				
May 2013	1.2981	1.3190	1.2828	1.2971
June 2013	1.3198	1.3402	1.3005	1.3005
July 2013	1.3083	1.3280	1.2792	1.3276
August 2013	1.3315	1.3420	1.3204	1.3204
September 2013	1.3354	1.3531	1.3127	1.3531
October 2013	1.3639	1.3804	1.3498	1.3599
November 2013	1.3497	1.3367	1.3605	1.3591
December 2013(4)	1.3706	1.3803	1.3551	1.3789

(1) The average rate for a year means the average of the Bloomberg Composite Rates (based on the market rates at 6.00 p.m. London time) on the last day of each month during a year.

(2) The average rate for each month presented is based on the average Bloomberg Composite Rate (based on the market rates at 6.00 p.m. London time) for each business day of such month.

(3) Represents the exchange rate (based on the market rates at 6.00 p.m. London time) on the last business day of the applicable period.

(4) For month ended December 31, 2013 and the year ended December 31, 2013, exchange rates between U.S. dollar and euro, Swiss Francs and euro, and NIS and euro have been derived from Bloomberg and exchange rates between Dominican Peso and euro have been derived from Oanda. The average rate in each case represents the average of the daily exchange rate of each currency over the period analysed and the end of period rate corresponds to the exchange rate at closing on the last business day of the period being considered.

For your convenience we have translated certain financial information and operating measures expressed in Swiss Francs, NIS or Dominican Peso, as applicable, into euro. We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The exchange rates used herein are set forth below and reflect the periods for which we have presented financial information and operating measures that we have translated into euros, from Swiss Francs, NIS or Dominican Peso, as applicable.

As of	EUR per NIS	
December 31, 2010	€0.2125	NIS1.00
December 31, 2011	€0.2024	NIS1.00
December 31, 2012	€0.2030	NIS1.00
December 31, 2013(4)	€0.2093	NIS1.00

Average rate for the	EUR per NIS	
Year ended December 31, 2010	€0.2018	NIS1.00
Year ended December 31, 2011	€0.2009	NIS1.00
Year ended December 31, 2012	€0.2018	NIS1.00
Year ended December 31 2013(4)	€0.2086	NIS1.00

As of	EUR per CHF	
December 31, 2010	€0.7997	CHF1.00
December 31, 2011	€0.8226	CHF1.00
December 31, 2012	€0.8226	CHF1.00
December 31, 2013(4)	€0.8161	CHF1.00

Average rate for the	EUR per CHF	
Year ended December 31, 2010	€0.7301	CHF1.00
Year ended December 31, 2011	€0.8112	CHF1.00
Year ended December 31, 2012	€0.8296	CHF1.00
Year ended December 31, 2013(4)	€0.8126	CHF1.00

As of	EUR per DOP	
December 31, 2013	€0.0168	DOP1.00

Average rate for the	EUR per DOP	
Year ended December 31, 2011	€0.0188	DOP1.00
Year ended December 31, 2012	€0.0201	DOP1.00
Year ended December 31 2013 (4)	€0.0183	DOP1.00

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated or the context otherwise requires, references to "IFRS" herein are to IFRS as adopted in the European Union.

Financial Data

Historical Consolidated Financial Information

This Annual Report includes the following historical consolidated financial information of Altice VII:

- the audited consolidated financial statements of Altice VII as of and for the year ended December 31, 2013, prepared in accordance with IFRS, which have been audited by Deloitte Audit S.à r.l..

The above-mentioned historical consolidated financial information of Altice VII, and information directly derived therefrom, are referred to herein as the "Historical Consolidated Financial Information".

Illustrative Aggregated Selected Financial Information

Altice VII is a holding company which, since its formation in 2008, has from time to time made significant equity investments in a number of cable, media and telecommunication businesses in various jurisdictions. The following is a summary of the key investments and disposals made by Altice VII in the years ended December 31, 2011, 2012 and 2013, which have had a significant impact on the Historical Consolidated Financial Information.

During the year ended December 31, 2011, Altice VII made the following acquisitions that fundamentally changed the business undertaking: (i) in the first quarter of 2011, Altice VII increased its ownership in HOT-Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the historical consolidated financial statements of Altice VII with effect from March 16, 2011). In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice VII and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group"; and (ii) in the second quarter of 2011, Altice VII acquired a controlling equity interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium and Coditel S.à r.l., a company with cable television operations in Luxembourg, in each case, through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from July 1, 2011).

The year ended December 31, 2012 was marked by the following two significant acquisitions by Altice VII: (i) in the first quarter of 2012, Altice VII acquired approximately 60% of the equity interests in Cabovisão—Televisão por Cabo, S.A. ("Cabovisão"), a Portuguese telecommunications company (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from February 29, 2012); and (ii) in the fourth quarter of 2012, the Company completed the take-private transaction of the HOT Group whereby it acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. it did not previously own.

In the year ended December 31, 2013, Altice VII has added to its portfolio of holdings with the following acquisitions: (i) in the first quarter of 2013, Altice VII acquired substantially all of the equity interests in Cabovisão that it did not already own; (ii) in the third quarter of 2013, Altice VII acquired a controlling equity interest in Groupe Outremer Telecom S.A., a telecommunications company with operations in the French Overseas Territories (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from July 5, 2013); and (iii) in the third quarter of 2013, Altice VII (through its subsidiary Cabovisão) acquired 100% of the equity interests in Winreason S.A., the owner of Portuguese telecommunications operator Oni SGPS S.A. and its subsidiaries (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from August 8, 2013) and (iv) in November 2013, Altice VII acquired further equity interests in Coditel pursuant to the 2013 Coditel Acquisition. In addition, in 2013, Altice VII disposed of its interests in Valvision and acquired the content subsidiaries, Ma Chaîne Sport and Sportv and entered into agreements to acquire the Mobius Group, Tricom and ODO. The acquisition of Tricom was completed on March 12, 2014. In addition, during 2013 Altice VII initiated its equity investment in Wananchi ("Wananchi"), a Kenyan cable operator.

As a result of the series of significant acquisitions that have been consummated by Altice VII in the years ended December 31 2011, 2012 and 2013, and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Annual Report for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Consequently, certain unaudited illustrative aggregated selected financial information for each of the years ended December 31, 2011 and 2012 has been included in this Annual Report as we believe this will aid comparability of the results of operations of the entire business undertaking of the Group as it exists at the date of this Annual Report for each of these periods. The illustrative aggregated selected financial information for each of the years ended December 31, 2011 and 2012, and information directly derived therefrom, are referred to herein as the "Illustrative Aggregated Selected Financial Information". The Illustrative Aggregated Selected Financial Information has been compiled by aggregating selected aggregated financial information extracted from (i) the audited historical consolidated financial statements of Altice VII for each of the years ended December 31, 2011 and 2012 and (ii) the audited historical financial information of each of the business undertakings the acquisition of which was consummated by Altice VII prior to the date of this Annual Report for each of the years ended December 31, 2011 and 2012 (or for such shorter periods during the years ended December 31, 2011 and 2012, as applicable, for which the results of operations of such acquired business undertaking is not included in the audited historical consolidated financial statements of Altice VII). Adjustments have been made to the resulting aggregation in instances where the audited historical financial information of a business undertaking acquired by Altice VII and included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS as adopted by the European Union. The Illustrative Aggregated Selected Financial Information does not include any additional pro forma adjustments. For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information included elsewhere in this Annual Report. The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of (i) the Mobius Group or ODO as these acquisitions are still pending as of the date of this Annual Report, or (ii) Tricom as the acquisition was completed after the year ended December 31, 2013. The Pro Forma Financial Information (as defined below) and the Illustrative Aggregated Selected Financial Information include the results of operations of Valvision even though we disposed of our interests in Valvision in 2013. In each of the years ended December 31, 2011, 2012 and 2013, Valvision contributed €2.6 million, €2.5 million and €1.3 million to aggregated and pro forma revenues and €0.9 million, €0.9 million and €0.5 million, respectively to aggregated and pro forma EBITDA. Further, the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information include the results of operations of Green Datacenter and Auberimmo, which are subsidiaries of Altice VII however are unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.6 million, €9.0 million and €10.9 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million, €0.9 million, €0.9 million to aggregated and pro forma revenues and €0.8 million, €0.8 million and €0.8 million to aggregated and pro forma EBITDA.

The Illustrative Aggregated Selected Financial Information was prepared on the basis of the following sources:

- the audited historical financial statements of Altice VII for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS (which include in the notes thereto certain pro forma financial information of HOT Telecom for the period between January 1, 2011 and March 16, 2011);

- the audited financial statements of Coditel Brabant S.p.r.l. as of and for the seven months ended July 31, 2011 prepared in accordance with Belgium GAAP;

- the audited accounts of Coditel S.à r.l. for the period from January 1, 2011 to July 31, 2011 prepared in accordance with Luxembourg GAAP;

- the unaudited financial statements of Cabovisão for the two months ended February 29, 2012 prepared in accordance with IFRS;

- the audited accounts of Cabovisão for the year ended December 31, 2011 prepared in accordance with IFRS;

- the audited pro forma accounts for ONI for the years ended December 31, 2011 and 2012 (corresponding to the period between January 1 and December 31) prepared in accordance with IFRS;

- the audited consolidated accounts for Groupe Outremer Telecom for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS;

- the audited statutory accounts of Ma Chaîne Sport for the years ended December 31, 2011 and 2012 prepared in accordance with French GAAP (aligned with the measurement and recognition criteria of IFRS); and

- the unaudited financial statements for SportV for the year ended December 31, 2012 prepared in accordance with IFRS.

The Illustrative Aggregated Selected Financial Information among other things:

- neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such;
- has not been audited in accordance with any generally accepted auditing standards;
- has not been reviewed in accordance with any generally accepted review standards;
- is presented for illustrative purposes only;
- is provided for certain limited items from Altice VII's statement of income and statement of cash flows and accordingly does not include all the information that would usually be included in a statement of income or statement of cash flows or any information that would usually be included in a statement of other comprehensive income, statement of financial position or statement of changes in equity, in each case prepared in accordance with IFRS.
- does not purport to represent what our actual results of operations or financial condition would have been had the significant acquisitions and disposals described above occurred with effect from the dates indicated; and
- does not purport to project our results of operations or financial condition for any future period or as of any future date.

The Illustrative Aggregated Selected Financial Information included in this Annual Report has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive, or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting aggregated financial information have been audited in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information has been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared by Altice VII for any other periods for which Historical Consolidated Financial Information or Pro Forma Financial Information has been included in this Annual Report.

The Illustrative Aggregated Selected Financial Information includes results of operations data of the acquired businesses (other than Mobius Group, Tricom and ODO) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we currently have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in the Illustrative Aggregated Selected Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA, the non-controlling interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling owners' interests may be very significant as is demonstrated by the line item "profit or loss attributable to non-controlling interests" in the Historical Consolidated Financial Statements. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA, the Illustrative Aggregated Selected Financial Information is also subject to the limitations with respect to non-IFRS measures described below.

ODO

Following the completion of the ODO Acquisition, the Group expects that it will own approximately 97% of the equity interests in ODO. This Annual Report includes the following financial information of ODO prepared in accordance with IFRS:

- the audited standalone financial statements of ODO as of and for the year ended December 31, 2013;

Pro Forma Financial Information

The Annual Report includes the following pro forma financial information of Altice VII giving effect to each of the significant acquisitions described above (without giving effect to the ODO Acquisition, the Mobius Acquisition or the Tricom Acquisition) as if such acquisitions had occurred by January 1, 2013:

- the unaudited pro forma consolidated financial information of Altice VII for the year ended December 31, 2013.

The above-mentioned pro forma consolidated financial information of Altice VII, and information directly derived from such pro forma consolidated financial information, are referred to herein as the “Pre-Transaction Pro Forma Financial Information”.

The Annual Report also includes the following pro forma financial information of Altice VII giving effect to each of the significant acquisitions described above and the ODO Acquisition (but without giving effect to the Mobius Acquisition and the Tricom Acquisition) as if such acquisitions had occurred by January 1, 2013:

- the unaudited pro forma consolidated financial information of Altice VII for the year ended December 31, 2013.

The above-mentioned pro forma consolidated financial information of Altice VII, and information directly derived from such pro forma consolidated financial information, are referred to herein as the “Post-Transaction Pro Forma Financial Information”.

The Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information are collectively referred to as the “Pro Forma Financial Information”.

The Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition or the Tricom Acquisition and therefore does not include financial information of Tricom or Mobius.

The Pro Forma Financial Information included in this Annual Report has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive or any generally accepted auditing standards.

The Pro Forma Financial Information included in this Annual Report and their respective pro forma adjustments, among other things:

- are based on upon available information and assumptions that we believe are reasonable under the circumstances;
- are presented for informational purposes only;
- have not been audited in accordance with any generally accepted auditing standards;
- have not been reviewed in accordance with any generally accepted review standards;
- do not purport to represent what our actual results of operations or financial condition would have been had the significant acquisitions and disposals described above, the Tricom Acquisition, the Mobius Acquisition and the ODO Acquisition occurred with effect from the dates indicated; and
- do not purport to project our results of operations or financial condition for any future period or as of any future date.

The Historical Consolidated Financial Information, the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information mentioned above do not indicate results that may be expected for any future period.

The Pro Forma Financial Information includes the results of operations and financial condition of the acquired businesses and in the case of the Post-Transaction Pro Forma Financial Information, the results of ODO, for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we currently have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in the Pro Forma Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. The non-controlling interests in the operating results of Coditel Holding and Outremer in the Historical Consolidated Financial Information and the Pro

Forma Financial Information can be significant and are reflected in the line item profit or loss attributable to non-controlling interests in the relevant statements of income.

Certain Adjusted Financial Information

This Annual Report also includes certain financial information on an as adjusted basis to give effect to the July 2013 Transactions and the December 2013 Transactions, including the debt incurred pursuant to these transactions and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the July 2013 Transactions and the December 2013 Transactions on the Group's indebtedness as if the July 2013 Transactions and the December 2013 Transactions had occurred on December 31, 2013 and the Group's interest expense as if the July 2013 Transactions and the December 2013 Transactions occurred on January 1, 2013. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group's indebtedness would have been had the July 2013 Transactions and the December 2013 Transactions occurred on December 31, 2013 or January 1, 2013, respectively; nor does it purport to project the Combined Entities' or the Group's indebtedness or interest expense at any future date. The as adjusted financial information has not been prepared in accordance with IFRS. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Non-IFRS Measures

This Annual Report contains measures and ratios (the "Non-IFRS Measures"), including EBITDA, Adjusted EBITDA, Operating Free Cash Flow and cash flow conversion, that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. We present Non- IFRS measures because we believe that they are of interest for the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries', operating results as reported under IFRS or other generally accepted accounting standards. The Non-IFRS measures may also be defined differently than the corresponding terms governing our indebtedness, including the indentures pertaining to the issued notes. Non-IFRS measures and ratios such as EBITDA and Adjusted EBITDA are not measurements of our, or any of our subsidiaries', performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBITDA or Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our, or any of our operating entities', operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries', ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for, an analysis of the results of our operating entities as reported under IFRS or other generally accepted accounting standards. Some of these limitations are:

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments;
- although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we or our operating entities eliminate in calculating EBITDA and Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

Certain amounts and percentages presented herein have been rounded and, accordingly, the sum of amounts presented may not equal the total. All references in this document to NIS and ILS refer to New Israeli Shekels and all references to "U.S.$" or "$" are to U.S. dollars. All references to DOP refer to the Dominican Peso. All references to "€" are to euro.

Key Operating Measures [1]

	As of and for the year ended December 31, 2013 in thousands except percentages and as otherwise indicated							
	Israel	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories[2]**	**Pre-Transaction Total**	**Tricom**	**ODO**	**Post-Transaction Total**
CABLE-BASED SERVICES								
Market and Network								
Homes Passed	2,282	233	908	154	3,577	456[3]	—	4,033
Docsis 3.0 Upgraded (%)	100%	100%	99%	53%	98%	100%	—	98%
Unique Customers								
Cable Customer Relationships	1,127	114	237	40	1,518	103[4]	—	1,622
Triple-Play Cable Customer Relationships	452	50	135	17	654	45	—	699
RGUs & Penetration								
Total RGUs	2,295	239	603	74	3,211	165	—	3,376
Pay Television RGUs	875	129	224	40	1,268	108 [5]	—	1,376
Pay Television Penetration (%)	38%	54%	26%	54%	39%	27%	—	41%
Broadband Internet RGUs	744	57	156	17	974	30	—	1,004
Broadband Internet Penetration (%)	33%	24%	17%	11%	30%	10%	—	30%
Fixed-Line Telephony RGUs	676	53	223	17	969	26	—	995
Fixed-Line Telephony Penetration (%)	30%	22%	37%	23%	30%	8%	—	30%
RGUs Per Cable Customer Relationship	2.0x	2.1x	2.54	1.86x	2.1x	1.6 x	—	1.2x
ARPU								
Cable ARPU (€)	47.6	41.9	34.6	51.4	—	19.7[6]	—	—
MOBILE-BASED SERVICES								
Market and Network								
UMTS Mobile Coverage of Territory (%)	61%	—	—	89%	—	86%	—	—
Subscribers			—					
Total Mobile Subscribers	810	3	—	375	1,188	344 [7]	2,989[8]	4,521
Postpaid	801	3	—	197	1,001	24 [7]	403[8][9]	1,428
Prepaid	9	—		178	187	321 [7]	2,587[8][10]	3,095
ARPU								
Mobile ARPU (€)	16.8	36.8		27.1	—	3.3	9.8	—
xDSL / NON-CABLE BASED SERVICES								
RGUs	—		—					
Total RGUs	—	—	—	133	133	344	—	477
Broadband Internet RGUs	—	—	—	56	56	96	—	152
Fixed-Line Telephony RGUs	—	—	—	78	78	248	—	326

(1) Please refer to "Summary Financial Information and Other Data—Key Operating Measures" for further details.

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

(3) Includes one and two ways homes passed by Tricom's HFC network.

(4) Includes non-residential customers and includes only pay television cable customer relationships.

(5) Represents "Equivalent Billing Units" of Tricom.

(6) ARPU includes only revenues related to pay television services and also revenues from additional set-top boxes and other value-added and premium services. Does not include ARPU from broadband Internet and fixed telephony services.

(7) Does not include wireless data subscribers.

(8) Includes subscribers through resellers as ODO enters into direct contractual arrangements with customers of resellers. All postpaid subscribers are considered as active. Includes exclusively mobile subscribers, with mobile broadband/Internet subscribers excluded.

(9) Includes both postpaid residential subscribers and postpaid business subscribers.

(10) Prepaid residential subscribers only.

Key Performance Measures

	Illustrative Aggregated Selected Financial Information[(1)]		Post-Transaction Pro Forma Financial Information[(2)]
	For the year ended December 31,	For the year ended December 31,	For the year ended December 31,
	2011	2012	2013
	€ in millions		
Revenue			
Israel	845.5	850.4	881.9
Belgium and Luxembourg	67.3	71.3	70.5
Portugal	238.8	235.4	209.5
French Overseas Territories	217.9	219.6	223.5
Dominican Republic[(1)(2)]	—	—	446.3
Others[(3)]	56.7	65.2	75.2
Total Revenue	**1,426.2**	**1,441.8**	**1,906.9**
EBITDA[(4)]			
Israel	327.2	305.2	363.0
Belgium and Luxembourg	41.0	45.6	45.0
Portugal	39.0	48.0	58.2
French Overseas Territories	72.4	75.1	84.5
Dominican Republic(1)(2)	—	—	173.0
Others(4)	17.7	20.3	20.6
Total EBITDA	**497.2**	**494.2**	**744.4**
Equity based compensation[(5)]	6.0	3.8	—
Adjusted EBITDA[(6)]	**503.2**	**498.0**	**744.4**

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see "*Illustrative Aggregated Selected Financial Information of the Group*".

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under "Dominican Republic"). It does not give pro forma effect to the acquisition of Tricom. For details, see "*Post-Transaction Pro Forma Financial Information of the Group*".

(3) Others include our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others). Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013. In each of the years ended December 31, 2011, 2012 and 2013, Valvision contributed €2.6 million, €2.5 million and 1.3 million to aggregated and pro forma revenues and €0.9 million, €0.9 million and €0.5million to aggregated and pro forma EBITDA. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.6 million, €9.0 million and €10.9 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million, €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million, €0.8 million and €0.8 million to aggregated and pro forma EBITDA.

(4) EBITDA is defined as operating profit before depreciation and amortization, other expenses, net, management fees and restructuring and other non-recurring costs.

(5) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel.

(6) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.

We enjoy strong market positions in our service area across our regions, notably on the broadband and pay television segments where our cable technology enables us to offer premium digital services, attractive interactive features and local content to our subscribers. We have leveraged our unique network advantage to drive our multiple-play strategy and offer an attractive combination of content, speed and functionality at competitive prices. We experienced a significant increase in the percentage of triple-play subscribers, reaching 43% of our existing cable customer base as of December 31, 2013 compared to 34% as of December 31, 2011, translating into growth in RGU per unique cable customer relationship and cable based services ARPU. In the Dominican Republic, Tricom has also experienced growth in triple-play customers.

Cable-Based Services ARPU Growth and Triple Play Penetration

	2011	2012	2013
Israel[(1)]			
Cable ARPU (€)	42.4	44.4	47.6
Growth (%)	3.9%	4.7%	7.2%
3P Penetration (%)	28%	34%	40.1%
Belgium & Luxembourg[(2)]			
Cable ARPU (€)	36.7	39.5	41.9
Growth (%)	6.1%	7.6%	6.1%
3P Penetration (%)	42%	42%	43.9%
Portugal[(3)]			
Cable ARPU (€)	36.9	34.9	34.6
Growth (%)[(2)]	(2.5)%	(5.4)%	(0.9)%
3P Penetration (%)	58%	58%	56.9%
French Overseas Territories[(4)]			
Cable ARPU (€)	43.1	48.3	51.4
Growth (%)	5.3%	12.1%	6.4%
3P Penetration (%)	22%	31%	42.5%
Dominican Republic[(5)]			
Cable ARPU (€)[(6)]	22.0	21.5	
Growth (%)	N/A	(9.6)%	19.7
3P Penetration (%)[(8)]	9%	13%	16.2%

(1) Israel represents operating measures of HOT (in which we acquired a controlling interest in March 2011).

(2) Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest in June 2011).

(3) Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012).

(4) Overseas Territories represents operating measures of Le Cable and excludes Outremer (in which we acquired a controlling interest in July 2013).

(5) Dominican Republic represents Tricom (in which we agreed to acquire a controlling interest on October 31, 2013).

(6) Cable ARPU includes only revenues related to pay television services and also revenues from additional set-top boxes and other value-added and premium services. Does not include ARPU from broadband Internet and fixed telephony services.

(7) Blended 3P penetration shown for cable and xDSL / non-cable based customers.

(8) Blended 3P penetration shown for cable and xDSL / non-cable based customers.

We seek to create value by continuously optimizing our cost base and capital expenditures. In addition, we aim to maximize the return on our investments by defining and implementing our investment strategy, IT and network planning as well as procurement initiatives at the group level. We have implemented common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. Most of our subsidiaries have also achieved substantial reductions in operating expenses as we implemented consistent best practice operational processes across our organization. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance, reduced costs through the negotiation of attractive interconnection rates and improved pricing of the same television content. We believe sharing of best practices across our regions and implementation of group synergies is a key driver of our operational performance improvements, operating margin increases and organic cash-flow growth.

The roll-out of LaBox, our most advanced set-top box, across Western Europe, is evidence of our focus on optimisation and our ability to develop common areas to further drive group's efficiency. We rolled-out La Box in Israel at the beginning of March, 2014. As a result of acquisitions and the operational improvements to existing and acquired businesses, we have grown our EBITDA and our profitability and operational cash flow substantially over the past three years. For the years ended December 31, 2013 and 2012 respectively, on a historical consolidated basis, our total Adjusted EBITDA was €518.8 million and €406.9 million, respectively, our Adjusted EBITDA margin was 40.3% and 37.2%, respectively and our Adjusted EBITDA less capital expenditures amounted to €223.3 million and €59.9 million, respectively. In addition, the growth in EBITDA, profitability and operating cash flow of businesses we have acquired reflects our unique expertise in turning around such businesses. In particular, in our Israeli business, following the acquisition of control by the Group over HOT in 2011, HOT's cable EBITDA margin increased to 55.1 % in 2013 compared to 42.5 % in 2011, and in our Portuguese business, following the acquisition of control by the Group over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.9 % in the year ended December 31, 2013 compared to 14.2% in 2011. We will aim to implement cost optimization initiatives in line with those already successfully deployed across the group in the Dominican Republic and believe we will benefit from additional synergies following the ODO Acquisition and the Tricom Acquisition.

Summary Financials

The table below summarizes our growth in revenues, Adjusted EBITDA and Adjusted EBITDA less capital expenditures:

	Historical Consolidated Financial Information			Illustrative Aggregated Selected Financial Information[(1)]		Post-Transaction Pro Forma Financial Information[(2)]
	For the year ended December 31,			For the year ended December 31,		For the year ended December 31,
	2011	2012	2013	2011	2012	2013
	€ in millions					
Revenue	784.2	1,092.4	1,286.8	1,426.2	1,441.8	1,906.9
Adjusted EBITDA[(3)]	303.8	406.9	581.8	503.2	498.0	744.4
Capital Expenditures[(4)]	189.7	347.0	295.5	293.8	397.8	(3672.7)
Adjusted EBITDA—Capital Expenditures	114.1	59.9	223.3	209.4	100.2	371.1

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see "*Illustrative Aggregated Selected Financial Information of the Group*".

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under "Dominican Republic"). It does not give pro forma effect to the acquisition of Tricom. For details, see "*Post-Transaction Pro Forma Financial Information of the Group*".

(3) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.

(4) For the Post-Transaction Pro Forma Financial Information, capital expenditures have been calculated by aggregating the Group's capital expenditures based on the Pre-Transaction Pro Forma Financial Information and the capital expenditures of ODO based on the historical financial statements of ODO. For the years ended December 31, 2012 and 2013, ODO's total capital expenditures were € 73.2 million, and € 58.5 million, respectively.

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

Basis of Presentation

The following tables set forth summary selected Historical Consolidated Financial Information derived from the audited consolidated financial statements of Altice VII as of and for the year ended December 31, 2013, prepared in accordance with the IFRS, which have been audited by Deloitte Audit S.à r.l.

Altice VII is a holding company which, since its formation in 2008, has from time to time made significant direct and indirect equity investments in a number of cable and telecommunication businesses in various jurisdictions. The following is a summary of the key investments and disposals made by Altice VII in the years ended December 31, 2011, 2012 and 2013, which have had a significant impact on the Historical Consolidated Financial Information.

During the year ended December 31, 2011, Altice VII made the following acquisitions that fundamentally changed the business undertaking: (i) in the first quarter of 2011, Altice VII increased its ownership in HOT-Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the historical consolidated financial statements of Altice VII with effect from March 16, 2011). In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice VII and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group"; and (ii) in the second quarter of 2011, Altice VII acquired a controlling equity interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium and Coditel S.à r.l., a company with cable television operations in Luxembourg, in each case, through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from July 1, 2011).

The year ended December 31, 2012 was marked by the following two significant acquisitions by Altice VII: (i) in the first quarter of 2012, Altice VII acquired approximately 60% of the equity interests in Cabovisão—Televisão por Cabo, S.A. ("Cabovisão"), a Portuguese telecommunications company (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from February 29, 2012); and (ii) in the fourth quarter of 2012, Altice VII completed the take-private transaction of the HOT Group whereby it acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. it did not previously own.

In the year ended December 31, 2013, Altice VII has added to its portfolio of holdings the following acquisitions: (i) in the first quarter of 2013, Altice VII acquired substantially all of the equity interests in Cabovisão that it did not already own; (ii) in the third quarter of 2013, Altice VII acquired a controlling equity interest in Groupe Outremer Telecom S.A., a telecommunications company with operations in the French Overseas Territories (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from July 5, 2013); (iii) in the third quarter of 2013, Altice VII (through its subsidiary Cabovisão) acquired 100% of the equity interests in Winreason S.A., the owner of Portuguese telecommunications operator Oni SGPS S.A. and its subsidiaries (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from August 8, 2013) and (iv) in November 2013, Altice VII acquired further equity interests in Coditel pursuant to the 2013 Coditel Acquisition. In addition, in 2013, Altice VII disposed of its interests in Valvision and acquired the content subsidiaries, Ma Chaîne Sport and Sportv. In addition, Altice VII initiated its equity investment in Wananchi, a Kenyan cable operator.

As a result of the series of these significant acquisitions that have been consummated by Altice VII in the years ended December 31, 2011, 2012 and 2013, and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Annual Report for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Therefore, in order to facilitate an understanding of the Group's results of operations and financial condition, the tables set forth below include:

(i) summary Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012 (which does not aggregate the results of ODO or Tricom);

(ii) summary selected Pre-Transaction Pro Forma Financial Information derived from the pro forma consolidated financial information of Altice VII (giving effect to each such significant acquisition as described above but excluding the ODO Acquisition, the Mobius Acquisition and the Tricom Acquisition as if such acquisitions had occurred on January 1, 2013 or December 31, 2013, as applicable) for the year ending December 31, 2013; and

(iii) summary selected Post-Transaction Pro Forma Financial Information derived from the pro forma consolidated financial information of Altice VII (giving effect to each such significant acquisition and the ODO Acquisition (but not the Mobius Acquisition or the Tricom Acquisition) as if such acquisitions had occurred on January 1, 2013 or December 31, 2013, as applicable) as of and for the year ending December 31, 2013.

For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information of Altice VII and the Post-Transaction Pro Forma Financial Information of Altice VII included elsewhere in this Annual Report. The Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information include the results of operations of Valvision even though Altice VII disposed of its interests in Valvision in 2013. In each of the years ended December 31, 2011, 2012 and 2013, Valvision contributed €2.5 million, €2.6 million and €1.3 million to aggregated and pro forma revenues and €0.9 million, €0.9 million and €0.5 million to aggregated and pro forma EBITDA. Further, the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information include the results of operations of Green Datacenter and Auberimmo, which are subsidiaries of Altice VII however are have been designated as unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.5 million, €9.0 million and €10.9 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million, €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million, €0.8 million, €0.8 million to aggregated and pro forma EBITDA. On a standalone basis, Green Datacenter and Auberimmo had outstanding debt of €23.7 million and €5.3 million, respectively, as of December 31, 2013. The summary financial information presented below should be read together with Altice VII's historical financial statements for the years ended December 31 2011, 2012 and 2013, the Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012, the Pre-Transaction Pro Forma Financial Information as of and for the year ended December 31, 2013 and the Post-Transaction Pro Forma Financial Information as of and for the year ended December 31, 2013, including the accompanying notes, included elsewhere in this Annual Report.

Income Statement Data

	Historical Consolidated Financial Information		
	For the year ended December 31,		
Statement of Income Items	**2011**	**2012**	**2013**
	€ in millions		
Revenue			
Cable based services	560.3	873.3	923.1
Mobile services	180.6	172.7	256.2
B2B and others	43.3	46.4	107.4
Total revenue	**784.2**	**1,092.4**	**1,286.8**
Purchasing and subcontracting services	(175.4)	(302.1)	(367.8)
Gross profit	**608.8**	**790.3**	919.0
Other operating expenses	(195.4)	(248.9)	(261.3)
General and administrative expenses(1)	(51.2)	(58.1)	(60.2)
Other sales and marketing expenses	(64.4)	(80.1)	(78.7)
Operating income before depreciation and amortization(2)	**297.8**	**403.2**	**518.8**
Depreciation and amortization	(176.4)	(266.3)	(399.6)
Goodwill impairment	—	(121.9)	—
Other expenses, net	(5.6)	(29.8)	(15.1)
Management fees	(3.1)	(6.2)	(0.6)
Restructuring and other non-recurring costs	(7.6)	(20.8)	(61.2)
Operating profit/(loss)	**105.1**	**(41.7)**	42.3
Gain arising on step acquisitions	134.8	—	—
Share of profit of associates	11.7	—	—
Finance income	16.6	30.5	93.6
Finance costs	(111.6)	(204.7)	(336.8)
Profit/(loss) before taxes on revenue	**156.6**	**(215.8)**	(200.1)
Income tax (expenses)/benefits	(32.5)	26.0	(7.4)
Profit/(loss) for the year/period	**123.9**	**(189.8)**	**(208.4)**

(1) Also includes "staff costs and employee benefits expenses" which is presented as a separate line item on the Group's consolidated statement of income.

(2) Further referred to as EBITDA.

Statement of Income Items	Illustrative Aggregated Selected Financial Information[(1)] For the year ended December 31, 2011	2012	Pre-Transaction Pro-Forma Financial Information[(2)] 2013
	€ in millions		
Revenue			
Cable based services	941.2	945.7	953.1
Mobile services	306.5	304.4	322.8
B2B and others	178.5	191.6	184.7
Total revenue	**1,426.2**	**1,441.8**	1,460.6
Purchasing and subcontracting services	(399.6)	(444.4)	(433.6)
Gross profit	**1,026.6**	**997.4**	1,027.1
Other operating expenses	(319.5)	(315.2)	(293.2)
General and administrative expenses[(3)]	(100.9)	(85.1)	(74.5)
Other sales and marketing expenses	(108.9)	(102.8)	(88.0)
Operating income before depreciation and amortization[(4)]	**497.2**	**494.2**	**571.4**
Depreciation and amortization			(426.7)
Goodwill impairment	—	—	—
Other expenses, net	—	—	(18.6)
Management fees	—	—	(1.5)
Restructuring and other non-recurring costs	—	—	(61.8)
Operating (loss)/profit	—	—	**62.8**
Finance income	—	—	93.7
Finance costs	—	—	(341.0)
(Loss) before taxes on revenue	—	—	**(184.5)**
Income tax benefits/(expenses)	—	—	(15.6)
Profit for the year/period	—	—	**(200.0)**

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see "*Illustrative Aggregated Selected Financial Information of the Group*". We do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA.

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO or Tricom. For details, see "*Pre-Transaction Pro Forma Financial Information of the Group*".

(3) Also includes "staff costs and employee benefits expenses" which is presented as a separate line item on the Group's consolidated statement of income.

(4) Further referred to as EBITDA.

Statement of Income Items	Post-Transaction Pro Forma Financial Information[(1)] For the year ended December 31, 2013
	€ in millions
Revenue	
Total revenue	**1,906.9**
Purchasing and subcontracting services	(555.2)
Gross profit	**1,351.7**
Other operating expenses	(337.2)
General and administrative expenses[(2)]	(103.7)
Other sales and marketing expenses	(166.4)
Operating income before depreciation and amortization[(3)]	**744.4**
Depreciation and amortization	(491.0)
Goodwill impairment	—
Management fees	(13.0)
Other expenses, net	(18.5)
Restructuring and other non-recurring costs	(61.8)
Operating profit	**160.1**
Gain arising on step acquisitions	—
Share of profit of associates	—
Finance income	94.2
Finance costs	(428.2)

Loss before taxes on revenue	**(173.9)**
Income tax benefits/(expenses)	(15.8)
Loss for the year/period	**(189.7)**

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO. It does not give pro forma effect to the acquisition of Tricom. For details, see "*Post-Transaction Pro Forma Financial Information of the Group*".

(2) Also includes "staff costs and employee benefits expenses" which is presented as a separate line item on the Group's consolidated statement of income.

(3) Further referred to as EBITDA.

Revenue and EBITDA

	Illustrative Aggregated Selected Financial Information[1]		Pre-Transaction Pro Forma Financial Information[2]
	For the year ended December 31,		For the year December 31,
	2011	2012	2013
	€ in millions		
Revenue			
Israel	845.5	850.4	881.9
Belgium and Luxembourg	67.3	71.3	70.5
Portugal	238.8	235.4	209.4
French Overseas Territories	217.9	219.6	223.5
Others[6]	56.7	65.2	75.2
Total revenue	**1,426.2**	**1,441.8**	**1,460.6**
EBITDA[3]			
Israel	327.2	305.2	363.0
Belgium and Luxembourg	41.0	45.6	45.0
Portugal	39.0	48.0	58.3
French Overseas Territories	72.4	75.1	84.6
Others[6]	17.7	20.3	20.6
Total EBITDA	**497.2**	**494.2**	**571.4**
Equity based compensation[4]	6.0	3.8	—
Adjusted EBITDA[5]	**503.2**	**498.0**	**571.4**

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see "*Illustrative Aggregated Selected Financial Information of the Group*". We do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA.

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO or Tricom. For details, see "*Pre-Transaction Pro Forma Financial Information of the Group*".

(3) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

(4) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel.

(5) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.

(6) Others include our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and have been designated Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness. Green Datacenter and Auberimmo do not constitute Restricted Subsidiaries as of the date of this Annual Report. In each of the years ended December 31, 2011, 2012 and 2013, Valvision contributed €2.5 million, €2.6 million and €1.3 million to aggregated and pro forma revenues and €0.9 million, €0.9 million and €0.5 million respectively to aggregated and pro forma EBITDA. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.5 million, €9.0 million and €10.9 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million, €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million, €0.8 million and €0.8 million to aggregated and pro forma EBITDA.

Pro Forma Adjusted EBITDA

	Post-Transaction Pro Forma Financial Information(1) For the year ended December 31, 2013 € in millions
Revenue	
Israel	881.9
Belgium and Luxembourg	70.5
Portugal	209.5
French Overseas Territories	223.5
Dominican Republic(7)	446.3
Others(2)	75.2
Total revenue	**1,906.9**
EBITDA(3)	
Israel	363.0
Belgium and Luxembourg	45.0
Portugal	58.2
French Overseas Territories	84.5
Dominican Republic(12)	173.0
Others(2)	20.6
Total EBITDA	**744.4**
Equity based compensation(4)	—
Adjusted EBITDA(5)	**744.4**
Green Datacenter and Auberimmo EBITDA(6)	(11.7)
Total Adjusted EBITDA excluding Green Data Center and Auberimmo	**732.7**

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under "Dominican Republic"). It does not give pro forma effect to the acquisition of Tricom. For details, see "*Post-Transaction Pro Forma Financial Information of the Group*".

(2) Others include our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others) and intend to designate Green Datacenter and Auberimmo as unrestricted subsidiaries under the terms governing our existing indebtedness. Green Datacenter and Auberimmo will not constitute Restricted Subsidiaries as of the date of this Annual Report. In each of the years ended December 31, 2011, 2012 and 2013, Valvision contributed €2.5 million, €2.6 million and €1.3 million to aggregated and pro forma revenues and €0.9 million, €0.9 million and €0.5 million respectively to aggregated and pro forma EBITDA. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.5 million, €9.0 million and €10.9 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million, €0.9 million and €0.9 million to aggregated and pro forma revenues and €0.8 million, €0.8 million and €0.8 million to aggregated and pro forma EBITDA.

(3) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

(4) Equity based compensation consists of expenses pertaining to employee stock options provided to employees in Israel.

(5) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses.

(6) The Group has designated Green Datacenter and Auberimmo as an unrestricted subsidiary in accordance with the terms governing our indebtedness. These entities are not be subject to the covenants under the terms governing our indebtedness.

(7) Includes ODO but excludes Tricom.

Capital Expenditures

	Illustrative Aggregated Selected Financial Information[(1)]											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total
	€ in millions											
Capital expenditures												
CPEs and installations	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
Cable based services	**126.8**	**10.6**	**19.4**	**28.1**	**—**	**185.0**	**211.6**	**17.0**	**18.1**	**16.1**	**—**	**262.8**
Mobile services	47.1	—	—	17.2	—	64.4	83.8	—	—	9.2	—	93.0
B2B and others	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
Total capital expenditures	**173.9**	**10.6**	**34.4**	**53.5**	**21.5**	**293.8**	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**
EBITDA—total capital expenditures	**153.1**	**30.4**	**4.6**	**19.0**	**(3.8)**	**203.2**	**9.8**	**28.6**	**17.2**	**39.4**	**1.6**	**96.4**

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Tricom and ODO. For details, see "*Illustrative Aggregated Selected Financial Information of the Group*".

	Pre-Transaction Pro Forma Financial Information											
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel[(3)]	Belgium and Luxembourg	Portugal	French Overseas Territories[(2)]	Others[(1)]	Total	Israel[(3)]	Belgium and Luxembourg	Portugal	French Overseas Territories[(2)]	Others[(1)]	Total
	€ in millions											
Capital expenditures												
CPEs and installations	98.1	4.4	8.7	7.5	—	118.8	49.0	8.3	9.4	3.9	0.3	70.9
Cable network and constructions	55.7	6.4	7.1	7.7	—	76.8	43.0	2.8	7.4	4.3	—	57.5
Other cable	57.8	6.2	2.4	0.9	—	67.3	63.3	10.5	1.5	1.2	—	76.4
Cable based services	**211.6**	**17.0**	**18.1**	**16.1**	**—**	**262.8**	155.3	21.5	18.3	9.5	0.3	**204.8**
Mobile services	83.8	—	—	9.2	—	93.0	53.6	—	—	8.3	—	61.9
B2B and others	—	—	12.7	10.5	18.7	41.9	—	1.4	5.7	18.5	21.8	47.3
Total capital expenditures	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**	**208.9**	**23.0**	**24.0**	**36.2**	**22.1**	**314.2**
EBITDA—total capital expenditures	**9.8**	**28.6**	**17.2**	**39.4**	**1.6**	**96.6**	**154.1**	**22.1**	**33.0**	**49.0**	**(1.4)**	**257.2**

(1) Excludes Tricom and ODO. For the years ended December 31, 2011, 2012 and 2013, ODO's total capital expenditures were €70.8 million, € 73.2 million and €58.5 million, respectively. For the years ended December 31, 2012 and the year ended December 31, 2013, Tricom's total capital expenditures were approximately $71 million (approximately €56 million) of which approximately €17.9 million (approximately $23 million) was spent on 4G/LTE technology upgrades.

Cash Flow Data

	Historical Consolidated Financial Information		
	For the year ended December 31,		
	2011	2012	2013
	€ in millions		
Cash and cash equivalents at beginning of year/period	18.2	19.8	129.7
Net cash provided by/(used in) operating activities	306.4	464.5	439.2
Net cash provided by/(used in) investing activities	(576.2)	(574.2)	(1,552.6)
Net cash provided by/(used in) financing activities	272.4	219.3	1,044.7
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	—
Cash and cash equivalents at end of year/period	**19.8**	**129.7**	**61.3**

Balance Sheet Data

	Historical Consolidated Financial Information		
	As of December 31,		
	2011	2012	2013
	€ in millions		
Total current assets	150.8	324.5	1,560.6
Total non-current assets	2,352.9	2,395.5	2,935.4
Total assets	**2,503.7**	**2,720.0**	**4,496.0**
Total current liabilities	558.5	546.0	704.9
Total non-current liabilities	1,211.6	1,888.3	4,052.0
Total liabilities	**1,770.1**	**2,434.3**	**4,756.9**
Total equity	**733.6**	**285.7**	**(261.2)**

	Pre-Transaction Pro Forma Financial Information[(1)]	Post-Transaction Pro Forma Financial Information[(2)]
	As of December 31, 2013	As of December 31, 2013
	€ in millions	
Total current assets	1,560.6	1,676.3
Total non-current assets	2,935.4	3,982.6
Total assets	**4,496.0**	5,658.6
Total current liabilities	704.9	721.0
Total non-current liabilities	4,052.0	4,238.3
Total liabilities	**4,756.9**	4,959.4
Total equity	**(261.2)**	**(261.3)**

(1) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO or Tricom. For details, see "Pre-Transaction Pro Forma Financial Information of the Group"

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO. It does not give pro forma effect to the acquisition of Tricom. For details, see "Post- Transaction Pro Forma Financial Information of the Group".

Key Operating Measures

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated					As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated					As of and for the nine months ended December 31, 2013 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES															
Market and Network															
Homes Passed............	2,204	213	906	154	**3,477**	2,243	233	906	154	**3,536**	2,282	233	908	154	3,577
Docsis 3.0 Upgraded (%)	100%	100%	85%	17%	**92%**	100%	100%	94%	37%	**95%**	100%	100%	99%	53%	98%
Unique Customers															
Cable Customer Relationships[1]	1,245	117	264	41	**1,667**	1,198	120	255	39	**1,612**	1,127	114	237	40	1,518
Triple-Play Cable Customer Relationships	348	49	154	9	**560**	413	50	147	12	**626**	452	50	135	17	654
RGUs & Penetration[2][3]															
Total RGUs	2,294	241	669	59	**3,263**	2,343	244	648	63	**3,298**	2,295	239	603	74	3,211
Pay Television RGUs	891	135	256	41	**1,323**	896	136	245	39	**1,316**	875	129	224	40	1,268
Pay Television Penetration (%)	40%	63%	28%	27%	**38%**	40%	58%	27%	25%	**37%**	38%	54%	26%	54%	39%
Broadband Internet RGUs	768	54	162	9	**993**	771	55	159	12	**997**	744	57	156	17	974
Broadband Internet Penetration (%)............................	35%	25%	18%	6%	**29%**	34%	24%	18%	8%	**28%**	33%	24%	17%	11%	30%
Fixed-Line Telephony RGUs	635	52	251	9	**947**	676	53	243	12	**984**	676	53	223	17	969
Fixed-Line Telephony Penetration (%)............................	29%	24%	28%	6%	**27%**	30%	23%	27%	8%	**28%**	30%	22%	37%	23%	30%
RGUs Per Cable Customer Relationship..............	1.8x	2.1x	2.5x	1.4x	**2.0x**	2.0x	2.0x	2.5x	1.6x	**2.0x**	2.0x	2.1x	2.54	1.86x	2.1x
ARPU[4]															
Cable ARPU (€)	42.4	36.7	36.9	43.1	**—**	44.4	39.5	34.9	48.3	**—**	47.6	41.9	34.6	51.4	—
MOBILE-BASED SERVICES															
Market and Network															
UMTS Mobile Coverage of Territory (%).............	—	—	—	88%[9]	**—**	41%	—	—	89%[9]	**—**	61%	—	—	89%	—
Subscribers													—		
Total Mobile Subscribers[5]	444	—	—	355	**799**	766	2	—	385	**1,153**	810	3	—	375	1,188
Postpaid.....................	389	—	—	158	**547**	738	2	—	183	**923**	801	3	—	197	1,001
Prepaid	55	—	—	197	**252**	28	—	—	203	**231**	9	—		178	187
ARPU[4]															
Mobile ARPU (€)	25.5	—	—	28.9	**—**	19.4	14.7	—	26.7	**—**	16.8	36.8		27.1	—
xDSL-BASED SERVICES															
RGUs											—		—		
Total RGUs	—	—	—	147	**147**	—	—	—	140	**140**	—	—	—	133	133
Broadband Internet RGUs	—	—	—	58	**58**	—	—	—	57	**57**	—	—	—	56	56
Fixed-Line Telephony RGUs	—	—	—	89	**89**	—	—	—	83	**83**	—	—	—	78	78

** Excludes Tricom and ODO.

(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, 2011 €0.2009 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, and (iii) average rate for the year ended December 31, 2013, € 0.2086 = NIS 1.00.

(5) Mobile subscribers are 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,		
	2011	**2012**	**2013**
		in thousands	
Mobile Subscribers			
iDEN	444	325	218
UMTS	—	441	592
Total	**444**	**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 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.

Dominican Republic Acquisitions Key Operating Measures

Tricom

	As of and for the year ended December 31,		
	2011	**2012**	**2013**
CABLE-BASED SERVICES			
Market and Network			
Homes Passed[(1)]	257,702	371,380	456,240 [(6)]
Docsis 3.0 Upgraded (%)	N/A	33%	100%
Unique Customers			
Cable Customer Relationships[(2)]	116,845	135,616	103,551
Triple-Play Cable Customer Relationships	—	—	44,831
RGUs & Penetration			
Total RGUs	132,446	169,398	165,198
Pay Television RGUs(3)	116,845	135,616	108,046
Pay Television Penetration (%)	42.4%	36.5%	27%
Broadband Internet RGUs	11,691	21,701	30,096
Broadband Internet Penetration (%)	4.2%	5.8%	10%

Fixed-Line Telephony RGUs	3,910	12,081	26,236
Fixed-Line Telephony Penetration (%)	1.4%	3.3%	8%
RGUs Per Cable Customer Relationship	1.1	1.2	1.6
ARPU			
Cable ARPU (€)[(4)]	22.0	21.5	19.1
MOBILE-BASED SERVICES			
Market and Network			
UMTS Mobile Coverage of Territory (%)	—	—	—
Subscribers[(5)]			
Total Mobile Subscribers	299,484	279,365	344,399
Postpaid	22,895	19,319	23,636
Prepaid	276,589	260,046	321,036
ARPU			
Mobile ARPU (€)	3.4	3.5	3.3
xDSL-BASED SERVICES			
RGUs			
Total RGUs	332,157	351,017	344,333
Broadband Internet RGUs	87,007	96,134	96,131
Fixed-Line Telephony RGUs	245,150	254,883	248,202

(1) Includes one and two ways homes passed by Tricom's HFC network. Due to the re-build of the former light design network and continuous audit revisions, current homes passed figures might not be comparable year over year.

(2) Includes non-residential customers. Pay television Cable Customer Relationships only. Does not include Cable Customer Relationships not subscribing to pay television services.

(3) Represents "Equivalent Billing Units" of Tricom.

(4) ARPU includes only revenues related to pay television services and also revenues from additional set-top boxes and other value added and premium services. Does not include ARPU related to cable broadband Internet and fixed telephony services.

(5) Does not include wireless data subscribers.

ODO

	As of December 31,		As of December 31,
	2011	**2012**	**2013**
	In thousands except percentages and as otherwise indicated		
MOBILE-BASED SERVICES			
Market and Network			
Subscribers[(5)]			
Total Mobile Subscribers at end of period[(1)]	3,047	3,093	3,271
Postpaid[(1)(2)(4)(5)]	565	589	624
Prepaid residential[(1)(3)(4)]	2,482	2,504	2,647
ARPU			
Mobile ARPU (€)[(6)]	10.1	10.7	9.8

(1) Includes subscribers through reseller as ODO enters into direct contractual arrangements with customers of resellers.

(2) All postpaid subscribers are considered as active.

(3) Active prepaid subscribers exclusively. Prepaid subscribers are considered as inactive when connected on the home network more than three months without any outgoing traffic events or with fewer than four incoming traffic events.

(4) Includes exclusively mobile subscribers. Mobile broadband/Internet subscribers excluded.

(5) Includes both postpaid residential subscribers and postpaid business subscribers.

(6) Shows a negative impact for Mobile ARPU as of December 31, 2013, due to foreign exchange translation movements. See "*Exchange Rates*". As of December 31, 2013 ODO's Mobile ARPU increased to DOP 533.1 from DOP 532.1 for the year ended December 31, 2012. For a discussion on Mobile ARPU for ODO please see "*Business Overview of ODO and Tricom and Management Discussion and Analysis of Financial Condition and Results of Operations of ODO-Key Factors Affecting Results of Operations – Mobile ARPU*".

ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION OF THE GROUP

The following unaudited illustrative aggregated statements of income as of and for the years ended December 31, 2011 and 2012 (collectively, the "Illustrative Aggregated Selected Financial Information") present an aggregation of the amounts as derived from the audited historical consolidated financial statements of Altice VII as of and for the years ended December 31, 2011 and 2012 (the "Historical Financial Statements"), the audited or reviewed financial information of each of the business undertakings acquired between January 1, 2011 and October 15, 2013 if such amounts are not already included within the Historical Financial Statements (the "Pre-Acquisition Financial Information") and any adjustments needed to align the Pre-Acquisition Financial Statement with the measurement and recognition criteria of IFRS and the accounting policies adopted for the Historical Financial Statements. Such adjustments are made where the measurements and recognition criteria and the accounting policy elections used for the Pre-Acquisition Financial Information differ substantially from the corresponding criteria applicable under the IFRS and the accounting policies used for the purposes of the Historical Financial Statements. These financial statements have not been audited or reviewed. The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Mobius Group Tricom or ODO. For further information regarding the basis of the preparation of the Illustrative Aggregated Selected Financial Information, including certain limitations with respect to such financial information, please refer to "*Presentation of Financial and Other Information—Illustrative Aggregated Selected Financial Information*" and Note 1 below.

The Illustrative Aggregated Selected Financial Information should be read in conjunction with the assumptions underlying the adjustments which are described in the notes accompanying them below as well as the historical and other financial statements of Altice VII included elsewhere in the Annual Report. See "*Presentation of Financial and Other Information—Financial Data*".

ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION

For the year ended December 31, 2012

For the year ended December 31, 2012	Note	Altice VII S.à r.l.	Altice VII Aggregated Adj.	Altice VII aggregated
			(in € millions)	
Revenues	3b	**1,092.4**	**349.4**	**1,441.8**
Purchases and subcontracting services		(302.1)	(142.3)	(444.4)
Gross profit	**3c**	**790.3**	**207.1**	**997.4**
Other operating expenses	3d	(248.9)	(66.4)	(315.3)
Other sales and marketing expenses	3d	(80.1)	(22.7)	(102.8)
General and administrative expenses	3d	(58.1)	(27.0)	(85.1)
Operating income before depreciation & amortization	**3e**	**403.2**	**91.0**	**494.2**
Capital expenditures	3f	**347.0**	**50.8**	**397.8**

For the year ended December 31, 2011

For the year ended December 31, 2011		Altice VII S.à r.l.	Altice VII Aggregated Adj.	Altice VII aggregated
			(in € millions)	
Revenues	3b	784.2	642.0	1,426.2
Purchases and subcontracting services		(175.4)	(224.2)	(399.6)
Gross profit	**3c**	**608.8**	**417.8**	**1,026.6**
Other operating expenses	3d	(195.4)	(124.1)	(319.5)
Other sales and marketing expenses	3d	(64.4)	(44.5)	(108.9)
General and administrative expenses	3d	(51.2)	(49.7)	(100.9)
Operating income before depreciation & amortization	**3e**	**297.8**	**199.4**	**497.2**
Capital expenditures	3f	**189.8**	**104.0**	**293.8**

1. BASIS OF PREPARATION

(a) Compilation of available financial information for the Company and the Acquired Businesses

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 has been compiled under the responsibility of the Board of Managers of Altice VII S.à r.l. (the "Company"); by aggregating for each of the selected financial statement items the following:

- the amounts relating to the selected financial statement items as derived from the audited historical consolidated financial statements of the Company as of and for each of the years ended December 31, 2011 and 2012 (collectively the "Historical Financial Statements") drawn up in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS");

- the amounts relating to the selected financial statement items as derived from the audited or reviewed financial information of each of the business undertakings acquired between January 1, 2011 and October 15, 2013 (the "Acquired Businesses") for the periods during which such amounts are not included within the Historical Financial Statements (collectively the "the Pre-Acquisition Financial Information"); and

- the amounts relating to adjustments that have been identified for the purposes of aligning the Pre-Acquisition Financial Information with the measurement and recognition criteria of IFRS and the accounting policies adopted by the Company for the purposes of the Historical Financial Statements (the "Alignment Adjustments").

(b) The Pre-Acquisition Financial Information

The Pre-Acquisition Financial Information has been derived from the following financial information pertaining to the Acquired Businesses:

Year ended December 31, 2011

- the financial statements of Outremer Telecom S.A. (“OMT”) as of and for the year ended December 31, 2011 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on March 23, 2012;

- the financial statements of Coditel Brabant S.p.r.l. (“CodiBe”) as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Belgium (“Belgian GAAP”). Such financial statements have been audited by Deloitte Réviseurs d’entreprises S.c r.l. who have issued an unmodified audit opinion thereon on October 1, 2011;

- the annual accounts of Coditel S.à r.l. (“CodiLu”) as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Luxembourg (“Lux GAAP”). Such annual accounts have been audited by Deloitte S.A. who have issued an unmodified audit opinion thereon on May 31, 2012;

- the special-purpose financial statements of Cabovisao S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IASB IFRS. Such financial statements have been audited by Baker Tilly, PG & Associados, SROC S.A. have issued a modified review opinion thereon on November 21, 2013; and

- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IFRS. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who have issued a modified audit opinion thereon on September 25, 2013; and

- the financial statements of Ma Chaine Sport S.A.S. (“MCS”) as of and for the year ended December 31, 2011 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who have issued an unmodified audit opinion thereon on May 31, 2012.

Year ended December 31, 2012

- the financial statements of Outremer Telecom S.A. (“OMT”) as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on April 18, 2013;

- the special-purpose financial statements of Cabovisao S.A. as of and for the period ended February 29, 2012 drawn up in accordance with IASB IFRS. Such financial statements have been reviewed by Baker Tilly, PG & Associados, SROC, S.A. who have issued a modified audit opinion thereon on October 14, 2013;

- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who have issued a modified audit opinion thereon on September 25, 2013;

- the financial statements of Ma Chaine Sport S.A.S. (“MCS”) as of and for the year ended December 31, 2012 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who have issued an unmodified audit opinion thereon on May 23, 2013; and

- the unaudited financial statements of Sportv as of and for the year ended December 31, 2012 drawn up in accordance with IFRS.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of the Acquired Businesses have been modified in order to align with the presentation and classification criteria that have been retained for the purposes of the Historical Financial Statements of the Company. Accordingly, certain reclassifications discussed below have been made to the selected financial statement items derived from the historical financial statements of the Acquired Businesses to present the Illustrative Aggregated Selected Financial Information that is aligned with the presentation and classification criteria applied by the Company in the preparation of its Historical Consolidated Financial Information.

(c) The Alignment Adjustments

The Alignment Adjustments are primarily composed of the following elements:

- In those instances where the amounts included in the Pre-Acquisition Financial Information have been drawn up in accordance with an accounting framework the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS, alignment adjustments have been prepared by the Board of Managers in order to substantially align the contribution of the Acquired Businesses to the Illustrative Aggregated Selected Financial Information with the measurement and recognition criteria of IFRS. The key adjustments and any exceptions thereto are described in note 2.

- In those instances where the amounts included in the Pre-Acquisition Financial Information have been drawn up in accordance with accounting policy elections that differ substantially from the accounting policies retained by the Company for the purposes of the Historical Financial Statements no alignment adjustments have been prepared by the Board of Managers in order to substantially align the contribution of the Acquired Businesses to the Illustrative Aggregated Selected Financial Information with the accounting policies retained by the Company.

(d) Translation of historical financial information denominated in currencies other than the Euro

The historical financial statements of HOT, from which amounts have been derived in preparing the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2011, have been drawn up in Israeli Shekel (“NIS”). The relevant amounts have been translated into Euro (“EUR”), for the purposes of their inclusion within the Illustrative Aggregated Selected Financial Information, using the average daily exchange rates over the relevant period as described below:

Period from January 1, 2011 to March 16, 2011	1 NIS = 0.201 EUR

(e) Key limitations to the basis of preparation

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 do not purport to represent the performance, cash flows or financial position that the Company would have reported had the Acquired Businesses been subsidiaries of the Company during the entire length of the periods presented. They also do not purport to represent the performance and cash flows of the Company for any future period or its financial position at any future date. The Illustrative Aggregated Selected Financial Information do not reflect the effect of any anticipated synergies and efficiencies associated with combining the ONI group, the OMT Group and the other subsidiaries of the Altice VII Group.

In addition, only a complete set of consolidated financial statements as defined in IAS 1 can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS. The Illustrative Aggregated Selected Financial Information do not purport to represent a complete set of financial statements drawn up in accordance with IFRS, and are solely prepared to illustrate the aggregation of the Historical Financial Statements with the Pre-Acquisition Financial Information.

In preparing the Illustrative Aggregated Selected Financial Information, the Board of Managers has determined that the extent of any transactions between the Company and the Acquired Businesses is negligible, and hence no adjustments relating to the elimination of such transactions or balances have been made.

2. ACCOUNTING FRAMEWORK ALIGNMENT ADJUSTMENTS

(a) Revenues and expenses

IFRS requires discounts to be recognized as a reduction of revenues over the length of the contractual arrangement with the customer. In addition, certain expenses may be restated as capital expenditure based on the nature of the expense.

Alignment adjustment in relation to Coditel S.à r.l.

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. is drawn up in accordance with the measurement and recognition criteria of Lux GAAP, which does not require mandatory accounting for disconnection fees. Had Coditel S.à r.l. adopted the aforementioned measurement and recognition criteria of IFRS, illustrative adjustments result in an increase in other operating expenses of 0.1 million EUR for the year ended December 31, 2011.

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Selected Aggregated Financial Information the Board of Managers recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 1.4 million EUR; (ii) other operating expenses decreased by 0.1 million EUR; (iii) general and administrative expenses decreased by 0.1 million EUR.

Alignment adjustment in relation to Coditel Brabant S.p.r.l.

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l. is drawn up in accordance with the measurement and recognition criteria of Belgian GAAP, which permits such discounts to be recognized immediately as a reduction to revenues at inception of the contract. Alignment adjustments have been made to record the changes that would result to revenues had Coditel S.p.r.l. adopted the aforementioned measurement and recognition criteria of IFRS. Such illustrative adjustments result in increase to revenue of 0.2 thousand EUR for the year ended December 31, 2011. In addition, Coditel Brabant also applied IFRS adjustments related to the accounting for employee pension benefits and disconnection fees, which resulted in an increase in other operating expenses of 0.3 million EUR.

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Selected Aggregated Financial Information the Board of Managers recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 4.0 million EUR; (ii) purchases and subcontracting services decreased by 0.6 million EUR; (iii) other operating expenses decreased by 0.4 million EUR; (iv) other sales and marketing expenses decreased by 0.2 million EUR; and (v) general and administrative expenses decreased by 0.2 million EUR.

Alignment adjustment in relation to Ma Chaine Sport SAS.

The Pre-Acquisition Financial Information relating to Ma Chaine Sport S.A.S. is drawn up in accordance with the measurement and recognition criteria of French GAAP, which permits no capitalisation of costs related to the acquisition of content for delivery to final customers. Given the exclusive nature of such content, IFRS rules allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting costs of 3.4 million EUR and in other operating expenses of 1.1 million EUR for the year ended December 31, 2011 and 4.7 million EUR and 1.6 million EUR for the year ended December 31, 2012.

3. SUPPLEMENTS NOTES TO THE ILLUSTRATIVE STATEMENT OF SELECTED AGGREGATED FINANCIAL STATEMENT ITEMS

The Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 has been compiled, under the responsibility of the Board of Managers of Altice VII S.à r.l. (the "Company"), as follows:

(a) Selected Aggregated Statement of Income Items and Selected Aggregated Statement of Cash Flow Items

For the year ended December 31, 2012	Altice VII S.à r.l.	Cabovisao 2m–2012	OMT 12m–2012	ONI 12m–2012	Ma Chaine Sport 12m–2012	SportV 12m–2012	Other adjustments (note 2a)	Altice VII Aggregated Adj.	Altice VII aggregated
					(in € millions)				
Revenues	**1,092.4**	**19.8**	**195.1**	**117.4**	**15.9**	**1.2**	**—**	**349.4**	**1,441.8**
Purchases and subcontracting services	(302.1)	(8.8)	(63.9)	(66.8)	(7.3)	(.3)	4.7	(142.3)	(444.4)
Gross profit	**790.3**	**11.0**	**131.2**	**50.6**	**8.6**	**1.0**	**4.7**	**207.1**	**997.4**
Other operating expenses	(248.9)	(4.6)	(41.2)	(21.1)	(2.8)	—	3.3	(66.4)	(315.3)
Other sales and marketing expenses	(80.1)	(2.4)	(17.0)	(2.6)	(.6)	(.1)	—	(22.7)	(102.8)
General and administrative expenses	(58.1)	(1.4)	(9.9)	(13.1)	(2.6)	(.1)	—	(27.0)	(85.1)
Operating income before depreciation & amortization	**403.2**	**2.6**	**63.1**	**13.8**	**2.6**	**.8**	**8.1**	**91.0**	**494.2**
Capital expenditures	**347.0**	**2.8**	**28.3**	**12.7**	**7.0**	**—**	**—**	**50.8**	**397.8**

For the year ended December 31, 2011	Altice VII S.à r.l.	Hot 3m–2011	Coditel Bel-7m–2011	Coditel Lux-7m–2011	Cabovisao 12m–2011	OMT 12m–2011	ONI 12m–2011	Ma Chaine Sport 12m–2011	Other adjustments (note 2a)	Altice VII Aggregated Adj.	Altice VII aggregated
						(in € millions)					
Revenues	**784.2**	**165.1**	**28.2**	**9.5**	**123.4**	**194.3**	**115.4**	**11.3**	**(5.2)**	**642.0**	**1,426.2**
Purchases and subcontracting services	(175.4)	(48.0)	(4.5)	(1.7)	(54.7)	(64.7)	(58.8)	(3.9)	12.1	(224.2)	(399.6)
Gross profit	**608.8**	**117.1**	**23.7**	**7.8**	**68.7**	**129.6**	**56.6**	**7.3**	**6.9**	**417.8**	**1,026.6**
Other operating expenses	(195.4)	(38.6)	(2.9)	(.6)	(20.7)	(39.7)	(21.0)	(1.9)	1.2	(124.1)	(319.5)
Other sales and marketing expenses	(64.4)	(9.8)	(1.3)	(.3)	(12.8)	(17.3)	(2.9)	(.3)	.2	(44.5)	(108.9)
General and administrative expenses	(51.2)	(5.4)	(1.6)	(.7)	(17.7)	(11.9)	(11.1)	(1.6)	.3	(49.7)	(100.9)
Operating income before depreciation & amortization	**297.8**	**63.3**	**18.0**	**6.2**	**17.5**	**60.7**	**21.5**	**3.6**	**8.6**	**199.4**	**497.2**
Capital expenditures	**189.8**	**23.8**	**4.0**	**.9**	**19.4**	**36.0**	**15.0**	**5.1**	**—**	**104.0**	**293.8**

(b) Revenue

The revenue account balance per segments is as follows:

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Others	Aggregated
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services	677.9	59.7	—	19.8	98.2	118.0	24.4	63.4	87.8	2.4	945.7
Mobile services	172.5	.2	—	—	—	—	—	131.7	131.7	—	304.4
B2B Others	—	11.5	117.4	—	—	117.4	—	—	—	62.7	191.6
Total	**850.4**	**71.3**	**117.4**	**19.8**	**98.2**	**235.4**	**24.4**	**195.1**	**219.6**	**65.2**	**1,441.8**

For the year ended, December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Others	Aggregated
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services	664.9	58.5	—	123.4	123.4	23.6	68.5	92.0	2.4	941.2
Mobile services	180.6	—	—	—	—	—	125.8	125.8	—	306.5
B2B Others	—	8.8	115.4	—	115.4	—	—	—	54.3	178.5
Total	**845.5**	**67.3**	**115.4**	**123.4**	**238.8**	**23.6**	**194.3**	**217.9**	**56.7**	**1,426.2**

(c) Gross profit

The gross profit per segments is as follows:

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Others	Aggregated
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services	518.9	49.6	—	11.0	59.1	70.1	20.4	41.0	61.3	1.9	701.9
Mobile services	102.7	.1	—	—	—	—	—	90.2	90.2	—	193.0
B2B Others	—	10.6	50.6	—	—	50.6	—	—	—	41.2	102.4
Total	**621.7**	**60.3**	**50.6**	**11.0**	**59.1**	**120.7**	**20.4**	**131.2**	**151.5**	**43.1**	**997.4**

For the year ended December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Others	Aggregated
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable based services..................	510.5	46.8	—	68.7	68.7	19.8	44.6	64.4	1.9	692.4
Mobile services..........................	149.7	—	—	—	—	—	85.1	85.1	—	234.7
B2B Others	—	7.8	56.6	—	56.6	—	—	—	35.1	99.5
Total	**660.2**	**54.7**	**56.6**	**68.7**	**125.3**	**19.8**	**129.7**	**149.5**	**36.9**	**1,026.6**

(d) Operating expenses

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Others	Aggregated
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses	(223.4)	(6.2)	(21.1)	(4.6)	(8.0)	(38.3)	(3.8)	(41.2)	(45.1)	(2.3)	(315.2)
Other sales and marketing expenses .	(63.7)	(4.4)	(2.6)	(2.4)	(8.7)	(12.6)	(2.5)	(17.0)	(19.5)	(2.6)	(102.8)
General and administrative expenses	(29.3)	(4.1)	(13.1)	(1.4)	(10.8)	(21.8)	(2.0)	(9.9)	(11.9)	(18.0)	(85.1)
Total	**(316.5)**	**(14.7)**	**(36.8)**	**(8.4)**	**(29.2)**	**(72.7)**	**(8.3)**	**(68.1)**	**(76.4)**	**(22.8)**	**(503.1)**

For the year ended December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A. (Altice VII)	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Others	Aggregated
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Other operating expenses	(225.8)	(6.4)	(21.0)	(20.7)	(41.7)	(3.9)	(39.7)	(43.5)	(2.0)	(319.5)
Other sales and marketing expenses..................................	(67.5)	(3.4)	(2.9)	(12.8)	(15.7)	(2.7)	(17.3)	(20.0)	(2.3)	(108.9)
General and administrative expenses..................................	(39.7)	(3.9)	(11.1)	(17.7)	(28.8)	(1.6)	(11.9)	(13.6)	(14.9)	(100.9)
Total	**(333.0)**	**(13.7)**	**(35.0)**	**(51.2)**	**(86.3)**	**(8.1)**	**(68.9)**	**(77.1)**	**(19.2)**	**(529.3)**

(e) Operating income before depreciation & amortization

For the year ended December 31, 2012	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Other	Aggregated
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Operating income before depreciation & amortisation......	**305.2**	**45.6**	**13.8**	**2.6**	**31.6**	**48.0**	**12.1**	**63.1**	**75.1**	**20.3**	**494.2**

For the year ended December 31, 2011	Total Israel	Total BeLux	Oni	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total French Overseas Territories	Other	Aggregated
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Operating income before depreciation & amortisation	**327.2**	**41.0**	**21.5**	**17.5**	**39.0**	**11.7**	**60.7**	**72.4**	**17.7**	**497.2**

(f) Capital Expenditures

For the year ended December 31, 2012	Israel	BeLux	Oni	Cabovisao S.A.	Cabovisao S.A. (Altice VII)	Portugal	French Overseas Territories (Altice VII)	OMT	French Overseas Territories	Others	Aggregated
	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Feb 29, 2012	Mar 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012	Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable	211.6	17.0	—	2.8	15.3	18.1	7.4	8.7	16.1	—	262.8
Mobile	83.8	—	—	—	—	—	—	9.2	9.2	—	93.0
B2B/Other	—	—	12.7	—	—	12.7	—	10.5	10.5	18.7	41.9
Total	**295.4**	**17.0**	**12.7**	**2.8**	**15.3**	**30.8**	**7.4**	**28.3**	**35.7**	**18.7**	**397.8**

For the year ended December 31, 2011	Israel	BeLux	Oni	Cabovisao S.A. (Altice VII)	Portugal	French Overseas Territories (Altice VII)	OMT	French Overseas Territories	Others	Aggregated
	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011	Jan 1, 2011 to Dec 31, 2011
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cable	126.8	10.6	—	19.4	19.4	17.5	10.7	28.1	—	185.0
Mobile	47.1	—	—	—	—	—	17.2	17.2	—	64.3
B2B/Other	—	—	15.0	—	15.0	—	8.1	8.1	21.5	44.6
Total	**173.9**	**10.6**	**15.0**	**19.4**	**34.4**	**17.5**	**36.0**	**53.5**	**21.5**	**293.8**

PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma consolidated statements of income as of and for the year ended December 31, 2013 and statement of financial position as of December 31, 2013 (the "Pre-Transaction Pro Forma Financial Information") present the pro forma financial information of the Group, giving effect to each of the acquisitions and other transactions described in the basis of preparation below. The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition, Tricom Acquisition or the ODO Acquisition and therefore does not include any financial information of the Mobius Group, Tricom or ODO. This financial information has not been audited nor reviewed

The Pre-Transaction Pro Forma Financial Information does not purport to be indicative of the financial position and results of operations that the Group will obtain in the future, or that Group would have obtained if the significant acquisitions and disposals described in the basis of preparation below occurred with effect from the dates indicated. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable.

The unaudited Pre-Transaction Pro Forma Financial Information should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the notes accompanying them below as well as the historical and other financial statements of Altice VII included elsewhere in the Annual Report. See "*Presentation of Financial and Other Information—Financial Data*".

UNAUDITED PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION OF ALTICE VII

PRE-TRANSACTION PRO FORMA INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

(in € millions)

For the year ended December 31, 2013	Altice VII S.à r.l.	OMT 6m–2013 (note c)	ONI 7m–2013 (note d)	Ma Chaine Sport 9m–2013 (note e)	SportV 9m–2013 (note f)	Issuance of new debt (note i)	Obtention of RCFs (note i)	Buyout of minority interests	Altice VII proforma
Revenue (Note 1)	**1,286.8**	**96.5**	**59.0**	**13.8**	**4.5**	—	—	—	**1,460.6**
Purchases and subcontracting services (Note 2)	**(367.8)**	(30.1)	(31.2)	(3.3)	(1.1)	—	—	—	(433.6)
Gross Profit (Note 3) .	**918.9**	**66.2**	**27.7**	**10.5**	**3.4**	—	—	—	**1,027.1**
Other operating expenses (Note 4)	(261.3)	(19.8)	(11.2)	(.9)	-	—	—	—	(293.2)
Other sales and marketing expenses (Note 4)	(78.7)	(7.3)	(1.3)	(.4)	(.2)	—	—	—	(88.0)
General and administrative expenses (Note 4)	(60.2)	(6.1)	(5.9)	(2.1)	(.1)	—	—	—	(74.5)
Operating income before depreciation & amortisation	**518.8**	**33.2**	**9.2**	**7.1**	**3.0**	—	—	—	**571.4**
Depreciation and amortization	(399.6)	(11.4)	(9.9)	(4.7)	(1.1)	—	—	—	(426.7)
Management fees	(.6)	(.4)	-	(.5)	-	—	—	—	(1.5)
Other expenses net	(14.9)	(2.0)	(1.7)	-	-	—	—	—	(18.6)
Reorganization and non-recurring costs	(61.3)	-	(.5)	-	-	—	—	—	(61.8)
Operating profit/(loss)	**42.4**	**19.4**	**(2.8)**	**2.0**	**1.9**	—	—	—	**62.8**
Financial income	93.5	.2	.0	.0	-	—	—	—	93.7
Finance costs	(336.7)	(2.2)	(5.7)	(.0)	-	8.5	(4.8)	—	(341.0)
(Loss)/Profit before income tax expenses	**(200.9)**	**17.4**	**(8.5)**	**1.9**	**1.9**	**8.5**	**(4.8)**	—	**(184.5)**
Income tax expense	(7.4)	(6.5)	(.3)	(.3)	-	(2.5)	1.4	—	(15.6)
(Loss)/Profit for the period	**(208.3)**	**10.9**	**(8.8)**	**1.7**	**1.9**	**6.0**	**(3.4)**	—	**(200.0)**
Attributable to owners of the entity	*(186.2)*	*8.4*	(8.8)	**1.7**	**1.9**	**6.0**	*(3.4)*	(9.5)	(189.9)
Attributable to non-controlling interests	*(22.1)*	*2.5*	—	—	—	—	—	9.5	(10.1)

PRE-TRANSACTION PRO FORMA STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013

As of December 31, 2013	Altice VII S.à r.l.
ASSETS	
Current assets	
Cash and cash equivalents	61.3
Restricted ash	1,242.8
Trade & other receivables	230.9
Inventories	11.0
Current tax assets	14.6
Total current assets ...	**1,560.6**
Non-current assets	
Deferred tax assets	47.4
Financial assets	50.6
Other long term trade receivables	22.8
Property, Plant & Equipment	1,134.2
Other Intangible assets	579.6
Goodwill	1,100.7
Total non-current assets	**2,935.4**
Total assets	**4,496.0**
EQUITY AND LIABILITIES	
Current liabilities	
Borrowings from banking corporations and debentures	57.6
Deferred revenue	55.9
Trade and other payables	516.6
Other current liabilities	15.9
Provisions	2.1
Current tax liabilities	56.8
Total current liabilities	**704.9**
Non-current liabilities	
Debentures	2,527.0
Borrowings from financial institutions	894.3
Loans from related parties	99.2
Other financial liabilities	271.6
Provisions	29.0
Other non-current liabilities	10.6
Retirement benefit obligations	8.2
Deferred tax liabilities	183.1
Total non-current liabilities	**4,052.0**
Equity	
Issued capital	7.4
Share premium	5.4
Other reserves	(82.9)
(Accumulated losses)/retained earnings	(4.5)
Profit/(Loss) for the period	(186.2)
Equity attributable to shareholders of the parent	**(260.7)**
Non-controlling interests	(.5)
Total equity	**(261.2)**
Total equity and liabilities	**4,496.0**

NOTES TO UNAUDITED PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION

Basis of preparation

The accompanying unaudited pro forma statements of income for the year ended December 2013 and the accompanying unaudited pro forma statement of financial position as of December 31, 2013 (the "Pre-Transaction Pro Forma Financial Information") of Altice VII (the "Company") have been prepared to give effect to the following transactions as if they occurred on January 1, 2013 for the purposes of the unaudited pro forma income statements and, if applicable, on December 31, 2013 for the purposes of the unaudited pro forma statement of financial position:

- The acquisition by Altice VII of:

77% of the share capital of OMT Invest S.A.S.,

A supplementary 40% of the share capital of Cabovisao S.A., and

100% of the share capital of Winreason S.A.

100% of the share capital of Sportv S.A.

100% of the share capital of Ma Chaîne Sport S.A.S.

A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.

- The following Refinancing Transactions
- The issuance by subsidiaries of the Company of:
    - 9% €250 million Senior Notes falling due in 2023,
    - 6½% $900 million Senior Secured Notes falling due in 2022
    - 6½ €300 million Senior Secured Notes falling due in 2022
    - $8^1/_8$% $400 million Senior Notes falling due in 2024
- The repayment of the Coditel Senior Facility amounting to €138 million
- The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to EUR 795 million
- The repayment of the ABO credit facility amounting to €65.6 million
- The repayment of the Cabovisao facility amounting to €202, 6 million
- The repayment of the ONI facility amounting to €47, 3 million
- The conversion of some shareholder loans at the level of Altice VII

On April 23, 2013, the Company acquired the remaining 40% of the share capital of Cabovisao S.A. (“Cabovisao”). The assets acquired and liabilities assumed of Cabovisao are reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The Cabovisao historical income statement for the period from January 1, 2012 through February 27, 2012 has been included in unaudited pro forma income statement for the period ended December 31, 2013. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company’s shareholding from 60% to 100% have been included in the unaudited pro forma income statements for the year ending on December 31, 2013.

On June 14, 2013, Altice Finco S.A., a direct subsidiary of the Company; proceeded with the issuance of 9% Senior Secured Notes for an aggregate principal of €250 million maturing in 2023. Such liabilities are reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 14, 2013 have been included in the unaudited pro forma condensed combined income statements for the year ending on December 31, 2013.

On June 24, 2013, Altice Financing S.A., an indirect subsidiary of the Company, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of EUR 795 million. As of December 31, 2013, this facility had been fully drawn down. The corresponding liability is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 24, 2013 have been included in the unaudited pro forma condensed combined income statements for the year ending on December 31, 2013, respectively.

On July 2, 2013, Altice Holdings S.à. r.l., and indirect subsidiary of the Company purchased substantially all of the interests (other than €7 million that was prepaid by Coditel Holding S.A.) of the lenders under the Coditel Senior Facility. The corresponding liability is reflected in the historical consolidated statement of financial position as of

December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 3, 2013 have been included in the unaudited pro forma income statements for the year ending on December 31, 2013.

On July 2, 2013, a subsidiary of the Company purchased all of the outstanding loans owed by Coditel Holding S.A. under its Senior Facility for an amount of €138 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and July 2, 2013 have been included in the unaudited pro forma income statements for the year ending on December 31, 2013.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of €202.6 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and July 2, 2013 have been included in the unaudited pro forma income statements the yearending on December 31, 2013.

On July 4, 2013, the Company acquired 77% of the share capital of Outremer Telecom S.A. ("OMT"). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for OMT have been included in the consolidated income statement of the Company since the date of acquisition, July 4, 2013. The OMT historical consolidated income statements for the period from January 1, 2013 through July 3, 2013 have hence been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On August 8, 2013, the Company acquired 100% of the share capital of Winreason S.A. ("ONI"). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the historical consolidated statement of financial position as of December 31, 2013. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for ONI have been included in the consolidated income statement of the Company since the date of acquisition, August 8, 2013. The ONI historical consolidated income statements for the period from January 1, 2013 through August 7, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On August 8, 2013, ONI repaid its credit facility for an amount of €47.4 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and August 8, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On October 1, 2013, the Company integrated in the Altice VII group 100% of the share capital of Ma Chaîne Sport SAS ("MCS"). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of acquisition. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and September 30, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On October 1, 2013, the Company acquired 100% of the share capital of Sportv S.A. ("Sportv"). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of acquisition. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and September 30, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.The Sportv historical income statements for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On November 29, 2013, the Company acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. ("Coditel") and repaid some Preferred Equity Certificates held by the non controlling interests in this entity. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and September 30, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

Other referenced divestitures as disclosed in "Presentation of Financial and Other Information" have not been reflected in the pro forma adjustments as they were not individually or in the aggregate deemed significant to Altice VII.

The unaudited Pre-Transaction Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with Regulation S-X under the U.S. Securities Act. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of the period presented, nor is it intended to be indicative of expected results of operations in future periods or the future financial position of the Company. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The unaudited Pre-Transaction Pro Forma Financial Information does not give effect to the Mobius Acquisition, Tricom Acquisition or the ODO Acquisition.

The unaudited Pre-Transaction Pro Forma Financial Information should be read in conjunction with the notes thereto as well as the historical consolidated financial statements of the Company included herein.

The audited consolidated financial statements of the Company as of and for the year ended December 31, 2013, were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

Intercompany transactions between the entities included in the unaudited Pre-Transaction Pro Forma Financial Information have not been excluded or eliminated from the unaudited Pre-Transaction Pro Forma Financial Information as the amounts were not considered material by the Board of Managers.

Historical financial statements

The following represent the historical consolidated financial statements of Altice VII:

(a) the audited consolidated financial statements of Altice VII as of and for the year ended December 31, 2013, prepared in accordance with the IFRS.

Pro-forma adjustments

(a) Purchase of Cabovisao non-controlling interests

On April 23, 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Cabovisao. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 105.0 million.

(b) Acquisition of OMT Invest S.A.

Altice Blue Two SAS, an indirectly fully-owned subsidiary of Altice VII obtained control of OMT on July 4, 2013 pursuant to a purchase of 77% of its shares. These pro-forma adjustments relate to the historical income statement of OMT for the period from January 1, 2013 through July 4, 2013 derived from the audited and reviewed financial statements of OMT prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income.

(c) Acquisition of Winreason S.A.

Cabovisao, an indirectly fully-owned subsidiary of Altice VII obtained control of Winreason on August 8, 2013 pursuant to a purchase of 100% of its shares. These pro-forma adjustments relate to the historical income statement of ONI for the period from January 1, 2013 through August 8, 2013 derived from the unaudited special-purpose consolidated financial statements of Winreason prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma statements of income.

(d) Acquisition of Ma Chaîne Sport

On October 1, 2013, Altice VII entered into a share purchase agreement with Altice IV S.A. and Valemi S.A. for the purchase of 100% of the share capital and voting rights of Ma Chaine Sport S.A.S.The cash consideration for the

The measurement and recognition criteria of French GAAP do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRS rules allow the capitalisation and recognition of such costs as intangible assets.

(e) Acquisition of Sportv

On October 1, 2013, Altice VII obtained control over Sportv S.A. The cash consideration for the Acquisition on a cash free and debt free basis was EUR 12.0. On a pro forma basis, this debt has been eliminated on consolidation. These pro-forma adjustments relate to the historical income statement of Sportv for the period from January 1, 2013 through September 30, 2013 derived from the audited and reviewed financial statements of Sportv prepared in accordance with the measurement and recognition criteria of IFRS.

(f) Acquisition of the non-controlling interests in Coditel

During the fourth quarter of 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. and refinanced some Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis is expected to be EUR 80.6 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 14.6.

(g) Refinancing Transactions

The Pro forma adjustments relating to the refinancing transactions are composed as follows:

(i) Issuance of Senior and Senior Secured Notes on June 14, 2013 and December 12, 2013

On June 14, 2013 and December 12, 2013, the Altice VII Group issued Senior and Senior Secured Notes for an amount of EUR 1,129.0 million. The proceeds were used to refinance the following liabilities.

- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of EUR 202.6 million
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of €42.3 million

(ii) Use of Term Loan

On June 24, 2013, the Altice VII Group secured a senior secured credit facility of €795 million. The proceeds were used to refinance the following liabilities.

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million
- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.4 million
- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million

Pro forma adjustments of €42.0 million, (€3.6 million), €30.7 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2012 and 2013 respectively, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2012.

Other Information

Other referenced acquisitions and divestitures as disclosed in the "Presentation of Financial Information" have not been reflected in the pro forma adjustments. The other referenced acquisitions and divestitures were not individually or in the aggregate significant to Altice VII.

The tax effect of the transaction adjustments in the unaudited pro forma financial information has been calculated on an aggregate basis using an assumed effective tax rate of 28.8% for the year ended December 31, 2013 which is expected to be the combined effective tax rate of the Altice VII Group.

Note 1. Revenue

for the year ended December 31, 2013	Israel TOTAL Jan 1, 2013 to Dec 31, 2013	BeLux TOTAL Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories TOTAL Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Cable based services	**694.2**	**60.9**	**108.7**	—	—	**108.7**	**24.9**	**34.8**	**30.0**	**89.6**	**1.3**	**953.1**
Mobile services	**187.6**	**1.2**	—	—	—	—	—	**67.3**	**66.6**	**133.9**	—	**322.8**
B2B Others	—	8.4	—	41.8	59.0	100.8	—	—	—	—	73.9	184.7
Total	**881.9**	**70.5**	**108.7**	**41.8**	**59.0**	**209.5**	**24.9**	**102.1**	**96.5**	**223.5**	**75.2**	**1,460.6**

Note 2. Purchases and subcontracting services

for the year ended December 31, 2013	Israel TOTAL Jan 1, 2013 to Dec 31, 2013	BeLux TOTAL Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories TOTAL Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Cable based services	(129.6)	(10.6)	**(34.1)**	—	—	**(34.1)**	(11.6)	(9.6)	(3.9)	**(25.1)**	**(0.3)**	**(199.7)**
Mobile services	(107.8)	(.9)	—	—	—	—	(21.2)	(20.5)	—	**(41.7)**	—	**(150.4)**
B2B Others	—	(1.0)	—	(24.3)	(31.2)	(55.5)	—	—	—	—	(26.8)	(83.4)
Total	(237.4)	(12.6)	**(34.1)**	**(24.3)**	**(31.2)**	**(89.6)**	**(32.8)**	**(30.1)**	**(3.9)**	**(66.8)**	**(27.1)**	**(433.5)**

Note 3. Gross Profit

for the year ended December 31, 2013	Israel TOTAL Jan 1, 2013 to Dec 31, 2013	BeLux TOTAL Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories TOTAL Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Cable	564.6	50.2	**74.5**	—	—	**74.5**	**21.0**	**23.1**	**20.4**	**64.5**	**1.0**	753.3
Mobile	79.9	.3	—	—	—	—	—	**46.2**	**46.1**	**92.2**	—	172.4
B2B Other	—	7.3	—	17.5	27.8	45.3	—	—	—	—	47.1	101.3
Total	**644.5**	**57.9**	**74.5**	**17.5**	**27.8**	**119.8**	**21.0**	**69.3**	**66.5**	**156.7**	**48.1**	**1,027.1**

Note 4. Other expenses

for the year ended December 31, 2013	Israel TOTAL Jan 1, 2013 to Dec 31, 2013	BeLux TOTAL Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 30, 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories TOTAL Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**

Other operating expenses...	**(204.1)**	**(5.4)**	**(19.6)**	**(7.8)**	**(11.2)**	**(38.6)**	**(3.9)**	**(14.5)**	**(19.8)**	**(38.2)**	**(6.9)**	**(293.2)**
Other sales and marketing expenses............................	**(49.9)**	**(3.4)**	**(7.6)**	**(1.1)**	**(1.3)**	**(10.0)**	**(0.5)**	**(12.2)**	**(7.3)**	**(20.0)**	**(4.6)**	**(87.9)**
General and administrative expenses	(27.5)	(4.1)	(4.0)	(3.0)	(5.9)	(13.0)	(2.7)	(5.2)	(6.1)	(14.0)	(16.0)	(74.6)
Total.................................	**(281.5)**	**(12.9)**	**(31.2)**	**(11.8)**	**(18.5)**	**(61.5)**	**(31.9)**	**(33.2)**	**(7.1)**	**(72.2)**	**(27.5)**	**(455.7)**

Note 5. Operating income before depreciation and amortization

	Israel Jan 1, 2013 to Dec 31, 2013	BeLux Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 30, 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
for the year ended December 31, 2013	**363.0**	**45.0**	**43.3**	**5.7**	**9.3**	**58.3**	**13.9**	**37.4**	**33.3**	**84.6**	**20.6**	**571.4**

Note 6. Capital expenditures

	For the year ended December 31, 2013									
	Israel TOTAL	Belgium and Luxembourg TOTAL	Cabovisao	Oni	Portugal TOTAL	OMT 9m	Le cable 9m	French Overseas Territories TOTAL	Others	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
for the year ended December 31, 2013										
Cable based services	**155.3**	**21.5**	**18.3**	—	**18.3**	**5.1**	**5.5**	**10.6**	—	**204.8**
Mobile services	**53.6**	**-**	—	—	—	**8.3**	—	**8.3**	—	**61.9**
B2B and others.................................	—	1.4	—	5.6	5.6	17.4	—	18.5	22.1	47.3
Total capital expenditures..............	**208.9**	**23.0**	**18.3**	**5.6**	**23.9**	**30.7**	**5.5**	**36.2**	**22.1**	**314.2**

POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma consolidated statements of income as of and for the year ended December 31, 2013 (the "Post-Transaction Pro Forma Financial Information") present the pro forma financial statements of the Group, giving effect to each of the acquisitions and other transactions described in the basis of preparation below and the ODO Acquisition. The Post-Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition and Tricom Acquisition and therefore does not include any financial information of the Mobius Group, Tricom. This financial information has not been audited or reviewed.

The Post-Transaction Pro Forma Financial Information does not purport to be indicative of the financial position and results of operations that the Group will obtain in the future, or that Group would have obtained if the significant acquisitions and disposals described in the basis of preparation below occurred with effect from the dates indicated. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable.

The unaudited Post-Transaction Pro Forma Financial Information should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in the notes accompanying them below as well as the historical and other financial statements of Altice VII included elsewhere in the Annual Report. See "*Presentation of Financial and Other Information—Financial Data*".

UNAUDITED POST – TRANSACTION PRO FORMA FINANCIAL INFORMATION OF ALTICE VII

POST TRANSACTION PRO FORMA INCOME STATEMENT FOR

THE YEAR ENDED DECEMBER 31, 2013

(in € millions)

For the year ended December 31, 2013	Altice VII S.à r.l	OMT 6m–2013 (note c)	ONI 7m–2013 (note d)	Ma Chaine Sport 9m–2013 (note e)	SportV 9m–2013 (note f)	Issuance of new debt (note j)	Obtention of RCFs (note j)	Buy-out of minority stakes (note g)	Impact of new debt offering (note g)	Orange Dominicana (note i)	Altice VII proforma
Revenue	**1,286.8**	**96.5**	**59.0**	**13.8**	**4.5**	**—**	**—**	**—**	**—**	**446.3**	**1,906.9**
Purchases and subcontracting services	(367.8)	(30.1)	(31.2)	(3.3)	(1.1)	—	—	—	—	(121.6)	(555.2)
Gross Profit	**918.9**	**66.2**	**27.7**	**10.5**	**3.4**	**—**	**—**	**—**	**—**	**324.7**	**1,351.7**
Other operating expenses	(261.3)	(19.8)	(11.2)	(.9)	-	—	—	—	—	(44.0)	(337.2)
Other sales and marketing expenses	(78.7)	(7.3)	(1.3)	(.4)	(.2)	—	—	—	—	(78.5)	(166.4)
General and administrative expenses	(60.2)	(6.1)	(5.9)	(2.1)	(.1)	—	—	—	—	(29.2)	(103.7)
Operating income before depreciation & amortisation	**518.8**	**33.2**	**9.2**	**7.1**	**3.0**	**—**	**—**	**—**	**—**	**173.0**	**744.4**
Depreciation and amortization	(399.6)	(11.4)	(9.9)	(4.7)	(1.1)	—	—	—	—	(64.3)	(491.0)
Management fees	(.6)	(.4)	-	(.5)	-	—	—	—	—	(11.5)	(13.0)
Other expenses net	(14.9)	(2.0)	(1.7)	-	-	—	—	—	—	.1	(18.5)
Reorganization and non-recurring costs	(61.3)	-	(.5)	-	-	—	—	—	—	—	(61.8)
Operating Profit/(loss)	**42.4**	**19.4**	**(2.8)**	**2.0**	**1.9**	**—**	**—**	**—**	**—**	**97.3**	**160.1**
Financial income	93.5	.2	.0	.0	-	—	—	—	—	.5	94.2
Finance costs	(336.7)	(2.2)	(5.7)	(.0)	-	8.5	(4.8)	—	(86.1)	(1.1)	(428.2)
(Loss)/Profit before income tax expenses	**(200.9)**	**17.4**	**(8.5)**	**1.9**	**1.9**	**8.5**	**(4.8)**	**—**	**(86.1)**	**96.7**	**(173.9)**
Income tax expense	(7.4)	(6.5)	(.3)	(.3)	-	(2.5)	1.4	—	25.2	(25.4)	(15.8)
(Loss)/Profit for the period	**(208.3)**	**10.9**	**(8.8)**	**1.7**	**1.9**	**6.0**	**(3.4)**	**—**	**(61.0)**	**71.3**	**(189.7)**
Attributable to owners of the entity	*(186.2)*	*8.4*	(8.8)	**1.7**	**1.9**	**6.0**	*(3.4)*	(9.5)	*(61.0)*	71.3	(179.6)
Attributable to non-controlling interests	*(22.1)*	*2.5*	—	—	—	—	—	9.5	-	-	(10.1)

POST TRANSACTION PRO FORMA STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013

Altice VII S.à r.l.
Pro-forma statement of financial position

For the year ended December 31, 2013	Altice VII S.à r.l	Acquisition of Orange Dominicana (note i)	Impact of the debt offering (note j)	Total Pro-forma
		(In € millions)		
ASSETS				
Current assets				
Cash and cash equivalents	61.3	17.5	—	78.9
Restricted cash	1,242.8	-	—	1,242.8
Trade & other receivables	230.9	80.7	—	311.6
Inventories	11.0	17.4	—	28.4
Current tax assets	14.6	—	—	14.6
Total current assets	**1,560.6**	**115.6**	—	**1,676.3**
Non-current assets				
Deferred tax assets	47.4	30.3	—	77.7
Financial assets	50.6	-	—	54.9
Other long term trade receivables.	22.8	0.9	—	23.7
Property, Plant & Equipment	1,134.2	230.0	—	1,364.2
Other Intangible assets	579.6	35.5	—	615.1
Goodwill	1,100.7	-	746.2	1,846.9
Total non-current assets	**2,935.4**	**301.1**	**746.2**	**3,982.6**
Total assets	**4,496.0**	**416.6**	**746.2**	**5,658.8**
EQUITY AND LIABILITIES				
Current liabilities				
Debentures	57.6	—	—	57.6
Loans from related parties	—	—	—	—
Deferred revenues	55.9			55.9
Trade and other payables	516.6	54.6	—	571.2
Other current liabilities	15.9	12.1	—	28.0
Current tax liabilities	2.1	-	—	2.1
Provisions	57.1	5.0	—	62.1
Total current liabilities	**705.2**	**71.7**	**-**	**776.9**
Non-current liabilities				
Debentures	2,527.00	—	1,053.7	3,580.7
Borrowings from financial institutions	894.3	—	—	894.3
Loans from related parties	99.2			99.2
Other financial liabilities	271.6	10.6	—	282.2
Provisions	29	-	—	29.0
Deferred revenues	10.6			10.6
Other non-current liabilities	29	26.8	—	55.8
Retirement benefit obligations	8.21	—	—	8.2
Deferred tax liabilities	183.14	—	—	183.1
Total non-current liabilities	**4,052.1**	**37.5**	—	**5,143.2**
Equity				
Issued capital	7.4	97.4	(97.4)	7.4
Share premium	5.4	-	-	5.4
Other reserves	(82.9)	9.7	(9.7)	(82.9)
(Accumulated losses)/retained earnings	(4.5)	200.2	(200.2)	(4.5)
Profit/(Loss) for the period	(186.2)	—	—	(186.2)
Equity attributable to shareholders of the parent	**(260.8)**	**307.4**	**(307.4)**	**(260.8)**
Non-controlling interests	(.5)	—	—	(.5)
Total equity	**(261.3)**	**307.4**	**(307.4)**	**(261.3)**
Total equity and liabilities	**4,496.0**	**416.6**	**746.3**	**5,658.9**

NOTES TO UNAUDITED POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION

Basis of preparation

The accompanying unaudited pro forma statements of income for the year ended December 31, 2013 (the "Post-Transaction Pro Forma Financial Information") of Altice VII (the "Company") have been prepared to give effect to the following transactions as if they occurred on January 1, 2013 for the purposes of the unaudited pro forma income statements and, if applicable, on December 31, 2013 for the purposes of the unaudited pro forma statement of financial position:

- The acquisition by Altice VII of:

77% of the share capital of OMT Invest S.A.S.,

A supplementary 40% of the share capital of 40%, and

100% of the share capital of Winreason S.A.

100% of the share capital of Sportv S.A.

100% of the share capital of Ma Chaîne Sport S.A.S.

97% of the share capital of Orange Dominicana S.A.

A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.

- The following Refinancing Transactions

The issuance by subsidiaries of the Company of:

9% €250 million Senior Notes falling due in 2023,

6½% $900 million Senior Secured Notes falling due in 2022

6½ €300 million Senior Secured Notes falling due in 2022

81/8% $400 million Senior Notes falling due in 2024

The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to EUR795 million

The repayment of the Coditel Senior Facility amounting to €138 million

The repayment of the ABO credit facility amounting to €65.6 million

The repayment of the Cabovisao facility amounting to €202, 6 million

The repayment of the ONI facility amounting to € 47, 3 million

The conversion of some shareholder loans at the level of Altice VII

The effect of the issuance of the December 2013 Notes

On April 23, 2013, the Company acquired the remaining 40% of the share capital of Cabovisao S.A. ("Cabovisao"). The assets acquired and liabilities assumed of Cabovisao are reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The Cabovisao historical income statement for the period from January 1, 2012 through February 27, 2012 has been included in unaudited pro forma income statement for the period ended December 31, 2013. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Company's shareholding from 60% to 100% have been included in the unaudited pro forma income statements for the year ending on December 31, 2013.

On June 14, 2013, Altice Finco S.A., a direct subsidiary of the Company; proceeded with the issuance of 9% Senior Secured Notes for an aggregate principal of €250 million maturing in 2023. Such liabilities are reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 14, 2013 have been included in the unaudited pro forma condensed combined income statements for the year ending on December 31, 2013.

On June 24, 2013, Altice Financing S.A., an indirect subsidiary of the Company, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of EUR 795 million. As of December 31, 2013, this facility had been fully drawn down. The corresponding liability is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 24, 2013 have been included in the unaudited pro forma condensed combined income statements for the year ending on December 31, 2013, respectively.

On July 2, 2013, Altice Holdings S.à. r.l., and indirect subsidiary of the Company purchased substantially all of the interests (other than €7 million that was prepaid by Coditel Holding S.A.) of the lenders under the Coditel Senior Facility. The corresponding liability is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2012 and July 3, 2013 have been included in the unaudited pro forma income statements for the year ending on December 31, 2013.

On July 2, 2013, a subsidiary of the Company purchased all of the outstanding loans owed by Coditel Holding S.A. under its Senior Facility for an amount of €138 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and July 2, 2013 have been included in the unaudited pro forma income statements for the year ending on December 31, 2013.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of €202.6 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and July 2, 2013 have been included in the unaudited pro forma income statements the yearending on December 31, 2013.

On July 4, 2013, the Company acquired 77% of the share capital of Outremer Telecom S.A. (“OMT”). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for OMT have been included in the consolidated income statement of the Company since the date of acquisition, July 4, 2013. The OMT historical consolidated income statements for the period from January 1, 2013 through July 3, 2013 have hence been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On August 8, 2013, the Company acquired 100% of the share capital of Winreason S.A. (“ONI”). The acquisition was accounted for using the purchase method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the historical consolidated statement of financial position as of December 31, 2013. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for ONI have been included in the consolidated income statement of the Company since the date of acquisition, August 8, 2013. The ONI historical consolidated income statements for the period from January 1, 2013 through August 7, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On August 8, 2013, ONI repaid its credit facility for an amount of €47.4 million. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and August 8, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On October 1, 2013, the Company integrated in the Altice VII group 100% of the share capital of Ma Chaîne Sport SAS ("MCS"). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of acquisition. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and September 30, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On October 1, 2013, the Company acquired 100% of the share capital of Sportv S.A. ("Sportv"). These acquisitions were not accounted for using the purchase method of accounting as they were considered to qualify as transactions performed under the common control of the ultimate beneficial owner of the Company at the date of acquisition. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and September 30, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.The Sportv historical income statements for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma income statements the year ending on December 31, 2013.

On November 29, 2013, the Company acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. ("Coditel") and repaid some Preferred Equity Certificates held by the non controlling interests in this entity. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and September 30, 2013 have been included in the unaudited pro forma income statements the year ending on December 31, 2013.

The Company contemplates acquiring 100% of the share capital of Orange Dominicana S.A. ("ODO"). The excess of the purchase price over the historical book value of the minority interest will be recorded as goodwill. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Company to acquire Orange Dominicana. Given that such acquisitions have occurred after December 31, 2013, the assets acquired and liabilities assumed of ODO are not included in the historical consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013. The ODO historical consolidated income statements for the period from January 1, 2013 through December, 2013 have hence been included in the unaudited pro forma income statements the year ending on December 31, 2013.

Other referenced divestitures as disclosed in "Presentation of Financial and Other Information" have not been reflected in the pro forma adjustments as they were not individually or in the aggregate deemed significant to Altice VII.

The unaudited Post-Transaction Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with Regulation S-X under the U.S. Securities Act. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of the period presented, nor is it intended to be indicative of expected results of operations in future periods or the future financial position of the Company. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The unaudited Post-Transaction Pro Forma Financial Information do not give effect to the Mobius Acquisition, Tricom Acquisition nor does it purport to indicate any entries to harmonize the accounting policies between Orange Dominicana and the Altice VII group.

The unaudited Post-Transaction Pro Forma Financial Information should be read in conjunction with the notes thereto as well as the historical consolidated financial statements of the Company included herein.

The audited consolidated financial statements of the Company as of and for the year ended December 31, 2013, were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

Intercompany transactions between the entities included in the unaudited Post-Transaction Pro Forma Financial Information have not been excluded or eliminated from the unaudited Post-Transaction Pro Forma Financial Information as the amounts were not considered material by the Board of Managers.

Historical financial statements

The following represent the historical consolidated financial statements of Altice VII:

(a) the audited consolidated financial statements of Altice VII as of and for the year ended December 31, 2013, prepared in accordance with the IFRS.

Pro-forma adjustments

(a) Purchase of Cabovisao non-controlling interests

On April 23, 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Cabovisao. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 105.0 million.

(b) Acquisition of OMT Invest S.A.

Altice Blue Two SAS, an indirectly fully-owned subsidiary of Altice VII obtained control of OMT on July 4, 2013 pursuant to a purchase of 77% of its shares. These pro-forma adjustments relate to the historical income statement of OMT for the period from January 1, 2013 through July 4, 2013 derived from the audited and reviewed financial statements of OMT prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income.

(c) Acquisition of Winreason S.A.

Cabovisao, an indirectly fully-owned subsidiary of Altice VII obtained control of Winreason on August 8, 2013 pursuant to a purchase of 100% of its shares. These pro-forma adjustments relate to the historical income statement of ONI for the period from January 1, 2013 through August 8, 2013 derived from the unaudited special-purpose consolidated financial statements of Winreason prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma statements of income.

(d) Acquisition of Ma Chaîne Sport

On October 1, 2013, Altice VII entered into a share purchase agreement with Altice IV S.A. and Valemi S.A. for the purchase of 100% of the share capital and voting rights of Ma Chaine Sport S.A.S.The cash consideration for the

The measurement and recognition criteria of French GAAP do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRS rules allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting services of 4.7 million EUR, in other operating expenses of 1.6 million EUR, on increase in depreciation and amortization of 6.1 million EUR for the year ended December 31, 2012.

(e) Acquisition of Sportv

On October 1, 2013, Altice VII obtained control over Sportv S.A. The cash consideration for the Acquisition on a cash free and debt free basis was EUR 12.0. On a pro forma basis, this debt has been eliminated on consolidation. These pro-forma adjustments relate to the historical income statement of Sportv for the period from January 1, 2013 through September 30, 2013 derived from the audited and reviewed financial statements of Sportv prepared in accordance with the measurement and recognition criteria of IFRS.

(f) Acquisition of the non-controlling interests in Coditel

During the fourth quarter of 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. and refinanced some Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis is expected to be EUR 80.6 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of EUR 14.6 million.

(g) Acquisition of Orange Dominicana S.A.

During the first quarter of 2014, Altice VII is expected to finalize the purchase 100% of the shares and voting rights of Orange Dominicana S.A. The cash consideration for the Acquisition on a cash-free and debt-free basis is expected to be USD 1,435 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2013. These pro-forma adjustments relate to the historical income statement of ODO for the period from January 1, 2013 through December 31, 2013 derived from the audited and reviewed financial statements of ODO prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma condensed combined income.

The unaudited pro forma financial information for ODO has been prepared based on the audited historical financial statements of ODO as of and for the year ended December 31, 2013 prepared in accordance with IFRS and unaudited interim financial information of ODO as of and for the year ended December 31, 2013 after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited historical financial information for IFRS as of and for the year ended December 31, 2013 to conform to the financial information presentation of unaudited pro forma financial statements of the Altice VII Group.

- The ODO Acquisition is being accounted for using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost. Goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to €746.2 million. This unaudited pro forma financial information has been prepared based on preliminary estimates of fair values. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired.

(h) Refinancing Transactions

The Pro forma adjustments relating to the refinancing transactions are composed as follows:

(i) Issuance of Senior and Senior Secured Notes on June 14, 2013 and December 12, 2013

On June 14, 2013 and December 12, 2013, the Altice VII Group issued Senior and Senior Secured Notes for an amount of EUR 1,129.0 million. The proceeds were used to refinance the following liabilities.

- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of EUR 202.6 million

- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of €42.3 million

(ii) Use of Term Loan

On June 24, 2013, the Altice VII Group secured a senior secured credit facility of €795 million. The proceeds were used to refinance the following liabilities.

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million

- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.4 million
- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million

Pro forma adjustments of €42.0 million, (€3.6 million), have been recorded to reflect the net change to finance costs on borrowings for the years ended December 31, 2012 and 2013 respectively, inclusive of tax effects that would have been recorded had the above refinancing transactions taken place on January 1, 2012.

(iii) Use of Proceeds and finance costs from the issuance of the 2013 Dollar Senior Notes and the December 2013 Senior Secured Notes contemplated in this Annual Report.

In December 2013, the Altice VII Group will issue 2013 Dollar Senior Notes and the December 2013 Senior Secured Notes for an approximate amount of €1,100.0 million, the proceeds from which will be used to complete the Orange Dominicana acquisition.

Pro forma adjustments of €61.0 million were recorded for the year ended December 31, 2013 respectively, inclusive of income-tax impacts to reflect the impact of this December 2013 Notes issuance. The actual interest of the December 2013 Notes shall only be known at pricing and may vary significantly to the pro forma interest rate utilized for the purposes of this exercise.

Other Information

Other referenced acquisitions and divestitures as disclosed in the "Presentation of Financial Information" have not been reflected in the pro forma adjustments. The other referenced acquisitions and divestitures were not individually or in the aggregate significant to Altice VII.

The tax effect of the transaction adjustments in the unaudited pro forma financial information has been calculated on an aggregate basis using an assumed effective tax rate of 29.20% for the year ended December 31, 2013 which is expected to be the combined effective tax rate of the Altice VII Group.

Post Transactions

Translation of historical financial information denominated in currencies other than Euro.

The historical financial statements of ODO, from which amounts have been derived in preparing the Post Transaction Pro Forma Financial Information as of and for the year ended December 31, 2012, have been shown up in Dominican Pesos ("DOP"). The amounts have been translated into Euro ("EUR"), for the purposes of their inclusion within the Post Transaction Pro Forma Financial Information, using the following notes

- As of December 31,, 2013 DOP1.00 = €0.0183
- Period ended December 31, 2013 DOP1.00 = €0.0168

1. Revenue

For the year ended December 31, 2013	Israel TOTAL Jan 1, 2013 to Dec 31, 2013	BeLux TOTAL Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories TOTAL Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Dominican Republic Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Total	**881.9**	**70.5**	**108.7**	**41.8**	**59.0**	**209.5**	**24.9**	**02.1**	**96.5**	**223.5**	**75.2**	**446.3**	**1,906.9**

For the year ended December 31, 2012	Total Israel Jan 1, 2012 to Dec 31, 2012	Total BeLux Jan 1, 2012 to Dec 31, 2012	Oni Jan 1, 2012 to Dec 31, 2012	Cabovisao S.A. Jan 1, 2012 to Feb 29, 2012	Cabovisao S.A. (Altice VII) Mar 1, 2012 to Dec 31, 2012	Total Portugal Jan 1, 2012 to Dec 31, 2012	French Overseas Territories (Altice VII) Jan 1, 2012 to Dec 31, 2012	OMT Jan 1, 2012 to Dec 31, 2012	Total French Overseas Territories Jan 1, 2012 to Dec 31, 2012	Others Jan 1, 2012 to Dec 31, 2012	Total Dominican Republic Jan 1, 2012 to Dec 31, 2012	Total Jan 1, 2012 to Dec 31, 2012
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Total	**850.4**	**71.3**	**117.4**	**19.8**	**98.2**	**235.4**	**24.4**	**195.1**	**219.6**	**65.2**	**457.7**	**1.899.5**

2. Operating profit before depreciation and amortization

For the year ended December 31, 2013	Israel Jan 1, 2013 to Dec 31, 2013	BeLux Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 30, 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Dominican Republic Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Total	**363.0**	**45.0**	**43.4**	**5.7**	**9.3**	**58.3**	**13.9**	**37.4**	**33.3**	**84.6**	**20.6**	**173.0**	**744.4**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE GROUP

The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the Historical Consolidated Financial Information, with the Pre-Transaction Pro Forma Financial Information (without giving effect to the Mobius Acquisition, Tricom Acquisition and the ODO Acquisition) and the Illustrative Aggregated Selected Financial Information, including the accompanying notes, included elsewhere in this Annual Report. Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties. See "Forward Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with this Annual Report.

Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited historical consolidated financial statements of Altice VII as of and for the years ending December 31, 2013 and 2012 (the "Historical Consolidated Financial Information").

Altice VII the holding company of the Group which, since its formation in 2008, has from time to time made significant equity investments in a number of cable and telecommunication businesses in various jurisdictions. The following is a summary of key investments and disposals made by Altice VII since 2010, which have had a significant impact on the historical consolidated financial information of Altice VII used to prepare the Historical Consolidated Financial Information.

During the year ended December 31, 2011, Altice VII made the following acquisitions that fundamentally changed its business undertaking: (i) in the first quarter of 2011, Altice VII increased its ownership in HOT-Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the historical consolidated financial statements of Altice VII with effect from March 16, 2011). In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice VII and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group"; and (ii) in the second quarter of 2011, Altice VII acquired a controlling equity interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium and Coditel S.à r.l., a company with cable television operations in Luxembourg, in each case, through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from July 1, 2011). In addition, Altice VII sold 5% of its equity interest in MIRS Communications Limited.

The year ended December 31, 2012 was marked by the following two significant acquisitions by Altice VII: (i) in the first quarter of 2012, Altice VII acquired approximately 60% of the equity interests in Cabovisão—Televisão por Cabo, S.A. ("Cabovisão"), a Portuguese telecommunications company (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from February 29, 2012); and (ii) in the fourth quarter of 2012, Altice VII completed the take-private transaction of the HOT Group whereby it acquired substantially all of the equity interests in HOT-Telecommunication Systems LTD. it did not previously own.

Altice VII has added to its portfolio of holdings in 2013 with the following acquisitions: (i) in the first quarter of 2013, Altice VII acquired substantially all of the equity interests in Cabovisão that it did not already own; (ii) in the third quarter of 2013, Altice VII acquired a controlling equity interest in Groupe Outremer Telecom S.A., a telecommunications company with operations in the French Overseas Territories (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from July 5, 2013); and (iii) in the third quarter of 2013, Altice VII (through its subsidiary Cabovisão) acquired 100% of the equity interests in Winreason S.A., the owner of Portuguese telecommunications operator Oni SGPS S.A. and its subsidiaries (the financial information of which is consolidated in the historical consolidated financial statements of Altice VII with effect from August 8, 2013) and (iv) in November 2013, Altice VII acquired further equity interests in Coditel pursuant to the 2013 Coditel Acquisition. In addition, in 2013, Altice VII disposed of its interests in Valvision and acquired the content subsidiaries, Ma Chaîne Sport and Sportv and entered into agreements to acquire Tricom and ODO. In addition, during 2013 Altice VII initiated its equity investment in Wananchi ("Wananchi"), a Kenyan cable operator.

As a result of the series of significant acquisitions that have been consummated by Altice VII in the years ended December 31, 2011, 2012 and 2013 and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Annual Report for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Therefore, in order to facilitate an understanding of the Group's results of operations, this discussion and analysis is being supplemented by: (i) financial information derived from the pro forma consolidated financial information of Altice VII (giving effect to each such significant acquisition as if such acquisitions had occurred by January 1, 2013) as of and for the year December 31, 2013 (the "Pre-Transaction Pro Forma Financial Information") and (ii) financial information derived from the Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 20111 and 2012 (the "Illustrative Aggregated Selected Financial Information"). For further details regarding the basis of presentation of the Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, please see basis of preparation to the Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, respectively, included elsewhere in this Annual Report. The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition, the Tricom Acquisition or the ODO Acquisition and therefore does not include any financial information of Mobius, Tricom or ODO. The Pre-Transaction Pro Forma Financial Information includes the results of operations of Valvision even though the Group disposed of its interests in Valvision to the Numericable Group on June 27, 2013. In the twelve months ended December 31, 2013, respectively, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA. The Pre-Transaction Pro Forma Financial Information also include the results of operations of Green Datacenter and Auberimmo, which are subsidiaries of Altice VII but have been designated as unrestricted subsidiaries under the terms governing our existing indebtedness and will not constitute Restricted Subsidiaries. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.6 million, €9.0 million and €10.9 million to aggregated and pro forma EBITDA and Auberimmo contributed €0.9 million, €0.9 million, €0.9 million to aggregated and pro forma revenues and €0.8 million, €0.8 million and €0.8 million to aggregated and pro forma EBITDA.

As we have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in our consolidated income statements despite the fact that third parties own significant interests in these entities. The non-controlling owners' interests in the operating results of Coditel Holding and the non-controlling owner's interests in Outremer, which seized to exist as of January 30, 2013, in the Historical Consolidated Financial Information and the Pre-Transaction Pro Forma Financial Information are reflected in the line item "profit or loss attributable to non-controlling interests" in the relevant statements of income. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item "operating income before depreciation and amortization", or EBITDA, the non-controlling interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non- controlling interests may be significant and amounted to €1.3 million and €1.1) million attributable to non-controlling interests in the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 and the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013, respectively.

In this section, we use "pro forma basis" and "aggregated basis" or similar terms to describe financial information derived from the Pre- Transaction Pro Forma Financial Information or the Illustrative Aggregated Selective Information as the case may be, and when used in this section ("Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group"), the terms "we", "our", "Altice VII", "Company", "us" or the "Group" refer to the business constituting the Group as of the date of the Annual Report even though we may not have owned such business for the entire duration of the periods presented.

Key Factors Affecting Our Business

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

Acquisitions and Integration of Businesses

Since our formation in 2008, we have from time to time made significant direct and indirect equity investments in a number of cable and telecommunication businesses in various jurisdictions. Due to the significant nature of certain of these acquisitions, the comparability of our results of operations based on the Historical Consolidated Financial Information is limited. Our revenues and EBITDA increased from €167.2 million and €48.1 million in the year ended December 31, 2010 to €1,291.9 million and €522.2 million in the year ended December 31, 2013, mainly as a result of the impact of such acquisitions. See "*—Basis of Presentation*". We plan to continue to evaluate value-enhancing acquisition opportunities in the cable and telecommunication sector with the aim of generating strong cash flow and operational synergies.

In general, following any acquisition, our results of operations are impacted by the results of the newly acquired business, debt incurred to acquire the business and expenditures made to integrate the newly acquired business into the Group. When seeking to integrate and improve a newly acquired business, we look to several key areas: (i) reviewing current products and prices and improving operational processes and cost structure to achieve satisfactory operating margins; (ii) implementing cable and mobile network upgrades to bring the acquired business in line with our Group-wide standards; (iii) researching ways to create synergies and benefit from economies of scale including with respect to customer equipment such as set-top boxes and outsourcing of certain services; (iv) sharing knowledge and experience and implementing Group-wide best practices; and (v) leveraging our ability to raise financing, including in the international capital markets. Many of these integration measures require expenditure by us. In the twelve months ended December 31, 2013 and the year ended December 31, 2012 respectively, we incurred restructuring and other non-recurring costs of €39.8 million and €20.8 million**,** which primarily include costs with respect to renegotiations or termination of contractual arrangements, employee redundancies and other administrative expenses related to re-organization of existing or newly acquired businesses. In addition, we generally record goodwill in connection with such acquisitions. As of December 31, 2013, the goodwill recorded on our balance sheet amounted to €1,100.7 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on net operating income.

Network Upgrades

Our ability to provide new or enhanced cable based services, including HDTV and VoD television services, broadband Internet network access at increasing speeds and fixed-line telephony services to additional subscribers depends in part on our ability to upgrade our cable networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network. During each of 2012 and 2013, we deployed fiber on and upgraded a substantial part of our cable networks. As of December 31, 2013, our networks, on a blended basis, are 98% Docsis 3.0 enabled, which allows us to offer our customers high broadband Internet access speeds and better HDTV services across our regions. For the year ended December 31, 2013, on a pro forma basis, we invested €57.0 million and for the year ended December 31, 2011 and 2012, on an aggregated basis, we invested €58.1 million and €76.8 million, respectively, in cable network and construction related capital expenditures. In the future, we will need to evaluate the need to upgrade our networks for advancements in technologies such as Docsis 3.1 and for the deployment of additional fiber.

In May 2012, we launched our UMTS network in Israel, which allows us to offer 3G mobile services to our customers in Israel under the "HOT Mobile" brand. Under the terms of our license, among other things, we have committed to provide UMTS network coverage to 90% of the Israeli population and inhabited territory by 2018. Our network already extends to approximately 61% of the inhabited territory of Israel. For the year ended December 31, 2012 and 2013, we invested €83.8 million and €53.6 million and, respectively, in capital expenditures in our mobile business in Israel, of which most related to the build out of our UMTS network. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. Accordingly, we expect that the Network Sharing Agreement will optimize the amount of capital expenditures we incur in relation to the build-out of our UMTS network. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license. For a description of the Network Sharing Agreement, please see "*Description of Our Business – Material Contracts – Mobile Network Sharing Agreements with Partner in Israel*"

It is expected that the relevant authorities in Israel and the French Overseas Territories 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, our ability to provide LTE mobile services to complement our existing mobile services in Israel and the French Overseas Territories respectively will depend in part on our ability to upgrade our mobile network and roll-out an LTE network, which would involve additional capital expenditure or, subject to regulatory approval, investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner. In Israel, because of our extensive fixed-line network and the technologically advanced nature of our advanced UMTS network as well as the Network Sharing Agreement, we believe upgrading our mobile network to the LTE standard will require lesser investment as compared to some of our competitors and significantly less capital expenditure than we incurred to roll out our UMTS network.

Competition

Our Cable Customer Relationships, RGUs and ARPUs are impacted by the levels of competition we experience in each of our regions. Although we increased our total cable RGUs in 2012, our total cable RGUs declined by 87,000 for the year ended December 31, 2013, as we are experiencing significant competition in most of the regions in which we operate. In Portugal, we experienced increased churn and a decline in total cable RGUs and ARPUs in the twelve months ended December 31, 2012 and 2013 mainly as a result of aggressive competition and adverse economic conditions as well as our strategic decision to cease offering certain aggressively priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base. We expect competitive pressures to intensify in each of our regions due to a variety of factors. For example, in Israel, we expect to experience an increase in competition particularly with respect to the broadband Internet services as a result of an increase in speeds offered by the incumbent operator. Total mobile subscribers increased in Israel and the French Overseas Territories in 2012, but declined in the French Overseas Territories in 2013 primarily due to intense competition. Further, our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is limited by regulatory factors in each of the regions in which we operate. In Israel, the Israeli Ministry of Communications has in recent years taken certain measures to increase the competition in the telecommunications industries, including the establishment of a DTT platform with the possibility of expanding the number of channels broadcasted over such platform, eliminating exit fees for subscribers except in limited circumstances and prohibiting the linkage of the price and terms of a handset to mobile services or benefits. The Israeli Ministry of Communications has also published a policy for creating a wholesale market requiring network infrastructure owners (being Bezeq and HOT) to provide third parties access to their network for broadband Internet infrastructure access, which may increase competition for broadband Internet infrastructure access products and could enable the entry of competitive triple-play service offerings if it results in the elimination of the requirement of our competitor to maintain structural separation. See "*Regulatory –Israel –Mobile Structural Separation*" **.**The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects on our results of operations.

In addition, the cable services and mobile telephony industries typically exhibit churn as a result of high levels of competition, which could lead to increased costs and reduced revenue. Our churn levels may be affected by a variety of factors including changes in our or our competitors' pricing, our level of customer satisfaction, disconnection of non-paying subscribers and changes in regulations. Churn rates in the cable segment in our individual markets are also impacted by customers moving out of our network area, although our nationwide network in Israel, our largest market, allows us to minimize the impact of our customers moving homes as there is a high likelihood that such customer will move into a home passed by our cable network or that could be connected to our cable network without materially extending our cable network plan. We could in some instances incur some capital expenditures related to installation and connection of such relocating customers. With respect to our mobile business, in Israel, prior to the launch of our UMTS based 3G services in May 2012, our churn rates increased in recent years as subscribers left our iDEN-based network for the more advanced networks of our competitors. Our churn rates further increased in our mobile sector in Israel in 2012 as our contract with the Israeli Defense Force for the provision of iDEN based mobile services terminated in the last quarter of 2012, but were partially offset by certain of our iDEN subscribers switching to our 3G services launched in May 2012 as opposed to those offered by our competitors. 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. With the launch of our UMTS network, we expect that our mobile churn rate in Israel will increase from historical levels as 3G mobile services generally have a higher churn rate than iDEN mobile services. In addition, regulatory actions of the Israeli Ministry of Communications which have increased competition by prohibiting exit fees, except in limited circumstances, long-term commitments and, as of January 2013, the linkage of the price and terms of handsets to the mobile service prices and benefits are also likely to have an impact on mobile churn rates in Israel. In Portugal, we experienced an increase in churn in recent periods mainly as a result of aggressive competition and adverse economic conditions. Business customer retention is generally high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Our long term business customer relationships in Portugal (our largest B2B market) usually last on average for six years with contract terms ranging between 24 to 36 months.

Multiple-Play Strategy

We have implemented a product offering across the regions in which we operate with a strategic focus on multiple-play, including triple-play bundles. Subscribers who elect to subscribe for our multiple-play bundles realise cost savings on their monthly bill as compared to purchasing each of the services individually. We believe that offering bundled services allows us to meet customers' communication and entertainment requirements, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced. As a result of our focus on providing our subscribers with multiple-play bundles, we have experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play services, with the number of triple-play subscribers increasing from 560,000 as of December 31, 2011 to 654,000 as of December 31, 2013, which has driven growth in our cable based services ARPU (other than in Portugal where our ARPU was negatively impacted in 2012 by aggressive competition and adverse economic conditions). Our cable-based services ARPU for the years ended December 31, 2011, 2012 and 2013, respectively were € 42.4, €44.4 and €47.6 in Israel, €36.7, €39.5 and €41.1 in Belgium and Luxembourg, €36.9, €34.9 and €34.6 in Portugal and, € 43.1, €48.3 and €51.4 in the French Overseas Territories.

Introduction of New Products and Services

We have significantly expanded our presence and product and service offerings in the past. HOT has been a leader in bringing cable-based services to the Israeli market. HOT launched digital cable television in 2001, high-speed broadband Internet infrastructure access in 2003 and cable based fixed telephony services in 2005. HOT has continued to enhance its product and service offerings, being the first company to introduce VoD services in Israel in 2005 and launching a 100 Mbps broadband Internet service in 2010. In May 2012, we launched UMTS based 3G mobile services in Israel. We have taken similar measures in the other countries in which we operate including introducing mobile services in Belgium, launching our most advanced set top boxes, La Box, which can deliver very high speed Internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines and combines VoD functionality, HD technology and recording capabilities in a single set-top box in Belgium and Luxembourg (2012) and Portugal (2012). We expect to roll out this set top box in Israel in the first quarter of 2014. In the French Overseas Territories, Outremer pioneered flat-fee rate mobile telephony plans by introducing packages with including unlimited calls towards the French Overseas Territories and mainland France in 2012. In addition, we regularly review and invest in the content we offer to provide our subscribers with a flexible and diverse range of programming options, including high quality local content and exclusive premium content. The introduction of new products and services have impacted our result of operations in the periods presented, by among other things, opening new revenue streams (e.g., 3G mobile services in Israel and Belgium) and in certain cases, increasing operating expenses and capital expenditures (e.g. UMTS network build out costs and roaming costs in Israel relating to our 3G mobile services and costs relating to the roll-out of the La Box in Western Europe).

Pricing

We focus our product offering on multiple-play offers. In Israel, we believe our ability to offer triple-play services provide us with a competitive price advantage. The cost of a multiple-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for broadband Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions such as our flat-fee rate plans in the French Overseas Territories which we introduced in the first half of 2012, the more options, content, and included usage time, the higher the price of the multi-play package or stand-alone offering in question. We adjust our pricing policies based on evolving market practices as well as the Group's overall business strategy. For example, in Belgium we increased the prices for our triple-play and stand-alone products in 2012 in line with the market which has resulted in an increase in cable-based ARPU while in Portugal, during the course of 2012 we took the strategic decision to cease offering certain aggressively priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base but has led to an increase in ARPU. Our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is also limited by regulatory factors in each of the regions in which we operate. Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive and very low margin, as voice services are highly commoditized, with sophisticated customers and relatively short-term contracts. The B2B market for data services is less price sensitive, as data services require more customization and service level agreements. In both markets, price competition is strongest in the large corporates segment and public sector whereas customer- adapted solutions are an important competitive focus in the medium and smaller business segment.

Cost Structure

We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by implementing initiatives to improve our cost structure across the various regions in which we operate. We are implementing common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. We have also achieved and expect to continue to achieve substantial reductions in our operating expenses as we implement the same best practice operational processes across our organization. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and improved pricing of the same television content. As a result, we have generally managed to achieve growth in EBITDA, profitability and operating cash flow of businesses we have acquired. For example, in our Israeli business, following the acquisition of control by Altice VII over HOT in 2011, HOT's cable EBITDA margin increased to 55.1% in 2013 compared to 38.0% in 2010, and in our Portuguese business, following the acquisition of control by Altice VII over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.8% in 2013 compared to 14.2% in 2011.

We make expansion related capital expenditure decisions by applying strict investment return and payback criteria. For the year ended December 31, 2013 and 2012 respectively, we incurred accrued capital expenditure of

€313.2 million and €397.8 million respectively, in each case on a pro forma basis. Of such capital expenditures in 2013, approximately 22.6% related to CPE and installations cable capital expenditures, 18.3% related to our cable network and construction, 20.4% related to other cable capital expenditures, 19.8% related to capital expenditures for our mobile businesses and 15.3% related to B2B and other capital expenditures. We have recently incurred significant capital expenditures related to the building out and launching of our UMTS network in Israel as well as significant operating expenditures, including national roaming costs pursuant to our roaming arrangement with Pelephone. For the year ended December 31, 2013 and 2012, our national roaming costs amounted to €49.7 million and €21.4 million, respectively. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will each own equal shares of a newly formed limited partnership, which is expected to hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The service under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation. The Network Sharing Agreement is valid until December 31, 2028 and is subject to all required regulatory approvals. In November 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner and we expect the arrangements we have entered into with Partner will result in savings relating to roaming, network and maintenance expenses and optimize the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS network. However there can be no assurance that we will be able to obtain the required regulatory approvals or otherwise be able to implement the arrangements we have entered into with Partner in a timely or cost effective manner.

Macro Economic and Political Risks

Our operations are subject to macro-economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S., certain European countries and countries in the Middle East, combined with weak growth and high unemployment, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition. For example, our results of operations in the period under review have been affected by adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence. Moreover, in Israel, our largest market, we are subject to the inherent risks associated with the political and military conditions in Israel and the potential for armed conflicts with Israel's neighbors.

Our reporting currency is euros and our operations outside Israel are primarily conducted in euros. However, in Israel, which accounted for 60% and 59% of the total revenue of the Group in the year ended December 31, 2013 and 2012, on a pro forma basis, a substantial portion of our revenue is in NIS while a portion of our operational expenses and capital expenditures are incurred in other currencies, including the U.S. dollar. In the year ended December 31, 2013, approximately 9% of our total operating expenses in Israel and approximately 47% of our total capital expenditures in Israel were incurred in foreign currencies. Our borrowings are denominated in NIS, euros and U.S. dollars but do not necessarily correspond to the portion of revenue we earn in such currencies. The exchange rate between U.S. dollars and NIS and the euro and NIS has been volatile in the past and may continue to be so in the future. Although we attempt to mitigate currency risk through hedging, sharp changes in the exchange rate could have a material effect on our results of operations. We are also exposed to translation foreign currency exchange risk arising from the consolidation of the financial results of HOT into Altice VII's consolidated financial statements. In the year ended December 31, 2013 compared to 2012, foreign exchange translation movements between the NIS and the euro had a positive impact of €32.6 million on our total revenues and €11.8 million on our EBITDA. Further, as of December 31, 2013, we had approximately €795.0 million of outstanding indebtedness (assuming full draw down of the 2013 Term Loan), which bears interest at a floating rate and is therefore subject to interest rate risk. We have not entered into interest rate hedges and hence are exposed to interest rate fluctuations with respect to our floating rate debt.

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 Relationships	452	50	135	17	654
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 Relationship	2.0x	2.1x	2.54	1.86x	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

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories	Total[7]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,204	213	906	154	3,477
Docsis 3.0 Upgraded (%)	100%	100%	85%	17%	92%
Unique Customers					
Cable Customer Relationships(1)	1,245	117	264	41	1,667
Triple-Play Cable Customer Relationships	348	49	154	9	560
RGUs & Penetration[(2)(3)]					
Total RGUs	2,294	241	669	59	3,263
Pay Television RGUs	891	135	256	41	1,323
Pay Television Penetration (%)	40%	63%	28%	27%	38%
Broadband Internet RGUs	768	54	162	9	993
Broadband Internet Penetration (%)	35%	25%	18%	6%	29%
Fixed-Line Telephony RGUs	635	52	251	9	947
Fixed-Line Telephony Penetration (%)	29%	24%	28%	6%	27%
RGUs Per Cable Customer Relationship	1.8x	2.1x	2.5x	1.4x	2.0x
ARPU[(4)]					
Cable ARPU (€)	42.4	36.7	36.9	43.1	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	—	—	—	88%[(8)]	—
Subscribers					
Total Mobile Subscribers[(5)]	444	—	—	355	799
Postpaid	389	—	—	158	547
Prepaid	55	—	—	197	252
ARPU[(4)]					
Mobile ARPU (€)	25.5	—	—	28.9	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	—	147	147
Broadband Internet RGUs	—	—	—	58	58
Fixe-Line Telephony RGUs	—	—	—	89	89

(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, 2011 €0.2009 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, (iii) 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,		
	2011	2012	2013
		in thousands	
Mobile Subscribers			
iDEN	444	325	218
UMTS	—	441	592
Total	**444**	**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) but not ONI; 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.

Key Income Statement Items

Revenue

Revenue consists of income generated from the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. Revenue is recognized at the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group. We record revenue generated from the following services:

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

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

B2B and others: Revenue from the B2B and others segment includes broadband Internet access, telephony, virtual private network, leased lines, data center services and other corporate fixed-line services to large and small businesses or government agencies. However, it does not include revenue from standard pay television, broadband Internet, fixed-line telephony and mobile services to businesses, which are included under cable or mobile revenue as the case may be. In addition, it also includes revenue from other businesses units such as content delivery and production, provided either directly to customers or to other cable network operators. These primarily include revenue from our B2B business in Portugal, certain pure B2B services in Belgium and Luxembourg, our datacenter and B2B businesses in Switzerland and our content business.

Purchasing and subcontracting services

Purchasing and subcontracting services consists of direct costs associated with the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. We record purchasing and subcontracting services paid for the procurement of the following services:

Cable-based services: Purchasing and subcontracting services associated with cable based services consists of all direct costs related to the (i) procurement of non-exclusive television content, royalties and licenses to broadcast, (ii) transmission of data services, (iii) interconnect costs related to fixed-line telephony. In addition, it includes costs incurred in providing VoD or other interactive services to subscribers and accounting variations arising from changes in inventories of customer premises equipment (such as modems, set top boxes and decoders). In Israel, costs relating to the procurement of exclusive television content from third party providers were included in purchasing and subcontracting services for cable based services until March 31, 2013, but these costs have been capitalized thereafter.

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

B2B and others: Purchasing and subcontracting services associated with B2B and other services consist of, (i) cost of renting space for datacenters (subject to certain exceptions), (ii) utility costs related to the operation of datacenters (such as power and water supply costs), (iii) hosting and interconnect fees for telephony and broadband services to corporate clients or small businesses, and (iv) costs of professional services. In addition, it includes in relation to the content activity of the Group, technical costs associated with the delivery of content, such as satellite rental costs.

Other operating expenses

Other operating expenses consist mainly of the following subcategories:

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

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

Staff expenses: Staff expenses include all costs related to wages and salaries, bonuses, social security, pension contribution and other outlays paid to Group employees involved in technical operations and customer services functions (except for Outremer, which historically has accounted for all salary expenses under this item).

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

General and administrative expenses

General and administrative expenses consist of office rent and maintenance, professional and legal advice, recruitment and placement, welfare and other administrative expenses. For the purpose of this discussion and analysis, it also includes staff costs and employee benefits expenses relating to administrative personnel, which is presented as a separate line item on the income statement.

Other sales and marketing expenses

Other sales and marketing expenses consist of salary and associated payments for sales and marketing personnel, advertising and sale promotion, office rent and maintenance, commission's for marketers, external sales and storage and other expenses related to sales and marketing efforts.

Depreciation and amortization

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

Goodwill impairment

Goodwill impairment includes the write off of any goodwill that has been recognized on the acquisition of new assets based upon a periodic re- evaluation of the cash generating capacity of these assets compared to the initial valuation assigned to the original goodwill of such asset acquisition.

Other expenses, net

Other expenses, net includes any one-off or non-recurring income or expenses incurred during the on-going financial year, excluding restructuring and other non-recurring costs. This includes deal fees paid to external consultants for merger and acquisition activities.

Management fees

Management fees include all consulting and management fees paid to related parties. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

Restructuring and other non-recurring costs

Restructuring and other non-recurring costs include one-off expenses incurred to reorganize existing or newly acquired businesses. Cost incurred are categorized under: (i) operating and maintenance costs when related to equipment redundancies, (ii) rents and other general and administrative expenses when related to building or redundancies of general installations and (iii) staff expenses, when related to employee redundancies.

Share of profit of associates

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

Finance income

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

Finance costs

Finance costs includes financing expenses for short-term credit facilities, changes in the net fair value of the financial derivatives that do not qualify as hedges for accounting purposes, financing expenses for banking and credit card companies' commissions, financing expenses for long-term loans, financing expenses for bonds, net exchange rate differences and other expenses paid for financing operations recognized at amortised cost.

Income tax expenses

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

Discussion and Analysis of Our Results of Operations

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

	Historical Consolidated Financial Information				Pre-Transaction Pro-Forma Financial Information
	For the year ended December 31,		Change		For the year ended December 31,
Statement of Income Items	**2012**	**2013**	**Amount**	**%**	**2013**
	€ in millions except percentages				
Revenue					
Cable based services	873.3	923.1	59.9	6.9	953.1
Mobile services	172.7	256.2	83.5	48.4	322.8
B2B and others	46.4	107.4	50.9	90.2	184.7
Total Revenue	1,092.4	**1,286.8**	**194.4**	17.8	1460.6
Purchasing and subcontracting services	(302.1)	(367.8)	65.3	21.6	(433.6)
Gross Profit	**790.3**	**918.9**	129.1	16.3	1,027.1
Other operating expenses	(248.9)	(261.4)	(12.5)	5.0	(293.2)
General and administrative expenses(1)	(58.1)	(60.2)	(2.1)	3.6	(88.0)
Other sales and marketing expenses	(80.1)	(78.7)	1.4	(1.7)	(74.5)
Operating income before depreciation and amortization	403.2	518.8	115.8	28.7	**571.4**
Depreciation and amortization	(266.3)	(399.6)	132.6	49.8	(426.7)
Goodwill impairment	(121.9)	—	(121.9)	—	—
Other expenses, net	(29.8)	(14.9)	16.5	55.3	(18.6)
Management fees	(6.2)	(0.6)	(5.6)	(90.2)	(1.5)
Restructuring and other non-recurring costs	(20.8)	(61.3)	21.3	102.6	(61.8)
Operating profit	**(41.7)**	**42.4**	72.9	-	**62.8**
Finance income	30.5	93.5	69.0	226.1	93.7
Finance costs	(204.7)	(336.7)	112.0	54.7	(341.0)
(Loss)/profit before income tax expenses	**(215.8)**	**(200.9)**	(29.9)	(13.9)	**(184.5)**
Income tax benefits/(expenses)	26.0	(7.4)	41.2	158.6	(15.6)
(Loss)/profit for the year	**(189.8)**	**(208.3)**	(11.2)	(5.9)	**(200.0)**

(1) Also includes staff costs and employee benefits expenses.

Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2013 and December 31, 2012 were significantly impacted by the following events:

- In February 2012, Altice VII acquired a controlling equity interest in Cabovisão (the results of which are consolidated in the Historical Consolidated Financial Information of Altice VII with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to EBITDA of Altice VII on a consolidated basis, in the twelve months ended December 31, 2012 since February 29, 2012. In the first two months of 2012, Cabovisão had €19.8 million of revenue, €1.5 million of operating profit and €2.5 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII. 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 (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from July 5, 2013). Outremer contributed €102.1 million to revenue, €13.5 million to operating profit and €37.4 million to EBITDA of Altice VII on a consolidated basis in the twelve months ended December 31, 2013 since July 5, 2013. For the period from January 1 to July 5, 2013, Outremer had €96.5 million of revenue, €19.4 million of operating profit and €33.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII.

- In the third quarter of 2013, Altice VII acquired a 100% equity interest in ONI (through its subsidiary Cabovisão), the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice VII with effect from August 8, 2013. ONI contributed €41.8 million to revenue, €3.6 million to operating profit and €5.7 million to EBITDA of Altice VII on a consolidated basis in the twelve months ended December 31, 2013 since August 8, 2013. For the period from January 1 until

August 8, 2013, ONI had €59.0 million of revenue, €2.9 million of operating loss and €9.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII.

- In the fourth quarter of 2013, Altice VII acquired a controlling interest in Ma Chaine Sport S.A.S and SportV S.A., two content producers based in France and Luxembourg respectively, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice VII with effect from October 4, 2013. The two entities contributed € 6.4 million to revenue, € 0.7 million to operating profit and € 3.3 million to the EBITDA of Altice VII on a consolidated basis in the twelve months ended December 31, 2013 since October 4, 2013. For the period from January 1, 2013 until October 4, 2013, the two companies had € 18.3 million of revenue, € 3.9 million of operating profit and €10.1 of EBITDA which are not consolidated in the Historical Combined Financial information of Altice VII.

Revenue

Historical Consolidated Basis

For the year ended December 31, 2013, we generated total revenue of € 1,286.8 million, a 17.8 % increase compared to €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, €881.9 million and € 850.4 million, (ii) Belgium and Luxembourg, €70.5 million and €71.3 million, (iii) in Portugal, €150.4 million and €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, €127.0 million and €24.4 million (revenue for the year ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €29.0 million on total revenue.

Cable based services: For the year ended December 31, 2013, we generated cable based services revenue of €923.1 million, a 6.9% increase compared to €863.2 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 €108.7 million compared to €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 €34.8 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. Foreign exchange translation movements between the NIS and the euro had a negative impact of €23.9 million

Mobile services: For the year ended December 31, 2013, we generated mobile services revenue of €256.2 million, a 48.4% increase compared to €172.7 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 €67.3 million in mobile services revenue generated by Outremer for the year ended December 31, 2013 (with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €6.2 million on mobile revenues.

B2B and others: For the year ended December 31, 2013, we generated B2B and other services revenue of €107.4 million, a 90.2% increase compared to €56.5 million for the year ended December 31, 2012, predominately due to the inclusion of €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 acquired in the fourth quarter of 2013 (€6.3 million from October 4, 2013 onwards)

Pre-Transaction Pro Forma Consolidated Basis

The following table sets forth our revenue by country of operation and on a Pro Forma Consolidated Basis based on the Pre-Transaction Pro Forma Financial Information.

	Pre-Transaction Pro Forma Financial Information												
	For the year ended December 31, 2012						For the year ended December 31, 2013						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[(2)]	Others[(1)]	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories[(2)]	Others[(1)]	Adjustments[(3)]	Total
	€ in millions												
Revenue													
Cable based services	677.9	59.7	118.0	87.8	2.4	945.7	699.4	60.9	107.1	89.6	1.3	(5.1)	953.1
Mobile Services	172.5	0.2	—	131.7	—	304.4	190.4	1.2	—	133.9	—	(2.8)	322.8
B2B and others	—	11.5	117.4	—	62.7	191.6	—	8.4	102.3	—	73.9	—	184.7
Total Revenue	**850.4**	**71.3**	**235.4**	**219.6**	**65.2**	**1,441.8**	**889.8**	**70.5**	**209.4**	**223.5**	**75.2**	**(7.9)**	**1,460.6**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) Adjustments relate to the elimination of intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

Israel: For the year ended December 31, 2013, we generated total revenue in Israel of €881.9 million, 3.7%increase compared to €850.4 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 cable based services revenue increased by 3.2% and our mobile services revenue increased by 10.4%. Foreign exchange translation movements between the NIS and euro had a positive impact of €29.0 million on total revenue, €22.8 million on cable services revenue and €6.2 million on mobile services revenue. Accordingly, at a constant exchange rate, our total revenue in Israel remained stable, our cable-based service revenue slightly decreased by 0.2% and our mobile services revenue increased by 6.7%.

Cable based services revenue in Israel was positively impacted due to the increase in cable based services ARPU of 7.2% (3.6% at a constant exchange rate) from €44.4 for the year ended December 31, 2012 to €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 €2.6, or 13.4%, to €16.8 for the year ended December 31, 2013 compared to €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 €70.5 million, a 1.1% decrease compared to €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 € 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 €41.9 in the year ended December 31, 2013 compared to €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 €209.4 million, an 11.0% decrease compared to €235.4 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 decreased by 8.0% and our B2B and other services revenue decreased by 14.1%.

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 €0.3, or 0.9%, to €34.6 in 2013 compared to €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.

The decrease in B2B and other revenue in Portugal was primarily due to the higher level of business with carriers (transit) and sales of equipment that occurred in 2012, linked to certain specific projects undertaken by ONI during this period.

French Overseas Territories: For the year ended December 31, 2013, we generated total revenue in the French Overseas Territories of €223.5 million, a 1.8% increase compared to €219.6 million for the year ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in the French Overseas Territories for our cable based services increased by 2.1% and our mobile services revenue increased by 5.5%.

The €1.8 million increase in cable based services revenue in the French Overseas Territories was due to (i) a €2.4 million decrease in fixed-line revenue of Outremer, which in turn was mainly as a result of a net decrease of 5,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages and (ii) a €1.9 million decrease in broadband Internet services revenue of Outremer which in turn was mainly as a result of a net decrease of 2,000 xDSL broadband Internet RGUs due to increased competition particularly in La Reunion and the limited ability and marketing investment to provide triple-play services, limited marketing innovation in Outremer's broadband Internet product line and the limited nature of IPTV provided to DSL broadband Internet customers prior to the integration of Outremer in the Group. This was partially offset by a 6.4% increase in cable based services ARPU with respect to our cable based services offered by Le Cable in Guadeloupe and Martinique to €51.4 for the year ended December 31, 2013 compared to €48.3 for the year ended December 31, 2012 and a net increase of 10,000 total cable RGUs during this period largely as a result of our strategic focus on triple-play offerings and an increase in triple-play Cable Customer Relationships to 17,000 as of December 31, 2013 from 12,000 as of December 31, 2012.

The €2.2 million increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to a net increase of 14,000 postpaid mobile subscribers over the period, offset by a decline in prepaid mobile subscribers. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls within the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012 as well as a decrease in termination rates. Mobile ARPUs increased slightly by €0.4 primarily due to the improvement in product mix with greater demand of Outremer's higher value post paid packages following the revamping of its mobile product offering despite the sharp decrease in mobile termination rates from €0.028 in 2012 to €0.01 in 2013 prescribed by the French national regulatory authority for electronic communications, the ARCEP resulting in lower mobile interconnection revenues.

Gross Profit

Historical Consolidated Basis

For the year ended December 31, 2013, our total gross profit was €918.9 million, a 16.3% increase compared to €790.3 million for the year ended December 31, 2012. Our gross profit by our key regions in the twelve months ended December 31, 2012 and 2013, respectively, were: (i) in Israel, €644.5 million and €621.7 million, (ii) Belgium and Luxembourg, €57.9 million and €60.3 million, (iii) in Portugal, €92.0 million and €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, €90.3 million and €20.4 million (gross profit for the year ended December 31, 2012 and 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. Foreign exchange translation movements between the NIS and the euro had a positive impact of €21.0 million on total gross profit.

Cable based services: For the year ended December 31, 2013, our gross profit from our cable based services was €733.0 million, a 12.7% increase compared to €650.5 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 €72.9 million compared to €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 €23.1 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 €18.4 million on cable based services gross profit. Our gross margin for cable based services decreased to 71.2% in the twelve months ended December 31, 2013 from 72.3% in the year ended December 31, 2013.

Mobile services: For the year ended December 31, 2013, our gross profit from our mobile services increased to €126.4 million compared to €102.8 million in the previous year. Although we saw a decrease in gross profit of €22.8 million in Israel, due the factors discussed below, it was offset by the inclusion of gross profit of €46.4 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 €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 €60.0 million, a 62.4% increase compared to €37.0 million for the year ended December 31, 2012. Our gross margin for B2B and other services decreased from 65.4% in the year ended December 31, 2012 to 55.2% in the year ended December 31, 2013. The increase in gross profit was primarily due to the inclusion of B2B services gross profit of €17.5 million generated by ONI and €5.0 million gross profit generated by the content companies MCS and SportV.

Pre –Transaction Pro Forma Consolidated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a Pro Forma Consolidated Basis based on the Pre-Transaction Pro Forma Financial Information.

	Pre-Transaction Pro Forma Financial Information												
	For the year ended December 31, 2012						For the year ended December 31, 2013						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Adjustments(3)	Total
	€ in millions												
Purchasing and subcontracting services													
Cable based services	159.0	10.0	47.9	26.5	0.5	243.9	130.7	10.6	34.1	25.1	0.3	(1.1)	199.7
Mobile Services	69.8	0.1	—	41.5	—	111.4	110.1	0.9	—	41.7	—	(2.3)	150.4
B2B and others	—	0.8	66.8	—	21.5	89.2	—	1.0	55.5	—	26.5		83.0
Total purchasing and subcontracting services	**228.8**	**11.0**	**114.7**	**68.0**	**22.0**	**444.5**	**240.7**	**12.6**	**89.7**	**66.8**	**27.1**	**(3.3)**	**433.5**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others). Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) Adjustments relate to the elimination of intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) up until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

Israel: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Israel were €240.8 million, a 3.8% increase compared to €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 17.8% and our purchasing and subcontracting services costs for mobile services increased by 57.7%. Foreign exchange translation movements between NIS and euro had the impact of increasing purchasing and subcontracting services costs by €7.8 million (including €4.2 million of cable based services purchasing and subcontracting services costs and €3.6 million of mobile services purchasing and subcontracting services costs). Accordingly, at a constant exchange rate, our total purchasing and subcontracting services costs in Israel increased by 0.4 %, our cable based service purchasing and subcontracting services costs decreased by 20.5% and our cellular services revenue increased by 52.5%.

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 €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 €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 €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 €49.7 million compared to €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 €12.6 million, a 14.3% increase compared to €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 6.0% and our purchasing and subcontracting services costs for B2B services increased by 25.0% (from €0.8 million to €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 €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 €89.7 million, a 21.9% decrease compared to €114.7 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 28.8% and our purchasing and subcontracting services costs for B2B and others decreased by 16.9%.

The 28.8 % 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.

The 16.9% decrease in costs of sales for B2B and others in Portugal was due to the higher level of ONI's business with carriers (transit) and sales of equipment in the year ended December 31, 2012, which are projects that inherently have a lower gross profit margin. Also, during the last quarter 2013, some savings were achieved as a result of the measures undertaken to implement a cost reduction which are still ongoing.

French Overseas Territories: For the year ended December 31, 2013, our purchasing and subcontracting services costs in the French Overseas Territories were €66.8 million, a 1.8% decrease compared to €68.0 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 decreased by 8.5% and our purchasing and subcontracting services costs for mobile services increased by 2.5%.

The decrease in purchasing and subcontracting services costs for cable based services in the French Overseas Territories was primarily due to the decrease in interconnection rates and the decrease in Outremer's fixed-line telephony and xDSL broadband Internet RGUs.

The increase in costs of sales for mobile services in the French Overseas Territories was mainly due to the increase in postpaid RGUs and interconnections costs with the success of Outremer's flat-fee rate plans which include unlimited calls, and was partially offset by the decrease in termination rates.

As a result of the factors described above, our gross profit and gross margin by country of operation on a Pro Forma Consolidated Basis based on the Pre- Transaction Pro Forma Financial Information was as follows:

	Pre-Transaction Pro Forma Financial Information												
	For the year ended December 31, 2012						For the year ended December 31, 2013						
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Adjustments (3)	Total
	€ in millions												
Gross profit													
Cable based services	518.9	49.6	70.1	61.3	1.9	701.9	568.8	50.2	72.9	64.5	1.0	(4.2)	753.3
Mobile Services	102.7	0.1	—	90.2	—	193.0	80.3	0.3	—	92.2	—	(0.4)	172.4
B2B and others	—	10.6	50.6	—	41.2	102.4	—	7.3	46.8	—	47.2	—	101.8
Total gross profit	**621.7**	**60.3**	**120.7**	**151.5**	**43.1**	**997.4**	**649.1**	**57.9**	**119.7**	**156.7**	**48.2**	**(4.6)**	**1,027.1**

	Pre-Transaction Pro Forma Financial Information											
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**
Gross margin												
Cable based services (%)	76.6	83.2	59.4	69.8	79.5	74.2	81.3	82.6	68.1	72.0	78.2	79.0
Mobile Services (%)	59.5	41.5	—	68.5	—	63.4	42.2	26.4	—	68.9	—	53.4
B2B and others (%)	—	92.7	43.1	—	65.7	53.5	—	87.6	45.7	—	64.4	55.1
Total gross margin (%)	**73.1**	**84.6**	**51.3**	**69.0**	**66.2**	**69.2**	**73.1**	**82.2**	**57.2**	**70.1**	**64.6**	**70.1**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) Adjustments relate to the elimination of intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) up until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

Foreign exchange translation movements between the NIS and euro had a positive impact of €21.1 million on total gross profit in Israel, €18.5 million for cable based services and €2.6 million for mobile services.

Operating Expenses and EBITDA

Historical Consolidated Basis

For the year ended December 31, 2013, our total operating expenses (other than purchasing and subcontracting services costs) were €400.3 million, a 3.4% increase compared to €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, €316.5 million and €281.5 million, (ii) Belgium and Luxembourg, €14.7 million and €12.7 million, (iii) in Portugal, €29.2 million and €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, €8.3million and €39.0 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. We define Adjusted EBITDA as EBITDA before equity based compensation expenses.

As a result, for the year ended December 31, 2013, our EBITDA increased to €522.2 million a 29.5% increase compared to €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, €305.2 million and €363.0 million, (ii) Belgium and Luxembourg, €45.6 million and €45.0 million, (iii) in Portugal, €29.8 million and €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, €12.1million and €82.6 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 40.4% compared to 36.9% for the year ended December 31, 2012.

Pre-Transaction Pro Forma Consolidated Basis

For the year ended December 31, 2013, our total operating expenses based on the Pre-Transaction Pro Forma Financial Information were €455.8 million, a 9.4% decrease compared to €503.3 million for the year ended December 31, 2012.

Israel: For the year ended December 31, 2013, our total operating expenses in Israel were €281.5 million, an 11.0% decrease compared to €316.5 million for the year ended December 31, 2012. Foreign exchange translation movements between NIS and euro had the impact of increasing operating expenses by €6.6 million. Accordingly, at a constant exchange rate, our total operating expenses in Israel decreased by 11.6%.

Other operating expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Israel decreased by 8.7% from €223.4 million to €204.1 million. This decrease was primarily due to a decrease in salaries and social benefits and a reduction in head count as part of the measures implemented to maximize cost structure efficiency. In addition, in July 2013, our customer services and technical support functions were outsourced which also contributed to the decrease in salaries and social benefits expenses. We were able to apply these measures due to an increase in the quality of our network resulting from recent investments in and the improvement of our technical service systems. The decrease of other operating expenses was also impacted by a decrease in cable network maintenance and set-top box maintenance expenses due to recent investments leading to the improvement of our network and a more efficient maintenance process for set-top boxes.

General and administrative expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Israel decreased by 6.2% from €29.3 million to €27.5 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses due to a reduction in administrative personnel and equity based compensation of €4.0 million in the year ended December 31, 2012 pertaining to HOT stock options.

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Israel decreased by 21.7% from €63.7 million to €49.9 million. Compared to the prior year period, our sales and marketing expenses decreased as a result of a decrease in sales commissions to retailers, advertising costs and sales promotions and decreases in salaries and social benefits of sales personnel resulting from the measures implemented to maximize cost structure efficiency.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2013, in Israel our EBITDA was €363.0 million, a 18.9% increase compared to €305.2 million for the year ended December 31, 2012 and our EBITDA margin was 41.2% in the twelve months ended December 31, 2013 compared to 35.9% in the twelve months ended December 31, 2012. Foreign exchange translation movements between the NIS and euro had a positive impact of €11.8 million on total EBITDA.

Belgium and Luxembourg: For the year ended December 31, 2013, our total operating expenses in Belgium and Luxembourg were €12.9 million, a decrease of 12.3% compared to €14.7 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Belgium and Luxembourg decreased from €6.2 million to €5.4 million. This decrease was primarily due to a decrease in customer service costs as a result of measures undertaken by our management to improve the efficiency in handling and resolving “first-time” complaints.

General and administrative expenses: General and administrative costs remained stable at €4.1 million for the years ended December 31, 2013 and 2012 respectively.

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Belgium and Luxembourg decreased from €4.4 million to €3.2 million. This decrease can be attributed to the capitalization of sales commissions (only on the sales target), a practice that was implemented from 2013 onwards, offset by certain sales and marketing expenses associated with the launch of ‘La Box’ in Q2 2013.

EBITDA: As a result of the factors discussed above, for the year ended December 31, 2013, our EBITDA in Belgium and Luxembourg was € 45.2 million, a 0.8% decrease compared to €45.6 million for the year ended December 31, 2012. Our EBITDA margin was 59.7% in the twelve months ended December 3, 2013 compared to 64.0% in the twelve months ended December 31, 2012.

Portugal

In the twelve months ended December 31, 2013, our total operating expenses in Portugal were €61.5 million, a15.4% decrease compared to €72.7 million for the year ended December 31, 2012. This decrease was due to the larger impact in the twelve months ended December 31, 2013, compared to the prior year period, of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012 and a reduction in operational expenses by ONI, from €36.8 million for the year ended December 31, 2012 to €30.3 million for the year ended December 31, 2013 achieved as a result of the optimization efforts in several areas.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Portugal increased slight to €38.6 million compared €38.3 million for the year ended December 31, 2012 due the reallocation of certain salary expenses for the technical personnel.

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Portugal decreased by 40.3% from €38.3million to €12.8 million. This decrease was primarily due to savings from headcount reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case mainly relating to Cabovisão.

Other sales and marketing expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Portugal decreased by 20.8% from €12.6 million to €10.0 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

EBITDA: As a result of the factors discussed, in 2013, our EBITDA in Portugal was €58.2 million, a 21.4% increase compared to €47.9 million in 2012. Our EBITDA margin was 27.8% in the twelve months ended December 31, 2013 compared to 20.3% in the twelve months ended December 31, 2012.

French Overseas Territories: For the year ended December 31, 2013, our total operating expenses in the French Overseas Territories were €72.2 million, a 5.5% decrease compared to €76.4 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in the French Overseas Territories decreased by 15.1% from €45.0 million to €38.2 million. This decrease was primarily due to measures taken by Outremer to optimize its fixed costs, including to reduce payroll through (i) automated cash recovery systems with the roll-out of self-service payment machines in each of its 81 outlets, (ii) reallocation of customer care staff from local centers in the French Overseas Territories to its offshoring center in Mauritius, thereby reducing headcount in the French Overseas Territories and (iii) an increased use of online self-care systems. These cost savings were partially offset by increased costs related to measures taken to improve its quality of service, in particular the densification of mobile networks.

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in the French Overseas Territories increased by 17.6% from €11.9 million to €14.0 million. This increase was primarily due to a non-recurring expense indirectly related to the acquisition of Outremer by Altice VII.

Other sales and marketing expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in the French Overseas Territories increased by 2.6% from €19.5 million to €20.0 million. This increase can be attributed to the launch of new cable-based products in Martinique and Guadeloupe and the launch of new mobile post-paid offers in La Réunion during the forth quarter of 2013.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2013, our EBITDA in the French Overseas Territories was €84.5 million, a 12.4% increase compared to €75.2 million for the year ended December 31, 2012. Our EBITDA margin was 37.8% in the year ended December 31, 2013 compared to 34.3% in the year ended December 31, 2012.

The following tables set forth our EBITDA across our segments for the years ended December 31, 2012 and 2013.

	Pro Forma Consolidated Financial Information											
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel[3]	Belgium & Luxembourg	Portugal	French Overseas Territories	Others[2]	Total	Israel[3]	Belgium & Luxembourg	Portugal	French Overseas Territories	Others[2]	Total
EBITDA[1]	**305.2**	**45.6**	**48.0**	**75.1**	**20.3**	**494.2**	**363.0**	**45.0**	**58.3**	**84.6**	**20.6**	**571.4**

(1) Altice VII defines EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

(2) Comprises (i) €9.8 million and €13.4 million of EBITDA generated by our content production and distribution businesses for the year ended December 31, 2012 and 2013, respectively, (ii) €15.5 million and €16.4 million of EBITDA generated by Green Datacenter/Green for the year ended December 31, 2012 and 2013 and (iii) €5.0 million and €11.2 million of negative EBITDA generated by our other holding entities (including corporate expenses) for the year ended December 31, 2012 and 2013, respectively.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013. Consequently, EBITDA for the year ended December 31, 2012 reflects costs relating to the purchase of exclusive third party content for the entire period and EBITDA for the year ended December 31, 2013 reflects costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

	Pro Forma Consolidated Financial Information	
	For the year ended December 31,	
	2012	2013
	€ in millions	
EBITDA	**494.2**	**571.4**
Equity based compensation[1]	3.8	—
Adjusted EBITDA	**498.0**	**571.4**

(1) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel.

Depreciation and Amortization

Historical Consolidated Basis

For the year ended December 31, 2013, depreciation and amortization on a historical consolidated basis totaled €399.6 million, a 50.1% increase compared to €266.3 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 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. However, the increase in depreciation and amortization as a result of the above factors were more than offset due to the recognition of an impairment charge in 2012 of NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount.

Operating Profit

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, (i) other expenses, net totaled €15.1 million, a 49.3% decrease compared to €29.8 million for the year ended December 31, 2012; (ii) management fees primarily relating to consulting services totaled €0.6 million compared to €6.2 million for the year ended December 31, 2012 and (iii) restructuring and other non-recurring costs totaled €61.2 million compared to restructuring and other non- recurring costs of €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 €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 €42.3 million, compared to an operating loss of €41.7 million for the year ended December 31, 2012.

Finance costs (net)

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, our net finance costs totaled €243.2 million, a 39.7% increase compared to €174.1 million for the year ended December 31, 2012 which was primarily due to (i) the incurrence of new debt to finance the Outremer Telecom and ONI transactions (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013), offset slightly by a positive impact of the gain on foreign exchange transactions.

Income tax benefits/ (expenses)

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, our total income tax expense was €7.4 million compared to an income tax benefit of €26.0 million for the year ended December 31, 2012 which was primarily due to higher income tax expense in Israel due to higher profit before tax, the increase in the tax rate from 25% in 2012 to 26.5% in 2013 and a decrease in deferred tax assets.

Profit/ (loss) for the period

Historical Consolidated Basis

As a result of the factors discussed above, on a historical consolidated basis, for the year ended December 31, 2013, our loss for the year was €208.3 million compared to a loss of €189.8 million for the year ended December 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

	Historical Consolidated Financial Information				**Illustrative Aggregated Selected Financial Information**			
	For the year ended December 31,		**Change**		**For the year ended December 31,**		**Change**	
Statement of Income Items	**2011**	**2012**	**Amount**	**%**	**2011**	**2012**	**Amount**	**%**
	€ in millions except percentages							
Revenue								
Cable based services	560.3	873.3	313.0	55.9	941.2	945.7	4.5	0.5
Mobile services	180.6	172.7	(7.9)	(4.4)	306.5	304.4	(2.1)	(0.7)
B2B and others	43.3	46.4	3.1	7.2	178.5	191.6	13.1	7.3
Total Revenue	**784.2**	**1,092.4**	**308.2**	**39.3**	**1,426.2**	**1,441.8**	**15.6**	**1.1**
Purchasing and subcontracting services	(175.4)	(302.1)	(126.7)	(72.2)	(399.6)	(444.4)	(44.8)	(11.2)
Gross Profit	**608.8**	**790.3**	**181.5**	**29.8**	**1026.6**	**997.4**	**(29.2)**	**(2.8)**
Other operating expenses	(195.4)	(248.9)	(53.5)	(27.4)	(319.5)	(315.3)	4.2	1.3
General and administrative expenses[1]	(51.2)	(58.1)	(6.9)	(13.5)	(100.9)	(85.1)	15.8	15.7
Other sales and marketing expenses	(64.4)	(80.1)	(15.7)	(24.4)	(108.9)	(102.8)	6.1	5.6
Operating income before depreciation and amortization	**297.8**	**403.2**	**105.4**	**35.4**	**497.2**	**494.2**	**(3.1)**	**(0.6)**
Depreciation and amortization	(176.4)	(266.3)	(89.9)	(51.0)	—	—	—	—
Goodwill impairment	—	(121.9)	(121.9)	—				
Other expenses, net	(5.6)	(29.8)	(24.2)	(432.1)	—	—	—	—
Management fees	(3.1)	(6.2)	(3.1)	(100)	—	—	—	—
Restructuring and other non-recurring costs	(7.6)	(20.8)	(13.2)	(173.7)	—	—	—	—
Operating profit	**105.1**	**(41.7)**	**(146.9)**	**(139.7)**	**—**	**—**	**—**	**—**
Gain arising on step acquisitions	134.8	—	(134.8)	—				
Share of profit of associates	11.7	—	(11.7)	—	—	—	—	—
Finance income	16.6	30.5	13.9	83.7	—	—	—	—
Finance costs	(111.6)	(204.7)	(93.1)	(83.4)	—	—	—	—
(Loss)/profit before income tax expenses	**156.6**	**(215.8)**	**(372.4)**	**(237.9)**	**—**	**—**	**—**	**—**
Income tax benefits/(expenses)	(32.5)	26.0	58.5	180	—	—	—	—
(Loss)/profit for the year	**123.9**	**(189.8)**	**(314.1)**	**(253.1)**	**—**	**—**	**—**	**—**

(1) Also includes staff costs and employee benefits expenses.

Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2012 were significantly impacted by the acquisition of a controlling equity interest in Cabovisão, a Portuguese telecommunications company, by Altice VII in February 2012 (the results of which are consolidated in the Historical Consolidated Financial Information of Altice VII with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to EBITDA of Altice VII in the year ended December 31, 2012.

In addition, in the fourth quarter of 2012, Altice VII completed the take-private transaction of the HOT Group whereby it acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. it did not previously own.

Our results of operations for the year ended December 31, 2011 were significantly impacted by the following events:

- in March 2011, Altice VII increased its ownership in HOT- Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the Historical Consolidated Financial Information of Altice VII with effect from March 31, 2011). In 2011, the HOT Telecom Group had €165.2 million of revenue, €30.9 million of operating loss and €63.3 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII, whereas HOT Telecom Group contributed €499.7 million to revenue, €98.4 million to operating profit and €212.4 million to EBITDA of Altice VII on a consolidated basis in the year ended December 31, 2011 since March 31, 2011.

- in May 2011, Altice VII's subsidiary MIRS Communications Ltd. was awarded a license to provide UMTS based 3G mobile services pursuant to which it began building out its UMTS mobile network and launched 3G mobile services in May 2012, resulting in us incurring significant capital expenditures and operating costs.

- in the second quarter of 2011, Altice VII acquired a controlling equity interest in Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l. in Luxembourg through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice VII with effect from July 1, 2011). In 2011, Coditel Brabant S.p.r.l and Coditel S.à r.l. together had €32.3 million of revenue, €9.9 million of operating profit and €18.9 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice VII whereas Coditel Holding S.A. contributed €34.8 million to revenue, € (1.4) million to operating profit and €20.4 million to EBITDA of Altice VII on a consolidated basis in the year ended December 31, 2011 since June 30, 2011.

In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice VII and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group".

Revenue

Historical Consolidated Basis

For the year ended December 31, 2012, we generated total revenue of €1,092.4 million, a 39.3% increase compared to €784.2 million for the year ended December 31, 2011. Our total revenue by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €850.4 million and €680.4 million (2011 revenue was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €71.3 million and €34.8 million (2011 revenue was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €98.2 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €24.4 million and €23.6 million.

Cable based services: For the year ended December 31, 2012, we generated cable based services revenue of €873.3 million, a 55.9% increase compared to €560.3 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of revenue from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011.

Mobile services: For the year ended December 31, 2012, we generated mobile services revenue of €172.7 million, a 4.4% decrease compared to €180.6 million for the year ended December 31, 2011. This was primarily due to the decline in mobile revenue in Israel due to the factors discussed below.

B2B and others: For the year ended December 31, 2012, we generated B2B and other services revenue of €46.4 million, a 7.2% increase compared to €43.3 million for the year ended December 31, 2011. Foreign exchange translation movements between the CHF and euro had a positive impact of €1.0 million on B2B revenue.

Aggregated Basis

The following table sets forth our revenue by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Revenue												
Cable based services	664.9	58.5	123.4	92.0	2.4	941.2	677.9	59.7	118.0	87.8	2.4	945.7
Mobile Services	180.6	—	—	125.8	—	306.5	172.5	0.2	—	131.7	—	304.4
B2B and others	—	8.8	115.4	—	54.3	178.5	—	11.5	117.4	—	62.7	191.6
Total Revenue	**845.5**	**67.3**	**238.8**	**217.9**	**56.7**	**1,426.2**	**850.4**	**71.3**	**235.4**	**219.6**	**65.2**	**1,441.8**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services includes revenues from cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, we generated total revenue in Israel of €850.4 million, a 0.6% increase compared to €845.5 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.0% and our mobile services revenue decreased by approximately 4.5%.

The increase in cable based services revenue in Israel was due to the increase in cable based services ARPU of 4.7% (4.3% at a constant exchange rate) from €42.4 for the year ended December 31, 2011 to €44.4 for the year ended December 31, 2012 primarily as a result of our strategic focus on multiple-play offerings. We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our attractive bundling strategy, with the number of triple-play Cable Customer Relationships increasing from approximately 348,000 as of December 31, 2011 to approximately 413,000 as of December 31, 2012. In addition, cable based services ARPU was impacted by other factors, including: (i) the introduction of, and an increase in take-up of, our higher value higher speed broadband Internet infrastructure services (including 100 Mbps services which we introduced in 2010) resulting in an increase in ARPU associated with our broadband Internet infrastructure access services and (ii) with respect to our fixed-line telephony services, decreased interconnect fees and call volumes which resulted in lower interconnection revenues, as subscribers reduced the number of calls placed over landlines, (as a result of strong competition from the mobile segment), which we believe is consistent with general industry-wide trends as well as the reduction in revenue as a result of the increased take-up of our unlimited fixed-line telephony offerings, resulting in a decrease in ARPU associated with our fixed-line telephony services. Our cable based ARPU was also positively impacted by the migration of customers from analog to digital pay television services, with a 38,000 net increase digital RGUs and a 33,000 net decline in analog RGUs in 2012. We intend to continue focusing on increasing ARPUs by increasing our triple play penetration, promoting the migration of analog cable television subscribers to our digital services and launching other revenue and service enhancing measures. Our revenue was also positively impacted by a 49,000 net increase in our total cable RGUs, comprising a 5,000 net increase in pay television RGUs, a 3,000 net increase in in broadband Internet infrastructure access RGUs and a 41,000 net increase in fixed-line telephony RGUs. The growth in RGUs is attributable to the success of our multiple-play offerings, our efforts to increase the attractiveness of our television channel offering, including an overall increase in HD content, VoD and PVR services and the growth in the number of subscriptions to broadband Internet infrastructure access overall in Israel and our ability to offer our subscribers higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL.

The decrease in mobile services revenue in Israel was primarily due to a decrease in mobile ARPU by €6.1, or 23.9%, to €19.4 for the year ended December 31, 2012 compared to €25.5 for the year ended December 31, 2011. This decrease in mobile ARPU was mainly due the combined effects of a decrease in interconnection revenues and subscribers disconnecting from our higher ARPU iDEN mobile network as a result of decreased marketing and the termination in the third quarter of 2012 of our contract with the Israeli Defense Force, which was offset by an increase in our lower ARPU UMTS based network subscribers following the launch of 3G services in May 2012. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. As of December 31, 2012 we had 766,000 total mobile RGUs in Israel comprising 325,000 iDEN customers and 441,000 UMTS customers compared to 444,000 mobile customers (all iDEN based) as of December 31, 2011. Revenue and mobile ARPU were also negatively impacted by price pressure for mobile services, in particular for our UMTS based 3G services.

Belgium and Luxembourg: For the year ended December 31, 2012, we generated total revenue in Belgium and Luxembourg of €71.3 million, a 5.9% increase compared to €67.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.1% and our B2B and other services revenue increased by approximately 30.7%. In addition, we launched mobile services in Belgium in September 2012 and generated €0.2 million in mobile services revenue in the year ended December 31, 2012.

The increase in cable based services in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by €2.8, or 7.6%, to €39.5 for the year ended December 31, 2012 compared to €36.7 for the year ended December 31, 2011. 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, but was partially offset by an increased uptake of Coditel's flat rate fixed-line telephony offers. Cable based services revenue was also positively impacted by an approximately 1,000 net increase in the number of television RGUs due in part to our acquisition of a concession from the AIESH, a Belgian municipality, in the fourth quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. As of December 31, 2012, the AIESH concession represented approximately 12,400 Cable Customer Relationships. The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded a substantial portion of the AIESH network, which upgrade is scheduled to be completed in the fourth quarter of 2013, and we plan to convert the analog customers served, by the upgraded AIESH network into digital customers over time. This was partially offset by an approximately 2,000 net decrease in the number of digital television RGUs primarily due to competition, particularly from IPTV offers by Belgacom in Brussels and POST in Luxembourg. Cable based services revenue was also positively impacted by an 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.

The increase in B2B and other revenue in Belgium and Luxembourg were primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network, a portion of which reflects non-recurring revenues.

Portugal: For the year ended December 31, 2012, we generated total revenue in Portugal of €235.4 million, a 1.4% decrease compared to €238.8 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in Portugal for our cable based services decreased by approximately 4.4% and our B2B and other services revenue increased by 1.7%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by approximately 21,000, comprising of a net decrease of approximately 11,000 pay television RGUs and approximately 3,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2012, 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. Although there was a net reduction of approximately 8,000 fixed-line telephony RGUs in the twelve months ended December 31, 2012, the average fixed-line telephony RGU's for the twelve months ended December 31, 2012 was higher compared to the twelve months ended December 31, 2011, which partially offset a decline in cable based services revenue in 2012. A decrease in cable based services ARPU by €2.0, or 5.4%, to €34.9 for the twelve months ended December 31, 2012 compared to €36.9 for the twelve months ended December 31, 2011 also contributed to the decrease in the cable based services revenue. In 2012, our cable based services ARPU was negatively impacted by aggressive competition in each segment of the cable services market which required us to offer discounts and undertake other promotional offers. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We nevertheless took the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of ARPU, which has resulted in an increase in ARPU towards the end of 2012. 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.

The increase in B2B and other revenue in Portugal was primarily due to the higher level of business with carriers (transit) and sales of equipment that occurred in 2012, linked to certain specific projects undertaken by ONI.

French Overseas Territories: For the year ended December 31, 2012, we generated total revenue in the French Overseas Territories of €219.6 million, a 0.8% increase compared to €217.9 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in the French Overseas Territories for our fixed-line services decreased by 4.6% and our mobile services revenue increased by 4.7%.

The decrease in fixed-line services revenue in the French Overseas Territories was primarily due to a decrease in fixed-line revenue of Outremer prior to its acquisition by the Group, which in turn was mainly as a result of a net decrease of approximately 6,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages. Revenue associated with Outremer's broadband Internet services (including IPTV) remained relatively stable during the period, which was influenced by increased competition, particularly in the Indian Ocean region comprising La Reunion and Mayotte, and the limited ability and marketing investment to provide triple-play services prior to the integration of Outremer in the Group. The decrease in fixed- line revenue of Outremer, was partially offset by the increase in revenue from Le Cable, the Group's cable business in the French Overseas Territories of Guadeloupe and Martinique, primarily due to an increase in cable based services ARPU by €5.2, or 12.1%, to €48.3 for the twelve months ended December 31, 2012 compared to €43.1 for the twelve months ended December 31, 2011. This ARPU growth was primarily due to migration of standalone pay television customers to triple-play packages as a result of our strategic focus on triple-play offerings, migration of customer from analog to digital services and an increase in uptake of VoD services, as well as price increases for our cable based services. RGU growth for our cable based services by approximately 4,000 RGUs net, which was driven by an increase in triple-play penetration also contributed to the increase in cable based services revenue.

The increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to net increase of 30,000 mobile subscribers over the period. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012. This increase was offset by a decrease in mobile ARPUs by €2.2, or 7.6%, to €26.7 for the year ended December 31, 2012 compared to €28.9 for the year ended December 31, 2011. This decrease in mobile ARPU during the year ended December 31, 2012 was mainly due to sharply lower mobile interconnection rates prescribed by the French national regulatory authority for electronic communications, the ARCEP, in 2012 compared to 2011, which was partially offset by the improvement in product mix with greater demand for Outremer's higher value post-paid packages following the revamping of its mobile product offering in the first half of 2012. We expect overall mobile ARPU to further decrease in future periods due to price pressure in mobile services.

Gross Profit

Historical *Consolidated* Basis

For the year ended December 31, 2012, our total gross profit was €790.3 million, a 29.8% increase compared to €608.8 million for the year ended December 31, 2011. Our gross profit by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €621.7 million and €535.3 million (2011 gross profit was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €60.3 million and €27.5 million (2011 gross profit was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €59.1 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €20.4 million and €19.8 million. Our gross margin decreased from 77.6% in the year ended December 31, 2011 to 72.3% in the year ended December 31, 2012.

Cable based services: For the year ended December 31, 2012, our gross profit from our cable based services was €660.4 million, a 51.8% increase compared to €435.0 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of gross profit from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011. Our gross margin for cable based services decreased from 77.6% in the year ended December 31, 2011 to 75.6% in the year ended December 31, 2012.

Mobile services: For the year ended December 31, 2012, our gross profit from our mobile services was €102.8 million, a 31.3% decrease compared to €149.7 million for the year ended December 31, 2011. This was primarily due to the increase in purchasing and subcontracting services for mobile revenue in Israel due to the factors discussed below. Our gross margin for mobile services decreased from 82.9% in the year ended December 31, 2011 to 59.5% in the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2012, our gross profit from B2B and others was €27.1 million, a 12.4% increase compared to €24.1 million for the year ended December 31, 2011. Our gross margin for B2B and other services increased from 55.7% in the year ended December 31, 2011 to 58.4% in the year ended December 31, 2012.

Aggregated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Purchasing and subcontracting services												
Cable based services	154.3	11.6	54.7	27.6	0.5	248.8	159.0	10.0	47.9	26.5	0.5	243.9
Mobile Services	31.0	—	—	40.8	—	71.8	69.8	0.1	—	41.5	—	111.4
B2B and others	—	1.0	58.8	—	19.2	79.0	—	0.8	66.8	—	21.5	89.2
Total Purchasing and subcontracting services	**185.3**	**12.6**	**113.5**	**68.4**	**19.7**	**399.6**	**228.8**	**11.0**	**114.7**	**68.0**	**22.0**	**444.5**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, our purchasing and subcontracting services in Israel were €228.8 million, a 23.5% increase compared to €185.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services increased by approximately 3.0% and our purchasing and subcontracting services for mobile services increased by approximately 125.2%.

The increase in purchasing and subcontracting services for cable based services in Israel was primarily due to an increase in interconnection fees paid as a result of higher call volumes by our customers due to the increased take-up of our unlimited fixed-line calls package offered as a component of our multiple-play offers.

The increase in purchasing and subcontracting services for mobile services in Israel was primarily due to the launch of UMTS based 3G mobile services in 2012, including interconnection fees of €43.6 million we incurred with respect to our 3G mobile services and increased costs in respect of offering compatible mobile handsets. Interconnection fees in 2012 included national roaming costs of €21.4 million.

Belgium and Luxembourg: For the year ended December 31, 2012, our purchasing and subcontracting services in Belgium and Luxembourg were €11.0 million, a 13.2% decrease compared to €12.6 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 13.9% and our purchasing and subcontracting services for B2B services decreased by approximately 14.8%. We began providing mobile services in Belgium in September 2012 as an MVNO and incurred minor purchasing and subcontracting services in an amount of approximately €0.1 million in the year ended December 31, 2012.

The decrease in purchasing and subcontracting services for cable based services in Belgium and Luxembourg was primarily due to a reduction in VoIP costs following the renegotiating of contracts and change of supplier, lower data interconnection costs and slightly lower VoD costs, which were partially offset by an increase in amounts paid to television channels due to the addition of more expensive premium channels in Coditel's television packages.

The decrease in purchasing and subcontracting services for B2B services in Belgium and Luxembourg was due to optimization of costs relating to our B2B business, including costs of external service providers, as well as due to the nature of the B2B projects undertaken in 2012, for which the costs were primarily in the form of capital expenditures.

Portugal: For the year ended December 31, 2012, our purchasing and subcontracting services in Portugal were €114.7 million, a 1.0% increase compared to €113.5 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 12.4% and our purchasing and subcontracting services for B2B and others increased by approximately 13.6%.

The decrease in purchasing and subcontracting services for cable based services in Portugal was primarily a result 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.

The increase in costs of sales for B2B and others in Portugal was due to the increase in the level of ONI's business with carriers (transit) and sales of equipment in 2012, which are projects that inherently have a lower gross profit margin.

French Overseas Territories: For the year ended December 31, 2012, our purchasing and subcontracting services in the French Overseas Territories was €68.0 million, a 0.6% decrease compared to €68.4 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 4.0% and our purchasing and subcontracting services for mobile services increased by approximately 1.8%.

The decrease in purchasing and subcontracting services for fixed-line services in the French Overseas Territories was primarily due to savings arising through renegotiations of television content rights and interconnection contracts in connection with Le Cable's cable based services.

The increase in costs of sales for mobile services in the French Overseas Territories was mainly due to the increase in interconnections costs with the success of the flat-fee rate plans including unlimited calls introduced by Outremer, which was partially offset by the sharp decrease in mobile termination rates in 2012.

As a result of the factors described above, our gross profit and gross margin by country of operation on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information was as follows:

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Gross profit												
Cable based services	510.5	46.8	68.7	64.4	1.9	692.4	518.9	49.6	70.1	61.3	1.9	701.9
Mobile Services	149.7	—	—	85.1	—	234.7	102.7	0.1	—	90.2	—	193.0
B2B and others	—	7.8	56.6	—	35.1	99.5	—	10.6	50.6	—	41.2	102.4
Total gross profit	**660.2**	**54.7**	**125.3**	**149.5**	**36.9**	**1,026.6**	**621.7**	**60.3**	**120.7**	**151.5**	**43.1**	**997.4**

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
Gross margin												
Cable based services (%)	76.8	80.1	55.7	70.0	77.3	73.6	76.6	83.2	59.4	69.8	79.5	74.2
Mobile Services (%)	82.9	—	—	67.6	—	76.6	59.5	41.5	—	68.5	—	63.4
B2B and others (%)	—	88.9	49.0	—	64.6	55.7	—	92.7	43.1	—	65.7	53.5
Total gross margin (%)	**78.1**	**81.2**	**52.5**	**68.6**	**65.2**	**72.0**	**73.1**	**84.6**	**51.3**	**69.0**	**66.2**	**69.2**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Foreign exchange translation movements between the NIS and euro had a positive impact of €4.0 million on total gross profit in Israel.

Operating Expenses and EBITDA

Historical Consolidated Basis

For the year ended December 31, 2012, our total operating expenses were €387.1 million, a 24.5% increase compared to €311.0 million for the year ended December 31, 2011. Our total operating expenses (other than purchasing and subcontracting services) comprise of other operating expenses, which increased by 27.4%, general and administrative expenses, which increased by 13.5% and other sales and marketing expenses, which increased by 24.4%, in each case in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Our total operating expenses by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €316.5 million and €279.2 million (2011 operating expenses were impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €14.7 million and €7.0 million (2011 operating expenses were impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €29.2 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €8.3 million and €8.1 million.

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, 2012, our EBITDA was €403.2 million, a 35.4% increase compared to €297.8 million for the year ended December 31, 2011. Our EBITDA by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €305.2 million and €256.1 million, (ii) Belgium and Luxembourg, €45.6 million and €20.4 million, (iii) in Portugal, €29.8 million and nil, and (iv) in the French Overseas Territories, €12.1 million and €11.7 million. Our EBITDA margin for the year ended December 31, 2012 was 36.9% compared to 38.0% for the year ended December 31, 2011.

Aggregated Basis

For the year ended December 31, 2012, our total operating expenses on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information were €503.1 million, a 4.9% decrease compared to €529.3 million for the year ended December 31, 2011.

Israel: For the year ended December 31, 2012, our total operating expenses in Israel were €316.5 million, a 5.0% decrease compared to €333.0 million for the year ended December 31, 2011.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Israel decreased by approximately 1.1% from €225.8 million to €223.4 million. This decrease was primarily due to a decrease in salaries and social benefits because of a reduction in head count in customer services personnel which was partially offset by increased costs relating to the build-out of our UMTS network, maintenance on our iDEN network, launch of ISP services and the inability to capitalize certain subscriber acquisition costs due to a change in regulation prohibiting the imposition of exit fees on customers except in limited circumstances, which necessitated an implementation of commitment free contracts.

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Israel decreased by approximately 26.2% from €39.7 million to €29.3 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses because of a reduction in head count in administrative personnel.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Israel decreased by approximately 5.5% from €67.5 million to €63.7 million. This decrease was primarily due to decreased sales commissions to retailers, advertising costs and sales promotions. This was partially offset by increased salary expense as a result of the inability to capitalize commissions and salaries of sales personnel as compared to the prior year period due to a change in regulation prohibiting the imposition of exit fees on customers except in limited circumstances, which necessitated an implementation of commitment free contracts.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, in Israel our EBITDA was €305.2 million, a 6.7% decrease compared to €327.2 million for the year ended December 31, 2011 and our EBITDA margin was 35.9% in December 31, 2012 compared to 38.7% in the year ended December 31, 2011. Foreign exchange translation movements between the NIS and euro had a positive impact of €1.2 million on total EBITDA.

Belgium and Luxembourg: For the year ended December 31, 2012, our total operating expenses in Belgium and Luxembourg were €14.7 million, a 7.4% increase compared to €13.7 million for the year ended December 31, 2011.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Belgium and Luxembourg decreased by approximately 3.2% from €6.4 million to €6.2 million mainly explained by a decrease in technical and maintenance costs following renegotiation of maintenance contracts and a decrease in personnel costs of €0.1 million due to a slight reduction in staffing.

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Belgium and Luxembourg increased marginally from €3.9 million to €4.1 million.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Belgium and Luxembourg increased by approximately 29.6% from €3.4 million to €4.4 million. This increase was primarily due to the sales and marketing expenses associated with the launch of mobile services in Belgium in September 2012.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in Belgium and Luxembourg was €45.6 million, an 11.3% increase compared to €41.0 million for the year ended December 31, 2011. Our EBITDA margin was 64.0% in the year ended December 31, 2012 compared to 60.9% in the year ended December 31, 2011.

Portugal: For the year ended December 31, 2012, our total operating expenses in Portugal were €72.7 million, a 15.7% decrease compared to €86.3 million for the year ended December 31, 2011. This decrease was a direct result of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012, which was partially offset by the increase in operating expenditures relating to ONI's B2B business in Portugal as discussed below.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in Portugal decreased by approximately 8.2% from €41.7 million to €38.3 million. This decrease was primarily due to savings at Cabovisão resulting from the renegotiation of information technology maintenance and support contracts as well as headcount reductions.

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in Portugal decreased by approximately 24.4% from €28.8 million to €21.8 million. This decrease was primarily due to savings from head count reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case relating to Cabovisão.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Portugal decreased by approximately 19.5% from €15.7 million to €12.6 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in Portugal was €47.9 million, a 22.8% increase compared to €39.0 million for the year ended December 31, 2011. Our EBITDA margin was 16.3% in the year ended December 31, 2012 compared to 20.4% in the year ended December 31, 2011.

French Overseas Territories: For the year ended December 31, 2012, our total operating expenses in the French Overseas Territories were €76.4 million, a 0.9% decrease compared to €77.1 million for the year ended December 31, 2011.

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in the French Overseas Territories increased by approximately 3.5% from €43.5 million to €45.1 million. This increase was primarily due to measures taken by Outremer to improve its quality of service, in particular through densification of mobile networks and enhancement of the existing loyalty program which was partially offset by certain measures taken to optimize fixed costs, including to reduce payroll (in particular through reallocation of certain customer care staff from local centers in the French Overseas Territories to an offshoring center in Mauritius).

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in the French Overseas Territories decreased by approximately 12.5% from €13.6 million to €11.9 million.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in the French Overseas Territories decreased by approximately 2.7% from €20.0 million to €19.5 million. This was principally due to the decrease of external sales (mainly door to door sellers for xDSL offerings), which was partially offset by increased marketing costs associated with the comprehensive revamping of Outremer's mobile service portfolio in 2012, including the launch of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in the French Overseas Territories was €75.1 million, a 3.7% increase compared to €72.4 million for the year ended December 31, 2011. Our EBITDA margin was 34.2% in the year ended December 31, 2012 compared to 33.2% in the year ended December 31, 2011.

The following tables set forth our EBITDA across our segments on an aggregated basis for the years ended December 31, 2011 and 2012.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel[3]	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**	**Israel[3]**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**
	€ in millions											
EBITDA[1]	**327.2**	**41.0**	**39.0**	**72.4**	**17.7**	**497.2**	**305.2**	**45.6**	**48.0**	**75.1**	**20.3**	**494.2**

(1) Altice VII defines EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

(2) Comprises (i) €8.1 million and €9.8 million of EBITDA generated by our content production and distribution businesses for the twelve months ended December 31, 2011 and 2012, respectively, (ii) €13.4 million and €15.5 million of EBITDA generated by Green Datacenter/Green for the year ended December 31, 2011 and 2012 and (iii) €3.8 million and €5.0 million of negative EBITDA generated by our other holding entities (including corporate expenses) of for the year ended December 31, 2011 and 2012, respectively.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013.

	Illustrative Aggregated Selected Financial Information	
	For the year ended December 31,	
	2011	**2012**
	€ in millions	
EBITDA	**497.2**	**494.2**
Equity based compensation[1]	6.0	3.8
Adjusted EBITDA	**503.2**	**498.0**

(1) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel for the year ended December 31, 2011 and 2012 respectively.

Depreciation and amortization

Historical Consolidated Basis

For the year ended December 31, 2012, depreciation and amortization totaled €266.3 million, a 51.0% increase compared to €176.4 million for the year ended December 31, 2011. These were impacted by the factors listed under "*—Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*". Depreciation and amortization in the year ended December 31, 2012 was impacted by the following events:

In May 2011, prior to its acquisition by the Group, Cabovisão recorded an impairment loss relating to its principal tangible fixed assets (its cable network), amounting to approximately €141.7 million and at the same time it stopped recording depreciation on the amount of such impaired assets. During Cabovisão's financial year ended August 31, 2012, following its acquisition by the Group, the impairment charge was reviewed and it was concluded that there was not sufficient rational for the impairment charge. Accordingly, the impairment charge was reversed in its entirety and such amount, reduced by depreciation associated with the impaired assets for the last three months of the financial year ended August 31, 2011, was directly recorded in retained earnings of Cabovisão for the financial year ended August 31, 2012 (and accordingly did not have any impact on Cabovisão's income statement for the twelve month period ended December 31, 2012). Depreciation for the twelve months ended December 31, 2012 however includes €11.6 million of depreciation expenses related to the catch-up of depreciation on the relevant assets for the period from September 1, 2011 to December 31, 2011 (corresponding to the first four months of financial year ended August 31, 2012). Depreciation for the twelve months ended December 31, 2011 includes approximately €141.7 million relating to the impairment charge. These events did not have an impact on the financial results of Altice VII in the periods under review.

Goodwill impairment

In 2012, Cool Holding a subsidiary of Altice VII and the holding company of HOT, recorded an impairment charge of approximately NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount. There was no goodwill impairment recorded in 2011.

Operating Profit

Historical Consolidated Basis

For the year ended December 31, 2012, (i) other expenses, net totaled €29.8 million, a 432.1% increase compared to €5.6 million for the year ended December 31, 2011; (ii) management fees primarily relating to consulting services totaled €6.2 million to €3.1 million for the year ended December 31, 2011 and (iii) restructuring and other non-recurring costs totaled €20.8 million compared to a restructuring and other non-recurring costs of €7.6 million for the year ended December 31, 2011. As a result, for the year ended December 31, 2012, our operating loss was €41.7 million, compared to an operating profit of €105.1 million for the year ended December 31, 2011.

Gains arising on step acquisition

Gain arising on step acquisitions was nil in the year ended December 31, 2012 compared to €134.8 million for the year ended December 31, 2011, which was primarily due to a non-recurring income of €133.0 million recognized in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT and the subsequent change in accounting via the consolidation method from equity method as a result of which the equity stake held in HOT prior to the change in control was re-evaluated at its fair value on the date of the change in control.

Share of profit of associates

Our share of profit of associates was nil in the year ended December 31, 2012 compared to €11.7 million for the year ended December 31, 2011 representing share of profit from HOT prior to the acquisition of controlling interest in March 2011.

Finance costs (net)

For the year ended December 31, 2012, our net finance costs totaled €174.2 million, a 83.4% increase compared to €95.0 million for the year ended December 31, 2011 which was primarily due to full year impact of higher debt levels of the Group mainly due to the debt incurred by the Group to finance the Group's investments in HOT and Coditel in 2011.

Income tax benefits/ (expenses)

For the year ended December 31, 2012, our total income tax benefit was €26.0 million compared to an income tax expense of €32.5 million for the year ended December 31, 2011 which was primarily due to higher profit before taxes in the year ended December 31, 2011 as a result of the factors described above and in particular, the non-recurring income of €133.0 million recognized in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT Telecom and the subsequent change in accounting via the consolidation method from equity method.

Profit for the year

As a result of the factors discussed above, for the year ended December 31, 2012, our loss for the year was €189.8 million compared to a profit of €123.9 million for the year ended December 31, 2011.

Liquidity and Capital Resources

Cash and Debt Profile

As of December 31, 2013, our consolidated cash and cash equivalents amounted to €1,304.2 million on an actual basis (including restricted cash of €1,242.8, held in escrow resulting from the drawdown of debt to be used to finance the ODO and Tricom operations). Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to-day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2010 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. In particular, in December 2012, June 2013 and December 31, 2013 we entered into significant financing transactions, among other things, to finance investments in certain of our subsidiaries and to refinance certain existing indebtedness. We issued additional debt in December 2013 to financing the acquisition of our Dominican entities, ODO and Tricom. Our total debt as of December 31, 2013 was €3,463.9 million (including full draw down of the 2013 Term Loan and the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes issued on December 5, 2013), in each case excluding finance leases and other long term and short term liabilities. Furthermore, as of December 31, 2013, Altice Financing made a renewal request for a guarantee of up to a maximum amount of €1.7 million to be issued under the 2013 Guarantee Facility, which represents a contingent liability of the Group. Our material indebtedness (excluding the Revolving Credit Facilities, the 2013 Guarantee Facility, finance leases and other long term and short term liabilities) and principal repayment obligations, without giving effect to any hedging transaction and excluding accrued interest and debt issuance costs, with respect to such indebtedness are set forth below. As of December 31, 2013, we had €192.0 million equivalent of additional borrowing capacity under the Revolving Credit Facilities and the 2013 Guarantee Facility. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments. See "*Description of Certain Indebtedness*".

	Period ending December 31,					
	2013	**2014**	**2015**	**2016**	**2017 or later**	**Total**
	€ in millions					
HOT Unsecured Notes[(1)]	—	27	27	27	195	276
Existing Coditel Mezzanine Facility	—	—	—	—	111	111
2012 Senior Secured Notes[(2)]	—	—	—	—	544	544
2013 Term Loan Facility[(3)]	—	8	8	8	771	795
2012 Senior Notes[(2)]	—	—	—	—	308	308
2013 Euro Senior Notes	—	—	—	—	250	250
2013 Dollar Senior Notes[(4)]	—	—	—	—	290	290
2013 Senior Secured Notes[(4)]	—	—	—	—	953	953
Total	**—**	**35**	**35**	**359**	**3,438**	**3,527**

(1) The amount is based on the exchange rate as of December 31, 2013 of NIS 0.2092 = €1.00

(2) The amount is based on the exchange rates as of December 31, 2013 of $1.3789 = €1.00.

(3) The amount is based on a fixed exchange rate of $1.301 = €1.00.

(4) The amount is based on a fixed exchange rate of €0.7346= $1.00.

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 $80.0 million and €60.0 million of available borrowings under the Revolving Credit Facilities and €75 million under the 2013 Guarantee Facility. As of December 31, 2013, we had €185.0 million equivalent of borrowing capacity under the Revolving Credit Facilities and the 2013 Guarantee Facility. On January 14, 2014, we drew €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. See "*Risk Factors—Risks Relating to Our Financial Profile*"

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. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

Altice VII is a holding company with no direct source of operating income. It is therefore dependent on dividends, servicing of intercompany loans and other payments from its operating subsidiaries to meet its liquidity requirements.

Working Capital

As of December 31, 2013, we had a negative net working capital position of €178.4 million compared to a negative working capital position of €154.3 million as of December 31, 2012.The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short Days of Sales Outstanding and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect our operating cash flows and, if required, available borrowings under the Revolving Credit Facilities and the 2013 Guarantee Facility will be sufficient to meet our working capital requirements during the next 12 months.

Consolidated Cash Flow Statements

	Historical Consolidated Financial Information		
	For the year ended December 31,		
	2011	**2012**	**2013**
		€ in millions	
Cash and cash equivalents at beginning of period	26.9	24.2	129.7
Net cash provided by (used in) operating activities	206.1	464.5	439.2
Net cash provided by (used in) investing activities	(576.6)	(574.2)	(1,552.6)
Net cash provided by (used in) financing activities	268.7	215.1	1,044.7
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	—
Cash and cash equivalents at end of period	**24.2**	**129.8**	**61.3**

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Changes in Altice VII's cash flows in the year ended December 31, 2013 compared to the year ended December 31, 2012 were impacted by the significant acquisitions and related financing arrangements described under "—*Discussion and Analysis of our Results of Operations—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012—Significant Events Affecting Historical Results*".

Net cash provided by (used in) operating activities

Net cash provided by operating activities decreased by 5.6% to € 439.2 million for the year ended December 31, 2013 compared to €464.5 million for the year ended December 31, 2012. The decrease in net cash provided by operations was mainly related to the increase in income taxes paid by the Group for the year ended December 31, 2013 as compared to the year ended December 31, 2012 from a cash refund of €1.6 million in the year ended December 31, 2012 to a payment of €10.4 million made in the year ended December 31, 2013

Net cash provided by (used in) investing activities

Net cash used in investing activities increased by 170.4% to €1,552.6 million for the year ended December 31, 2013 compared to €574.2 million for the year ended December 31, 2012. The increase in the year ended December 31, 2013 can be attributed to higher cash outflow as a result of (i) the acquisition of certain subsidiaries (OMT, ONI, MCS and SportV), (ii) the buyback of minority interests in Coditel and (iii) the buy-out of Cabovisao non-controlling interests. Additionally, this balance reflects the cash that was held in escrow as of December 31, 2013, which amounted to the equivalent of €1,234.9 equivalent million for the acquisition of ODO and Tricom in Q1 2014. We completed the Tricom Acquisition on March 12, 2014.

Net cash provided by (used in) financing activities

Net cash provided by financing activities increased by 385.1% to €1,043.5 million for the year ended December 31, 2013 compared to €219.3 million for the year ended December 31, 2012. The increase can primarily be attributed to the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes issued on December 5, 2013 proceeds of which were being held in escrow as of December 31, 2013, and which were to be released upon the completion of the ODO Acquisition and the Tricom Acquisition, respectively. Such proceeds were therefore accounted for as restricted cash ($1713.7 million) (€1,243 million) as of 31 December 2013 (US$1.3789 = €1.00). As of the date of this Annual Report $405 million (€ 292.2 million) have been used as consideration for the completion of the Tricom Transaction on March 12, 2013.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Changes in Altice VII's cash flows in the year ended December 31, 2012 compared to the year ended December 31, 2011 were impacted by the significant acquisitions and related financing arrangements described under "—*Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*".

Net cash provided by (used in) operating activities

Net cash provided by operating activities increased by 51.7% to € 464.5 million for the year ended December 31, 2012 compared to €306.4 million for the year ended December 31, 2011. Despite a net loss of €189.9 million in 2012 compared to a net gain in income of €123.9 million in 2011, the operating cash flow in 2011 was offset by the elimination of higher non-cash gains of € 133.0 million relating to the step acquisition of HOT (see Note 27 to the Altice VII 2011 Historical Consolidated Financial Statements). This increase was slightly offset by a €8.4 million negative impact from the movement in changes in working capital.

Net cash provided by (used in) investing activities

Net cash used in investing activities decreased by 0.4% to €574.2 million for the year ended December 31, 2012 compared to €576.3 million for the year ended December 31, 2011. The decrease was primarily due to the higher cash outflows of €347.3 million in the year ended December 31, 2011 for acquisitions (including investments in the HOT Telecom Group and Coditel) compared to €35.1 million the year ended December 31, 2012. In addition, we used €172.9 million to acquire the remaining minority interests in HOT in the take-private transaction in December 2012 which is included in cash used in investing activities. This decrease was partially offset by higher capital expenditures in the year ended December 31, 2012 as discussed under "*—Capital Expenditures—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011*".

Net cash provided by (used in) financing activities

Net cash provided by financing activities decreased by 19.5% to €219.3 million for the year ended December 31, 2012 compared to €272.4 million for the year ended December 31, 2011. The decrease was primarily due to the higher levels of interest paid in an amount of €117.8 million in the year ended December 31, 2012 compared to €69.0 million in the year ended December 31, 2011 and the dividends paid to the minority shareholders in an amount of €26.0 million in the year ended December 31, 2012 which was partially offset by the higher levels of debt incurred for purposes other than refinancing of existing indebtedness in the year ended December 31, 2012 (in an amount of €363.2 million versus €341.8 million in the year ended December 31, 2011).

Capital Expenditures

We classify our capital expenditures in the following categories.

Cable based services related: Includes capital expenditures related to (i) connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth ("CPEs and installation related"); (ii) investment in improving or expanding our cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity ("cable network and construction related") and (iii) other capital expenditures related to our cable based business.

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

B2B and others: Includes capital expenditures relating to data centers, backbone network, connection fees of clients premises, rental equipment to customers and other B2B operations as well as content related capital expenditures relating to our subsidiaries that produce and distribute content. Capital expenditures relating to network and equipment that is common to the delivery of cable or mobile services on the one hand and B2B on the other hand are reflected in cable capital expenditures or mobile capital expenditures as the case may be.

	Historical Consolidated Financial Information		
	For the year ended December 31,		
	2011	2012	2013
	€ in millions		
Cable based services	127.1	252.1	**204.0**
Mobile services	47.1	83.8	62.4
B2B and others	15.5	11.1	23.8
Total Capital Expenditures	**189.8**	**347.0**	**290.1**

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Capital expenditures on a Historical Consolidated Basis

For the year ended December 31, 2013, our total capital expenditures were €289.3 million (representing 22.5% of revenue), a 16.6% decrease compared to €347.0 million for the year ended December 31, 2012 (representing 31.8% of revenue).

Cable based services related: For the year ended December 31, 2013, cable based services capital expenditures were €202.5 million (representing 70.0% of total capital expenditures); a 19.6% decrease compared to €252.1 million (representing 72.7% of total capital expenditures) for the year ended December 31, 2012.

Mobile services related: For the year ended December 31, 2013, mobile services capital expenditures were €62.4 million (representing 21.6% of total capital expenditures); a 25.5% decrease compared to €83.8 million (representing 24.1% of total capital expenditures) for the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2013, B2B and other capital expenditures were €24.4 million (representing 8.4% of total capital expenditures); a 119.8% increase compared to €11.1 million (representing 3.2% of total capital expenditures) for the year ended December 31, 2012.

Capital expenditures on a Pro Forma Consolidated Basis

The following table sets forth our capital expenditures by country of operation and on a total aggregate basis based on the Pre-Transaction Pro Forma Financial Information.

	Pre-Transaction Pro Forma Financial Information											
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel[3]	Belgium and Luxembourg	Portugal	French Overseas Territories[2]	Others[1]	Total	Israel[3]	Belgium and Luxembourg	Portugal	French Overseas Territories[2]	Others[1]	Total
	€ in millions											
Capital expenditures												
CPEs and installations	98.1	4.4	8.7	7.5	—	118.8	49.0	8.3	9.4	3.9	0.3	70.9
Cable network and constructions	55.7	6.4	7.1	7.7	—	76.8	43.0	2.8	7.4	4.3	—	57.5
Other cable	57.8	6.2	2.4	0.9	—	67.3	63.3	10.5	1.5	1.2	—	76.4
Cable based services	211.6	17.0	18.1	16.1	—	262.8	155.3	21.5	18.3	9.5	0.3	204.8
Mobile services	83.8	—	—	9.2	—	93.0	53.6	—	—	8.3		61.9
B2B and others	—	—	12.7	10.5	18.7	41.9	—	1.4	5.7	18.5	22.1	47.3
Total capital expenditures	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**	**208.9**	**23.0**	**24.0**	**36.2**	**22.1**	**314.2**
EBITDA—total capital expenditures	**9.8**	**28.6**	**17.2**	**39.4**	**1.6**	**96.6**	**154.1**	**22.1**	**34.2**	**49.0**	**(1.4)**	**257.2**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others). Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013. Consequently, the capital expenditures for the year ended December 31, 2012 do not include any costs relating to the purchase of exclusive third party content and the capital expenditures for the year ended December 31, 2013 do not include costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

Israel: For the year ended December 31, 2013, our total capital expenditures in Israel were €208.9 million (representing 66.5% of total capital expenditures); a 29.3% decrease compared to €295.4 million for the year ended December 31, 2012 (representing 74.2% of total capital expenditures). This decrease was primarily due to higher capital expenditures during the twelve months ended December 31, 2012 related mainly to a one time capital expenditure for the purchase of a building for our call center operations, capital expenditures relating to the purchase of our new set top boxes, HOT Magic HD, and higher cable network and constructions related capital expenditure related to the completion of the upgrade to 100Mb capacity throughout our cable network and the fiber roll out in certain areas in 2012. The decrease in capital expenditures in the mobile segment was primarily due to higher expenditures relating to the expansion of our UMTS network in the twelve months ended December 31, 2012 prior to the launch of our UMTS based cellular services in May 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our total capital expenditures in Belgium and Luxembourg were €23.0 (representing 7.3% of total capital expenditure), a 26.5% increase compared to €17.0 million (representing 4.3% of total capital expenditure) for the year ended December 31, 2012 The increase was due to the installation work we conducted following the acquisition of the AIESH concession and the launch of La Box in 2013, having installed a substantial number of set-top boxes during the twelve months ended December 31, 2013 and capitalization of certain exclusive copyrights.

Portugal: For the year ended December 31, 2013, our total capital expenditures in Portugal were €24.0 million (representing 7.6 % of total capital expenditures); a 22.1% decrease compared to €30.8 million for the twelve month ended December 31, 2012 (representing 7.7% of total capital expenditures). This was due to a decrease in B2B and other capital expenditure incurred by ONI in the twelve months ended December 31, 2013, offset by an increase in cable capital expenditure mainly due to the high level of investments made during year ended December 31, 2013 to deploy 'La Box'.

French Overseas Territories: For the year ended December 31, 2013, our total capital expenditures in the French Overseas Territories were €36.2 million (representing 11.5% of total capital expenditures) a 1.5% increase compared to €35.7 million for the year ended December 31, 2012 (representing 8.9% of total capital expenditures). The increase was primarily due to the expansion of our 3G mobile networks in Martinique, Guadeloupe, French Guyana, Mayotte and La Reunion and a major renovation work relating to Outremer's distribution network as well as due to the development of a payment platform offering value-added payment services to Outremer's customers and the acquisition of KERTELcom, a small fixed line French operator.

Others: Capital expenditures for our other businesses increased by 18.2% in the year ended December 31, 2013 to €22.1 million as compared to €18.7 million for the year ended December 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Capital expenditures on a Historical Consolidated Basis

For the year ended December 31, 2012, our total capital expenditures were €347.0 million (representing 31.8% of revenue); an 82.9% increase compared to €189.7 million for the year ended December 31, 2011 (representing 24.2% of revenue).

Cable based services related: For the year ended December 31, 2012, cable based services capital expenditures were €252.1 million (representing 72.7% of total capital expenditures); a 98.3% increase compared to €127.1 million (representing 67.0% of total capital expenditures) for the year ended December 31, 2011.

Mobile services related: For the year ended December 31, 2012, mobile services capital expenditures were €83.8 million (representing 24.1% of total capital expenditures); a 77.9% increase compared to €47.1 million (representing 24.8% of total capital expenditures) for the year ended December 31, 2011.

B2B and others: For the year ended December 31, 2012, B2B and other capital expenditures were €11.1 million (representing 3.2% of total capital expenditures); a 28.4% decrease compared to €15.5 million (representing 8.2% of total capital expenditures) for the year ended December 31, 2011.

Capital expenditures on an Aggregated Basis

The following table sets forth our capital expenditures by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories[2]	Others[1]	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories[2]	Others[1]	Total
	€ in millions											
Capital expenditures												
CPEs and installations	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
Cable based services	**126.8**	**10.6**	**19.4**	**28.1**	**—**	**185.0**	**211.6**	**17.0**	**18.1**	**16.1**	**—**	**262.8**
Mobile services	47.1	—	—	17.2	—	64.3	83.8	—	—	9.2	—	93.0
B2B and others	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
Total capital expenditures	**173.9**	**10.6**	**34.4**	**53.5**	**21.5**	**293.8**	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**
EBITDA—total capital expenditures	**153.1**	**30.4**	**4.6**	**19.0**	**(3.8)**	**203.2**	**9.8**	**28.6**	**17.1**	**39.3**	**1.6**	**96.4**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).Green Datacenter and Auberimmo were each designated as unrestricted subsidiaries under the terms governing our existing indebtedness on December 31, 2013.

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, our total capital expenditures in Israel were €295.4 million (representing 74.3% of total capital expenditures); a 69.9% increase compared to €173.9 million for the year ended December 31, 2011 (representing 59.2% of total capital expenditures). This increase was primarily due to increased CPE and installation related capital expenditures as a result of higher capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) as well as significantly higher mobile related capital expenditures primarily due to the expansion of our UMTS network. We also experienced an increase in cable network and construction related capital expenditures as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012. In addition, other cable capital expenditures increased as a result of a one time capital expenditure related to the purchase of a building which houses one of our call center operations and due to an increase in capitalized sales commissions relating to our cable operations.

Belgium and Luxembourg: For the year ended December 31, 2012, our total capital expenditures in Belgium and Luxembourg were €17.0 million (representing 4.3% of total capital expenditures); a 60.4% increase compared to €10.6 million for the year ended December 31, 2011 (representing 3.6% of total capital expenditures). The increase was primarily due to the increase in total cable capital expenditures as a result of higher fees paid for exclusive rights for premium channels (amounting to €1.2 million) and due to the acquisition of the AIESH concession (amounting to €2.5 million) as well as relating to a project for the Brussels police involving installation of fiber links for the CCTV network (amounting to €0.6 million).

Portugal: For the year ended December 31, 2012, our total capital expenditures in Portugal were €30.8 million (representing 7.7% of total capital expenditures); a 10.5% decrease compared to €34.4 million for the year ended December 31, 2011 (representing 11.7% of total capital expenditures). The decrease was primarily due to a decrease in B2B and other capital expenditure incurred by ONI as a result of the significant capital expenditures in 2011 relating to the acquisition of a new VOIP technology platform. In addition, cable capital expenditures decreased mainly due to lower CPE and installation related capital expenditures as a result of the high level of investments made during the year ended December 31, 2011 to deploy set-top boxes with PVR functionality and the impact of the renegotiation of contracts with suppliers relating to installation service as well as due to a reduction in the number of subscribers.

French Overseas Territories: For the year ended December 31, 2012, our total capital expenditures in the French Overseas Territories were €35.7 million (representing 9.0% of total capital expenditures); a 33.1% decrease compared to €53.5 million for the year ended December 31, 2011 (representing 18.2% of total capital expenditures). The decrease was primarily due to the higher level of cable capital expenditures incurred in the year ended December 31, 2011 as a result of major IRU upgrades in the Caribbean region as well as major mobile related investments in 2011, which included launching 3G mobile services in Mayotte and investments in real-time billing software.

Others: Capital Expenditures for our other businesses were €18.7 million for the year ended December 31, 2012 compared to €21.5 million for the year ended December 31, 2011, a decrease of 13.0%. This decrease was primarily due to the decrease in capital expenditures incurred by Green and Green Datacenter in the year ended December 31, 2012 which was partially offset by the increase in activity in our content business and the capital expenditure incurred by our content subsidiaries in 2012. These content subsidiaries (which we acquired in 2013) were incorporated in 2011 and 2012 respectively and hence did not have a full year of operations in 2011.

Contractual obligations

The following table summarizes the payments that we will be obligated to make under our material contractual commitments as of December 31, 2013. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

Payments due by period

	Period ending December 31,					
	2013	2014	2015	2016	2017 or later	Total
	€ in millions					
Long-term debt obligations	—	35	35	35	3,427	3,530
Finance leases	12.6	7.3	5.0	2.8	7.6	35.3
Operating leases[(1)]	52.2	35.0	22.4	11.9	10.8	131.1
Total	**64.8**	**75.8**	**62.4**	**49.7**	**3,446.4**	**3,696.4**

(1) Includes lease of buildings, office equipment and vehicles for various terms through 2020. Does not take into account any optional extension periods.

In addition, we have other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. For further details regarding our significant contractual commitments, see note 32 to Altice VII's financial statements as of and for the year ended December 31, 2013 and note 31 to Altice VII's financial statements as of and for the year ended December 31, 2012 respectively.

In addition, we have obligations under defined benefit and defined contribution pension plans. Our cash outflow relating to these obligations will vary depending on a number of factors. In the case of defined benefit plans, we recognize a liability regarding employee benefits in the statement of financial position of Altice VII which represents the present value of the defined benefits liability less the fair value of the plan assets, and the past service costs. The liability in respect of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions with regards, 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. Actuarial gains and losses are reflected in the statement of income in the period in which they arise, as part of the salary costs. Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as an 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 recognized in the financial statements. As of December 31, 2013, out total pension liabilities were €8.2 million.

Post Balance Sheet Date Events

Initial public offering

On January 31, 2014, Altice S.A., a newly incorporated Luxembourg entity and the new ultimate parent company of the Group, listed its shares in an initial public offering on Euronext Amsterdam. As part of the offering, Altice S.A. floated 206 million shares at an offering price of € 28.25 per share. The primary offering consisted of the issuance and sale of a total amount of 32 million shares in the newly incorporated company and yielded proceeds of €750 million, and the secondary offering consisted of the sale of 20 million pre-existing shares by Next L.P. and yielded proceeds of €555 million. The proceeds were primarily used to finance the acquisition of a controlling stake in Numericable by Altice Six S.A., a sister concern of the Company, for a total amount of €317.7 million (including acquisition tax), the buyout of limited partners who had invested in Next L.P for a total amount of €141.9 million (including accrued interest), the repayment of a vendor loan relating to MCS of €13.9 million, repayment of other debt relating to its holding companies, amounting to €34.3 million, with the remaining amount was kept as cash on balance sheet for an amount of approximately €221 million of which €85 million are estimated to be used for the Orange Dominicana acquisition. Initial listing occurred as planned on January 31, 2014 and settlement of the proceeds occurred on February 5, 2014. On February 6, 2014, the Group announced that it would fully exercise the over-allotment option, thus increasing its share offering by 15% over the initially allocated 52 million shares and bringing the total proceeds to € 1,500 million.

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 of February 2014, the terms and conditions of this transfer are under active discussion between the Company and OMT managers.

Related Party Transactions

During the year ended December 31, 2012 and 2013 the Group paid an aggregate of €6.2 million and €0.6 million to related parties as management fees. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

The Group has entered into certain arrangements with Numericable, including a services agreement with respect to our operations in Belgium and Luxembourg, trade mark license agreements for use of the "Numericable" brand in Belgium and Luxembourg and the French Overseas Territories and the purchase of cable modems and set-top boxes. Additionally, except as disclosed in note 31 to the historical consolidated financial statements, the Group did not have any material transactions with related parties during the years ended December 31, 2013 and 2012.

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the contractual commitments relating to purchase of property plant, and equipment, operating leases and others described under "—Contractual Obligations" or as disclosed below or in the notes to the historical consolidated financial statements of the Group included in this Annual Report.

Guarantees

In connection with our operations, we are required to provide a certain number of commitments in terms of performance guarantees for the completion of work, guarantees to municipalities, guarantees to suppliers and guarantees to regulators and other government agencies. At December 31, 2013, these guarantees amounted to approximately €385.3 million.

Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar, euro and New Israeli Shekels, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity or, with respect to the HOT

Unsecured Notes, pursuant to amortization obligations. As adjusted for the Offering, on a consolidated basis, our primary fixed rate debt obligations were in an amount equivalent to €2.731 billion (excluding finance leases and other financial liabilities) comprising of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Euro Senior Notes, the HOT Unsecured Notes, the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes while our primary floating rate debt obligations (excluding finance leases and other liabilities) were in an amount equivalent to €795.0 million comprising of the 2013 Term Loan. In addition, any borrowings we make under the Revolving Credit Facilities and the 2013 Guarantee Facility will bear interest at a floating rate. In addition, a portion of our debt in an amount of NIS 766 million (€160.3 million equivalent), comprising Series A of the HOT Unsecured Notes, is linked to the Consumer Price Index in Israel and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As we have not entered into interest rate hedges, we are exposed to interest rate fluctuations with respect to our floating rate debt.

Foreign Currency Risk

Our business is exposed to fluctuations in currency exchange rates. The HOT Group's primary transactional currency is the New Israel Shekel. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of Altice VII and its other operating subsidiaries is the euro. 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 amount we earn in the corresponding currency. We seek to manage such transactional foreign currency exposures though our hedging policy in accordance with our specific business needs. As of December 31, 2013, we had the following derivative instruments outstanding to secure foreign currency liabilities and to reduce foreign currency exposure:

- Foreign exchange forward contract relating to a swap of a notional amount of $550 million into New Israeli Shekels (maturing on December 15, 2017);
- Foreign exchange forward contract relating to interest rate hedging on a notional amount of $98.9 million and €40.1 million (maturing on each interest payment date under the 2012 Senior Secured Notes and the 2012 Senior Notes until December 15, 2017), which exchanges fixed euro and U.S. dollar payments into fixed New Israeli Shekels payments;
- Cross currency swaps on notional principal amounts of $200 million, $225 million and €100 million, each swapping into New Israeli Shekels at certain specified rates (maturing on December 15, 2017); and
- Cross currency swaps on notional principal amounts of $293 million, $407 million and $133 million, each swapping into New Israeli Shekels and euro respectively at certain specified rates (maturing between July and November 2018).

In addition, because the reporting currency of Altice VII is the euro while the reporting currency of the HOT Group and Green is New Israeli Shekels and Swiss Francs respectively, we are exposed to translation foreign currency exchange risk arising from the consolidation of such entities into Altice VII's consolidated financial statements. For more information on our foreign currency translation risk and sensitivity analyses, please see note 18 to Altice VII's financial statements as of and for the year ended December 31, 2013.

Critical Accounting Policies, Judgments and Estimates

See note 1 to our Historical Consolidated Financial Information included elsewhere in this Annual Report.

BUSINESS OVERVIEW OF ODO AND TRICOM AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ODO

The discussion and analysis of the results of operations and financial condition of Orange Dominicana S.A. ("ODO"), as discussed in the section under—"Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO", is based on its audited standalone financial statements as of and for the twelve months ended December 31, 2012 and 2013, in each case, prepared in accordance with IFRS as issued by the IASB.

Except as the context otherwise indicates, when discussing historical results of operations under "Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO", "Company," "we," "our" and other similar terms are generally used to refer to the business of ODO

You should read the discussion under –"Management's Discussion and Analysis of the Financial Condition and Results of Operations of ODO" in conjunction with the standalone financial statements of the Company and the accompanying notes in this Annual Report. A summary of the critical accounting estimates that have been applied to the Company's financial statements is set forth below in – "Critical Accounting Estimates." You should also review the information in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO Presentation of Financial Information". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Risk Factors."

Overview of ODO's Business

ODO is the second largest telecommunications provider in the Dominican Republic based on revenues for the year ended December 31, 2013. ODO provides mobile telephony and wireless broadband services to residential customers and fixed and mobile voice and data services to business customers through its mobile telecommunications network infrastructure and fixed-line network.

Launched in 2000 as the first GSM network in the Dominican Republic, ODO is the second largest mobile operator in the residential segment, with approximately 40% market share as of December 31, 2013 and the third largest broadband wireless provider in the country, with approximately 10% market share, according to management estimates. ODO also has a significant presence in the B2B market, having captured approximately 25% market share as of December 31, 2013 in the mobile B2B segment measured by volume, according to management estimates. As a result of the strong "Orange" brand under which ODO has historically marketed its mobile voice and data services, its focus on customer experience and its efficient distribution channels, ODO captured the largest share of net mobile subscriber additions in the Dominican Republic market during the year ended December 31, 2013.

ODO provides the following products and services:

- *Mobile*. ODO offers residential and business mobile subscribers a variety of pay-as-you-go plans and monthly rate plans through its 2G and 3G networks. In the residential segment, ODO has approximately 3.1 million mobile subscribers of which approximately 2.7 million subscribe through pre-paid plans. Approximately 431 thousand residential mobile customers subscribe through post-paid plans, as of December 31, 2013 with a choice between different offers and more tailored solutions. In the B2B segment, ODO offers services to over 190 thousand customer lines, with over 70% of business customers taking up plans aimed at SOHOs as of December 31, 2013. ODO also offers plans to over 2,600 SMEs and large companies. In the past, ODO's most successful offerings have been in the pre-paid consumer business; however, ODO is growing its post-paid and business offerings and continues to roll out new products and services. ODO set up a dedicated business customer team in January 2011 and since 2012 has expanded its offerings to include data packages for pre-paid, new post-paid tariffs including data abundance and launched value-added services; ODO has also expanded its business services with features such as mobile-to-mobile (M2M) connection services, enhanced data security and telepresence.

- *Broadband*. ODO offers a range of wireless broadband services through nomadic broadband (through dongles and WiFi devices) and Flybox, its customer premises equipment (CPE) as well as capacity based plans and voice and data bundles on 3G and 4G LTE. Approximately 86,000 residential customers take up broadband services through postpaid capacity-based plans. In the business segment, ODO also offers fixed broadband services, although this is relatively limited. ODO offers both pre-paid and post-paid packages to business customers, as well as digital services, including in-house platform agnostic applications development, fixed voice and Internet and other data offerings such as cloud services, mobile-to-mobile and premium non-voice services.post-paid. Approximately 54,000 business customer lines subscribe to broadband services offered by ODO as of December 31, 2013, of which over 40% are SMEs and large companies, which can also benefit from ODO's fibre and WiMax technologies and other value added services. *Carriers Wholesale*. To service the Dominican Republic's significant tourist-sourced traffic, ODO provides users of foreign mobile connections with international roaming services. ODO has entered into roaming agreements with various international telecom service providers for voice, internet, data, pre-paid, roaming hub and 3G services. Currently, ODO has agreements in place with leading international telecom companies from over 140 countries. ODO also attracts international incoming traffic through its long distance business, providing international call termination to other local operators.

- *Fixed Voice.* ODO currently provides selected SMEs and large business customers with fixed voice via SIP trunking (VoIP and plans to provide SOHO customers with similar services in the future.

Network

Mobile Access Network

Based on a publicly available analysis of an independent consultancy, ODO owns the highest quality 3G mobile network in the Dominican Republic. Our previous capital expenditures have resulted in what we believe to be superior coverage and network reliability. ODO offers mobile services through our 2G GSM/GPRS, 3G UMTS/HSPA and 4G LTE mobile access network comprising as of December 31, 2013 approximately 1,200 antenna sites with approximately 1,200 2G GSM/GPRS base stations (BTS), approximately 820 3G UMTS/HSPA base stations (node-B) and 180 4G LTE mobile base stations. ODO has nationwide coverage through its high quality 2G network (98% population coverage as of December 2013), which is fully EDGE capable. ODO has installed 77 new 2G sites during 2013, with additional sites identified for future installations. In addition, ODO has achieved 76.9% population coverage as of December 2013 through its 3G network, offering download speeds of up to 42 Mbps. The roll-out of the 3G network is on-going and ODO aims to cover 96% of the population by 2016. In July 2012, ODO became the first operator in the Dominican Republic to commercially launch its 4G/LTE network, although certain spectrum capacity issues with competitors and Indotel have slowed down the Company's deployment plans. See "*Risk Factors – Risks Related to our Business, Technology and Competition-ODO's ability to provide 4G/LTE services may be limited by the need for additional frequencies which are unavailable due to the restrictions imposed by Indotel and the delay in the public auction of additional frequencies*". ODO currently has 180 mobile sites that are 4G/LTE enabled, offering coverage to approximately 4% of the population as of December 31, 2013. ODO plans to increase its population coverage, subject to favourable resolution of the spectrum capacity issues. ODO benefits from a scalable multimode 3G network, which is easily upgradable to 4G. The LTE roll-out has been predominantly driven by demand in the B2B segment, with focus of coverage being centred on the Santo Domingo and Santiago regions, where a majority of clients are based.

Transmission Network

Our mobile transmission network comprises a radio access network ("RAN")/metro backhaul network, a multi protocol label switching ("MPLS") backbone backhaul network and a core network with value added systems.

Fixed Network

We are rolling out a backbone transmission optic fiber to connect high density areas and progressively decommission the SDH microwave links which sustaining future traffic growth. ODO also owns an optical backbone that management believes will allow the Company to meet future increases in data traffic. Its transmission backbone includes underground fibre along the main communication axis in the Dominican Republic (Santo Domingo, Santiago and Puerto Plata). ODO has been opportunistically deploying fibre to support the 4G/LTE roll-out and to be in a position to offer fixed services to targeted B2B clients. As an example, ODO began to offer B2B services in the Eastern area of the Dominican Republic in Bavaro/Punta Cana following the roll-out of fibre along the East route to Punta Cana, which finalized at the end of 2013. In addition, ODO has identified other high density traffic locations to be connected with fibre in the future. Fibre is being rolled-out both below and above ground, in an on-going effort to optimize cost and deployment time. At the same time, in remote areas where the deployment of fibre is expensive, ODO is making use of microwave backhaul.

ODO is also developing IT and network infrastructure redundancy, in order to ensure a high level of reliability to its customers. In addition, ODO has focused on IP multimedia (IMS) projects to support fixed-line services (GSM technology-based fixed offers e.g. GSM deskphone) and new multimedia services, including fixed-line voice services for B2B customers, Rich Communication Services, voice-over-LTE and other collaborative multimedia. The B2B segment has been a key focus area for ODO since it first launched dedicated services to business customers in January 2011 and the Company is currently in the process of moving from a mobile centric offering to a full-service provider with various enhancements being made to its network.

Distribution Channels and Brand

ODO benefits from what we believe to be efficient distribution channels through its homogeneous store network across the Dominican Republic, comprising more than 500 shops and 44,000 top-up points of sale. We believe ODO's strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. ODO also benefits from strong brand recognition and a focus on customer service. ODO captured approximately 38% share of mobile gross-adds for the twelve months ended December 31, 2013 based on management estimates, while only operating 17% of the approximately 2,964 points of sale in the Dominican Republic. In connection with the ODO Acquisition, we will enter into a Brand License Agreement providing for the right for ODO to continue to use the "Orange" brand for a period of three to five years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO.

Credit Management and Billing

We bill our post-paid mobile subscribers directly. SIM cards, mobile phones and other devices can either be purchased directly from us or from one of our indirect distributors who, in turn, purchase them from us. We send monthly bills to our post-paid mobile customers, payable within 7-25 days, and we monitor customer collections and payments. Overdue receivables in excess of 120 days are transferred to a third-party factoring agency. We maintain a bad debt provision for our post-paid mobile subscribers for estimated credit losses, based on a percentage of risk of payment default with reference to aging of overdue invoiced amounts. In particular, the provisions foresee different levels of risks for consumer and business customers, sales partners and distributors, operators, and roaming partners. Our write-offs of such bad debt provisions constituted 2.03% of total post-paid revenues in the twelve months ended December 31, 2012 and decreased to 1.51% the twelve months ended December 31, 2013. We also offer direct debit and e-payment.

Pre-paid mobile customers purchase SIM cards, mobile phones and other devices directly from us or from retailers and dealers who, in turn, purchase them from us. We bill these retailers, dealers and distributors shortly after we deliver these products. These customers then have the ability to top-up their accounts through a number of payment channels, either directly with us (through the Internet or in one of our stores), via Unstructured Supplementary Service Data (USSD), or through any of our indirect distribution partners.

IT Systems and Infrastructure

Our information technology systems are highly integrated into every aspect of our business providing capabilities for a variety of purposes in relation to customer front-ends, middleware and back-ends and cover, among other things, the following fundamental areas:

- Billing, customer relationship management;
- Point-of Sales support, commissioning, sales force automation;
- Supply chain management;
- Online services;
- Data warehousing;
- Controlling, Finance; and
- Human resources.
- The systems are mainly hosted in 2 data centers.

Licenses

We believe that we hold all necessary licenses to operate our business. On July 15, 1996, ODO was awarded a twenty-year universal telecom concession, which allows it to provide telecom services without any technological restrictions (e.g. fixed / wireless technologies, television, Internet). An automatic twenty-year renewal process is set forth in the concession agreement. The process begins in August 2014. If the submission for renewal is accepted, the concession will be renewed in August 2015. All of our frequency licenses are valid until August 1, 2015 but will have to be renewed at the same time as our concession agreement.

The economic environment and the telecommunication market

Certain Contracts Relating to the Operation of Our BusinessWe are a party to a number of agreements that are important to our business, including those set out below. In addition, in connection with the ODO Acquisition, we have entered into a Transitional Agreement, a Brand License Agreement.

Service Agreements

We have entered into agreements with a variety of service and outsourcing suppliers to conduct our ongoing business. These services include supply of software licenses, call center support, data management and human resources consulting, among others. The service agreements with TechComm and Transunion S.A. will terminate in the event of a change in control in our corporate structure.

Supply Agreements

On our behalf, Orange S.A. has entered into supply agreements with Alcatel, Apple Gemalto, Huawei, Motorola, LG, Nokia, Oberthur, RIM, Samsung, Sony Ericsson and ZTE for the supply of handset devices. After the Orange Dominicana Acquisition Completion Date, we will no longer benefit from such agreements. However, these handset supply agreements contemplate a three to six month grace period after a change of control during which ODO's buyer could enter into a new agreement with these suppliers.

Intercompany Agreements

We have entered into three intercompany agreements with Orange S.A.: (i) the corporate framework agreement, (ii) the management fee agreement and (iii) the ASP interco agreement. These agreements will all automatically terminate after the Orange Dominicana Acquisition Completion Date.

Environmental Matters

We are subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise, and historical and artistic preservation. We could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Our operations are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

Our objective is to comply in all material respects with applicable environmental and health control laws and all related permit requirements. We believe that the principal environmental risks arising from our current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. In extreme cases, the penalty for repeat violations of the applicable environmental laws in the Dominican Republic could result in administrative sanction, suspension and even revocation of our license.

We use different network infrastructure strategies to achieve radiation emission ranges lower than the maximum levels permitted by applicable Dominican Republic regulations. If the Dominican Republic government or regulator were to set limits on electromagnetic emissions that are stricter than those currently in effect, we could be required to upgrade, move or make other changes to our mobile telephone infrastructure.

We have enacted various guidelines—in particular with regard to the quality of antenna sites and minimization of safety risks in connection with non- ionising radiations—as well as a health and safety policy. We have further obtained ISO 9001:2008 system certifications in connection with the circular of the Federal Office for the Environment regarding the quality assurance for compliance with the limits of antenna radiation dated January 16, 2006.

Intellectual Property

Orange Brand License Agreement

In November, 2013 in connection with the entry into the ODO Acquisition, we entered into a brand license agreement with Orange Brand Services Limited that will become effective on the Completion Date. Under the terms of the agreement, we will have a license to use the Orange brand for several years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO. We currently intend to continue to use the Orange brand and to carry out a rebranding process within approximately eighteen months of the Completion Date. Royalties under the brand license agreements will be paid to Orange S.A. on a quarterly basis but the accounting treatment of such royalties has not been confirmed. See "*Description of Our Business – Dominican Republic Acquisitions - Material Contracts*."

The brand license agreement may be terminated by either party in certain circumstances, including if we or France Telecom commit a material breach of the agreement, if we do not satisfy certain minimum investment requirements in the Orange brand, if we undergo certain change of control events or if a competitor purchases shares in us.

Insurance

We maintain insurance coverage in amounts that we believe are sufficient to insure appropriately our risks, including insurance for third-party liability, property damage/business interruption, global crime, buildings, construction and erection, special technical equipment and various other insurances.

A number of these insurance policies are linked to global Orange Group insurance policies. Accordingly, coverage under these insurances will or may terminate as a result of the ODO Acquisition. Our intention is to maintain insurance coverage consistent with industry standards, although the coverage may be somewhat reduced compared to the coverage we currently have under the Orange Group and we expect that the premiums for these insurances may be higher.

Employees and Pension Obligations

As of December 31, 2013, we had 1,233 full-time employees and 208 FTE employees.

We deliver substantial benefits to all of our employees through a combination of attractive compensation, health insurance and mobile phone plans. Our employees follow the guidelines established under Dominican Republic law with regards to work hours. Standardized employee contracts contain provisions that limit the hours an employee can work. Employees are required to fill out monthly time reports in which we verify that the employee is compliant with the company policies and with applicable labor laws.

We believe that our employee relations are good. We are recognized as a “great place to work” according to surveys conducted inside and outside the company. Orange is ranked as the top employer in the Dominican Republic according to the annual ranking by Revista Mercadeo. We have not experienced any labor-related work stoppages during the past three years.

Property and Leases

We own, lease and occupy a wide range of properties in connection with the operation of our antennas and commercial retail locations. Many of our properties must undergo an administrative process in order to be recognized by the Title Registry office as valid deeds.

We have also entered into a long-term lease agreement for Torre Orange, the location of our headquarters in Santo Domingo.

Antenna installation is subject to approval by several governmental institutions, which perform the appropriate inspections and confirm that the project does not interrupt radio-electrical frequencies or risk the safety of the environment, community or local airports. Prior to 2010, the Dominican Institute of Civil Aviation (“IDAC”) issued one permit per project and municipalities issued one permit per several antennas within their jurisdiction. Other institutions followed similar guidelines and therefore antenna site permits are not uniformly provided.

Overview of Tricom’s Business

Tricom is the second largest landline service provider in the Dominican Republic after the incumbent operator, Claro. It provides pay television, broadband Internet and fixed-line telephony services through its HFC cable, xDSL and GPON networks as well as mobile telephony services through its mobile network. Tricom is the second largest pay television operator (number one in cable television) and the second largest broadband Internet and fixed-line telephony provider with a national market share of approximately 25% (fixed broadband market) and 23%, with respect to the above products, according to Indotel and Analysys Mason. Tricom’s pay television offering, which is available through three plans, includes over 250 channels with 82 channels available in HD, which is the most extensive HD offering currently available in the Dominican Republic. Tricom provides Internet access primarily through its xDSL network, although its cable broadband product is currently experiencing strong growth, and it has launched mobile broadband services leveraging on its recent 4G/LTE launch. Tricom offers both prepaid and postpaid fixed-line telephony plans, which include unlimited calls within its network. While Tricom continues to utilize its xDSL network to provide fixed-line telephony services, it also offers VoIP to homes passed by its cable network. Tricom also leverages its wireless network to transmit fixed-line voice services. Tricom benefits from the opportunity to up-sell its mobile service offering to its fixed-line subscriber base, particularly following the launch of 4G services in May 2013, providing a competitive advantage. Tricom’s mobile offering includes 3G as well as 4G/LTE plans (depending on the handset) and mobile customers who subscribe to one of Tricom's triple-play offers benefit from a free 4G-enabled smartphone under the current service plan.

As of December 31, 2013, Tricom's cable network passed approximately 456,240 one-way and two-way homes and business and Tricom had approximately 108,046 pay television subscribers, 127,047 broadband subscribers (including xDSL and cable), 274,438 fixed-line telephony subscribers (including DSL, VoIP, fiber and WLL) and 344,403 (including internet mobile) mobile subscribers.

In the B2B segment, which accounted for just under 18% of its revenue in 2013, Tricom mainly offers fixed-line services but is also present in the broadband, data, pay television and wireless segments. Tricom serves a large portfolio of over 10,000 corporate clients including banks, international telecom operators and government offices. Tricom has a well- diversified customer portfolio with its top ten customers accounting for less than 15% of its B2B revenue.

With respect to fixed services, Tricom benefits from an integrated platform which includes networks based on HFC, copper and fibre technologies while it prioritizes the modernization and expansion of its entirely digital cable network. As of December 31, 2013, Tricom has upgraded 77% of its cable network to bi-directional capability, with a substantial majority of homes passed on 750 MHz or 1,000 MHz. Up to a maximum of 750 homes are served by each optical node in Tricom's network. Tricom's entire cable network is digital and capable of supporting HD and DVR services. Tricom is continuing the expansion of its cable network into key cities that are still underpenetrated and where proprietary fiber optic is already present, meaning significant growth potential. To this end, it relies on an in-house team which designs approximately 150 kilometers of network each month, as well as third party construction teams which implement in-house design and build approximately 80 kilometers of network each month. Tricom has in-house capability to activate, and perform quality control procedures on its network. In addition, Tricom has focused on maintaining its xDSL network to serve customers in areas not reached by its cable network.

Tricom provides its mobile telephony services through its wireless network and has 25 MHz of spectrum in the 850 MHz frequency, allowing it to offer its customers 3G mobile services, and 30 MHz of spectrum in the 1,900 MHz frequency, allowing it to offer 4G/LTE mobile services. Tricom has an additional 30 MHz of spectrum in the 3,500 MHz frequency where it offers some WiMAX coverage (East coast). Tricom launched 4G mobile services in May 2013. Tricom's network in the 850 MHz and 1,900 MHz frequencies cover approximately 65% and 25% of the Dominican Republic population, respectively. Tricom's 4G and 3G services are capable of supporting mobile download speeds of up to 70 Mbps and 3 Mbps, respectively.

At the core of Tricom's fixed-line services strategy is a focus on triple-play packages which provides an attractive value proposition to its residential customers. In addition, Tricom leverages its 4G mobile services to provide integrated quadruple-play services. Multiple-play subscribers currently receive a discount on fixed-line services and on mobile services when such services are purchased as part of a bundle. As a result of this strategy, the percentage of Tricom's triple-play customers has increased from 7% in 2010 to 17% as of December 2013.

Tricom has developed a multi-channel distribution approach to provide its range of services to residential and business clients. It owns a network of 18 stores throughout the Dominican Republic which plays a critical part in its distribution strategy relating to its re-launched wireless business services. Approximately 131 dealer stores, with which Tricom has partnered up, account for the vast majority of its wireless services sales. The two key distribution channels for fixed services are (i) telemarketing where a dedicated team constantly reaches out to clients to offer Tricom's services and products and (ii) door-to-door sales where the 98 employee sales force physically visit clients at their homes and offices. Although still a minor channel, online sales are expected to grow rapidly as traffic on Tricom's website has been experiencing strong growth.

For the twelve months ended December 31, 2013, Tricom generated revenues of approximately $211 million and Adjusted EBITDA of approximately $67 million and had capital expenditures of close to $35 million, in each case based on unaudited and unreviewed management accounts. Tricom defines Adjusted EBITDA as earnings before interest, tax, depreciation and amortization and before management fees, other non-recurring expenses, impact of tower sale and leasebacks and installation costs relating to network roll-outs. Tricom prepares its financial statements under U.S. GAAP.

Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO

Presentation of Financial Information

The standalone financial statements of the Company for the twelve months ended December 31, 2012 and the twelve months ended December 31, 2013 have been prepared in accordance with IFRS as issued by IASB. The preparation of the financial statements did not therefore require any material allocation of assets and liabilities and income and expense items between Orange S.A., as indirect owner of the Company prior to the ODO Acquisition, and the Company.

Key Factors Affecting Results of Operations

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on our results are set forth below. For further discussion of the factors affecting our results of operations, see "Risk Factors."

One of the key constituents of our revenue is network revenue, which contributed 87.65% and 86.65% of our total revenue for the twelve months ended December 31, 2012 and 2013, respectively. A major contributor to our network revenue is mobile subscriber revenue, which is principally driven by the number of mobile subscribers on our network (our mobile subscriber base), and the ARPU, or average revenue per user (see – "*Mobile ARPU*"), that they generate. Our subscriber base evolution is driven by market dynamics (including demographics, penetration rate, technical innovation and changing customer behaviour), gross connections market share (our ability to capture new subscribers). A key recent factor that has impacted our mobile subscriber revenue is the increasing use of data services linked to the popularity of smartphones and mobile computing devices, and our ability to successfully address this increasing demand. Furthermore, our mobile revenues are affected by macroeconomic trends, such as competition-driven price evolution and general macro-economic conditions. Network revenue also includes revenues from incoming voice traffic of other domestic and international operators, as well as roaming charges, and non-voice.

Our mobile costs of sale include (i) mobile termination rates payable to other operators for calls made by our subscribers that are terminated on networks belonging to other operators, (ii) subscriber acquisition and retention costs, which are costs associated with acquiring a new mobile subscriber and retaining existing subscribers (prolonging the contract of an existing mobile subscriber, mobile "renewal" for pre-paid residential subscribers, (iii) network and IT expenses and (iv) other commercial expenses relating to advertising, promotion and other selling fees.

Our primary subscriber acquisition and retention costs include agent commissions related to sales generated by dealers including franchises and wholesalers (together forming our indirect distribution channel) and the cost of handsets sold to our post-paid residential subscribers. Handsets are typically sold to our post-paid subscribers at a discount reflecting the incentive that we provide subscribers to subscribe or renew their subscription. The level of distributor commission paid out varies depending on distribution channels (direct or indirect). Our distributor commissions are generally lower for pre-paid residential customers, due to lower ARPU and lower loyalty of pre-paid subscribers, compared to the distributors' commissions for post-paid business customers reflecting the higher lifetime value of these subscribers. Commissions, which are an operating expense, are paid for both, new and retained post-paid subscribers solicited through indirect distribution channels. In the direct distribution channel, incentives and bonuses are paid out to the sales force in relation to their subscriber acquisition and retention performance and such costs are expensed in labour costs. Direct channels focus on providing to customers a high quality customer experience and services and on high value customers.

Mobile Subscriber Base

The table below sets forth selected mobile subscriber data for the periods indicated, including an analysis by subscriber segment. Mobile subscribers consist of subscribers for voice services (including incoming and outgoing calls) and non-voice services (including SMS, MMS and data services for handsets).

	Mobile subscriber base	
	For the twelve months ended December 31,	
	2012	**2013**
	(subscribers in thousands)	
Post-paid subscribers(1)(2)(4)(5)	589	624
Pre-paid residential subscribers(1)(3)(4)	2,504	2,647
Subscribers at end of period(1)	**3,093**	**3,271**

(1) Includes subscribers through reseller (dealers and franchises) as we enter into direct contractual arrangements with customers of resellers

(2) All post-paid subscribers are considered as active

(3) Active pre-paid subscribers exclusively. Pre-paid subscribers are considered as inactive when connected on the home network more than 3 months without any outgoing traffic events or with fewer than four incoming traffic events

(4) Includes exclusively mobile subscribers. Mobile broadband/Internet subscribers excluded and analysed separately in this section

(5) Includes both post-paid residential subscribers and post-paid business subscribers

We provide mobile services to pre-paid residential customers, post-paid residential customers and post-paid business customers, constituting 80.9%, 13.2% and 5.9%, respectively, as of December 31, 2013 of our mobile subscriber base. For the twelve months ended December 31, 2013, pre-paid residential subscribers formed the largest segment of our customer base, contributing 53.1%, as compared to 28.1% for post-paid residential subscribers and 9.1%, for post-paid business subscribers. Since contributions to revenue of subscribers in different segments are disproportionate (due to their different level of ARPU, see "—Mobile ARPU"), changes in the composition of our subscriber base in any financial period may have an impact on our revenue for such period.

Our mobile subscriber base increased by 5.8% for the twelve months ended December 31, 2013 as compared to the twelve months ended December 31, 2012. The key driver of the sustained growth are: (i) favorable market dynamics, (ii) increased market share, due to the positive perception of the "Orange" brand and the quality of our service, (iii) on-going network improvements, with the continuous roll-out of 2G, 3G and 4G sites, (iv) competitive pre-paid and post-paid offers with the continuous expansion of our enterprise line, (v) anti-churn incentives geared at our pre-paid residential subscribers to reduce the number of inactive customers, including automated reminders prompting the subscriber to top-up, simplified SIM swaps for customers who have lost their SIM cards and an automated credit top-up by us where a "zero balance" has been reached, and (vi) the strategic plan by our management to develop the business lines for our post-paid business subscribers with a sales team dedicated to this customer base as well as targeted offers.

As a result of the aforementioned factors, for the twelve months ended December 31, 2013, our post-paid business subscribers increased by 4.1%, our pre-paid residential subscribers 5.7%. We estimate that our total mobile market share in the Dominican Republic by number of subscribers was 40% as of December 31, 2013.

As a result of the improvement of our post-paid residential offer, our post-residential subscribers increased by 6.9% for the twelve months ended on December 31, 2013 compared to the same period last year. The revamp initialized in September 2013 introduced a more varied portfolio of price plans, allowing customers to add on additional services at their option while giving them the freedom of paying a low monthly fee on a post-paid basis. We believe that, as the difference between the monthly top-up and post-paid subscription fee is very low, users of pre-paid mobile phones will continue to migrate to a post-paid subscription. Furthermore, we offer substantial handset subsidies to our post-paid subscribers, which enable us to promote the usage of smartphones and with that voice and data usage. We aim to increase our market share in the post-paid residential segment in the future, especially in light of the increase in smartphone and data usage, and higher returns and retention rates in the long term.

Mobile ARPU

ARPU (average revenue per user), represents the overall revenue for a specific segment divided by the number of subscribers for a given period. Since there may be disconnections and connections over a defined period, the overall revenue is divided by the average subscriber base for that particular period.

ARPU is primarily driven by prices of our services, traffic volume, data services utilization and revenue from interconnection rates for incoming calls. Our monthly ARPU for the twelve months ended December 31, 2013 increased slightly to DOP 533.1, from ARPU of DOP 532.9 for the twelve months ended December 31, 2012 despite termination rates decreasing by 2% semi-annually. The table below sets out our ARPU for our pre-paid and post-paid mobile subscribers:

	Mobile ARPU For the twelve months ended December 31	
	2012	**2013**
	(in DOP per month/percentages)	
Post-paid ARPU	1,126	1,146
Increase/(decrease) from prior equivalent period	(-7.6%)	1.7%
Pre-paid residential ARPU	393	394
Increase/(decrease) from prior equivalent period	0.5%	0.2%
Total ARPU(1)	**533**	**533**
Increase/(decrease) from prior equivalent period	(-0.4%)	0.1%

(1) We define total ARPU as the measure of the sum of our mobile revenues in the relevant period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

As of the twelve months ended December 31, 2013, our post-paid ARPU increased by 1.7% to DOP 1,146 from DOP 1,126 as of the twelve months ended December 31, 2012. This increase was predominately driven by an increase of our post-paid residential subscriber ARPU by 5.0% (or DOP 62 per month) to DOP 1,312for the twelve months ended December 31, 2013. This increase can be attributed to an increase in higher value plans.

As of December 31, 2013, we have been able to maintain our pre-paid residential subscriber ARPU at DOP 394, as compared to DOP 393 as of December 31, 2012.

Termination Rates

Mobile termination rates (MTR) contribute to our mobile revenues and costs. Fixed termination rates (FTR) contribute to our revenue and costs for our fixed line services. We receive revenues from other operators for calls terminated on our network and we are required to pay fees to other operators for calls terminated on their networks, for both, domestic and international calls**.**

Domestic MTR, local FTR and SMS termination rates result from negotiations between us and the three other main Dominican mobile operators. Indotel has the authority to challenge and/or validate these bilateral agreements. Domestic operators agreed to decrease national MTR and local FTR by 2% semiannually (in dollars), between 2010-2013. SMS termination rates remained unchanged between 2010-2013 periods at $0.018 per SMS.

	Year ended December 31,			
	2010	**2011**	**2012**	**2013**
	USD $			
MTR	0.069	0.066	0.064	0.062
FTR local	0.018	0.018	0.017	0.016
SMS	0.018	0.018	0.018	0.018

Internet

For the twelve months ended 31, 2013 Internet revenues increased by 27% to DOP 644 million compared to DOP 507 million for the twelve months ended December 31, 2012. We consider Internet services used by our post-paid business subscribers as a commercial lever to cross-sell post-paid business mobile subscription.

Our total number of Internet subscribers increased by 16% from 121,000 for the twelve months ended December 31, 2012, to 140,000 for the twelve months ended December 31, 2013. This was mainly driven by an increase in the number of our post-paid residential subscribers by 51% in 2013 due to (i) higher laptop penetration and (ii) the expansion of Internet services into new geographic regions**.** Although we had an increase in our total subscriber number we saw a decrease in our post-paid business subscribers due to an internal adjustment made to the computation of this subscriber base in 2013.

The table below shows our Internet subscriber base for the twelve months ended December 31, 2012 and 2013, respectively:

	Internet subscriber base	
	For the twelve months ended December 31,	
	2012	**2013**
	(in thousands subscribers)	
Post-paid residential subscribers(1)	62	86
Post-paid business subscribers(1)	59	54
Subscribers at end of period(1)	**121**	**140**

(1) All post-paid subscribers are considered as active

Mobile Network Upgrade

With the growing penetration of smartphones and the increasing demand in data services, upgrading and maintaining our network is key to the improvement of the services we offer to our customers. The perception of the network quality is an important factor in retaining our subscribers and is therefore a key element in preventing and reducing churn and attracting new customers.

The upgrade and maintenance of our network has a direct impact on the level of our expenses and the capital expenditures we incur each year. The 4G LTE roll-out which began in the first quarter of 2012 has been focused on certain regions with higher number of medium and large businesses. We believe that our infrastructure will be able to cope with the expected increased data-led capacity requirements and that architecture is scalable to support future traffic growth.

Effects of change of control Transaction and Separation

On November 26, 2013, Altice Bahamas S.à r.l. (a wholly owned subsidiary of Altice VII S.à r.l.) entered into a agreements to acquire ODO in the Dominican Republic. The transaction is subject to regulatory approval and is expected to be completed in the first quarter of 2014. See "*Description of Our Business – Material Contracts – ODO Acquisition*"**.**

The impact of the ODO Acquisition on our income statement and capital expenditures will depend on the synergies and measures undertaking. Links to Orange S.A. are at both operational and support levels, and are governed by group or bilateral agreements whereby operational agreements are based on specific group terms while recharge agreements are usually based on a "cost plus" mechanism. Intragroup costs primarily include DOP 629 million of corporate fees such as brand fees and management fees (DOP 377 million for brand fees and DOP 252 million for management fees in 2013). Pursuant to the ODO Acquisition Agreement, ODO and Orange S.A. entered into a transitional services agreement on November 26, 2013. Specific terms relating to the services to be rendered thereunder are currently being negotiated and are to be finalized prior to the completion of the ODO Acquistion, with the aim to tailor the services to the contemplated synergies between ODO, Tricom and the Altice VII group.

Key Income Statement Line Items

Revenue

Revenue from our activities includes:

- Mobile revenue, which consists of revenue from voice (including ingoing and outgoing calls) and non-voice (including SMS, MMS and data services for handsets);

- Internet revenue, which consists of mobile broadband facilities delivered to post-paid residential subscribers or business post-paid subscribers;

- Wholesale revenue, which consists of: (i) Transit revenue consisting of fees charged to foreign competitors connecting to and using our telecommunication path and network to transit voice or data to another operators, and (ii) visitor roaming revenue representing revenue received from our roaming partners for their customers' use of services on our network. Roaming rates charged by various operators are determined according to the inter-operator tariffs (IOT) agreements between operators;

- Other revenue primarily includes (i) the sale of non-subsidized handsets (ii) fixed-data revenue corresponding to calls realized through IPVPN technology, which are primarily fixed calls for business subscribers, and to a lesser extent, (iii) global services revenue (mainly machine-to-machine (M2M) solutions e.g. industrialized private access point names (APN)) as well as other minor components;

- Equipment revenue consists of the sale of subsidized handsets and, to a lesser extent, mobile accessories.

Operating costs

Our operating costs include:

- Cost of equipment sold primarily consists of the costs arising from equipment sold to terminals, the sale of SIM cards and accessories, and import duties and freight costs;

- Selling, distribution and traffic costs mainly consist of access backbone and termination fees corresponding to costs incurred for terminating a call on another operator's network. Cost is calculated based on the MTR or FTR tariffs which are agreed between operators;

- Advertising and sponsoring costs;

- Offices and technical sites costs;
- Labor expenses, which include salaries and wages, social contributions, individual incentive/bonus plans and the cost of post-employment benefits;
- Corporate fees consist of (i) management fees, and (ii) brand fees based on the terms of the agreement with Orange S.A. regarding the rights to use the "Orange" brand;
- Maintenance costs;
- Other costs and income which include (i) purchase of services (ii) consulting fees (iii) network energy costs and (iv) bad debt expenses;
- Depreciation and amortization of fixed assets.

Non-operating income/expense

Non-operating income/expense mainly include financial items such as (i) foreign exchange gains and losses (mainly corresponding to unrealized translation gains on cash and cash equivalents) (ii) interest on net cash, and on the Orange group current account (decreasing in line with cash and cash equivalents) and (iii) other financial charges concerning the discounting effect of the Asset Retirement Obligation ("ARO") provision, whereby a discount is applied to the costs incurred in relation to the future dismantling of technical sites (the rate is calculated through applying intra-group measures and a discount set by the Dominican Central Bank).

The table below shows our results of operations for the twelve months ended December 31, 2012 and 2013, respectively:

	For the twelve months ended December 31,	
	2012	**2013**
	(in DOP million)	
Revenues	22,754	24,405
Cost of equipment sold	(3,000)	(3,259)
Selling, distribution and traffic costs	(5,861)	(6,263)
Advertising and sponsoring costs	(937)	(875)
Offices and technical sites costs	(564)	(623)
Labor expenses	(1,175)	(1,234)
Corporate fees	(583)	(628)
Maintenance costs	(332)	(329)
Other costs and income	(2,573)	(2,344)
Depreciation and amortization	(3,509)	(3,518)
Total costs and operating expenses	(18,533)	(19,073)
Operating income	4,221	5,332
Bank commissions	(71)	(76)
Interest income	37	18
Foreign currency exchange gains (losses)	70	26
Other	(20)	(13)
Non-operating income (expenses)	15	(45)
Profit before income tax	4,236	5,287
Income tax	(790)	(1,390)
Net income	3,446	3,897
Other comprehensive income	-	-
Total comprehensive income for the year	3,446	3,897

Twelve Months Ended December 31, 2013 as compared to Twelve Months Ended December 31, 2012

Our total revenue increased by DOP 1,651 million (+ 7.3%) from DOP 22,754 million for the twelve months ended December 31, 2012 to DOP 24,405 million for the twelve months ended December 31, 2013, driven by an increase in our pre-paid subscriber base together with the favorable effect of increased data usage.

	For the twelve months ended December 31,				Variation	
	2012	% of total revenue	2013	% of total revenue	Amount	%
			(in DOP million)			
Mobile	19,436	85.4%	20,503	84.0%	1,067	5.5%
Wholesale	1,662	7.3%	1,816	7.4%	154	9.3%
Internet	507	2.2%	644	2.6%	137	27.0%
Equipment	866	3.8%	1,151	4.7%	285	32.9%
Other	283	1.2%	291	1.2%	8	2.8%
Total revenue	22,754	100%	24,405	100.0%	1,651	7.3%

	For the twelve months ended December 31,				Variation	
	2012	% of total revenue	2013	% of total revenue	Amount	%
			(in DOP million)			
Post-paid residential subscribers	6,084	31.3%	6,372	31.1%	288	4.7%
Pre-paid residential subscribers	11,580	59.6%	12,350	60.2%	770	6.6%
Post-paid business subscribers	1,772	9.1%	1781	8.7%	9	0.5%
Mobile revenue	19,436	100.0%	20,503	100.0%	1,067	5.5%

Mobile revenue

Mobile revenue was DOP 20,503 million for the twelve months ended December 31, 2013, an increase of DOP 1,067 million, or 5.5%, from DOP 19,436 million for the twelve months ended December 31, 2012.

Post-paid residential subscribers revenue increased by 4.7% in the twelve months ended December 31, 2013 to DOP 6,372 million primarily driven by flexible monthly plans, including low monthly rate subscriptions with the ability to add-on additional services such as data through promotional offers.

Pre-paid residential subscribers revenue increased by 6.6% in the twelve months ended December 31, 2013 to DOP 12,350 million primarily driven the “anti-churn” incentives.

Post-paid business subscribers revenue increased by 0.5% in in the twelve months ended December 31, 2013 to DOP 1,782 million primarily driven by a stronger penetration strategy and sales staff dedicated to soliciting more subscribers. We also benefited from an overhaul in and an increase of the portfolio of services and integrated solutions we were able to offer to a broad variety of businesses (SMEs as well as larger business).

Wholesale revenue

Wholesale revenue was DOP 1,816 million for in the twelve months ended December 31, 2013, an increase of DOP 154 million, or 9.3%, from DOP 1,662 million for the twelve months ended December 31 2012. This increase can be attributed to an increase in transit revenues by 37.1% to DOP 1,192 million for the twelve months ended December 31, 2013, as a result of increased traffic of international telephone calls on our network, resulting in higher terminations. This trend was offset by a decrease in visitor roaming revenue–of 21.4% to DOP 623 million for the twelve months ended December 31, 2013, as result of the increase in tariff competition thereby pushing down global inter-operator roaming rates, as well as international macro-economic conditions.

Internet revenue

Internet revenue increased by 27.0% to DOP 644 million in the twelve months ended December 31, 2013 mainly due to the increase in the average subscriber base driven by the expansion of Internet services into new geographic regions, our 3G roll-out as a result of the improved quality and speed of our network.

Equipment revenue

Equipment revenue was DOP 1,151 million for the twelve months ended December 31, 2013, an increase of DOP 285 million, or 32.9%, from DOP 866 million for the twelve months ended December 31, 2012, due to an increase in our post-paid subscribers retention rate, which resulted in higher amounts of handset subsidies .

Other revenue

Other revenue was DOP 291 million for the twelve months ended December 31, 2013, an increase of DOP 8 million, or 2.7%, from DOP 283 million for the twelve months ended December 31, 2012 as a result and in increase in our post-paid business segment, leading to an increase in M2M revenue of 123% and other operating revenue of 62%.

Operating costs

Cost of equipment sold

Cost of equipment sold were DOP 3,259 million for the twelve months ended December 31, 2013, an increase of DOP 259 million, or 8.6% from DOP 3,000 million for the twelve months ended December 31, 2012. The increase in cost of equipment sold was mainly due to an increase in smartphone penetration as part of our retention strategy relating to our post-paid residential subscribers.

Selling, distribution and traffic costs

Selling, distribution and traffic costs were DOP 6,263 million for the twelve months ended December 31, 2013, an increase of DOP 402 million, or 6.9%, from DOP 5,861 million for the twelve months ended December 31, 2012. The increase was mainly due to an increase in commissions paid to indirect distributors for high retention rates of post-paid subscribers.

Advertising and sponsoring costs

Advertising and sponsoring costs decreased DOP 62 million, or 6.8% for the twelve months ended December 31, 2013, due to measures implemented by management to optimize advertising costs and communication methods.

Offices and technical sites costs

Offices and technical sites costs were DOP 623 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 10.48%, from DOP 564 million for the twelve months ended December 31, 2012. The increase in technical expenses was primarily driven by network extension (site roll-out), however partially offset by some savings initiatives (notably regarding base station / antenna power savings through investment in solar panels).

Labor expenses

Labor expenses were DOP 1,234 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 5.0%, from DOP 1,175 million for the twelve months ended December 31, 2012. The increase in labor expenses was primarily attributable to an increase in average total labour cost per employee driven annual salary increases and impacted by the recruitment of more experienced employees.

Corporate fees

Corporate fees were DOP 629 million for the twelve months ended December 31, 2013 increasing from DOP 583 million, or 7.7% for the twelve months ended December 30, 2012 due to revenue growth.

Maintenance costs

Maintenance costs were DOP 329 million for the twelve months ended December 31, 2013 a decrease of DOP 3.0 million, or 0.9%, from DOP 332 million for the twelve months ended December 31, 2012. The decrease is mainly attributable to network extension.

Other costs and income

Other costs decreased to DOP 2,344 million for the twelve months ended December 31, 2013, a decrease of DOP 229 million, or 8.9%, from DOP 2,573 million for the twelve months ended December 31, 2012. This decrease was mainly due to (i) a reduction in the provision for legal claims from DOP 165 million in the twelve months ended December 31, 2012 to DOP 115 million for the twelve months ended December 31, 2013, due to a judgment dismissing the payment of certain costs and (ii) and a decrease in withholding taxes of DOP 51 million as a result of an improved negotiations with the suppliers and the Group.

Depreciation and amortization

Depreciation and amortization were DOP 3,518 million for the twelve months ended December 31, 2013, a slight increase of DOP 9 million, or 0.26%, from DOP 3,509 million for the twelve months ended December 31, 2012. The increase in depreciation and amortization was primarily attributable to the increase of network assets with improvements in network coverage, as well as the roll-out of additional 2G/3G/4G-LTE sites. Furthermore, ODO performed an inventory of its fixed assets relating to its technical sites, which account for 83% of total fixed assets) between April 2013 to December 2013 which lead to an increase of DOP 23 million in depreciation.

Operating income

As a result of the foregoing factors, our operating income was DOP 5,332 million for the twelve months ended December 31, 2013 compared to 4,221 million for the twelve months ended December 31, 2012, representing an increase in operating margins by 26.3% for the twelve months ended December 31, 2013as compared to 2.4% for the twelve months ended December 31, 2012.

Non-operating income/expense

Non-operating expenses increased to DOP 45 million for the twelve months ended December 2013, compared to non-operating income of DOP 15 million for the twelve months ended December 31, 2012. The increase in non-operating income/expense for the twelve months ended December 31, 2013 was due to (i) DOP 76 million of bank commissions as a result of a higher volume in connections for our post paid segment (compared to DOP 71 million for the year ended December 31, 2012), (ii) DOP 17 million of interest income compared to DOP 37 million for the year ended December 31, 2012 as a result of the reduction of interest rates by the Dominican Central Bank in 2013 and (iii) an increase in foreign currency exchanges which led to a decrease in gains to DOP 26 million, compared to DOP 70 million for the year ended December 31, 2012.

Income Tax

The following table sets forth our income tax expense for the twelve months ended December 31, 2013 as compared to the twelve months ended December 31, 2012:

	For the twelve months ended December 31,		**Variation**	
	2012	**2013**	**Amount**	**%**
	(in DOP million/percentages)			
Current tax expense in respect of the current year.	(1,123)	(1,574)	(451)	40.2%
Deferred tax income/(expense)	333	184	(149)	(44.7%)
Total income tax	**(790)**	**(1,390)**	**(600)**	**75.9%**

Income tax increased by DOP 600 million from DOP 790 million for the twelve months ended December 31, 2012 to DOP 1,390 million for the twelve months ended December 31, 2013 primarily driven by a change in dividend credits. Dividend credits decreased from DOP 330 million for the twelve months ended December 31, 2012 to nil in the twelve months ended December 31, 2013. Such dividend credits relate mainly to the refund of dividend withholding tax which terminated with the change in certain tax regulations in the Dominican Republic in November 2012. Furthermore, the increase can be attributed to an increase in profit before tax for the twelve months ended December 31, 2013.

Liquidity and Capital Resources

Capital Resources

Capital Resources prior to the ODO Acquisition

Prior to the ODO Acquisition, our principal source of liquidity was cash flow generated from our operations.

Cash Flows

The table below sets out information related to our cash flows:

	For the twelve months ended December 31,	
	2012(1)	2013
Operating activities		
Net income	3,446	3,897
Adjustments to reconcile net profit to cash provided by operating activities		
Depreciation and amortization	3,509	3,518
Gains (losses) on disposal	1	14
Change in provisions (Litigations)	68	(87)
Change in working capital		
Income tax	(333)	(184)
Decrease (increase) in inventories, net	105	(151)
Decrease (increase) in trade receivables,	(59)	105
Decrease (increase) in other receivables,	(3)	(2,343)
Decrease (increase) in trade payables	(483)	(239)
Other changes in working capital		
Decrease (increase) in pre-paid expenses	25	(58)
Decrease (increase) in other non-current assets	(2)	0
Decrease (increase) in other non-current liabilities	8	23
Decrease (increase) in other current	47	23
Deferred income	42	(118)
Income tax paid	625	533
Net cash provided by operating activities	6,997	4,933
Investing activities		
Purchase of PPE and intangible assets	(3,637)	(3,199)
Net cash used in investing activities	(3,637)	(3,199)
Financing activities		
Dividends paid	(3,345)	(1,855)
Net cash used in financing activities	**(3,345)**	**(1,855)**
Net increase (decrease) in cash and cash	15	(121)
Cash and cash equivalents – opening	1,145	1,160
Cash and cash equivalents – closing	**1,160**	**1,039**

(6) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of netting between trade receivables and trade payables for an amount of DOP 633 million.

Twelve Months ended December 31, 2013 as compared to twelve months ended December 31, 2012

Net cash provided by operating activities

Net cash provided by operating activities for the twelve months ended December 31, 2013 was DOP 4,933 million. Our net cash provided by operating activities for the twelve months ended December 31, 2013 included net income of DOP 3,897 million and depreciation and amortization of DOP 3,518 million. Change in net working capital was negative DOP 2,629 million for this period, principally reflecting an increase in other accounts receivables of DOP

2,343 million. The account receivables significant increase is predominantly due to the cash pooling at the Orange Group's level (DOP 2,567 million in December, 2013 compared to DOP 164 million in December 2012). As per the internal counting rules of the Orange Group, cash pooling is registered at ODO's account receivables with the group, subsequently impacting the total account receivables with the group, subsequently impacting the total account receivables balance. ODO made dividend payments of USD 45 million (DOP 1,855 million with an exchange rate of DOP 41,23 = US$1.00 (at May 24, 2013) during the period of 2013, compared to USD 84 million (DOP 3,345 million with an exchange rate of DOP 39,82 = US$ 1.00 (at an average rate at the relevant payment dates (April, September, November 2012). We define net working capital as the sum of inventories, trade receivables, trade payables and other receivables.

Net cash used in investing activities

Net cash used in investing activities for the twelve months ended December 31, 2013 and 2012 was DOP 3,199 million and DOP 3,637 million, respectively. Net cash used in investing activities during this period principally related to our network and IT capital expenditure plans.

Net cash used in financing activities

Net cash used in financing activities for the twelve months ended December 31, 2013 and 2012 was DOP 1,855 million and DOP 3,345 million, respectively. This decrease was due to a decision by the Board of ODO to limit the dividends payment at USD 45 million (DOP 1,855 million with an exchange rate of DOP 41.23 = US$1.00 (at May, 2013) (reflecting the date of ODO's board meeting) in the second half of 2013).

Off balance sheet commitments

The following table summarizes our contractual commitments likely to have a material effect on our current or future financial position as of December 31, 2013. The information presented in this table reflects, in part, management's estimates of the contractual maturities of our obligations, which may differ from the actual maturities of these obligations:

	As of December 31, 2012		**As of December 31, 2013**	
	(in DOP million/percentages)			
Rental commitments [1]	1,975	49%	2,374	55%
Orders related to handset purchase	632	16%	405	9%
Other Open commitments	459	11%	430	10%
Open commitments	3,065	76%	3,209	74%
Capex commitments	966	24%	1,127	26%
Total off-balance sheet commitments	**4,031**	**100.0%**	**4,336**	**100.0%**

(1) Rental commitments primarily relate to rental commitments in respect of sites, premises (headquarters), shops, franchises, parking spaces and houses

Capital Expenditures and Investments

The table below shows our capital expenditures defined as additions of network, customers, IT, shops and other items for the years ended December 31, 2012 and 2013: For **

	For the twelve months ended December 31, 2012		**2013**	
	(in DOP million / % of weight)			
Network	2,521	69.3%	2,183	68.2%
Customers	404	11.1%	229	7.2%
IT	443	12.2%	586	18.3%
Shops	98	2.7%	61	1.9%
Other (incl. GSM licenses)	171	4.7%	140	4.4%
Total capital expenditure	**3,637**	**100.0%**	**3,199**	**100.0%**
CAPEX as % of Revenue	**16.0%**		**13.1%**	

For the twelve months ended December 31, 2013, our total capital expenditure amounted to DOP 3,199 million, of which DOP 2,183 million related to network. Most 2G capital expenditure are related to the construction of new sites (civil works, towers, antennas and base transceiver stations) to complete 2G coverage and improve network quality, while 3G and 4G capital expenditure were done to increase transmission capacity, network coverage, support data traffic growth and create competitive advantage though innovation and 4G services (notably following the rise of the data revenue stream resulting from increasing penetration of smartphones). We have also invested in new platforms, international capacity, core upgrades, and generators, among others.

Quantitative and Qualitative Disclosures about Market Risk

We are, and upon completion of the ODO Acquisition will be, exposed to various market risks, including foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

Foreign Exchange Rate Risk Management

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments.

We are a net buyer of foreign currencies (in particular USD, and to a lesser extent euro via management and brand fees paid to the Orange Group). Our local interconnection costs are considered in both revenue and operating expenses in USD which typically limits our exposure due to a netting effect. A significant proportion of capital expenditure is denominated in foreign currency, mainly euro.

Credit Risk Management

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We believe that we have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential, and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognized net book value. Our gross trade receivables amounted to DOP 2,294 million as of December 31, 2013 and DOP 2,425 million as of December 31, 2012. We have certain provisions in place relating to bad debt, which are split between a provision for dealers and others amounting to DOP 461 million as of December 31, 2013 and DOP 488 million as of December 31, 2012. We also have provisions for our postpaid subscribers, whereby we use certain statistics relating to the outstanding amount due and ageing analysis to establish the risk, with 210 days being the threshold for categorizing outstanding trade receivables as bad debt.

Prior to the ODO Acquisition, cash was historically centralized at the Orange Group level through cash pooling.

We seek to minimize credit risk through a preventative credit check process that aims to ensure that all subscribers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk, however, the use of direct debit is generally unpopular in the Dominican Republic market.

We additionally exercise timely pre- and post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate default payment, different measures may be implemented such as requiring deposits or advance payments of or limiting to prepaid offers;

- sending payment reminders to subscribers;

- employing measures for the collection of overdue receivables, separated by strategy, portfolio and subscriber profiles (such as penalties, or reconnection letters with an option for a new contract); and

- measuring and monitoring debt collection status through our internal reporting tools.

The following table provides the ageing analysis of billed trade receivables as of December 31, 2013 and December 31, 2012 for both dealers and postpaid residential subscribers:

	Dealers and others			
	As of December 31, 2012[(1)]		**As of December 31, 2013**	
	(in DOP million/percentages)			
Not due or less than 30 days	779	54%	614	50%
Between 31 and 60 days	533	37%	198	16%
Between 61 and 90 days	49	3%	80	7%
More than 91 days	87	6%	325	27%
Total gross trade receivables past due	**1,448**	**100%**	**1,216**	100
Provisions for bad debt	(299)	—	(284)	—
Net receivables	**1,149**	**—**	**932**	**—**

(1) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of a netting between trade receivables and t trade payables for an amount of DOP 633 million.

	Post-paid residential subscribers			
	As of December 31, 2012		**As of December 31, 2013**	
	(in DOP million/percentages)			
Not due or less than 30 days	605	62%	825	77%
Between 31 and 60 days	116	12%	41	4%
Between 61 and 90 days	40	4%	27	2%
More than 91 days	216	22%	184	17%
Total gross trade receivables past due	**977**	**100%**	**1,078**	**100%**
Provisions for bad Debt	(189)	—	(177)	—
Net receivables	**788**	**—**	**901**	**—**

We also receive guarantees, including sureties issued by primary banks, as collateral for the obligations resulting from supplies to, and receivables from, dealers.

Due to the diverse portfolio of products and services we provide, we believe concentration of credit risk is limited.

On the dealer side, we have a certain degree of concentration offset by bank guarantees, credit limits delivered by credit insurers and the timing of payment of commissions after the activation of a new subscriber. Our assessment of bad debt provision is performed based on an individual basis. A 100% provision is recorded in the case of litigation with a supplier. As of December 31, 2013, such provision amounted to DOP 284 million.

On the postpaid residential subscriber side, concentration of credit risk relating to accounts receivable from subscribers is limited due to our high volume of customers. Provision for postpaid residential subscribers' receivables is performed based on a statistical method, where a rate is applied according to the number of days overdue.

Credit risk relating to cash and cash equivalents, financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible, we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated on our balance sheet.

Liquidity Risk

We do not have any financial liabilities, derivatives, hedging instruments or finance leases. Liquidity risk arises mostly in connection with all of our payment obligations that result from our business activities.

In February 2009, we signed a centralized treasury management agreement (hereafter "CTMA") with Orange S.A. The CTMA concerns a euro account and a US$ account. Orange S.A. manages the cash pool, ensuring efficient management of liquidity at the Group level. The agreement allows us to lend our cash surplus, or, in case of cash needs, to obtain cash from the Group. This cash pooling agreement will be terminated at closing of the ODO Acquisition and there will be no outstanding debt owed to Orange S.A. at closing.

In general, we manage our liquidity risk by monitoring our cash flow and using a rolling liquidity reserve forecast. Nevertheless, the prime objective of our policy is to minimize risks and not to create or maximize interest earned on cash held in bank accounts. Accordingly, we transfer cash to the current account held by Orange Group, without incurring any additional costs. We have a limited policy for investments with banks, and deposits must be made in the functional currency; with foreign currency deposits made to set up a natural hedge. We manage our cash forecasting to determine a currency split of total cash in each currency in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

Critical Accounting Estimates

In preparing the financial statements, we make estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information. Consequently, such estimates made as of December 31, 2013, may subsequently be changed.

We also use our judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

Estimate	Nature of estimate
Revenue	(i) Identification of separable components of a bundled offer based on the individual components' relative fair value. (ii) Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship. (iii) Reporting of revenue on a net versus gross basis (depending on an analysis of ODO's involvement as either principal or agent).
Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement.
Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments
Income tax	(i) Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions (ii) Assumptions used for recognition of deferred tax assets arising

DESCRIPTION OF OUR BUSINESS

In this section, references to "we", "us", "our", and the "Company" refers to Altice VII and its subsidiaries as of the date of this Annual Report, but excludes Tricom/ODO, unless the context otherwise requires.

Overview

We are a multinational cable and telecommunications company with presence in three regions—Israel, Western Europe (comprising Belgium, Luxembourg, Portugal and Switzerland) and the French Overseas Territories (currently comprising the 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 customers and corporate customers. 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 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. We have expanded internationally through price-disciplined acquisitions. For instance, on November 26, 2013, we entered into an agreement to acquire Orange Dominicana ("ODO") in the Dominican Republic and completed the Tricom Acquisition on March 12, 2014. The ODO Acquisition is subject to regulatory approval and is expected to be completed in the first quarter of 2014. Prior to the ODO Acquisition and the Tricom Acquisition, we passed 3,577 million homes with 1,518 million Cable Customer Relationships, 3,211 million cable-based RGUs, an average of 2.1 RGUs per Cable Customer Relationship, 1,188 million mobile telephony RGUs and had 133 million xDSL / non-cable RGUs, as at December 31, 2013. Pro forma for the ODO Acquisition and the Tricom Acquisition, as at December 31, 2013, we passed approximately 4,033 million homes with 1,622 million Cable Customer Relationships, 3,376 million cable-based RGUs, an average of 1.2x RGUs per Cable Customer Relationship, 4,521 million mobile telephony RGUs and had 477 million xDSL / non-cable based RGUs. We target cable operators with what we believe to be quality networks in attractive markets from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. We aim to substantially improve the operational performance of businesses we acquire, thereby providing the cash flow generation to help fund future growth. We are the largest cable television operator and the second largest broadband Internet access services provider and a leading provider of multiple-play services in our service areas. We offer bundled triple-play services, and where possible, quadruple-play services, at attractive prices, and focus our marketing efforts on our multiple-play offerings. Our service portfolio in each of the regions in which we operate is set forth below.

We believe that we benefit from a significant fixed network advantage. Our cable based services are delivered over hybrid fiber coaxial ("HFC") cable networks that are among the most technically advanced in the markets in which we operate. Our networks benefit from substantial spectrum availability and, on a blended basis, we are 98% Docsis 3.0 enabled (excluding the Dominican Republic), allowing us to offer advanced triple-play services to our customers. The fiber-rich characteristic of our network gives it capacity, speed and quality advantages as compared to copper based DSL networks. In the short to medium term, we expect that the substantial majority of our networks 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. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. We believe that our networks are well positioned for future technological developments including our ability to upgrade to the upcoming Docsis 3.1 standard. We expect to be able to increase broadband Internet download and upload speeds beyond those offered by the FTTH technologies without incurring significant investments, providing us with further competitive advantage to capture new bandwidth-intensive usages such as multimedia and multi-screen.

Geographic Area	Israel	Western Europe		Overseas Territories		Other
Countries of Operation	Israel	Belgium and Luxembourg[2]	Portugal	French Overseas Territories[2,3]	Dominican Republic[5]	Various
Bundling Strategy	3P + Mobile	4P/3P	3P	4P	4P	NA
Cable Services Offered	■ Pay television ■ Broadband internet infrastructure access ■ Fixed line telephony ■ ISP	■ Pay television ■ Broadband internet ■ Fixed line telephony	■ Pay television ■ Broadband internet ■ Fixed line telephony ■ B2B Services	■ Pay television ■ Broadband internet ■ Fixed line telephony	■ Pay television ■ Broadband internet ■ Fixed line telephony	
Mobile Services Offered	■ UMTS 3G Mobile services ■ B2B iDEN mobile services[1]	■ MVNO mobile services (Belgium only)	■ NA	■ UMTS 3G mobile services[4]	■ 2G mobile services ■ 3G mobile services ■ 4G LTE mobile services	
xDSL Based Services / Other Services	■ B2B Services	■ B2B Services	■ B2B Services	■ B2B Services ■ Pay television ■ Internet access ■ Fixed line telephony	■ B2B Services ■ Pay television ■ Internet access ■ Fixed line telephony	■ B2B Services ■ Television content

(1) We continue to provide our iDEN mobile services under the "MIRS" brand.

(2) We provide our cable based services in Belgium and Luxembourg and the French Overseas Territories under the Numericable brand licensed from Numericable France.

(3) We provide pay television, fixed-line telephony and Internet access services over our unbundled xDSL network in certain parts of the French Overseas Territories. In Guadeloupe and Martinique we have begun to market these services under the Numericable brand which we have historically used for services provided via our cable network but we continue to use the ONLY brand in French Guiana, Mayotte and La Réunion.

(4) In La Réunion, Mayotte and French Guiana, we continue to market our mobile services under the "ONLY" brand.

(5) On November 26, 2013, we entered into an agreement to acquire ODO, a mobile and wireless broadband services provider in the Dominican Republic. On March 12, 2014 we completed the acquisition of Tricom, a cable and fixed line as well as mobile services provider in the Dominican Republic.

History

Altice VII, the parent company of the Group, was incorporated under the laws of the Grand Duchy of Luxembourg in 2008. Since its inception, Altice VII has made significant investments in a number of cable and telecommunications businesses in Israel, Western Europe and the French Overseas Territories. Set forth below is a list of the significant investments we have made in the businesses that currently constitute the Group:

- In 2008, we acquired Le Cable Martinique and Le Cable Guadeloupe, well-established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe, respectively, since 1994.

- In May 2010, we acquired MIRS Communications Ltd. ("MIRS"), an Israeli company providing iDEN based mobile services. In July 2009, we began acquiring equity interests in HOT-Telecommunications Systems Ltd. and its subsidiaries, the sole cable operator in Israel, and in March 2011 acquired a controlling interest. In November 2011, HOT acquired MIRS from us and renamed the company as HOT Mobile Ltd. In May 2012, we began marketing our UMTS based 3G mobile services in Israel under our "HOT" brand.

In December 2012, we completed the take-private transaction of the HOT group whereby we acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. we did not previously own.

- In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of B2B and B2C solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter and launched a greenfield project to build out a 11,000 square meter datacenter in the Zurich region. We began providing datacenter services in 2011. We have completed the construction of 3,600 square meters and a new build-out phase is currently in progress.

- In 2011, we acquired approximately 44.4% of the equity interests in Coditel Belgium and Coditel Luxembourg, cable operators in Belgium and Luxembourg. We entered into an agreement to buy out the 40% stake in Coditel Holding Lux II held by one of the minority shareholders. This transaction was consummated on November 29, 2013.

- In February 2012, we acquired a controlling interest in the Portuguese cable provider Cabovisão and in February 2013, we completed the acquisition of substantially all of the equity interests in Cabovisão that we did not already own.

- In 2012, we purchased a 17% stake in Wananchi, a cable telecommunications provider with operations in Kenya, Tanzania and Uganda.

- In July 2013, we expanded our presence in the French Overseas Territories by acquiring approximately 77% of the equity interests in Outremer, a leading mobile services provider and xDSL provider of telecommunications services, the remaining 23% of the company's equity being held by local management.

- In August 2013, we entered the Portuguese B2B market through the acquisition of the ONI Group.

- In October 2013, we acquired Ma Chaîne Sport (a producer of sports related content) and Sportv (a producer of sport related content).

- On October 22, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion.

- On November 26, 2013, we entered into an agreement to acquire ODO, a provider of telecommunication services operating in the Dominican Republic.

- On March 12, 2014, we completed the acquisition of Tricom, a provider of telecommunications services operating in the Dominican Republic.

Products and Services

We offer a variety of services over our fixed 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 and depending on the geography, B2B telecom services to corporate customers. We provide our residential cable based services primarily as part of double- or triple-play packages and, in the French Overseas Territories and Belgium, quadruple-play packages which include mobile services in addition to our cable based services. Available cable based service offerings depend on the bandwidth capacity of our cable networks, which consist primarily of hybrid fiber-coaxial ("HFC") cable infrastructure.

Our 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 some cases, exclusive content. We tailor both our basic channel line-up and our additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

We offer broadband Internet access services and fixed-line telephony in all of our broadband communications markets.

We also own and operate mobile infrastructure in Israel and the French Overseas Territories and offer mobile services through an MVNO arrangement in Belgium.

We offer some B2B telecom services in all our geographies. However, we service large corporate customers with a focused B2B offering only in Portugal, Switzerland, Belgium and the French Overseas Territories. In Israel, our B2B services primarily consists of enhanced versions of our residential products which are adapted to the needs of small and medium sized businesses.

Cable Based Services

Multiple-Play

We offer our customers bundled triple-play services comprising pay television, broadband Internet access and fixed-line telephony services at what we believe are attractive prices. We also offer various double-play packages comprising a combination of two of these services. Furthermore, we continue to introduce quadruple-play services, which include a combination of cable based triple-play and mobile packages, in a growing number of geographies, which currently consists of Belgium and the French Overseas Territories.

We believe the demand for our multiple play packages is primarily driven by the inherent quality of the various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe our products offer the best value for money when purchased as part of triple-play packages, we typically also offer most of these services on a standalone basis in most of our geographies.

Our digital television offering includes theme and premium content packages, HDTV channels, channels with start-over functionality, radio channels, VoD services and premium digital services such as DVR. Our cable networks enable us to offer interactive digital services to most of our customers. Our digital television offering includes content and channels purchased from a variety of local and foreign producers. We continue to focus on broadcasting high quality content over all of our cable networks and seek to ensure we cater to local demand for content. In Israel, we co-develop leading original local content together with local producers and broadcast it on our proprietary suite of channels which, along with our distinctive brand, enables us to attract new subscribers to our cable-based services.

We offer broadband Internet access services across our cable footprint and a majority of homes passed by our cable networks benefit from download speeds of at least 100 Mbps. Our networks benefit from substantial spectrum availability and, on a blended basis, the majority of the homes we pass are Docsis 3.0 enabled, including 100% in Israel. In the short to medium term, we expect that the portions of our networks that are Docsis 3.0 enabled 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. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. As opposed to some of our competitors, we do not generally restrict maximum volume of data or the speed at which our customers can access the Internet. We also offer broadband Internet access services based on xDSL technology in areas of the French Overseas Territories which are not passed by our HFC networks.

Our fixed line telephony services are based on either PacketCable or VoIP technologies. We offer a wide range of telephony packages, and our triple- play offers tend to include flat rate telephony packages with a significant number of minutes of use included in the price. We provide national and international connectivity to our customers either through our own interconnection capabilities or through our partners. We tend to phase out standalone telephony packages as our strategy is to offer fixed-line telephony as an add-on product in our triple-play packages rather than as a standalone product.

Our customers can achieve significant savings by purchasing pay television, broadband Internet and fixed-line telephony as part of our bundles as opposed to separately from us or from our competitors. For example, our Israeli customers currently save approximately NIS 97 per month by subscribing to one of our top-tier triple-play packages, Triple iTop, currently priced at NIS 352, instead of separately purchasing the same products the price of which would amount to approximately NIS 449 in the aggregate. While a focus on multiple-play offerings constitutes an integral part of our customer acquisition strategy, we also continue to offer stand alone pay television, broadband Internet access and fixed-line telephony services to our customers.

Pay Television

Western Europe

Portugal

In Portugal, we offer subscribers analog and both basic and premium digital television services under our "Cabovisão" brand. Our analog television service includes access to over 30 television channels. Subscribers to our basic digital television service have access to 95 digital television channels (including all of the analog television channels) and access to certain premium content and interactive services, such as VoD and catch- up TV. Our premium television service provides customers access to 142 digital television channels, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services. As of December 31, 2013, we provided cable television services to approximately 224,000 RGUs in Portugal.

Belgium and Luxembourg

We offer subscribers analog and both basic and premium digital television services in the Brussels region of Belgium and Luxembourg under the "Numericable" brand. We believe we are the leading provider of pay television services within our footprint in Belgium. Subscribers to our basic digital television service can choose from a range of approximately 100 digital television channels in Brussels and approximately 110 channels in Luxembourg and are also able to access certain premium content and interactive services, such as VoD, HDTV and catch-up TV. Our premium television service provides customers approximately 130 digital channels in Belgium and approximately 155 digital channels in Luxembourg, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services, including exclusive rights to football matches from the Belgian league. To cater to culturally and linguistically diverse customers in the region, we include in our pay television packages various foreign language channels, including English, Arabic, Spanish, Italian and Turkish-speaking channels in Belgium, and English, Italian and Portuguese-speaking channels in Luxembourg. As of December 31, 2013, we provided cable television services to 114,000 RGUs in Belgium and Luxembourg.

Israel

We are the largest provider of pay television services in Israel based on number of subscribers. We offer primarily digital television services in Israel under the HOT brand. While we continue to offer analog television services to a decreasing number of customers (11,643 as of December 31, 2013), we are in the process of phasing out this service, which will free up bandwidth over our network enabling us to expand our digital services. We have developed targeted promotional offers to migrate our existing analog customers to digital television.

Our standard digital television package consists of 78 base television channels, two extra content packages, each of which adds 5 to 17 channels to the subscription depending on the content packages chosen by the customer, and 32 radio channels. Subscribers to our standard digital package can also purchase extra content packages giving them access to additional channels. We believe our standard offering includes more channels than the number of channels offered by our competitor in its standard pay television offering. Our standard television package contains a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels as well as channels in Arabic and in Russian to address demand from the culturally diverse population of Israel. We include in our standard package the HOT suite of channels and others such as Eurosport, Fox News, MSNBC, BBC Entertainment, MTV and Zee TV as well as all the "must carry" channels that we are required to carry on our network under existing regulation. We regularly update our standard digital television package to reflect changes in viewer interest. Our higher-end packages include all six of our extra content packages as standard and include 34 to 42 premium channels, depending on the subscription. We also offer up to 20 television channels in HD that have enhanced picture and sound quality compared to regular television channels. Under Israeli regulation, we are required to include in our portfolio of pay television offerings a low-priced basic package. This package currently provides subscribers access to approximately 23 basic channels.

In addition to a high quality and diversified linear television offering, we offer our customers a variety of advanced services featuring interactivity, which are available even to customers not purchasing our broadband services. We also provide our digital customers with a start-over service for over 25 television channels, which is included in all of our digital television packages, enabling the viewer who misses the start of a program to go back to the beginning of the program while the broadcast is in progress. Our digital television offering also includes VoD. Our VoD library is extensive containing over 27,000 hours of content as of December 31, 2013. In addition, we offer access to additional content libraries not included in our standard VoD service on a pay-per-view or monthly subscription basis. As of December 31, 2013, our VoD penetration rate was 57 % of our pay television RGUs, which we believe is the highest in Israel. We also offer digital customers our PVR service, HOT Magic, for a monthly subscription fee by means of a set-top box that, in addition to receiving the regular digital broadcasts, enables digitally recording television programs to a hard disk in real-time. In 2011, we commenced offering digital customers the HOT Magic HD set-top box, which combines VoD functionality, HD technology and recording capabilities in a single set-top box. We rolled out La Box, one of our most advanced set-top boxes, in Israel, at the beginning of March 2014.

We bolster our Israeli pay television service offering by significant investment in procurement and, uniquely to our Israeli business, co-development of content which we undertake in partnership with local production partners. We package such original and purchased content into a range of television channels that we own and broadcast under the HOT brand to our television customers. The HOT suite of channels includes HOT 3, where we broadcast our co-developed local content, HOT Family, seven movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children's channels, which we believe are highly popular in Israel and run shows with top television ratings such as Haborer, Asfur 2, Split 2 Wedding Season, TLV, Redband and Mehubarot 2. We also purchase rights to broadcast popular foreign channels over our network. Our total spend on television programming content during 2013 was NIS 598 million (€ 124.7 million equivalent, calculated based on the average exchange rate for the year ended December 31, 2013 of € 0.2086 = NIS 1.00). We believe the quality of content we provide over our network generally, and the HOT television channels in particular, has been a critical factor in attracting new customers, maintaining our existing customers and minimizing churn. Under existing regulations, we are subject to certain ownership restrictions that limit the number of television channels we are permitted to own. In addition, we are required by regulation to invest a minimum of 8% of our annual pay television revenues from subscriber fees in the production of original local content. We have been in compliance with these regulatory requirements in all material respects. For further details, see "*Regulatory—Television—Minimum Investment in Local Content Productions*".

As of December 31, 2013, we had 875,000 pay television RGUs in Israel, representing approximately 77% of our Cable Customer Relationships in Israel.

French Overseas Territories.

We currently offer analog and both basic and premium digital television services via our cable networks in Guadeloupe and Martinique under the "Numericable" brand. As of December 31, 2013, we provided cable television services to approximately 40,000 RGUs in Guadeloupe and Martinique. Our pay television offering includes up to 184 channels and radio stations including 33 HDTV channels. Our basic cable-based pay television package, Prima, priced at €29 per month, provides our subscribers with 106 channels and radio stations, including nine HD channels. Our premium cable-based pay television package, Premium+, offered for € 49 per month, provides our subscribers with 184 channels and radio stations, including 33 HD channels.

We also offer, primarily outside of our cable footprint, our broadband Internet subscribers IPTV services via an unbundled xDSL network across the French Overseas Territories. Our xDSL-based pay television offering is offered as part of a triple-play package, Prima ADSL, priced at €49 per month. This package provides our subscribers with 90 TV channels and radio stations, broadband Internet access with download speeds of up to 20 Mbps and unlimited fixed line calls to landline and mobile number in the French Antilles region, French Guiana, mainland France and 100 international destinations. The premium package, priced at €59 per month, provides 130 TV channels and radio stations.

Broadband Internet Access and Fixed-Line Telephony

We provide broadband Internet access and fixed-line telephony services across our cable (and in certain areas xDSL) footprint. We typically sell these services as components of our triple-play bundles which we believe are cheaper than the comparable services currently offered by our competitors.

Western Europe

Portugal

In Portugal, we offer customers various broadband packages under our "Cabovisão" brand with advertised download speeds ranging from 30 Mbps in our low-tier packages to 360 Mbps in our top- tier packages. Our cable network is approximately 99% upgraded to EuroDocsis. 3.0. We also offer subscribers local, national and international long distance fixed-line telephony services and a variety of value added telephony features using VoIP under the "Cabovisão" brand. As of December 31, 2013, we provided broadband Internet access services to approximately 156,000 RGUs in Portugal. As of December 31, 2013, we provided fixed-line telephony services to approximately 223,000 RGUs in Portugal.

We are a leading provider of broadband Internet access services in our footprint in Belgium and Luxembourg. We offer customers various broadband packages under the "Numericable" brand with advertised download speeds ranging from 50 Mbps in our low-tier packages to 200 Mbps in our top-tier packages. Our cable network is fully upgraded to EuroDocsis. 3.0, allowing us to provide up to 200 Mbps download speeds to all upgraded households. Within our network areas in both Belgium and Luxembourg, we are currently the largest fixed-line telephony competitor to the incumbent national telecommunications operators, Belgacom and P&T Luxembourg. Our fixed-line telephony offering includes local, national and international long distance fixed-line telephony services, as well as value added telephony features using VoiP under the "Numericable" brand. We use VoIP technology, which utilizes the open standards EuroDocsis 3.0 protocol in Brussels and EuroDocsis 2.0 (currently being upgraded to EuroDocsis 3.0) in Luxembourg, and through which we are able to provide both Internet and fixed-line telephony services. Customers in both Belgium and Luxembourg who subscribe to our broadband Internet access or fixed-line telephony services as part of a triple-play package, in the mid-tier segment, benefit from lower prices than those currently offered by our main competitors. As of December 31, 2013, we provided broadband Internet access services to approximately 57,000 RGUs in Belgium and Luxembourg. As of December 31, 2013, we provided fixed-line telephony services to approximately 53,000 RGUs in Belgium and Luxembourg.

Internet service in Israel is uniquely structured in as much as it is segregated into two separate elements comprised of infrastructure or network access services and ISP services. Infrastructure access service relates to access to the physical network infrastructure within Israel that is required to connect the customer's device to the infrastructure access provider's operator. This service is provided exclusively by us and Bezeq, the only telecommunication operators in Israel that own a national fixed line network infrastructure. ISP services, which can be provided by any licensed provider, consist of providing access to the customer from the infrastructure provider's operator, through its own operator, to the local and global Internet network. ISPs generally also provide certain value added services such as data protection services, security solutions, e mail services and system administration services. A customer wishing to subscribe to Internet services in Israel effectively needs to purchase each of these services and accordingly retains the choice with regards to providers for both services, i.e., it may choose to subscribe to the broadband Internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer or other ISP license holder, including to customers of other broadband Internet infrastructure access providers, on equal terms. For further details, see *"Regulatory"—Internet Service Providers*.

We offer broadband Internet infrastructure access services to our residential customers under our "HOT" brand over our U.S. Docsis 3.0 enabled cable network which allows us to provide ultra fast services with limited or no degradation in speed. Our U.S. Docsis 3.0 enabled cable network can theoretically support download speeds of up to 360 Mbps with new CPEs and certain limited modification to network equipment, which will allow us to easily upgrade our services in the future. Approximately 47% of our Israeli cable customers have customer services equipment in their homes which could support download speeds up to 270 Mbps. We currently provide our customers with options to purchase broadband Internet infrastructure access services with advertised download speeds ranging from 30 Mbps up to 100 Mbps subject to certain time or data volume restrictions which are not currently enforced, although we reserve the right to restrict usage to prevent abuse, at competitive prices. Our customers can also choose from our triple-play and double-play packages which include broadband Internet infrastructure access services along with our television and fixed line telephony services. As of December 31, 2013, we had approximately 744,000 RGUs to our broadband Internet infrastructure access service in Israel, representing approximately 66% of our Cable Customer Relationships in Israel. As of December 31, 2013 we had approximately 33% market share of the broadband Internet infrastructure access market in Israel based on the total number of subscribers.

In February 2012, we started providing ISP services to our customers under the "HOTnet" brand. Unlike our competitors who generally offer ISP services at prices that increase depending on the access speeds desired by the subscriber, we offer our ISP services at NIS 20 (equivalent of € 4.17 calculated on the basis of the December 31, 2013 exchange rate of € 0.2086 = NIS 1.00) per month irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently permitted to provide ISP services on a stand alone basis and as part of a package with mobile services, and not as a part of our other multiple-play packages.

We provide fixed-line telephony services using PacketCable™ technology on our secure cable network by offering individual lines to our residential customers under our "HOT" brand. Our services include several ancillary value added features for end users such as caller identity, call waiting and call waiting with caller identity, follow me (a call forwarding service enabling the user to be reached at any of several phone numbers), conference calling, last call return, blocking of calls with no caller identity, blocking of caller identity for outgoing calls and voicemail services. We provide our fixed-line telephony services on a stand alone basis or as a component of our triple-play and double-play packages allowing customers to choose from a range of pricing options based on their expected usage. We offer a fixed-line telephony package of 1,000 free minutes to land line (calls to mobile included) for NIS 110. As of December 31, 2013, we had 676,000 RGUs to our fixed line telephony service in Israel, representing approximately 59% of our Cable Customer Relationships in Israel. As of December 31, 2013, we had 30% market share of fixed-line telephony market in Israel based on number of subscribers.

Customers who subscribe to our broadband Internet infrastructure access or fixed-line telephony services as part of a triple-play package benefit from lower prices than those currently offered by our main competitor.

We seek to maximize the use of our own cable network when routing calls in order to minimize interconnection costs and capitalize on our control over quality of service. We have reciprocal interconnection arrangements with all the domestic telephony operators, international long distance operators and mobile operators in Israel pursuant to which we pay interconnection fees to such other service providers when our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points. The Israeli Ministry of Communications has recently reviewed the interconnection fees paid to domestic fixed-line operators and set the interconnection rate at 0.99 agorot per minute irrespective of whether calls are made during peak or off-peak times.

Fixed-line telephony in Israel is segregated into two separate services comprised of domestic fixed-line telephony services and international long distance services, each of which requires a separate license. We are currently licensed to provide both domestic and international long distance telephony services. The domestic license is valid until 2023 and the international license is valid until 2032, and both may be extended for additional ten-year periods subject to the approval of the Israeli Ministry of Communications.

French Overseas Territories

We provide broadband Internet access services within our network area offering subscribers monthly rate plans. In Martinique and Guadeloupe, we offer such services over both our cable and xDSL networks. In French Guiana, Mayotte and La Réunion, we only provide broadband Internet access services over our xDSL network. We offer advertised maximum download speeds of 30 Mbps and 20 Mbps over our cable and xDSL networks, respectively. Within our footprint, the download speeds of our broadband and xDSL Internet access services are at least on par with those offered by our competitors since all of our competitors rely exclusively on xDSL technologies. Further, our product portfolio also includes narrowband Internet access (dial-up) services. As of December 31, 2013, we provided broadband Internet services to approximately 73,000 subscribers (including 17,000 cable based subscribers and 56,000 xDSL subscribers).

In Guadeloupe and Martinique, we offer subscribers local, national and international long distance fixed-line telephony services on monthly rate plans and a variety of value added telephony features over our cable network and, following the acquisition of Outremer, our unbundled xDSL network. We offer the same services in French Guiana, Mayotte and La Réunion solely over our unbundled xDSL network since we do not own a cable network in those territories. As of December 31, 2013, we provided fixed-line telephony services to approximately 95,000 RGUs in the French Overseas Territories (including 17,000 cable based subscribers and 78,000 xDSL subscribers).

Customer Premises Equipment

We believe that advanced customer premises equipment is playing an increasingly crucial role in our cable-based business as it enhances the customer experience in various ways including by facilitating access to a wide range of user friendly features and services, it offers a reliable channel for selling add-on and on-demand services, it allows for multi-screen television viewing and broadband usage by multiple parties and, when the set top box and the modem are combined in one box, it allows cable operators to significantly reduce customer service expenses. We optimize the customer premises equipment we purchase by relying on our in-house design and development capability to build the user interface of our set-top boxes.

Accordingly, we have decided to roll out “La Box”, our most advanced set top box, in our Western European businesses (“One Box” in Portugal). Since its introduction in the first half of 2013, we have already installed approximately 14,000 La Boxes in Belgium and Luxembourg. We expect to introduce it to Israel in the early part of 2014. La Box is an innovative integrated set-top box and cable router offered to our customers subscribed to our premium multiple- play packages. We believe that La Box is one of the most powerful and interactive set-top boxes currently available in the markets where it is offered. It can deliver very-high-speed Internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines. La Box has four tuners that allow subscribers to record two television programs simultaneously while watching a television program, as well as watching different channels in different parts of a house. Television can also be streamed to different kinds of screens (such as tablets and mobile devices). It has HD and 3D capability and also includes an 802.11n Wi-Fi router, and a removable 160 GB PVR or optional 500 GB PVR which allows it to hold over 125 hours of HD or approximately 190 hours of SD programming. Additional features include an optional Blu-Ray DVD player, access to social networking features such as Facebook and Twitter on television and a VoD price comparison engine and intelligent content search. Smart phones and tablets can act as “remote controls” for La Box, allowing users to navigate the interface with their personal handheld device as well as to switch on and off the recording of television programs remotely through the application “TV Mobile”. We expect that the introduction of La Box will result in the increase of our ARPU by attracting new premium package customers and prompting existing customers to upgrade to our premium packages, which offer La Box as standard. We expect that La Box will also promote the sales of our other premium services.

Mobile Services

Israel

We provide mobile services in Israel to residential subscribers under the “HOT Mobile” brand on our UMTS-based 3G network, which we launched in May 2012, and mobile services targeted primarily at business subscribers under the “MIRS” brand on our iDEN network. Due to current regulations, we currently offer our mobile services only on a stand alone basis and, for a limited time, in a bundle with ISP services.

Our UMTS network is based on the HSPA+ technology and we believe that, when completed, it will be one of the most advanced nationwide networks in Israel. The roll out of our 3G mobile services has enabled us to compete effectively in the mobile services market in Israel as we are able to provide up to date services to customers, including faster data transmission services (up to 42 Mbps) with a higher traffic capacity. Our customers also have the option of using a wider range of devices compatible with our network, including Android based and Apple branded handsets. Consequently, we will also be able to expand the range of value added services we offer to include a wide variety of applications and content requiring higher data bandwidth and more advanced devices. Our UMTS network already extends to approximately 61% of the inhabited territory of Israel and covers approximately 60% of the Israeli population. In November 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which remains subject to regulatory approval by the Israeli Ministry of Communications and subject to any required agreement or regulation. The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details, see "*—Material Contracts—Agreement with Pelephone and Vodafone relating to UMTS mobile roaming services*" and "*—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*". Our Israeli cable based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

We currently offer to private subscribers unlimited local calls, text messaging and Internet access for what we believe to be an attractive monthly fixed price as well as unlimited international calls to selected destinations for an additional fee. We believe our monthly fixed prices are more competitive than those offered by our large incumbent competitors. These prices are subject to changes, predominately driven by the competitive nature of the Israeli telecommunications market. We also offer users pay-as-you-use packages, which charge customers on a per unit used basis. Our 3G services are targeted at post-paid subscribers who account for approximately 84% of the mobile market in Israel as of December 31, 2013 according to Informa Telecoms & Media. Since the launch of our UMTS based 3G mobile services in May 2012, we have added approximately net 592,000 UMTS RGUs as of December 31, 2013.

We also continue to provide mobile services using iDEN technology. As of December 31, 2013, we had approximately 218,000 RGUs who subscribed to this service, most of whom are business customers. We expect the number of iDEN customers to continue to decline in future periods.

In the event that the regulator releases spectrum for 4G LTE services and we successfully bid for a part of such spectrum, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. In the event that we are awarded spectrum and decide to commercialize 4G LTE services, we believe that upgrading our UMTS 3G network to 4G LTE capability would be possible with limited incremental capital expenditure or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner.

Belgium

We began providing mobile services in Belgium in September 2012 under the "Numericable" brand through an MVNO agreement with Mobistar. Our portfolio of mobile packages includes basic as well as premium offerings. Our basic package, Mobile Start, is attractively priced at € 9.90 and includes 60 minutes of domestic calls, 50 text messages and 5 MB of Internet data. Customers may elect to purchase certain add-on packages to increase their allowance, including 1000 text messages for €10 or 500 MB of data for €10. Our higher- end packages include Mobile Extra which is currently priced at €29.90 and comes with an allowance for 1000 domestic texts, 150 minutes of national calls and 500 MB of Internet data, and Mobile Max, which currently costs €59.90 and includes unlimited domestic texts and calls and 2 GB of Internet data. When purchased along with any one of our triple-play packages, Mobile Max costs only €29.95 which we believe to be the best-value-for-money mobile package currently offered on the Belgian mobile telephony market.

French Overseas Territories

Prior to its acquisition by us, Outremer launched its mobile services in December 2004 and has increased its market share, in part, through its attractively priced propositions. We currently provide subscribers 2G and 3G mobile services relying on HSDPA 13 Mbps Single Carrier technology. We plan to apply for licenses to provide 4G services which are expected to be awarded via an application process during 2014. We currently offer mobile subscribers a variety of monthly rate plans and pay- as-you-go plans. For example, our basic monthly mobile plan in Guadeloupe is priced at €15.99 (not including a handset) and has a 24 month lock in period. This monthly plan includes 90 free minutes and pay-as-you-go internet data. Our high-end monthly plan in Guadeloupe is priced at €59.99 (including a handset), has a 24-month lock-in period and includes unlimited calls to other mobiles in Guadeloupe, 24/7 unlimited calls to landline and mobile numbers in the French Antilles, mainland France, French Guiana and 100 other international destinations, 24/7 unlimited texts to all mobile numbers in the French Antilles, mainland France and French Guiana as well as 1 GB of Internet data. As of December 31, 2013, we had approximately 375,000 total mobile subscribers in the French Overseas Territories, consisting of approximately 197,000 post-paid subscribers (including approximately 12,000 business mobile subscribers) and approximately 178,000 pre-paid subscribers. Our mobile ARPU in the French Overseas Territories was € 27.1 (including pre-paid subscribers) and for the year ended December 31, 2013.

Business-to-Business Services

Israel

We provide broadband Internet access, pay television, fixed-line and mobile telephony services and a range of advanced telecommunications solutions to our business customers in Israel. Other than our iDEN based mobile services which we market under the "MIRS" brand, we market all of our business-to- business services in Israel under the "HOT" brand. Our fixed-line telephony services include offering individual lines to businesses as well as PRI trunks (consisting of up to 30 voice lines per trunk) to our business customers. We also provide business numbering services allowing for toll free calls from anywhere in Israel to 1-800 numbers and a split billing calling service to businesses (1-700). Our portfolio of advanced telecommunications services include data and video transmission and VPN services aimed at business customers and other telecommunication providers using synchronous digital hierarchy SDH technology or IP technology. Among the solutions we offer are network services for transferring data from point to point, transferring data between computers and between different communications networks, communications network connection to the Internet and remote business access services. As our Israeli B2B business remains operationally integrated in our residential cable business and mobile business, we recognize Israeli B2B revenue within revenues from cable based services and revenues from mobile services, as applicable.

In addition, we also license the pay television content formats that we create and own to other telecommunications providers around the world. For example, we have in the past sold our popular television series Split to providers in 72 countries.

Portugal

Our recent acquisition of ONI, a leading B2B services provider in Portugal, has brought a strong B2B sales and marketing force and diverse customer base as well as attractive service offerings and distribution capabilities to our Group. As a result of the acquisition, we are now the second largest B2B services provider in Portugal. We believe that this acquisition will continue to allow us to expand our fixed-line product offering to a broader set of B2B customers at a lower cost as a result of our existing, extensive fully-owned last mile cable network throughout Portugal. Our B2B services offered in Portugal include broadband Internet access, telephony, virtual private network, leased lines, data center services and other corporate fixed-line services to small and large businesses. Our customers include European Maritime Safety Agency, Transportes Sul do Tejo, the Portuguese Ministry of Agriculture, the Portuguese Ministry of Finances, Turismo de Portugal, EFACEC, Continental Hotels, INATEL, ANA Group, HOVIONE, Viagens Abreu, Grupo Auto Sueco and Radio Televisao Portuguesa.

Belgium and Luxembourg

In Belgium and Luxembourg, we offer a range of dark fiber, Internet links and other fiber based network services to telecommunications operators, financial institutions, public service customers and multinational companies. Our customers include Telenet, Verizon, Colt, Dexia and the European Central Bank in Luxembourg and the EU, NATO and the Brussels police in Belgium. We do not directly provide value-added services. Our business customers evaluate our offerings based on price, technology, security, reliability and customer service. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which we sell to our business customers who may require enhanced capacity or security.

Switzerland

We are one of the leading providers of information and communications technology services aimed at business customers in Switzerland. Our portfolio of service offerings includes broadband Internet access, hosting, multimedia and data backup solutions. We conduct our B2B business in Switzerland under the "green.ch" brand, with the exception of our datacenter services, which we also provide under the "Green Datacenter" brand.

Content Subsidiaries

In October 2013, we acquired the French operators of sports themed television channels Ma Chaîne Sport and Sportv. Ma Chaîne Sport produces and assembles a diverse range of content including live broadcasts of sports events and other programmes relating to football, tennis, handball, boxing and other sports as well as general health and well being. It broadcasts such content via four specialized French channels, Ma Chaîne Sport, Ma Chaîne Tennis, Ma Chaîne Extreme and Ma Chaîne Bien Etre. Sportv produces and assembles pay television content focused primarily on extreme and combat sports for distribution via its French television channel, Kombat Sport. We offer the channels distributed by Ma Chaîne Sport and Sportv as part of our pay television packages in several of our geographies. In addition, Ma Chaîne Sport and Sportv also distribute their television channels to third party service providers including Numericable France, Zeop, Canal Plus, Orange, Startime, Maroc Telecom, Naxoo and Netdream.

Marketing and Sales

While historically the marketing and sales functions of our Group were carried out entirely by locally managed teams, we are currently in the process of establishing a monitoring and benchmarking system at Group level which will allow us to better track monthly marketing and sales performance metrics on a Group-wide basis. We expect that this initiative will allow us to tailor our marketing and sales strategy in better accordance with the trends in the markets in which we compete.

The marketing departments at our businesses are responsible for strategic brand positioning and developing and monitoring our advertising campaigns. Working in conjunction with our sales and customer care divisions, our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. We target our marketing efforts at residential customers in single dwelling units and multiple dwelling units such as apartment buildings. We also market our B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. Our primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door- to-door marketing, billboards, newspaper advertising and targeted mail solicitation. We continuously evaluate our marketing channels to allocate our resources most efficiently. Marketing is a key focus of our businesses, with €87.9 million spent on sales and marketing efforts by the Group in the year ended December 31, 2013, out of which our businesses in Israel, Belgium & Luxembourg, Portugal and the French Overseas Territories accounted for €49.9 million, €3.4 million, €11.4 million and €10.0 million, respectively.

In Israel, we market and sell our cable-based services under the "HOT" brand and in 2012 we began to also market our 3G mobile services aimed at residential customers under the "HOT Mobile" brand which allows us to leverage the recognition associated with the "HOT" brand. We continue to market our iDEN based mobile services to business customers under the "MIRS" brand. As part of our commercial television advertising strategy, we contract with popular Israeli celebrities, including actors associated with local content that we broadcast, to market our services and increase customer awareness of the "HOT" brand.

In Portugal, we market and sell our cable-based services under our "Cabovisão" brand. Our marketing department at Cabovisão is divided into two groups, a communication team responsible for designing our advertising and a product management team responsible for developing our product offerings and overall marketing strategy. Our marketing efforts leverage our strong local presence and the reliability of our customer service functions, and are focused on a simplified new offer for easier comparison with our peers' products. In Portugal, we market and sell our B2B services under our "ONI" brand. Our marketing strategy in respect of our B2B customers revolves around branding, promotion and customized product offerings addressed to the corporate and public sector. We offer a global and integrated portfolio of tailor-made B2B services to customers operating in multiple locations with often complex business requirements. Our sales team is organized by the products we offer and tailored to the business partners we serve. We aim to promote our services through one-to-one marketing, business and technological events, selective corporate publications and publishing product information on our website and through business and technological publications.

In Luxembourg and Belgium, we market and sell our cable-based services under the "Numericable" brand which we have licensed from Numericable France. Our primary marketing channels include Internet and radio advertisements and billboard advertisements.

We began to market our cable-based and xDSL-based services in the French Overseas Territories of Martinique and Guadeloupe under the "Numericable" brand name in September 2013. We continue to use the "ONLY" brand to market our mobile services across the French Overseas Territories and our xDSL- based services in French Guiana, La Réunion and Mayotte. In the French Overseas Territories, we use comparative adverts and promotions as part of our mass media advertising campaign to promote our low prices, proximity and quality.

Our marketing strategy is based on increasing the penetration of multiple-play services within our subscriber base, increasing distribution of television based value added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. We highlight our multiple-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multiple-play packages. We believe that customers who subscribe for more than one service from us are significantly more loyal to us.

We use a broad range of distribution channels to sell our products and services throughout our operations, including retail outlets owned and run by the Group, retail outlets owned and run by third parties, dedicated sales booths, counters and other types of shops, door-to-door sales agents who are either employed by us or are paid a commission based on sales closed, inbound and outbound telesales and, in certain countries, our websites.

Our sales distribution channels in Israel include 36 dedicated sales booths owned by the Group and operated by external dealers (the "HOT Booths"), other dealer outlets, telemarketing, and a door-to-door sales team. We have an in-house sales department for cable services, which is responsible for our sales, and we also hire external sales agents to facilitate our sales who earn a commission based on number of sales closed. Our largest distribution channel is telemarketing, while door to door sales and dealer sales also accounted for a significant portion of our sales. In Israel, we target our marketing efforts for our 3G mobile services primarily at individual customers and our iDEN mobile services primarily at institutional and business customers. We use a broad range of distribution channels to sell our mobile services, with the majority of our sales through the HOT Booths and approximately 18 sales and service centers, and a smaller portion through other dealer outlets such as branches of the Israel Postal Corporation and stores Electric Warehouse, our HOT Mobile website, inbound and outbound telesales and door to door sales. In the ultra orthodox sector, we market our mobile services through an external distributor. Additionally, we focus on recruiting individual customers through our business customers by offering attractive packages and plans to their employees.

In the French Overseas Territories, we have attractive distribution capabilities with 81 points of sale for approximately two million inhabitants across the region. Our recent acquisition of Outremer has allowed us to gain access to this high-density distribution network with excellent cross-selling and up-selling opportunities. While most of our competitors externalize distribution, we believe our distribution network is a key competitive advantage as it enables us to better control sales and costs and to better service our customers as our service offerings become increasingly more complex, while also facilitating cross-selling. We have progressively increased the range of products we sell in our retail outlets starting from mobile, fixed-line telephony and xDSL-based services to, more recently, mobile accessories, handset insurance and new subscription-based services payment services. We have also integrated our cable and mobile distribution networks following our acquisition of Outremer which allows us to sell cable-based services in our shops in Martinique and Guadeloupe.

We have a distribution network of four retailers in Belgium and two retailers in Luxembourg. We make both inbound and outbound telesales through our customer call centers in Brussels for Dutch-and English-speaking customers, Casablanca, Morocco for French-speaking customers in Brussels, and Differdange, Luxembourg for Luxembourg customers. We encourage customers to purchase our products and services through our website, which we believe provides customers a clear understanding of our product prices and features, and results in lower subscriber acquisition costs.

In Portugal, we have two different sales teams; one focused on residential cable customers and the other one targeting B2B customers. For the year ended December 31, 2013, door to door sales accounted for the majority of our sales of residential cable television services, followed by sales through our 19 retail stores and inbound/outbound telesales. We incentivize our sales force through aggressive commission rates based on number of sales closed. We are undertaking measures to shift our distribution channels from door to door channels to call centers and stores as we believe that this will help us more optimally capture our target customers. Our B2B sales force consists of a dedicated team of 49 (including 11 presales agents) covering our entire footprint and focuses on small offices, home offices, small and medium enterprises, large corporates and public entities. Our B2B sales team is supported by a call center function.

Customer Contracts and Billing

We typically enter into standard form contracts with our residential customers. We review the standard rates for our services on an on-going basis. In certain of our geographies, in addition to the monthly fees we charge, customers generally pay an installation fee upon connecting or re-connecting to our cable network. The terms and conditions of our contracts, including duration, termination rights and the ability to increase prices during the life of the contract, differ across our operations primarily due to the different regulatory regimes our business is subject to in each of the jurisdictions in which we operate.

In Israel, we offer our residential cable customers commitment free contracts meaning that they can terminate the contract at any time without paying an exit fee. Our residential customers are charged a monthly fee based on our standard rates at the time of subscription, which includes a monthly rental fee for end‑user equipment such as set‑top boxes. We have recently become subject to new regulations which require that the monthly fee for our pay television can only be collected at the end of the month for the services delivered during the preceding month. Previously we offered contracts with a duration of 12 or 18 months. We are not committed to maintain the prices at which we currently offer our products. Although in Israel we are generally locked into the prices we offer for the entire duration of the contract, we are permitted to increase prices based on an increase of the CPI index used to measure inflation and in certain offers, we reserve the right to increase prices subject to certain terms. The price of our analog television services is subject to a maximum tariff, which is determined by the Israeli Broadcasting Council from time to time. Analog television accounted for 12,000 pay television RGUs in Israel as of December 31, 2013. The prices of our other cable based services are subject to general oversight of the regulatory authorities, including notification requirements for price changes, but are not subject to a maximum tariff. Our contracts with business customers are generally not commitment free, provided the amount exceeds NIS 5,000 per month, and pricing is based on our standard rates for the services subscribed to or in certain cases on individually negotiated rates. We also offer our HOT Mobile residential mobile customers commitment free contracts meaning that they can terminate the contract without paying an exit fee at any time.

We were among the first mobile operators in Israel to unbundle our services from the purchase of handsets by offering customers our 3G services on handsets of their choice which they need not have purchased from us. Our mobile customers are generally charged a monthly fee based on our standard rates at the time of subscription and a one-time fee relating to SIM cards, and if purchased from us, the sale of handsets which we do not subsidize.

In Portugal, we offer our residential cable customers contracts with a duration of up to 24 months. New customers are typically locked in for a 24-month period. Monthly fees typically include our rates as of the date of subscription plus a rental fee for end-user equipment. While we typically provide customers with modems free of charge, we offer set-top boxes either free of charge or subject to a discount or a deposit, depending on the offer. In line with market practices in Portugal, we usually do not charge our customers any connection fees. We are permitted to increase prices without any limitation imposed by the regulatory authority; however, we are required to provide our customers with one month's prior notice. Contracts with business customers are individually negotiated; the fees charged are typically agreed upfront and generally remain fixed for the entire duration of the contract. Business customer retention is high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Long term business customer relationships usually last on average for six years with contract terms ranging between 24 to 36 months.

In Belgium and Luxembourg, we offer our residential cable contracts with a maximum duration of six months due to regulation. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices (and subject to the approval of such price increase by the Minister of Economy in Belgium). For regulatory reasons, we do not charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

In the French Overseas Territories, we typically offer residential cable and xDSL customers contracts with a duration of 12 months, while our mobile customer contracts typically have a duration for up to 24 months. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices. We charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

Our billing system for cable based services in Israel has been developed by Convergys Solutions Limited ("Convergys") and we receive certain consulting, support and maintenance services from Convergys. Our billing system for our 3G mobile operations in Israel is an integrated billing and customer contact management system developed by Comverse Ltd. ("Comverse"). Our billing system for our iDEN mobile operations has been developed by Motorola Israel Ltd. Our billing system, ProCable, used in our cable operations in Portugal, Belgium and Luxembourg has been developed by InfoCABLYS, a Canadian provider of customer care and billing systems. In our Portuguese B2B operations, we use Stratus RedKnee's billing system as well as our own in-house billing system to a smaller extent. Our business in the French Overseas Territories continues to use a billing system which it has developed in-house. We generally offer our customers the choice between electronic and paper statements and the ability to pay by bank order or credit card. We monitor payments and the debt collection process internally. We perform credit evaluation of our residential and business subscribers and undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections executed by our employees, direct collections executed in co- operation with third party collection agencies and pursuing legal remedies in certain cases.

Customer Service

We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. The customer service function for our cable based and mobile services is carried out by approximately 5 call centers located in Yakum, Beer Shera, Haifa, Nazareth and Migdal Ha'omek, Israel (servicing our Israeli customers), a call center located in Casablanca, Morocco (servicing our French-speaking customers in Belgium), a call center located in Brussels (servicing our Dutch-speaking customers in Belgium), a call center in Differdange, Luxembourg (servicing our customers in Luxembourg), two call centers in Palmela, Portugal and Caldas de Rainha, Portugal (servicing our residential customers in Portugal), one call center in Lisbon, Portugal (servicing our business customers in Portugal) and a call center in Mauritius (servicing our customers in the French Overseas Territories). We also provide our customers with access to technical support help desks which operate at substantially all times.

Visits to customers' premises are performed by a mix of in-house and outsourced technicians. We aim to increase the extent to which this function is outsourced as we believe it optimizes our operational risks and costs.

In geographies where we offer B2B services, our institutional and business subscribers are served by dedicated business service and technical centers.

We have launched and partially implemented initiatives aimed at improving our customers' experience. These initiatives include enhanced Customer Relationship Management ("CRM") systems, which allow us to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers.

In Israel, we believe we have substantially improved customer care as a result of the introduction of new processes resulting in shorter waiting times in call centers, new ways of servicing customers including via Facebook and live chat functions, the development of self-service applications, increased automation, a closer relationship with our subscribers through an increased number of interactions and the 24/7 availability of our technical support representatives. We believe a large proportion of our customers are loyal to our brands thereby reducing churn. For example, as of December 31, 2013, approximately 63%, 51% and 39% of our Israeli pay television, broadband Internet infrastructure access and fixed-line telephony customers respectively have been our customers for over four years, and approximately 55%, 54% and 53% of our Portuguese residential pay television, broadband Internet access and fixed-line telephony customers, respectively, have been our customers for over four years.

With respect to the majority of our operations, we outsource our customer service functions to third-party providers. Such providers use operating procedures, tools and training that are provided by the Group. We see limited potential for further improvements in the efficiency of our customer care operations, as we have focused on optimizing these for several years.

We believe that the high-density distribution network we have in the French Overseas Territories as a result of the recent acquisition of Outremer enables us to provide better service to our customers as they can easily reach our stores. This will be particularly useful as our product and service offerings become increasingly broad and complex. As part of Outremer's integration into our Group, we are currently in the process of rolling out our customer service practices, including customer service functions relating to quadruple-play services, across our retail network.

Network

Israel

We provide our pay television, broadband Internet infrastructure access and fixed-line telephony services through our extensive fully owned cable network which we believe is one of most technologically advanced networks in the EMEA region. Our cable network passes most of Israel's 2.3 million households. The fiber rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper based xDSL networks. In particular, a fiber and coaxial cable offers a larger bandwidth than copper cable and, unlike the latter, it is not significantly affected by attenuation (i.e., a reduction in the strength of the signal) or distortion (i.e., a reduction in quality of the signal) when the signal is carried over a long distance. Our cable network allows the provision of fiber optic transmission services using DWDM technology, SDH technology or IP technology. In addition, our cable network backbone includes two national and regional strategically interconnected head-ends that enable transmission of signals over our cable network. We are in the final migration process of the telephony customers from the 4 Nortel CS2K telephony switches to the new telephony environment based on Genband (Class 4) and Broadsoft (Class 5) switches with advanced Session Initiation Protocol ("SIP") switch which is used to create and control communication sessions over an IP network. Our network supports minimum capacity per household of 862MGhz in 40% HP, 750 MGhz in 45% and 600 MGhz in 15% of our homes passed, respectively.

Our cable network enables us to deliver broadband Internet infrastructure access, fixed line telephony and other interactive services such as VoD, to our customers throughout our cable network in addition to regular digital and analog television services. Our entire cable network is also U.S. Docsis 3.0 enabled allowing us provide ultra fast broadband Internet infrastructure access services at a download speed of up to 100 Mbps with limited or no degradation in speed throughout our network, which we believe is the fastest in Israel on a large scale and can support theoretical download speeds of up to 300 Mbps with certain limited modification to network equipment, which will allow us to easily upgrade our network to increase download speeds in the future. In 2011 and 2012, we also began selectively deploying FTTx network upgrades, which involved replacing existing Coax Cable used for local loop connectivity with optical fiber to reach the end user's building or last amplifier. We have already deployed FTTx to approximately 120,000 of our homes passed. We plan to continue the selective deployment of FTTx at our discretion which will enable an expansion in the traffic capacity over our cable network and improve our VoD services, increase the number of television channels we are able to offer and increase the speed of our Internet services.

Our cable network is fully owned by HOT Telecom. Part of our cable network runs through ducts and poles owned by Bezeq. We are party to certain continuing arrangements with Bezeq relating to the installation and maintenance of such parts of our cable network. We incurred total costs of NIS 46 million, NIS 48 million and NIS 47 million in 2011, 2012 and 2013, respectively for services provided by Bezeq under these arrangements. For further details, see "*Description of Our Business—Material Contracts—Agreements with Bezeq relating to installation and maintenance of portions of our cable network*".

HOT Mobile historically provided mobile services using an iDEN based mobile network infrastructure, which as of December 31, 2013 comprised of approximately 635 network sites distributed throughout Israel providing nationwide coverage. In relation to the roll out of our UMTS-based 3G mobile services, we are in the process of building and expanding a UMTS network based on modern HSPA+ technology. We have committed to the State of Israel to achieve the following periodic coverage milestones for our UMTS network based on total Israeli population: by September 2013—coverage of 20% of the settled area of Israel and where at least 20% of the Israeli population is residing; by September 2015—coverage of 40% of the settled area of Israel and where at least 40% of the Israeli population is residing; by September 2016—coverage of 55% of the settled area of Israel and where at least 55% of the Israeli population is residing; by September 2017—coverage of 75% of the settled area of Israel and where at least 75% of the Israeli population is residing; and by September 2018—coverage of 90% of the settled area of Israel and where at least 90% of the Israeli population is residing and coverage of 90% of the roads in Israel. We have expanded our UMTS network coverage through a combination of modifying our existing mobile network sites by installing UMTS equipment enabling the use of the new frequencies and building new UMTS enabled sites. Our UMTS network already extends to approximately 61% of the inhabited territory of Israel and covers approximately 73% of the Israeli population. As of December 31, we deployed approximately 1,000 sites of the approximately 1,800 sites needed to cover the entire Israeli territory. We relied on an agreement with Pelephone, a subsidiary of Bezeq, pursuant to which we use Pelephone's in country roaming services to service our customers while we build-out our UMTS network in 2013. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Furthermore, in November 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement. The Network Sharing Agreement remains subject to regulatory approval by the Israeli Ministry of Communications. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details see "-*Material Contracts – Agreement with Pelephone and Vodafone relating to UMTS mobile roaming services*"and "-*Material Contracts – Mobile Network Sharing Agreement with Partner in Israel*". Our Israli cable based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

Currently, our UMTS network permits data transfer at speeds of up to 42 Mbps which we are seeking to increase to 84 Mbps in the future. In addition, if the Israeli Ministry of Communications tenders frequencies for LTE and if we acquire such frequencies, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. We believe that, because of our extensive fixed-line network and our advanced UMTS network, upgrading our mobile network to the 4G standard will involve significantly less capital expenditure (or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner) than we incurred to roll out our 3G network because our mobile network infrastructure will require minimal upgrading as compared to some of our competitors. We believe these factors will allow us to quickly market the newest LTE-based packages to our customers.

The following table sets forth details regarding the spectrum allocated to us and our competitors for the provision of mobile services.

Service Provider	UMTS Bandwidth (Mhz)	GSM Bandwidth (Mhz)
HOT Mobile	2,100	—
Pelephone	850 - 2,100	—
Cellcom	850 - 2,100	1,800
Partner	900 - 2,100	900 - 1,800
Golan	2,100	—

We expect that the Israeli Ministry of Communications will tender LTE frequencies in the 1,800 Mhz and 2,600 Mhz range in next few years. A tender committee has been formed, but it has not yet published any tender. We understand some of the relevant frequencies are used by the Israeli Ministry of Defense and by Bezeq and may only be allocated for commercial use once the frequencies are released by the Israeli Ministry of Defense.

Portugal

In Portugal, we benefit from a state-of-the-art HFC cable network that passed 908,000 homes as of December 31, 2013 covering certain Portuguese cities in over 60 districts and 200 municipalities. We use this network to provide residential pay television, broadband Internet access and fixed-line telephony services. It extends over 3,647 km and includes 224,000 km of optical fiber. We have upgraded approximately 99% of our network to Docsis 3.0 and expect to reach 99.7% following certain upgrades that are currently underway. We fully own our distribution networks, head-ends and drops, which gives us significant flexibility to deploy and constantly improve our product offering.

Our acquisition of ONI enriched our assets base with the second largest B2B cable network in Portugal covering approximately 85% of the Portuguese population. We operate a nationwide backbone supported by approximately 9,000 km of fiber pairs and 427 points of presence supporting 10,000 customer sites, using OTN (Optical Transport Network) connections comprising several 10 Gbit/s signals over a single optic-fiber pair with speeds between 155 Mbit/s and 10 Gbit/s. Radio links complement our access portfolio, with 174 point-to-point systems in service. In addition, our network is connected to Spain through the 10G SDH Iberian ring and a new 10G PTN connection. Furthermore, we use SDH to support Ethernet services using its wide coverage (1200 NE) and the intrinsic automatic protection in case of failure by switching to an alternative route in less than 50 ms. In the two main metropolitan regions, Lisbon and Porto, Packet Transport Network (PTN) technology backbones are providing native Ethernet clients accesses through optic-fiber, usually with 1 Gbit/s of bandwidth. Within the cities and in the B2B environment, FTTH is deployed with direct extension of PTN, enabling up-to 100 Mbps and 1G VPN/VLAN services. A wider coverage is attained with xDSL technologies in operation in 128 co-location sites and since June 2013, symmetric Ethernet services are supported through Ethernet Last Mile (EFM) technology, with a theoretical reach of 120 Mbps but being deployed for 10Mbps (four pairs).

Belgium and Luxembourg

We provide our pay television, broadband Internet access and fixed telephony services to both residential and business customers who reside in our service area through our combined broadband HFC network which consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 860 MHz in Brussels and 550 MHz in Luxembourg. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which can be used to exchange all channels carried in France, Belgium or Luxembourg.

In Brussels, our network assets include approximately 513 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable. In Luxembourg, our network assets include approximately 450 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable.

Our fiber backbone is currently running All-IP and carries all of our communications traffic with dedicated bandwidth for the various types of traffic. Customers connect to the network through a coaxial connection from one of our nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 191,000 homes in Brussels and 42,000 homes in Luxembourg are served by each of the approximately 240 optical nodes in the Brussels region, approximately 30 optical nodes in the AIESH region and approximately 96 optical nodes in Luxembourg. Network quality can deteriorate as customer penetration rates on any particular node increase above a certain number. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes.

In Brussels and in Luxembourg, we built our network pursuant to agreements with municipalities which authorized us to build and operate a television cable network over the territory of the municipality. In Luxembourg, in certain municipalities, we directly acquired the network from private owners; while in other instances the network is owned by the municipality which we operate pursuant to a concession agreement. Ownership of the network between the cable operator and the municipality during the term of the agreement can also depend on who originally invested in the network.

As of December 31, 2013, our HFC cable network passed 171,000 homes in Brussels and 42,000 homes in Luxembourg. Our entire cable network in Brussels and Luxembourg is nearly fully EuroDocsis 3.0-enabled. Within the network we acquired in late 2012 in the County of Hainaut in Belgium, we have already upgraded approximately 95% of homes passed to triple-play capability, approximately 10% of our subscribers in the area are already subscribed to one of our multiple-play products and approximately 30% now receive digital services. We provide mobile services utilizing the mobile network of Mobistar in Belgium (the second largest mobile service provider in Belgium) pursuant to mobile virtual network operator ("MVNO") agreements.

French Overseas Territories

Following our acquisition of Outremer, our proprietary infrastructure in the French Overseas Territories now includes mobile networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies enabling us to deliver 2G and 3G services respectively, with coverage throughout the French Overseas Territories. Our acquisition of Outremer also enriched our asset base with fixed-line xDSL networks, over which we provide Internet, fixed-line telephony and IP television services which are available to most households in the region. In Guadeloupe, Martinique and La Réunion, our fixed-line xDSL network is supplemented by WiMAX capability enabling the delivery of last mile wireless broadband access. In addition, we have invested in IRUs and leases of submarine cable capacity, which connect our terrestrial mobile and xDSL fixed-line networks to international routes.

In addition to mobile and fixed-line xDSL networks, we also own a HFC cable network in Martinique and Guadeloupe, which passed 73,312 homes in Martinique (covering approximately 57% of Martinique by homes passed) and 80,831 homes in Guadeloupe (covering approximately 53% of Guadeloupe by homes passed) as of December 31, 2013. We are currently in the process of upgrading our network to EuroDocsis 3.0 and expect to complete the process by the end of the first half of 2014.

It is expected that ARCEP will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the French Overseas Territories by the end of 2013. In case of a successful award, our ability to provide LTE mobile services to complement our existing 2G and 3G mobile services in the French Overseas Territories will depend in part on our ability to upgrade our mobile network and roll-out an LTE network, which could involve a significant amount of capital expenditure. Based on current plans, we expect that we would need to invest approximately €30 million (net of tax subsidies) from 2014 through to 2016 to upgrade our networks to roll-out LTE mobile services.

Suppliers

While historically purchasing activities were typically carried out locally at the various entities comprising our business, we have recently begun to globalize and streamline our procurement processes by combining our aggregate purchasing power. The purpose of our centralization efforts is to leverage the combined scale of our operations located in different geographies and thus negotiate more favorable pricing and other commercial terms from suppliers of certain hardware, software, pay television content and other products used in all of our operations than each of our businesses could individually secure. In order to put the centralization process on a more formal footing, we are currently in the process of establishing a global purchasing subsidiary. We believe that the continued integration and streamlining of our global procurement processes will allow us to realize significant cost savings going forward.

We have relationships with several suppliers that provide us with hardware, software and various other products and services necessary to operate our businesses. We use a limited number of subcontractors to maintain our network, operate our call centers and supply, install and maintain installed consumer and on-site business and public sector terminals, with Group employees performing only a small portion of installations. Certain services can be self-installed by our customers, but most still require a professional installer. Our agreements with third party providers generally require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

We currently deploy the set-top box La Box in our operations in Belgium, Luxembourg and Portugal, and we introduced LaBox in Israel in March 2014. We purchase La Box set-top boxes from Sagemcom for use across our operations. We also continue to procure set-top boxes for use in certain of our operations from Technicolor. Although we have not to date entered into a global supply contract with either of Technicolor or Sagemcom, we weigh in on the negotiation of each individual contract entered into by our businesses in order to leverage our combined purchasing power and generally ensure the same terms and conditions are agreed upon across our operations. Further examples of globally negotiated but locally entered supply arrangements include contracts with Nagravision for the purchase of its set-top box software Nagra CAS and contracts with Cisco and Casa Systems for services relating to the deployment and maintenance of our networks across our operations. While we progress the globalization of our procurement functions, our businesses continue to purchase certain of the products and services required for their operation under locally negotiated contracts for a variety of reasons, including the need for such products and services being specific to each locality.

In Israel, our key infrastructure, hardware and software suppliers for our cable based operations include Bezeq which provides us with design, installation and maintenance services relating to certain parts of our cable network which pass through ducts and poles owned by Bezeq; Genband, Bynet and BroadSoft which provide us with equipment and services relating to telephony switches; NDS Limited, a subsidiary of Cisco, which provides us with equipment and services relating to unified encryption systems; Technicolor and Sagemcom, which provide us with set-top boxes including, in respect of Sagemcom, the HOT Box; and Nagravision, which provides us with software for set-top boxes.

We have entered into a number of reciprocal interconnection agreements with fixed line telephony providers in Israel, mobile operators in Israel and internal long distance telephony operators. We have also entered into an agreement with Convergys in relation to certain billing related services for our cable services. In addition, we contract with suppliers for the purchase of television programming content that we package and broadcast under the HOT suite. We also purchase rights to broadcast independent Israeli and international channels on our network and content for our VoD service. We use a limited number of subcontractors to install broadband Internet, telephony and digital television equipment in customer homes. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of the service provided by our subcontractors on a regular basis. With respect to our mobile operations, we have engaged Nokia Solutions and Networks ("NSN") as a turnkey contractor to plan and build the new UMTS network. We have entered into an agreement with Pelephone, which provides us with in country roaming services for our 3G mobile operations and also have roaming agreements with several foreign mobile operators. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties. In November 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause to which HOT Mobile was subject to. This agreement will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which still remains subject to regulatory approval by the Israeli Ministry of Communications. We have agreements with various suppliers for the purchase of 3G compatible handsets. Comverse supplies us with certain services relating to an integrated billing and customer relation management ("CRM") system for our 3G mobile operations. The main suppliers for our iDEN based mobile operations are Motorola Solutions, which owns the rights to the iDEN technology and is the primary manufacturer of infrastructure equipment for iDEN technology, and Motorola Mobility which manufactures end-user equipment for iDEN technology.

The suppliers to our residential business in Portugal include Portugal Telecom and EDP, which provide us with services relating to certain parts of our cable network which pass through ducts and poles owned by them; Fibnet and Aveicabo, which provide us with installation services and services relating to the maintenance of our network; Randstad, which provides us with contract and payroll management services relating to our sales agents as well as call center functions; as well as NSN and Genband, which provide us with hardware as well as maintenance and support for network equipment. For our recently acquired Portuguese B2B business, we have a set of long-term contracts for our main infrastructure (sites and fiber) with Rede Eléctrica Nacional and Electricidade de Portugal, in addition to the use of our own fibers, and a contract for ducts and land with BRISA, the main Portuguese highway operator. In Spain, we lease bandwidth and optical wave-lengths from British Telecom and UFINET enabling our presence in the Iberian Peninsula and Madrid. Further key suppliers of our Portuguese B2B business include Alcatel-Lucent, Cisco, Corient, Sonus.HP, Ruckus, Dell and Axis.

In Belgium and Luxembourg, Numericable France is our main supplier of hardware and software necessary to operate our business. Pursuant to a services agreement we entered into with Numericable France on the date of the acquisition of Coditel by us, Numericable France provides us technical, engineering and support services, while also allowing us to benefit from its purchasing power for equipment, in particular set-top boxes, content and IP traffic. Other key suppliers of our IT needs include InfoCABLYS, which provides us with hardware and the billing and customer care software "ProCable", and Sage, which provides us with support for its enterprise resource planning system that we use. In Belgium, we use subcontractors to install Internet, fixed-line telephony and digital TV equipment in subscriber homes, in addition to having a small portion of installations performed by our own employees. In Luxembourg, we use both our own employees and subcontractors to perform installation services. Certain services can be self-installed by our customers but most require a professional installer. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

In the French Overseas Territories, our key suppliers are the telecom operators France Telecom/Orange, SRR and Digicel to which we pay interconnection fees and purchase capacities from for both our cable-based and mobile activities. With respect to our recently acquired mobile operations, we historically source our handsets from Samsung and Alcatel and purchase our network infrastructure and 2G/3G base stations from ZTE. In anticipation of a potential release of frequencies for 4G LTE, we have requested quotes from major original equipment manufacturers. Regarding our cable-based operations, we purchase rights to broadcast channels on our network and content for our TV service and we use only one subcontractor, ERT, to install broadband Internet, telephony and digital television equipment in subscriber homes. We procure our xDSL modems and set-top boxes from Pace (formerly known as Bewan) and Sagemcom, while we purchase our cable modems and set-top boxes from Numericable France which sources from Netgear and Technicolor, respectively.

Material Contracts

The agreements described below are of material importance to our Group. The summary of each agreement set forth below is a summary of the material terms of such agreement as in effect as of the date of this Annual Report.

Agreement with the State of Israel relating to ownership of our cable network

In July 2001, our predecessor companies entered into an agreement with the State of Israel pursuant to which they agreed to waive all claims against the State of Israel arising out of the grant of a satellite broadcast license to D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq which provides satellite technology based multi channel television services under the YES brand. In exchange, the State of Israel agreed to waive all of its claims and rights concerning the cable infrastructure, such that our predecessor companies would hold all right and title to the cable infrastructure in their respective concession areas and have the right to operate the cable network even after the end of the concession periods. The agreement, which was transferred to our Group as part of the Israeli cable consolidation process, sets out a payment mechanism based on revenues deriving from the use of the cable infrastructure pursuant to which we are required to make annual payments to the State of Israel until January 1, 2015. In addition, we are required to pay certain amounts to the State of Israel, as provided in the agreement, in the event we sell any of our cable network assets or operations carried out via the cable infrastructure or in the event we issue securities through a public offering, investment or similar transaction. In each year ended December 31, 2011, 2012 and 2013, we paid the State of Israel over NIS 58 million under this agreement. We have provided a second ranking floating charge over all of the assets of HOT to the State of Israel to secure our payment obligations under the agreement.

Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms

In relation to the addition of frequencies to our mobile license enabling us to provide UMTS based 3G services, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. For the remaining NIS 695 million, we were required to provide the State of Israel a bank guarantee. Under the terms of the license, such remaining license fee was to be reduced by one-seventh for every percent of market share gained by HOT Mobile since the date of the license. The market share of HOT Mobile is calculated as the average of: (i) the ratio of HOT Mobile subscribers (including UMTS and iDEN) in the private sector to the total number of mobile subscribers in the private sector; (ii) the ratio of the number of outgoing mobile call minutes initiated by subscribers (including UMTS and iDEN and call minutes in the same network) of HOT Mobile in the private sector to the total number of outgoing mobile call minutes (including call minutes in the same network) by all mobile subscribers in the private sector; and (iii) the ratio of revenues from HOT Mobile subscribers (including UMTS and iDEN) to the total revenues from all mobile subscribers in the private sector. In April 2013 HOT Mobile received a notification from the Israeli Ministry of Communications clarifying the meaning of certain components of the market share calculation, namely “subscribers in the private sector”, “number of outgoing mobile call minutes” and “revenues”. The two measuring periods for market share gain run from the date of the license to September 26, 2013 and September 26, 2016, respectively and the remaining license fee, which is the lowest fee as calculated on each of the testing dates, would be payable three months after the second testing date. As a condition for such bank guarantee, HOT Mobile and HOT signed an irrevocable letter of undertaking in favor of the bank that issued the guarantee, which is secured by a pledge of all of the assets of HOT Mobile which HOT Mobile is permitted by law to pledge. In addition, we have agreed to indemnify the State of Israel for any monetary liability that it incurs as a result of our use of the mobile license and have entered into an insurance agreement to be insured for any such liability. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that entitles us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. We have also provided bank guarantees to the State of Israel for an amount of approximately NIS 27 million and $8.4 million as surety for the compliance with the terms of our broadcasting licenses and fixed-line licenses, respectively.

Agreements with Bezeq relating to installation and maintenance of portions of our cable network

In the 1990s, certain of our predecessor companies entered into agreements with Bezeq for the purpose of planning, installation and maintenance of the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to our Group as part of the cable consolidation process. The agreements are valid until we have valid broadcasting licenses. For further details regarding the term of our broadcasting licenses, see "*Regulatory— Israel - Television—Overview*".

Under the terms of the agreements, Bezeq is required to maintain the portion of our cable network that passes through its ducts on an on-going basis and is also responsible for repairing breakdowns in the network. The scope of the agreements extends to the possibility of expanding the cable network to additional sites, connecting new homes and new neighborhoods. Bezeq is permitted to terminate the agreement in case we breach the agreement and have not cured such breach within six months of written notice from Bezeq. The agreements set forth a payment mechanism pursuant to which we pay Bezeq an annual amount representing capital expenditure and maintenance costs based on the length of the cable network passing through its ducts as well as one-time payments in respect of certain services provided by Bezeq. Capital expenditure costs are staggered over a 12 year period and the amounts payable to Bezeq are accordingly reduced by approximately 65% after 12 years of the delivery of each segment of the cable network. We incurred total costs of NIS 46 million, NIS 48 million and NIS 47 million in 2011, 2012 and 2013 respectively for services provided by Bezeq under these agreements.

Agreement with Nokia Solutions and Networks relating to installation of the UMTS network

In June 2011 we entered into an agreement with NSN for the establishment of the new UMTS network infrastructure pursuant to which we provide 3G mobile services to our customers. Under the terms of the agreement, NSN has agreed to plan and erect the new network infrastructure on a turnkey basis. In the first stage completed in 2012, NSN met its requirement to complete the network with coverage extending to 20% of the Israel population according to our mobile license requirements regarding the first check point. We estimate that the amount payable for all of NNS' commitments will be approximately $39.8 million. The agreement is for a term of 15 years. NSN has agreed to provide certain warranties for the repair or replacement of network components that do not meet the functionality and capacity requirements established under the agreement. NSN has also agreed to provide maintenance with respect to our mobile network.

In 2013 and early 2014 several amendments were made to the agreement with NSN postponing payments due under the agreement, in return for a debt obligation which was issued in favor of NSN, and guaranteed by HOT. In this framework of agreements HOT Mobile also confirmed receipt of a final installment of key parts in relation to the aforementioned project.

Interconnection Agreements

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network and, as the case may be, through a third telephony network. For a subscriber located on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication. Interconnection fees are typically regulated by the telecommunications regulator in each of the countries in which we operate. Regulators also commonly impose on all participants in the fixed-line telephony and mobile telephony markets an obligation to negotiate in good faith interconnection agreements with every requesting operator who is seeking to provide a publicly available electronic communication service. Generally, the cost of interconnection fees that we pay is taken into account in the price we charge our subscribers.

We have entered into various domestic and international reciprocal interconnection agreements for our fixed-line telephony, mobile operations and ILD services with other providers of electronic communications services. Our interconnection agreements generally have terms that continue for the duration of the parties' licenses to pursue telecommunication activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. For the year ended December 31, 2013, on an aggregated basis, we incurred interconnection fees of €83.3 million.

Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services

In November 2011, HOT Mobile entered into an agreement with the mobile operator Pelephone, a subsidiary of Bezeq, pursuant to which Pelephone agreed to provide domestic roaming services for 3G users to HOT Mobile and HOT Mobile agreed to exclusively purchase such services from Pelephone. The agreement enables us to provide 3G mobile services to our mobile customers while we continue to build-out our UMTS network in Israel. The cost for the services provided by Pelephone is based on agreed rates and depends on the actual usage of Pelephone's mobile network by our 3G customers in Israel.

In November 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This agreement will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which still remains subject to regulatory approval by the Israeli Ministry of Communications. *See – "Mobile Network Sharing Agreement with Partner in Israel"*.

In addition, we have entered into a roaming agreement with Vodafone through which we receive roaming services for 3G around the world including approximately 500 mobile networks. We are also in the process of negotiating and signing roaming contracts directly with individual mobile operators in various countries. Our roaming agreement with Vodafone enables our Israeli 3G mobile customers to access other mobile networks while abroad. Although the particular terms depend on the country in which roaming services are accessed, the agreement regulates billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreement automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

In November 2012, our recently acquired French Overseas Territories business entered into an international roaming agreement with Belgacom International Carrier Services ("BICS") for the benefit of our 2G and 3G subscribers. The agreement is scheduled to expire in November 2015. The cost for the services provided by BICS is based on agreed rates and depends on the actual usage of BICS' mobile network by our customers travelling abroad.

We have also entered into international roaming agreements with various operators of GSM networks around the world, allowing our Israeli iDEN customers to make calls while overseas using a GSM compatible phone which we provide.

Mobile Network Sharing Agreement with Partner in Israel

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the "Network Sharing Agreement") with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership ("JV Entity") that will hold, develop and operate an advanced shared mobile network for both companies. Each party is required to maintain and operate its own core network and independently provide mobile communication services, including marketing and sales of such services, to its respective customer base. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license.

The Network Sharing Agreement, among other things, regulates the management and development of the shared network and the management and governance of the JV Entity (including a mechanism for appointing directors, the approval of business plans and certain decisions that require the approval of both parties). As consideration, HOT Mobile is required to pay Partner a specified one-time amount by January 1, 2017, and thereafter, each party will bear half of the capital expenditures required for the purpose of establishment and upgrade of the shared network, while the shared network operational expenditures will be allocated in accordance with a prescribed mechanism based, inter alia, on the traffic volume usage of each party of the shared network. HOT has issued a guarantee for HOT Mobile's obligations under the Network Sharing Agreement and the Group may be required to provide an additional guarantee or a bank guarantee to Partner in the event of the downgrade of the Group's corporate rating by certain specified levels.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028 (unless either party notified its intention to terminate the agreement by a 24 months' notice prior to each extension period). However, at any time after the eight anniversary of the effective date of the Network Sharing Agreement, either party may terminate the agreement by providing 24 months' prior notice. The Network Sharing Agreement may also be terminated by a non-defaulting party upon certain specified events, including a material breach, failure of a party to meet its funding obligations, termination of a party's license by the Israeli Ministry of Communications and the occurrence of certain insolvency events. The Network Sharing Agreement also provides for an exit plan upon termination.

HOT Mobile and Partner have also entered into a right of use agreement (the "RoU Agreement") granting HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers pending implementation of the Network Sharing Agreement. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation.

Agreement with NDS relating to purchase of a unified encryption system

In February 2007 we entered into an agreement with NDS Limited pursuant to which NDS Limited supplies certain software and services for the implementation of a unified encryption system which enables us to provide pay-television services, control access to particular pay-programming packages and charge fees on an individual subscriber basis. This system encrypts transmitted signals sent to customers and customers decrypt the signals using a set-top box which allows them to receive the pay programming offered. The agreement also requires NDS Limited to provide certain support and maintenance services related to the encryption system. The agreement is for a term of 10 years although we have the right to terminate the agreement with respect to the support and maintenance services after five years. In April 2011 the agreement was amended to expand the range of services to be provided by NDS Limited in order to include encryption systems for a new type of set-top box provided by Technicolor. We are required to pay NDS Limited an annual fixed amount for delivery of the encryption systems and related software licenses and provision of support services in addition to royalties and a fee for each set-top box with encryption technology. On February 17, 2013, HOT Telecom sent a notice of termination of the agreement to NDS Limited. The notice was sent in view of negotiations between the Group and the Cisco group, the parent of NDS Limited, regarding a new global contract. In response to the notice, HOT Telecom received a letter from NDS Limited on March 5, 2013 stating that in its view the agreement could not be cancelled before July 2015. The parties are currently in the process negotiating revised terms.

We are party to similar agreements with subsidiaries of Cisco, the parent company of NDS, across our operations in other regions. While we have not yet entered into a Group-wide supply contract with Cisco, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreements with Technicolor relating to purchase of set-top boxes

In October 2007 we entered into a memorandum of understanding with Technicolor for the purchase of set-top boxes manufactured by Technicolor. We formalized the understanding by entering into an agreement in 2009 and subsequently amended the agreement in June 2011 to include the purchase of set-top boxes that combine HD technology and recording capability functionality (known as the HD-PVR set-top box). Technicolor is responsible for the design, production and delivery of the set-top boxes and to ensure compatibility with the software developed for the HD-PVR set top-box. In consideration, we are obligated to pay Technicolor a fixed amount for each set-top box. The price of set-top boxes includes a warranty extending for three years covering the hardware and 12 months covering the software elements of the HD-PVR box. Technicolor is also required to provide hardware and software support and maintenance services after the expiry of the warranty period. The agreement is valid until May 2016.

We are party to similar agreements with Technicolor for the purchase of set-top boxes across our operations. While we have not yet entered into a Group-wide supply contract with Technicolor, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreements with Sagemcom relating to purchase of equipment

In March 2011 in Israel, we entered into an agreement with Sagemcom Broadband SAS for the development and purchase of a product which combines the functionality of an Internet modem, telephony modem and wireless router (known as the HOT Box). Under the terms of the agreement, Sagemcom has agreed to develop the product and to grant licenses to use the product software. In consideration, we are obligated to pay Sagemcom a fixed amount for each set top box. Sagemcom is also required to provide a warranty and maintenance services under the agreement. The agreement is for a term of four years and is automatically renewed for periods of one year at a time unless one party notifies the other of its intention to terminate the agreement upon expiry of the current term.

We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal, Belgium and Luxembourg. We introduced LaBox in Israel in March 2014. While we have not yet entered into a Group-wide supply contract with Sagemcom, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreement with Bezeq for the Provision of Transmission Services

In December 2012, an agreement was signed between HOT Mobile and Bezeq for the supply of various transmission services required for the purpose of providing radio mobile telephone services provided by HOT Mobile. The agreement’s validity is for a period of five years from April 1, 2013. HOT Mobile is entitled to terminate the agreement upon 120 days’ prior written notice subject to an early termination fee.

In exchange for all of the services provided to HOT Mobile by Bezeq, HOT Mobile agreed to pay Bezeq a total of approximately NIS 62.2 million which will be paid over the term of the agreement.

Agreement with Comverse

In October 2011, an agreement was signed between HOT Mobile and Comverse Ltd., pursuant to which Comverse would provide a BSS system (an integrated billing system with a customer contact management (CRM) system) and related hardware, software and services to HOT Mobile, including operation and maintenance of the CRM system. In exchange for Comverse's services, hardware and software, we agreed to pay a total of $12.5 million. The agreement is expected to be in effect for a period of approximately five years. In January 2012, the parties signed an addendum to this agreement, whereby Comverse committed to make seven additional employees available for the project (in lieu of the manpower that should have been made available for the project by us), against payment of $500,000.

Content Purchase Agreements

Several different relationships govern the content that we provide to our cable television subscribers. Alongside original content produced for HOT, in Israel we also purchase transmission or retransmission rights for channels and content produced by third parties. We pay copyright and carriage fees to the foreign, national and thematic broadcasters carried on our cable television networks. In general, these fees are paid in part to copyright collection agencies and to broadcasters based on a combination of per program fees and the number of subscribers to our cable service. We also typically pay royalties based on our subscribers' usage of on-demand content. In Israel, we have entered into agreements with two authors' right societies, namely AKUM Association of Music Composers, Writers and Producers in Israel Ltd. (AKUM) and Israel Screen and Television Artists Royalties Company Ltd (TALI). We entered into agreements with AKUM in 2011 following an arbitration proceeding initiated by AKUM to resolve the mechanism for calculating annual royalties for the use of works whose rights are protected by AKUM. Under the present arrangements which are valid until 2016, we have a license to broadcast works whose rights are protected by AKUM in consideration for which we have agreed to settle all of AKUM's claims from 2003 until 2010 with respect to past royalties and have also agreed on royalty rates for 2011 to 2016. In 2011, we signed an agreement with TALI providing for the payment of royalties between 2003 and 2014.

The terms and conditions of our contracts governing the payments and content providers of copyright fees broadcasters vary by jurisdiction. We also enter into transportation and distribution agreements with the commercial broadcasters. Through transportation contracts, we agree to carry a commercial broadcaster's signal across our fiber backbone to our head end stations, where the signal is subsequently delivered to our subscribers. Broadcasters who transmit their signal to us by satellite can elect to deliver their signal directly to our head end stations and, as a result, do not need to enter into a transportation agreement with us. We also enter into distribution arrangements with all of the commercial broadcasters whose channels we carry on our networks, pursuant to which we agree to carry the broadcaster's signal from the head end station to our cable television subscribers. A variety of compensation arrangements have been made in respect of the contracts we enter into with the commercial broadcasters. In some situations, we do not charge the broadcasters any fee for transmitting their signal to our subscribers. Instead, the broadcasters benefit from increased advertising revenue they receive from reaching our basic cable television subscribers and we benefit by providing our subscribers added content. In certain situations, we pay broadcasters for the channels they transmit over our network. In other instances, we have entered into revenue-sharing arrangements or subscriber-based fixed fees. In addition to these arrangements, we have also entered into contracts with certain broadcasters pursuant to which we currently pay a fee in order to have the right to broadcast their signal on any digital cable television service that we may offer in the future. Our main content providers include Dori Media Spike Ltd., Sport Channel Ltd. and Noga Communications (1995) Ltd.

Additionally, in Israel we purchase stand-alone programming from third party content providers, for the purpose of including such programming in our "home" linear channels and/or our VOD services.

In addition to content purchasing, in Israel, we have co-developed shows and have also developed several show platforms for our HOT suite of channels. We believe that our involvement with local content production companies has allowed the HOT brand to benefit from the significant popularity of our television series, movies and shows among the Israeli population by leveraging the fame of the local actors and actresses in our marketing campaigns to promote our offerings. Further, in October 2013, we acquired Ma Chaîne Sport and SPORTV, French operators of sports-themed Francophone television channels which produce and assemble their content.

Content Distribution Agreements

In October 2013, we acquired Ma Chaîne Sport and Sportv. Ma Chaîne Sport and Sportv entered into agreements with Numericable, Valvision, as well as certain of our subsidiaries, for the non-exclusive distribution of Kombat Sport, Ma Chaîne Sport, Ma Chaîne Sport Extreme, Ma Chaîne Sport Bien Etre and Ma Chaîne Sport Tennis television channels in Belgium, Luxembourg, France, Martinique and Guadeloupe. The contracts have a duration of 5 years with retroactive effect from January 1, 2013. Pursuant to these agreements, Ma Chaîne Sport and Sportv receive annual fees, which are either fixed or subject to gradual yearly increases, from each of the operators. In addition, Ma

Chaîne Sport and Sportv are entitled to advertising revenues received from the broadcast of their television channels. The contracts can be terminated by any party in case of a breach of the contract by the other party not remedied within 60 days.

HOT Minority Shareholder Agreements

In October 2010, Cool Holding entered into separate agreements with Yedioth Communications Ltd. ("Yedioth") and companies from the Fishman Group (collectively, "Fishman" and, together with Yedioth, the "HOT Minority Shareholders"), pursuant to which (i) Cool Holding acquired 4,565,493 shares of HOT from Fishman in March 2011 and 10,012,003 shares of HOT from Yedioth in November 2011 and (ii) Cool Holding agreed that, until the date that is three years from each such acquisition date, Cool Holding would not take any action which would cause HOT to become a private company or for its shares to be delisted from the Tel Aviv Stock Exchange, without receiving the consent of each HOT Minority Shareholder (the "Take-Private Consent Right").

On November 5, 2012, in connection with the Take-Private Transaction, Cool Holding entered into separate agreements (each a "HOT Minority Shareholder Agreement") with the HOT Minority Shareholders, pursuant to which (i) Cool Holding agreed to acquire directly or through one of its subsidiaries from each of the HOT Minority Shareholders all of their respective shares in HOT, representing approximately 11% of the outstanding shares of HOT (the "HOT Minority Shareholder Shares"), in consideration for a payment of NIS 41 per share, (ii) each of the HOT Minority Shareholders agreed to waive its Take-Private Consent Right and (iii) as additional consideration for the waiver of the Take-Private Consent Right, Cool Holding granted each HOT Minority Shareholder the right to purchase the HOT Minority Shareholder Shares from Cool Holding or one of its subsidiaries (the "HOT Minority Shareholder Call Options") at a price per share equal to NIS 48 (the "Call Consideration") during the 24-month period commencing on the first anniversary of the Take-Private Transaction. The Take-Private Transaction was completed on December 27, 2012 .The HOT Minority Shareholder Call Options may be exercised by the relevant HOT Minority Shareholder in up to three transactions, each of which shall cover at least 30% of the shares sold by such HOT Minority Shareholder to Cool Holding or one of its subsidiaries in the Take-Private Transaction.

The HOT Minority Shareholder Agreements contain anti-dilution rights and consent rights with respect to changes in business prior to the exercise of the HOT Minority Shareholder Call Option and certain minority shareholder rights, which will become applicable if the HOT Minority Shareholder Call Options are exercised after the Take-Private Transaction, including tag along rights with respect to any sale of HOT shares by Cool Holding; pre-emptive rights with respect to issuance of HOT shares; restrictions on HOT's ability to effect transactions outside of the ordinary course of business (including a transaction resulting in the sale by HOT of a material asset); subject to certain exceptions, restrictions on entering into transactions with any shareholder, director or officer of HOT or any affiliate thereof; restrictions on the incurrence of any material indebtedness; and, subject to certain exceptions, the right to require HOT to re-register and list its shares on the Tel Aviv Stock Exchange. In addition, Cool Holding has certain drag-along rights with respect to the shares sold to the HOT Minority Shareholders upon the exercise of the HOT Minority Shareholder Call Options.

Outremer Shareholders' Agreement

On July 5, 2013, Altice VII, through its wholly owned subsidiary Altice Caribbean, acquired approximately 77% of the equity interests in Altice Blue Two. (the "Outremer Acquisition"), a holding company for our operations in the French Overseas Territories, with the remaining equity interest being held by certain members of Outremer's management at the time of the Outremer Acquisition (the "Outremer Minority Shareholders"). In connection with the Outremer Acquisition, Altice Caribbean entered into a shareholders' agreement with the Outremer Minority Shareholders (the "Outremer Shareholders' Agreement"), which includes certain limitations on Altice Caribbean's rights as a majority shareholder of Altice Blue Two. The Outremer Minority Shareholders and Altice Caribbean have certain veto and consent rights. The Outremer Shareholders' Agreement contains certain restrictions to the transfer of Altice Blue Two's shares, including (i) an inalienability period of five years (subject to certain exceptions) and (ii) pre-emption rights in case of partial transfers of shares. Further, the Outremer Shareholders' Agreement grants certain liquidity rights to the Outremer Minority Shareholders on their shares in Altice Blue Two, including by providing for (A) a buy-back plan for a portion of the shares of Altice Blue Two issued to the Outremer Minority Shareholders in remuneration of their contributions in kind and (B) put option arrangements pursuant to which the Outremer Minority Shareholders may sell to Altice Caribbean (i) up to one third of their shares in Altice Blue Two in 2016, (ii) an additional one third of their shares in 2017 (plus all shares covered by the 2016 put option arrangement but not sold in 2016) and (iii) the remaining of their shares in 2018. The Outremer Shareholders' Agreement also provides that Altice Blue Two will annually distribute 50% of its consolidated net income to its shareholders, after deduction of the amounts necessary to satisfy the requirements of Altice Blue Two and its subsidiaries under certain intercompany proceeds loans, the payment of management fees and the share buy-back plan. In addition, the Outremer Shareholders' Agreement provides that, in case of an indirect change of control of Altice Blue Two occurring while Altice Blue Two and its subsidiaries are not in default under certain intercompany proceeds loans, including as a result of enforcement by creditors of Altice Caribbean, the Outremer

Minority Shareholders shall have a put option and a drag along right on all of their shares in Altice Blue Two, exercisable directly vis à vis Altice VII.

Roll over of the Outremer Minority Shareholders and the Mobius Managers

On July 5, 2013, Altice VII, through its wholly owned subsidiary Altice Caribbean, acquired approximately 77% of the equity interests in Altice Blue Two (the "Outremer Acquisition"), a holding company for our operations in the French Overseas Territories, with the remaining equity interest being held by certain members of Outremer's management at the time of the Outremer Acquisition (the "Outremer Minority Shareholders").

In addition, on January 15, 2014, Altice Blue Two completed the acquisition of the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion. The acquisition documentation provides for the reinvestment, by certain managers of the Mobius Group, which were also shareholders of Mobius Group, (the "Mobius Managers") of a fraction of their sale proceeds into the Altice group.

Pursuant to contribution agreements dated January 30, 2014, (i) the Mobius Managers have agreed to contribute to the Company vendors notes they hold against Altice Blue Two, against Ordinary Shares of the Company and (ii) the Outremer Minority Shareholders have agreed to contribute to the Company the shares they hold in Altice Blue Two (other than ratchet shares described further below and except further for a limited number of ordinary shares retained by one of the Outremer Minority Shareholder, but on which the Company will have a call-option, exercisable at a predetermined price during the fourth quarter of 2014) against Ordinary Shares in the Company valued at the Offer Price, i.e. 28.25 euros (the "Managers' Roll Over). Further, the contribution agreements also contemplates a 2014 financial performance based earnout payable to the Outremer Minority Shareholders by way on an additional issue of Ordinary Shares of the Company in early 2015, up to a value of 10,000,000 euros. As a result of the above, the Company would issue approximately 2,340,000 new Ordinary Shares to be subscribed by the Outremer Minority Shareholders Managers and the Mobius Managers which would lead to dilution of Company shareholders by approximately 1.1%.

In addition, Altice, the Outremer Minority Shareholders and the Mobius Managers have entered on March 11, 2014 into agreements pursuant to which (i) the Outremer Minority Shareholders will transfer ratchet shares tracking the performance of Altice Blue Two to Altice Caribbean, in exchange for warrants to be issued by Altice Caribbean and tracking the performance of Altice Caribbean and its subsidiaries (together with the underlying shares, the "Altice Caribbean Warrants"), (ii) Altice Caribbean Warrants will be awarded to the Mobius Managers, and (iii) existing shareholders' arrangement at the level of Altice Blue Two will be replaced by extended shareholders arrangements at the level of Altice SA, Altice Caribbean and Altice Blue Two (the "New Outremer Shareholders' Arrangements").

The New Outremer Shareholders' Arrangements include certain limitations on the rights of the majority shareholders of Altice Caribbean and of Altice Blue Two (but not of the Company), contain certain restrictions to the transfer of the shares of the relevant entity, and grant liquidity rights to the Outremer Minority Shareholders and the Mobius Managers (collectively referred to below as the "ABT Managers"), including those described below.

At the level of the Company, the New Outremer Shareholders' Arrangements provide (i) for specific lock-up commitments on the shares held by the ABT Managers in the Company (lapsing partially in 2016 and 2017, and totally in 2018 and (ii) a pre-emption right on those shares in favour of Next. The New Outremer Shareholders' Arrangements do not provide for specific rights in favour of the ABT Managers relating to the corporate governance of the Company.

At the level of Altice Caribbean, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Holding's rights as a majority shareholder of Altice Caribbean, including specific veto and consent rights in favor of the ABT Managers. Further, Mr. Jean Michel Hegesippe (who is one of the ABT Managers), shall be appointed as new CEO of Altice Caribbean. The New Shareholders' Arrangements also contain certain restrictions to the transfer of Altice Caribbean's shares (including the Altice Caribbean Warrants) and, in particular (i) an inalienability period lapsing in 2019 on shares held by the ABT Managers (subject to certain exceptions), (ii) the prior approval by Altice Holdings of any transfer of shares of Altice Caribbean held by the ABT Managers, (iii) a pre-emption right in favor of Altice Holdings, (iv) a proportional tag along right in favor of the ABT Managers, and (v) a drag along right in favor of Altice Holdings (and, as from 2018, in favor of the ABT Managers) in case of a contemplated transfer of at least 95% of Altice Caribbean's capital. The New Outremer Shareholders' Arrangements also provide that all investments of the Altice group in an area covering the Caribbean, the Indian Ocean and Mauritius shall be completed through Altice Caribbean (or one of its subsidiaries). Further, the New Outremer Shareholders' Arrangements contain put and call arrangements exercisable on the Altice Caribbean Warrants in 2018, at a price determined in order to allow the ABT Managers (subject to certain bad leaver situations), to capture a fraction of the potential value added to the investment of the Altice group in Altice Caribbean since July 2013.

At the level of Altice Blue Two, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Caribbean's rights as a majority shareholder, including specific veto and consent rights in favor of the ABT

Managers. The Company will have a call option (and the relevant ABT Manager will have a put option) on a limited number of shares of Altice Blue Two held by one of the ABT Managers, exercisable at a predetermined price during the fourth quarter of 2014.

Dominican Republic Acquisitions

ODO Acquisition

On November 26, 2013, Altice Bahamas (a wholly owned indirect subsidiary of Altice VII) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), entered into a share purchase agreement (the "ODO Acquisition Agreement") pursuant to which Altice Bahamas has agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the "ODO Sellers"), and the ODO Sellers have agreed to sell to Altice Bahamas or one of its subsidiaries, on completion of the ODO Acquisition, substantially all of the outstanding share capital of ODO. The total consideration for the ODO Acquisition is $1,435 million less certain agreed adjustments and subject to final working capital and cash balances on the Orange Dominicana Acquisition Completion Date. The consummation of the ODO Acquisition is subject to certain conditions, including relevant authorizations or clearances from the Dominican Republic regulatory authority Indotel and is expected to occur in the first quarter of 2014.

Tricom Acquisition

Pursuant to an agreement dated October 31, 2013, between Altice Caribbean (a wholly-owned indirect subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd. (the "Tricom Sellers"), a company controlled by Amzak Capital Management and Inversiones Bahía, (the "Tricom Purchase Agreements"), on March 12, 2014 Altice Caribbean, through one of its subsidiaries (the "Tricom Purchaser") purchased all of the outstanding equity interests in each of Tricom S.A. and Global Interlinks Ltd. (together, "Tricom") from the Tricom Sellers (the "Tricom Acquisition"). The aggregate purchase price payable by Altice Caribbean for the Tricom Acquisition was $405 million. The Tricom Sellers agreed to reinvest approximately $20 million of proceeds of the Tricom Acquisition in Altice Bahamas, through the subscription of Class B Shares representing 12.12% of the total outstanding shares of Altice Bahamas (which will be reduced to 2.8% of the outstanding shares of Altice Bahamas after completion of the ODO Acquisition). Furthermore, the Tricom Sellers entered into a shareholders' agreement with Altice Caribbean which, among other things, included certain restrictions on the transfer of Class B Shares, as well as put and call options on all of the Class B Shares held by the Tricom Sellers, exercisable 3, 4 and 5 years after the execution of the shareholders' agreement.

Potential Benefits from the acquisition of Tricom and ODO

The completion of the Tricom Acquisition and the expected acquisition of ODO is consistent with our strategy to drive profitability and cash-flow expansion through in-market consolidation. In particular, we believe that we will benefit from cross-selling Tricom's high speed broadband and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilize both companies' product sets and networks. We believe the combination of Tricom and ODO will create a fixed-mobile integrated player in the Dominican Republic.

We believe that Tricom's and ODO's network infrastructures are complementary. After the consummation of the ODO Acquisition we intend to progressively migrate the existing fixed line DSL customer base in the Dominican Republic to Tricom's cable network where possible. We expect to generate savings by reducing maintenance costs and unbundled local loop ("ULL") and bitstream fees as well as realizing operational synergies. ODO's mobile business will also benefit from Tricom's network, which is expected to provide transmission capacity for ODO's base stations at lower cost than prevailing market rates for leased capacity. We also believe there is potential for savings by combining overlapping regional and national fixed backbones as well as optimising mobile frequencies and networks, including utilizing Tricom's excess 4G spectrum which should allow for a cost efficient roll-out of 4G services.

MVNO Agreement

In Belgium, we offer mobile telephony services to our customers as MVNO operators.

In Belgium, our MVNO agreement with Mobistar is valid for an initial term of three years expiring in 2014 and will automatically extend for an additional period of two years unless the agreement is terminated by either party, for any reason.

Seasonality

Although our businesses are not subject to significant seasonal effects, revenue from our pay television, broadband Internet access and fixed-line telephony operations tend to be slightly higher in the fourth quarter of the year and slightly lower in the third quarter of the year.

Intellectual Property

We use a variety of trade names and trademarks in our business, including "HOT" in Israel, "Numericable" in Belgium, Luxembourg and the French Overseas Territories, "ONLY" in the French Overseas Territories, "Cabovisão" and "ONI" in Portugal and, in each case, several associated trademarks. We use the "Numericable" brand, a trademark belonging to Numericable France, pursuant to a trademark licensing agreement. Other than "Numericable" and certain associated trademarks, we own all of the trademarks we use. All of our trademarks are protected in the jurisdictions in which we operate.

We do not possess any material patents, nor do we believe that patents play a material role in our business.

We license some of the television programming content for our pay television offering from third party providers. In addition, in Israel, we co-develop shows and have also developed several show platforms for our "HOT" suite of channels. Further, we have recently acquired Ma Chaîne Sport and Sportv, French producers of sports-themed pay television content which they distribute via their television channels. We own the copyright that subsists in the content developed or co-developed by us.

Employees

The following tables show our employees by country of employment.

	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
Israel	2,677	5,121	5,814
Belgium and Luxembourg	70	72	80
Portugal	528	528	674
Switzerland	87	81	81
French Overseas Territories	1,141	869	953
Total	4503	8,649	7,602

Certain of our subsidiaries also use contract and temporary employees, which are not included in the above number, for various projects.

We are subject to various labor laws in each of the jurisdictions in which we operate. Labour laws typically govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Further, we are generally required to provide severance pay upon the retirement, death or dismissal of an employee. We are also required to make national insurance payments on behalf of our employees to the government in each of the jurisdictions in which we operate.

Some of our employees currently belong to organized unions and works councils. We consider our employee relations to be good.

Properties

We lease and own certain properties for our corporate offices, sales offices, broadcast centers, communication rooms, customer service centers, sales stores, mobile network sites, hubs, switches and head-end sites. Our registered office is located at 3, boulevard royal, L-2449 Luxembourg. With respect to our Israeli operations, our main corporate offices are located in Yakum and Airport City, both located in proximity to Tel Aviv. With respect to our Belgian operations, our main corporate offices are located in Brussels, Belgium. With respect to our Luxembourg operations, our main corporate offices are located in Strassen, Luxembourg. With respect to our Portuguese operations, our main corporate offices are located in Lisbon, Portugal and Pamela, Portugal. With respect to our operations in the French Overseas Territories, our main corporate offices are located in Paris, France. We believe that our properties meet their present needs and are generally well—maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our mobile services. While we could incur costs, such as clean-up costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed in "*Risk Factors—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.*"

Furthermore, we are also careful to offer our subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, the new LaBox represents a significant advance, since it combines several functions (Blu-Ray TM reader, TV-HD decoder and removable hard drive).

Insurance

We maintain a property insurance policy with wide coverage based on "extended fire" wording to cover our property on a new replacement basis. In certain of our geographies including Israel, we also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including general liability, comprehensive third party liability, products liability & professional liability, multimedia liability and employer's liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have directors' and officers' liability insurance policies that cover all members of our Group executive management and the members of the majority of our local management boards. We do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the telecommunications sector (subject to the wording of the policies, conditions and exclusions). However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage. With respect to the majority of our businesses, we do not insure against war and terrorism risks, however, we believe we are covered in Israel by the Property Tax and Compensation Fund Law, 1961.

Legal Proceedings

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by employees and claims by the regulatory bodies whose jurisdiction we are subject to in the countries in which we operate. In Israel, a majority of legal proceedings against us are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss for the Group and the amount of such a loss can be reasonably estimated. Other than as discussed below, as of the date of this Annual Report, we are not aware of any administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) that are likely to have or have had over the course of the last twelve months a material adverse effect on our financial condition or results of operations. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

AGICOA Litigation Relating to Copyright Infringement

In March 2000, the Association for the International Collective Management of Audiovisual Works ("AGICOA"), a society engaged in the collection and distribution of payments of royalties to the producers of audiovisual works, initiated legal proceedings in the Central District Court against HOT relating to a copyright infringement claim, seeking monetary damages of approximately $20 million. In September 2010, the court ruled in favor of AGICOA and instructed HOT to pay damages of approximately NIS 10 million plus linkage differences, interest from the date of filing the claim and plaintiff's expenses and attorney fees. Appeals were filed by both parties to the Supreme Court regarding the ruling. The parties have submitted to the Supreme Court a settlement agreement which has been approved. Under the settlement agreement, HOT will pay AGICOA for the use between 1993 and 2015 of AGICOA's repertoire a total sum that is less than the provision booked by HOT in its financial statements.

Litigation Relating to Coditel Network in Luxembourg

In 2006 and 2010, respectively, the municipalities of Roeser and Junglinster in Luxembourg terminated Coditel's network operation agreements. Coditel refused to comply with the municipalities' request to stop operating the network as it deemed that Coditel acquired ownership of the network from a private individual prior to entering into the agreements with the municipalities, which only pertain to the network operations, and that such authorization is no longer required since the implementation of the telecommunication package in Luxembourg. The municipalities of Roeser and Junglinster each sued Coditel, claimed ownership of the network and demanded that Coditel cease network operations. In December 2012, the District Court of Luxembourg (First Instance) ruled, in each case, that Coditel should cease operations within three months subject to a daily €100 fine. The court also ruled that Coditel is the owner of the network in Roeser. The court did not order provisional enforcement of the proceedings. In February 2013, Coditel filed an appeal against the decision rendered by the Court of Luxembourg. The proceedings are still pending. Coditel is involved in a number of other legal proceedings in the ordinary course of its business.

Certain class action suits in Israel

In March 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court regarding an alleged breach of provisions of the Communications Law regarding the disconnection of subscribers from its services. The applicant has claimed damages of NIS 105 million. As of the date of this Annual Report, a settlement agreement including a contribution to the community valued at NIS 7.5 million and certain benefits to subscribers was filed to the Central District Court but has been denied by the Central District Court. A motion to appeal on the same decision was filed to the Supreme Court. The matter is still pending.

In October 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court relating to alleged breach of HOT's Broadcasting License and certain provisions of its agreements with subscribers when collecting subscribers' fees in respect of the month in which the company's services were provided to subscribers, rather than charging at the following month. The applicant has estimated damages in the suit of NIS 433 million. The matter is still pending.

In February 2011, a suit seeking certification as a class action was filed against HOT by two applicants to the Central District Court, relating to alleged breaches of certain subscribers' agreements by increasing the price of services to subscribers, including alleged misleading of subscribers when increasing the prices of services. The applicants estimated damages in the suit of NIS 666 million. The matter is still pending.

In March 2012, a suit seeking certification as a class action was filed against HOT to the Haifa District Court. The applicant claims, *inter alia*, that HOT acted unlawfully when it did not pay CPI linkage differentials and interest to disconnecting subscribers with respect to the period beginning on the disconnection date until the refund date. The applicants estimate damages of approximately NIS 112.4 million. The matter is still pending.

In April 2012, a suit seeking certification as a class action was filed against HOT and against HOT Telecom in the Tel Aviv District Court regarding alleged breach of certain provisions of the law regarding the supply of frontal services. The applicant has claimed damages in the suit of NIS 186 million. The matter is still pending.

On November 20, 2012, a purported shareholder of HOT filed a suit seeking certification as a class action against Cool Holding, the HOT Minority Shareholders, HOT and members of the board of directors of HOT in the Economic Division of the Tel Aviv District Court. The suit claims that, among other things, the consideration for the Take-Private Transaction has been allocated in a manner that prejudices the public shareholders of HOT, by providing the HOT Minority Shareholders with consideration in excess of the consideration received by the other public shareholders and that certain conflicts of interest existed. The suit calls for the parties other than HOT to reallocate the consideration, in a manner that would result in the public shareholders (other than the HOT Minority Shareholders) whose shares of HOT will be acquired in the Take-Private Transaction receiving an additional aggregate amount in excess of NIS 54 million. A similar claim, also seeking certification as a class action, was filed on behalf of another purported shareholder on November 26, 2012 challenging the allocation of consideration in the Take-Private Transaction, alleging that the share price in the transaction is unfair and asking the court to appoint an expert to determine a fair price; this claim seeks total damages of up to NIS 195 million. The matter is still pending.

In November 2013, a class action suit was filed against HOT and certain other telecommunications operators by Roli Kleiman and certain others, alleging breach by HOT and the other defendants of certain Israeli laws including the Equality Law, the Regulations of Equality for People with Disabilities, the Torts Ordinance and the Consumer Protection Law by failing to provide cellular or stationary phone devices and/or services suitable for people with disabilities. The plaintiffs are representing all people with disabilities who were customers of HOT and the other defendants during the period at issue. The compensation being sought from HOT is NIS 97 million. The proceedings are still pending.

On November 2013, HOT received notice of an application for a class action suit, whereby the applicant is seeking to represent every customer who received telephone calls from HOT representatives that amounted to harassment during the 7 period years preceding the date of the claim. According to the applicant, HOT’s sales representatives harass potential customers through the volume of telephone calls it places, which allegedly resulted in a breach of HOT’s obligation stipulated in the Communications Act (Telecommunications & Transmissions), 5742-1982. The applicant is also claiming invasion of privacy and a breach by HOT of its good faith duty at the pre-contract stage. The applicant estimates the damage to each member of the class action suit to be no less than NIS 250. In addition, the applicant has requested an injunction, prohibiting HOT from continuing to make telephone calls that amount as harassment. HOT is studying the details of the claim and application for a class action.

On 12 December 2013, HOT received notice of an application for a class action suit, filed by two of its customers (“the application” and “the applicants”, respectively), in the Tel Aviv District Court. The applicants wish to represent all of HOT’s customers who do not benefit from the monthly discount on VOD services, “the monthly television discount” or a discount on certain channels. According to the applicants, HOT offers various benefits selectively to some of its customers, in order to retain them or incentivize them to subscribe to more of its services, contrary to HOT’s obligation pursuant to the provisions of the license for cable broadcasts granted to HOT, to offer its services on equal and non-discriminatory terms. In addition, the applicants allege that HOT is misleading its customers regarding the accepted price by not revealing the existence of the aforesaid benefits. The amount of the claim is NIS 100 million. The applicants are seeking to obtain a declarative junction. HOT is studying the details of the claim and the application for this class action suit.

On 16 January 2014, HOT received notice of a claim filed in the Jerusalem District Court by B-Point Systems Ltd against HOT, HOT Telecom, HOT Net, Tel Aviv Telecom Ltd and their respective officers and controlling shareholders. According to B-Point Systems Ltd, under an agreement to supply HOT and its associated companies with installation and maintenance services, HOT, its associated companies and its and their respective officers breached the agreement by acting in bad faith and negligently, and unlawfully enriching themselves. The amount of the claim was estimated at approximately NIS 45 million. Pursuant to such claim being filed, both parties agreed to resolve the matter through mediation.

RISK FACTORS

If any of the events described below, individually or in combination, were to occur, this could have a material adverse impact on our business, prospects, results of operations and financial condition and our ability to make payments on the outstanding debt. Described below and elsewhere in this Annual Report are the risks considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, our past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Risks Relating to Our Financial Profile

Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations with respect to any existing debt.

We have significant debt and debt service requirements and may incur additional debt in the future. As of December 31, 2013, as adjusted to give effect to the December 2013 Transactions and the 2013 Coditel Acquisition, including the issuance of the December 2013 Notes, the full drawdown of the 2013 Term Loan and the application of the proceeds thereof, the Group had total third-party debt (excluding other long-term and short-term liabilities, other than finance leases) of €3,463.9 million. Of this as adjusted indebtedness, €2,679 million represents third party senior indebtedness and €848 million represents third party subordinated indebtedness with respect to the 2013 Dollar Senior Notes and the 2013 Euro Senior Notes. In addition, Altice Financing will also have the ability to borrow up to $80 million under the 2012 Revolving Credit Facility Agreement, up to €60 million under the 2013 Revolving Credit Facility Agreement and up to €75 million under the 2013 Guarantee Facility. On January 14, 2014, we drew €20.5 million under the 2013 Revolving Credit Facility. See "*Description of Certain Indebtedness*".

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 obligations under our existing debt;
- 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.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations under our existing debt.

The terms of the December 2013 Indentures, the 2013 Euro Senior Notes Indenture, the 2012 Indentures, the 2013 Term Loan, the 2013 Guarantee Facility, the Revolving Credit Facility Agreements, the Coditel Mezzanine Facility Agreement and the trust deeds governing the HOT Unsecured Notes restrict, but do not prohibit, us from incurring additional debt. We may refinance our debt, and we may increase our consolidated debt for various business reasons which might include, among other things, financing acquisitions, funding the prepayment premiums, if any, on debt we refinance, funding distributions to our shareholders or for general corporate purposes. If new debt is added to our consolidated debt described above, the related risks that we now face will intensify.

We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, and may be subject to certain tax liabilities.

Our ability to service our debt and to fund our ongoing operations will depend on our ability to generate cash. There can be no assurance that our businesses will generate sufficient cash flow from operations or that future debt or equity financing will be available to us in an amount sufficient to enable us to pay our debt obligations when due. Our ability to generate cash flow and to fund our capital expenditures, ongoing operations and debt obligations are dependent on many factors, including:

- our future operating performance;
- the demand and price levels for our current and planned products and services;
- our ability to maintain the required level of technical capability in our networks and in the subscriber equipment and other relevant equipment connected to our networks;
- our ability to successfully introduce new products and services;
- our ability to reduce churn;
- general economic conditions and other conditions affecting customer spending;
- competition;
- sufficient distributable reserves, as required under applicable law;
- the outcome of certain litigation in which we are involved; and
- legal, tax and regulatory developments affecting our business.

Some of these factors are beyond our control. If we are unable to generate sufficient cash flow, we may not be able to repay our debt, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, including capital expenditures. If we are unable to meet our debt service obligations, we may have to sell assets, attempt to restructure or refinance our existing indebtedness or seek additional funding in the form of debt or equity capital. We may not be able to do so on satisfactory terms, if at all.

We expect that a significant amount of our cash flow will consist of payments of dividends or interest by Israeli companies in our Group. In general, payments of dividends or interest by companies that are Israeli residents for tax purposes are subject to withholding tax. With respect to payments to Luxembourg tax residents or residents of other countries who have a tax treaty with Israel, such withholding tax may be reduced from the rates generally applicable under Israeli law to the rates applicable under the tax treaty between Israel and Luxembourg or the other applicable treaty. In order to enjoy the reduced rate of withholding tax, it is necessary to file with the Israel Tax Authority a request for relief from withholding prior to payment of the dividend and/or interest. If a withholding tax exemption or relief certificate is received from the Israel Tax Authority prior to the payment of the dividend and/or interest, the payer will be able to make the dividend/interest payment at such reduced withholding tax rate. However, if such request is denied or delayed and such certificate is not available at the time of payment, withholding will be made at the full statutory rates. Any changes in the tax rates on dividends or interest could significantly affect our ability to meet our debt service obligations under our existing debt. In addition, payments of dividends or interests by companies resident in the Dominican Republic are subject to a withholding tax of 10%.

The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business.

The terms of the December 2013 Indentures, the 2013 Euro Notes Indenture, the 2012 Indentures, the Revolving Credit Facility Agreements, the 2013 Term Loan, the Coditel Mezzanine Facility Agreement, the 2013 Guarantee Facility and the trust deeds governing the HOT Unsecured Notes contain a number of significant covenants or other provisions that could adversely affect our ability to operate our business. These covenants restrict our ability, and the ability of our subsidiaries, to, among other things:

- pay dividends or make other distributions;
- make certain investments or acquisitions, including participating in joint ventures;

- make capital expenditures;
- engage in transactions with affiliates and other related parties;
- dispose of assets other than in the ordinary course of business;
- merge with other companies;
- incur additional debt and grant guarantees;
- repurchase or redeem equity interests and subordinated debt or issue shares of subsidiaries;
- grant liens and pledge assets; and
- change our business plan.

All of these limitations will be subject to certain exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these restrictions may be affected by events beyond our control. In addition, we are also subject to the affirmative covenants contained in the Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the HOT Unsecured Notes and the Coditel Mezzanine Facility which require us to maintain specified financial ratios. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, there can be no assurances that we will be able to meet these ratios.

In addition to limiting our flexibility in operating our business, the breach of any covenants or obligations under the agreements and instruments governing our debt will result in a default under the applicable debt agreement or instrument and could trigger acceleration of the related debt, which in turn could trigger defaults under other agreements governing our debt. A default under any of the agreements governing our other debt could materially adversely affect our growth, financial condition and results of operations.

Moreover, until such time when all of the HOT Unsecured Notes shall be delisted from trading or be repaid in full, HOT will remain a "reporting company" under Israeli law. Reporting companies under Israeli law are subject to extensive disclosure requirements and burdensome corporate governance rules under the Israeli Companies Law, 1999, the Israeli Securities Law, 1968 and the regulations promulgated thereunder, including the provision which requires a reporting company to maintain an independent audit committee, and the approval of the audit committee as a prior condition to any transaction of the reporting company in which the controlling shareholder has a personal interest.

Our ability to refinance our indebtedness, on favorable terms, or at all, will depend in part on our financial condition at the time of any contemplated refinancing. Any refinancing of our indebtedness could be at higher interest rates than our current debt and we may be required to comply with more onerous financial and other covenants, which could further restrict our business operations and may have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that we will be able to refinance our indebtedness as it comes due on commercially acceptable terms or at all and, in connection with the refinancing of our debt or otherwise, we may seek additional refinancing, dispose of certain assets, reduce or delay capital investments, or seek to raise additional capital.

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 €795.0 million comprising of the 2013 Term Loan. Since December 31, 2013, the Group has incurred an additional €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 €160.3 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 the Group, Cabovisão, ONI, Coditel, Outremer and Le Cable is the Euro. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of Tricom and ODO is the Dominican Peso. 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 and the Dominican Peso has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Further in the past, the Dominican Republic government has imposed exchange controls and currency restrictions and they may do so in the future. This is beyond our control and may result in the Dominican Peso ceasing to be freely convertible or transferable abroad to service our then outstanding indebtedness or otherwise, or the Dominican Peso being significantly depreciated relative to other currencies, including the U.S. dollar. 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.

Negative changes in our credit rating may have a material adverse effect on our financial condition.

A downgrade in our credit rating may negatively affect our ability to obtain funds from financial institutions, retain investors and banks and may increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt.

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 our Group while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect our business, financial condition or results of operations.

The following is an overview of the competitive landscape in Israel, Belgium and Luxembourg, Portugal, the French Overseas Territories and the Dominican Republic:

Israel

Pay Television. In the multi channel television market our main competitor is D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq, which provides satellite technology based multi channel television services under the brand "YES". Other factors that have a material impact on competition in the market include the availability of free-to-air DTT channels and the increasing availability of video content that may be offered via the Internet. In addition, we believe that the implementation of certain regulatory changes may have an impact on competition in the market, including the expansion in the number of free-to-air DTT channels, the "narrow" television package and the increased scope of special broadcasting licenses pursuant to which we are required to broadcast television channels owned by special broadcasting license holders on our network under certain terms. See "*Regulatory—Israel—Access to DTT Channels*" and "*Regulatory—Israel—Narrow Package Proposal*".

Broadband Internet Infrastructure Access. Our high-speed broadband Internet infrastructure access service competes primarily with Bezeq, which provides high-speed broadband access over DSL, holds the highest market share in broadband Internet infrastructure access in Israel, and offers a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of Bezeq's DSL-based broadband Internet infrastructure access service to very high bitrate DSL ("VDSL") and potentially even faster DSL variants and the possibility of widespread fiber-to-the-home installations which it has announced could have a negative impact on our competitive position in the broadband Internet infrastructure market and may also require us to revise our marketing strategy and make potentially significant capital expenditures. Further, the Israeli Ministry of Communications has issued regulatory instructions in an attempt to create a wholesale market for broadband Internet infrastructure access which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. On January 15, 2014, we received the Israeli Ministry of Communication's decision regarding the list of the wholesale services that infrastructure owners (HOT Telecom and Bezeq) will be obliged to offer to services providers. We are currently evaluating the impact of the Israeli Ministry of Communication's decision on our business in Israel and while we have not yet made a full assessment of such impact, it is possible that this may result in increased competition. See "*Regulatory—Israel—Broadband Internet Infrastructure Access and Fixed-line Telephony—Decision Regarding the Creation of a Wholesale Market*". Competition may also increase following the creation of a public private joint venture in June 2013 between the government owned Israeli Electric Corporation ("IEC") and a private company, and the granting of licenses by the Israeli Ministry of Communication to IEC, in August 2013, which proposes to use the electric transmission and distribution network in Israel owned by IEC to provide wholesale products to telecommunication services providers via optical fiber, and thus compete with HOT and Bezeq in the wholesale market as well as providing such services directly to large business customers.

Fixed-Line Telephony. Competition in providing fixed-line telephony service is intense, with providers having introduced substantial price reductions over the past few years. Bezeq, our principal competitor in the Israeli market and the largest provider of fixed-line telephony services, has an extensive fixed-line telephone network throughout Israel, strong market knowledge, high brand recognition and substantial capital resources. We believe that competition in this market will increase due to the low barriers to entry primarily as a result of regulations pursuant to which new service providers, who receive a license, can provide telephony services using voice over Internet protocol ("VoIP") or voice over broadband ("VOB") technology over the infrastructure network owned by either us or Bezeq (the end user will still need to purchase access to the infrastructure network directly from us or from Bezeq). As a result of the wholesale market implementation, the VOB service provider may be entitled to procure the access to the network infrastructure by itself. The Israeli Ministry of Communications requires the various telephony service providers to provide interconnection access in return for payment of an "interconnection fee" set by it. Competition may also increase following the commencement of operations by the proposed IEC joint venture, if successful, and as the result of the policy to develop a wholesale market in telecommunications services. Although our market share in this segment is increasing, we may not have the resources of, or benefit from the economies of scale available to, Bezeq and other competitors.

Mobile Services. The mobile market in Israel is characterized by saturation and a very high penetration level in excess of 100%, as a result of which competition is focused primarily on customers moving from one mobile operator to another. Our mobile service competes with three principal mobile network operators in Israel, who between them are currently estimated to directly represent over 92% of the total market for mobile services in Israel as of December 31, 2013, by number of mobile customers, and with an additional new mobile network operator (as well as several MVNOs). As such, the brand names of the three principal mobile network operators in Israel are better recognized as mobile service providers than our brand, they have better established sales, marketing and distribution capabilities, and are more experienced in the provision of mobile services. While we acquired HOT Mobile in November 2011, which had an existing iDEN-based mobile network and service offering, we only began offering our 3G based mobile services under the HOT brand in May 2012 and expect that we will continue to face the challenge that the brand names of our competitors are better recognized as mobile service providers and that these competing providers are part of larger, more established companies than us. We may be required to invest significantly in marketing, other promotional activities and our infrastructure to overcome this challenge. We may also face increased competition in the future from Golan Telecom, which launched its services at the same time as HOT Mobile, and MVNOs that provide mobile services under their own brand using the network infrastructure of another service provider. In addition, the Israeli Ministry of Communications has granted a special license to a few of the new operators to conduct a marketing experiment that will examine the provision of domestic telephony services using VoC (VoIP over Mobile) technology. VoC services may provide an alternative to traditional mobile services or virtual mobile networks, offering an easier and more cost efficient service. In addition, a licensed VoC service improves user experience, since it has a standard phone number and can be ported in and out with number portability. If the VoC marketing experiment is successful and the Israeli Ministry of Communications grants licenses to offer VoC service, demand for our mobile services may be reduced, which would negatively impact revenues and profits from that segment. In the future, the Israeli Ministry of Communications may auction additional spectrum for LTE services at prices or on terms which we do not consider attractive. We may be unsuccessful in acquiring spectrum for LTE services or a successful bid may strain our financial resources. In the event that we successfully bid for such additional spectrum and decide to accept the terms on which it is offered to us, we would need to deploy 4G LTE infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) in order to commercialize such services. It is unclear whether the regulator would allow us to deploy an LTE network before we complete the roll-out of our UMTS network or share the network with Partner, subject to the relevant regulatory approvals. If we are not granted such permission or the regulatory approval for our network sharing agreement with Partner is not granted, we could incur significant delay in rolling out our 4G LTE network compared to our competitors which have already completed the roll-out of their UMTS 3G networks. A delay in the introduction of 4G LTE services or a failure on our part to provide such services at all could negatively affect our ability to compete with mobile operators who can provide such services to Israeli subscribers.

Multiple-play offerings. We are currently the only provider of triple-play services combining pay television, broadband Internet infrastructure access and fixed-line telephony services at a bundled price below what a subscriber would pay for each service individually. Bezeq, our principal competitor, is currently limited under its license from providing, although it can apply for approval to the Israeli Ministry of Communications to provide, triple-play services. However, with approval of the Israeli Ministry of Communications, Bezeq has the capability to offer such triple- play services to its customers through an associate which provides pay television services under the brand "YES" on a stand alone basis. Bezeq can also currently provide double-play services including broadband Internet infrastructure access and ISP services at a bundled price. The ability of our competitors to provide multiple-play services in the future as a result of regulatory changes, consolidation in the industry, advances in technology or other factors, or regulatory changes that might require us to provide, on a stand alone basis, the services that currently form our triple-play bundle at the bundled rates, could have a material effect on our business, financial condition and results of operations.

Business Services. Competition in the provision of Internet, data and voice products to business customers is intense, with Bezeq, several local telephony operators through VoB and several international telephony operators among our competitors. In addition to competitive activity, we continue to see challenges in this segment of the market as a result of price erosion in existing products and the need to invest in new product development to satisfy the evolving preferences of prospective customers.

Belgium and Luxembourg

In the pay television market within our footprint in Belgium, we compete with Belgacom, which has a DSL-based network and is the only operator that offers national coverage. Generally, competition has been limited due to a lack of overlap among cable operators with Telenet operating predominantly in Flanders, VOO in the French speaking part of Belgium and us predominately in Brussels (with Telenet and VOO also present in the capital). Due to changes in the regulatory regime allowing third party access to cable networks, with wholesale offers required to be in place by autumn 2013, we may face competition in the pay television market from new providers who will be given access to use our cable infrastructure. Furthermore, Belgacom has extensively developed its service offering, with a full range of broadcast television and premium content which is likely to increase competition in the pay television market. Also, we do not currently offer television on mobile devices, such as mobile handsets and iPods, while both Belgacom and Mobistar are starting to do so. We are currently in the process of rolling out a mobile television application. If we fail to provide more attractive service offerings or to successfully roll out our mobile television applications we may experience an increased churn of our customer base to our competitors which may have an adverse effect on our business. Although smaller compared to cable, satellite television and DTT also constitute a competitive presence in Belgium. In the broadband Internet market in Belgium, we compete primarily with the incumbent DSL provider Belgacom. DSL remains the leading technology by which broadband Internet access services are being provided in Belgium and despite cable overtaking DSL in Flanders and certain other regions, DSL retains a higher market share in Belgium. Although current trends indicate that cable technology has become an attractive and sought after alternative to DSL due to the speed and higher reliability it can offer, we may not be able to take advantage of this trend due to the competitive nature of the broadband Internet market, which may adversely affect our business. Furthermore high speed package access and LTE technology have presented a viable alternative to DSL and cable due to their ability to provide higher speeds. In the fixed-line telephony market in Belgium, we compete primarily with the incumbent DSL provider Belgacom and the saturated market has led to intensive price reductions over the years. Telephony is also increasingly bundled together with other fixed-line products rather than being sold as a standalone service. Belgacom has invested significantly in upgrading its technology, for example, by investing in VDSL and adding other services such as Wifi hotspots. Although we have seen an increase in our fixed-line telephony RGUs due to the increase in uptake of our triple-play bundles, we may not be able to uphold this increase if Belgacom is successful in realizing growth in the triple play service offerings. The mobile telephony market in Belgium, which we entered in September 2012 as a mobile virtual network operator, has three major operators: the incumbent Belgacom, Mobistar and BASE. Although operators accessing the market through MVNOs, like us, have in recent years contributed to the intensification of competition in the mobile telephony market, our ability to build and increase our market share is subject to strong competition from the incumbent operators who, amongst other things, benefit from greater brand name recognition. With respect to our multiple-play products in Belgium, we compete primarily with the incumbent Belgacom. We may face aggressive pricing from Belgacom with which we may not be able to compete. If we consider price reductions for our multiple-play packages, we may have to reduce costs and investments in other areas of our business. If we fail to attract customers despite our aggressive pricing or are unable to materialize any gains, this may have a material adverse effect on our results of operation.

Our primary competitor in the pay television broadband Internet and fixed-line telephony market in Luxembourg is the incumbent Post Telecom S.A.. In the multiple-play market, we compete with certain other smaller operators since Post Telecom S.A. is currently prohibited from bundling its television offering with its broadband and telephony services. Competitive factors, particularly in the fixed-line telephony market, have led to substantial price reductions over the past years and despite our efforts to provide our customers with the most competitive price plans across all of our products, we may not be able to sustain further price reductions in the future. Our inability to keep up with the competitive price plans may lead to a reduction in our customer base and may have a material adverse effect on our business.

Portugal

In our footprint in Portugal, a significant portion of our cable network overlaps with our key competitor Zon Optimus (formerly Zon Multimedia) ("ZON") and Portugal Telecom. In the Portuguese pay television market, our competitors primarily include ZON, the largest operator by number of subscribers, and Portugal Telecom. The intense competition in this segment has led certain of our competitors to offer aggressively priced packages in the market. During 2012, we took the strategic decision to cease offering certain aggressively priced packages which resulted in a high churn rate for our pay television services. If the packages offered by our competitors continue to be offered at aggressive prices or if our competitors decide to further reduce the prices we may be subject to lower sales and even higher churn rates which may have a material adverse effect on our results of operations. Furthermore, if we decide to offer aggressively priced packages as a result of the high competition in the pay television market, we may have to reduce costs in other areas of our business. With respect to broadband Internet access, fixed-line telephony and B2B services, our most important competitor is the incumbent Portugal Telecom, which historically had a monopoly in fixed-line telephony and broadband Internet access. Triple- play is increasingly becoming the norm in Portugal where we compete primarily with ZON and Portugal Telecom. Competition has been intensified by mobile operators Optimus and Vodafone with large mobile operations but a limited (although growing) fixed line network. In 2013, Optimus was merged with Zon which allowed ZON to offer quadruple-play bundles combining cable based triple-play and mobile. Certain of our competitors have begun offering quadruple play bundles, which may increase competitive pressures, although the impact such market trends may have on our business in the future cannot be predicted.

French Overseas Territories

We experience significant competition in the various markets in which we operate in the French Overseas Territories. Key competitors of our broadband Internet and fixed-line business include (i) Orange as the incumbent operator in the French Overseas Territories with an overall market share above 50%, (ii) MediaServ as the DSL operator with an estimated 85,000 subscribers in all French Overseas Territories (except Mayotte), and (iii) other competitors in La Réunion including a DSL provider (SRR) and a cable operator (ZeOP). Competition in the Indian Ocean region has been particularly intense, which has had a negative impact on revenues from the region. We also expect the broadband Internet and fixed-line market in the French Overseas Territories to undergo some consolidation in the future, which may increase competition.

In the mobile market, we compete against large telecommunications conglomerates such as Orange, SRR (the local affiliate of SFR in the Indian Ocean), area and Digicel (only located in the Caribbean). We expect to face additional pricing pressure in future periods as competitors respond to our attractively priced offers.

In the pay television market we mainly compete with Canal Plus and Parabole Réunion, among the strongest satellite operators in the region. Although we believe that growing demand for bandwidth and triple-play packages is going to increase to alternative access technologies such as cable, we may not be able to be successful in gaining market share, as we compete with well-known incumbent satellite operators who dominate the market.

We are currently the only operator providing quadruple-play packages in the French Overseas Territories. However, we may face competition from new operators in the future which may have an adverse effect on our growth prospects and our results of operation. Further, in the event regulations currently prohibiting larger operators such as Orange and SRR from bundling are repealed or modified, we risk facing strong competition on bundled product offerings and we may not be able to successfully maintain our market share or compete with such competition.

We further expect competition, including further price competition, from existing competitors, new start-ups and other companies to increase in the future and there can be no assurances that the tiered offerings, bundled packages and other measures that we have introduced in response to these developments will be successful in attracting and retaining customers.

Dominican Republic

Tricom, which provides cable and fixed-line services as well as mobile services, and ODO which provides mobile services and broadband services, currently face significant competition in their respective markets.

In the mobile market, ODO's and Tricom's key competitors are Claro, the incumbent with a 54% market share and Viva with a 7% market share. ODO and Tricom have recently subject to decreasing mobile termination rates which continue to be significantly higher than in other regions such as Western Europe. While voice to data substitution resulting from increased smartphone penetration should help mitigate the impact of voice ARPU deterioration, ODO and Tricom may not be able to successfully capture wireless market share, due to competition in particular from Claro, the incumbent owned by the Mexican telecom operator America Movil with a approximately 67% market share and also Wind Telecom, a local wireless player with an approximately 8% market share. In addition, uncertainty remains as to future spectrum auctions and ability for ODO to utilize Tricom's excess spectrum, which could impact 4G/LTE deployment and therefore increased data demand from our customers. There can be no assurance that we will be successful in acquiring the necessary spectrum for LTE services or that the cost of obtaining spectrum or developing LTE capability will not strain our financial resources. An inability to offer LTE services or a delay in offering these services could negatively affect our ability to compete with mobile operators who can provide such services.

Key competitors of Tricom's pay television business are Claro (approximately 38% market share), cable operator Aster (approximately 12% market share) and Wind Telecom (approximately 10% market share). While the market remains relatively fragmented, significant consolidation opportunities exist, in particular between some of the smaller cable operators and we therefore expect increased competition going forward.

Concentration in the fixed-telephony market is also high, with Claro and Tricom together accounting for a market share of over approximately 90% (68% and approximately 25% market shares, respectively). However, revenues and fixed-line telephony subscribers have seen declines in recent years, due to mobile substitution. These trends are in line with those witnessed in most Western European countries and are expected to continue in the future, with multiple-play uptake only expected to mitigate this deterioration in part. In addition, termination rates continue to be significantly higher than in other countries, with any reductions likely to impact Tricom negatively.

Tricom and Claro are currently the only quadruple-play providers in the Dominican Republic. Bundled services are expected to become increasingly important and customers that have such services are less likely to switch to a different operator for all or part of the bundled services. ODO does not currently provide bundled service and is therefore currently unable to compete in the market for bundled services, which may adversely affect its ability both to retain existing customers and to attract new customers, including those who currently subscribe for bundled services from other operators and may be dis-incentivised to switch operators as a result.

Further, a new mobile network operator, or "MNO," could successfully enter the mobile telecommunications market in the Dominican Republic. The entry of a new MNO in the Dominican Republic mobile telecommunications market could materially impact ODO and Tricom's market shares and have corresponding effects on their revenues and results of operations. MVNOs and resellers could also enter the Dominican Republic mobile telecommunications market, following an international trend towards increasing diversification in the telecommunications markets. In addition, ODO and Tricom are facing increasing competition from non-traditional mobile voice and data services based on new mobile voice over the Internet technologies, in particular over-the-top ("OTT") applications, such as Skype, Google Talk and Facebook.

A weak economy and negative economic development in Israel, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland or, following the ODO Acquisition and Tricom Acquisition, the Dominican Republic, may jeopardize our growth targets and may have a material adverse effect on our business, financial condition and results of operations.

Negative developments in, or the general weakness of, the economy in Israel, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland or the Dominican Republic (where we will own telecommunication services providers following the Tricom Acquisition and the ODO Acquisition), in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a deterioration of any of these economies will not lead to a higher number of non-paying customers or generally result in service disconnections. Similarly, a deterioration in economic conditions in the countries to which we offer B2B services (Portugal, Belgium, Luxembourg, Switzerland and the Dominican Republic) would be likely to adversely affect the demand for and pricing of such services. Therefore, a weak economy and negative economic development in the markets in which we operate may jeopardize our growth targets and may have a material adverse effect on our business, financial condition and results of operations. We are currently unable to predict the extent of any of these potential adverse effects. Recently, the general economic, labor market and capital market conditions in the EMEA region (including Israel), including certain of the jurisdictions in which we operate, and other parts of the world have undergone significant turmoil. In addition, general market volatility has resulted from uncertainty about sovereign debt and fear that the governments of countries such as Cyprus, Greece, Portugal, Spain, Ireland and Italy may default on their financial obligations. Furthermore, continued hostilities in the Middle East and recent tensions in North Africa could adversely affect the Israeli economy. Additionally, the Dominican economy remains vulnerable to external shocks (e.g., economic declines in other emerging market countries), which could have a material adverse effect on economic growth in the Dominican Republic. These conditions have also adversely affected access to capital and increased the cost of capital. Although we believe that our capital structure will provide sufficient liquidity, there is no assurance that our liquidity will not be affected by changes in the financial markets or that our capital resources will at all times be sufficient to satisfy our liquidity needs. If these conditions continue or become worse, our future cost of debt and equity capital and access to the capital markets could be adversely affected.

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.

Terrorist attacks and threats, escalation of military activity in response to such attacks or acts of war may negatively affect our cash flows, results of operations or financial condition.

Our business is affected by general economic conditions, fluctuations in consumer confidence and spending, and market liquidity which can decline as a result of numerous factors outside of our control, such as terrorist attacks and acts of war. In Israel, the ongoing hostilities with the Palestinians, future terrorist attacks, rumors or threats of war, actual conflicts in which it or its allies might be involved, or military or trade disruptions affecting us or our customers may adversely affect our operations.

With the completion of the Tricom Acquisition on March 12, 2014, we now have operations in the Dominican Republic that are exposed to economic, political and other risks related to the Dominican Republic. Such operations will be further expanded following the ODO Acquisition.

With the completion of the Tricom Acquisition we have acquired operations in the Dominican Republic. Such operations will be further expanded upon the consummation of the ODO Acquisition. We have no prior history of operating in the Dominican Republic. The Dominican Republic is an emerging market economy and as such is more vulnerable to market volatility, as well as political and economic instability, than developed markets. Risks associated with operating in the Dominican Republic include, but are not limited to:

- high interest rates;
- devaluation or depreciation of the currency;
- inflation;
- changes in governmental economic, tax or other policies;
- the potential reintroduction of exchange controls;

- the scarcity of available foreign exchange
- significant oil price increases
- economic and political instability; and
- expropriation and political violence or disturbance.

ODO and Tricom's operations could be affected by changes in the economic or other policies of the Dominican Republic government or other political, regulatory or economic authorities in the country. Historically, past governments have intervened in the nation's economy. Among other things, past governments have historically imposed import and export and exchange rates controls. Future developments in Dominican Republic politics, such as changes in economic or other government or other political, regulatory or economic authorities, including government-induced effects on inflation, devaluation and economic growth, could adversely affect ODO and Tricom's businesses, financial conditions or results of operations.

Historically, the Dominican Republic has experienced high rates of inflation. Inflation, as well as government efforts to combat inflation or stabilize the Dominican Peso, has in the past had significant negative effects on the Dominican economy, most recently in 2003 and 2004, when inflation rates, as measured by the Dominican Consumer Price Index (Indice de Precios al Consumidor, or the Dominican CPI) were 42.7% and 28.7%, respectively. Inflation rates since then, as measured by this index, were 7.4% in 2005, 5.0% in 2006, 8.9% in 2007, 4.5% in 2008, 5.8% in 2009, 6.2% in 2010, 7.8% in 2011 and 3.9% in 2012.

Each of these factors could, individually or in the aggregate, have a material adverse effect on ODO and Tricom's business, reputation, financial conditions or result of operations.

Our growth prospects depend on a continued demand for cable based and mobile products and services and an increased demand for bundled and premium offerings.

The use of Internet, television and fixed-line telephony and mobile services in certain of the jurisdictions in which we operate has increased sharply in recent years. For example, Israel has become one of the most highly penetrated countries for such services, broadly in line with countries in Western Europe. We have benefited from this growth in recent years and our growth and profitability depend, in part, on a continued demand for these services in the coming years. We rely on our multiple-play and premium television services in most of the jurisdictions in which we operate to attract new customers and to increase our revenue per customer by migrating existing customers to such services. Therefore, if demand for multiple-play products and premium television services does not increase as expected, this could have a material adverse effect on our business, financial condition and results of operations.

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.

We are subject to increasing operating costs and inflation risks which may adversely affect our earnings.

While we generally attempt to increase our subscription rates to offset increases in operating costs, there is no assurance that we will be able to do so due to competitive and other factors. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow and results of operations. We are also affected by inflationary increases in salaries, wages, benefits and other administrative costs which we may not be in a position to pass on to our customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

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. See "*—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 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 Group's 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 approximately 1.3 million subscriptions as of December 31, 2013including business and residential customers. Based on Bezeq's public filings, Bezeq is currently rolling out a FTTH/FTTB infrastructure. Bezeq has reported that, as of December 31, 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 by further rolling out FTTH or FTTB and covering a wider customer base, in an effort to form the basis of the future supply of advanced communications services and with greater bandwidth than is currently provided. Furthermore, Bezeq announced it had deployed FTTx to 400,000 households and businesses in Israel as of December 31, 2013 and that it was planning to have covered 1,000,000 homes and businesses with fiber by the end of 2014.

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.

ODO's activities may be affected by Indotel's decision regarding the granting, amendment or renewal of frequency licenses.

ODO's activities as a mobile network operator in the Dominican Republic are subject to regulation and supervision by various Dominican Republic authorities, in particular the Dominican Institute for Telecommunications ("Indotel"). Since 2002, Indotel has issued a series of decrees and resolutions in order to implement the National Frequency Allocation Plan ("PNAF"), the objective of which is to reorganize the radio spectrum in the Dominican Republic and make more bands available for operators to provide mobile services. Frequency migration is currently in progress and concerns ODO among other operators. For example, Orange must migrate from its current 1800Mhz frequency to another frequency to be allocated to it in the 2110-2155Mhz band in order to comply with PNAF provisions, which pair the 1700Mhz frequency with the 2100Mhz frequency. Spectrum entitlement rights relating to the migrated bands remain in dispute among various telecom operators. In addition, Indotel has not confirmed the final step in a frequency swap assigning the 1720-1730 MHZ and the 2120-2130 MHz ranges to ODO in exchange for other frequencies.

Indotel launched a public auction in October 2011 to allocate the frequencies made available in the modified radio spectrum, including the 900MHz (downlink). ODO qualified as a bidder and prepared documentation to present its offer. However, Arcoiris de Television, Colorvision, Supercanal and Satel/Grupo Telemicro filed oppositions claiming that they owned the frequencies that were for sale. In response, Indotel postponed the public auction and has so far only ruled on Arcoiris Television's claim. Indotel has recently indicated that it would resume the auction in the near term. ODO's options to acquire the desired frequencies are to (i) wait for Indotel to resume the public auction or (ii) consider purchasing the frequencies directly from the alleged owners, subject to Indotel's grant of clearance.

Any decisions by regulators or decisions regarding the granting, amendment or renewal of the frequency licenses, to us or to third parties, could materially and adversely affect our business, financial condition and results of operations following the ODO Acquisition.

ODO's ability to extend its 4G/LTE service offering beyond its current limitations is subject to the finalization of the public auction.

ODO currently only offers limited 4G/LTE services in the Dominican Republic due to certain restrictions imposed on it by Indotel following a claim by Claro, the incumbent operator in the Dominican Republic, which alleged ODO's 4G/LTE services amounted to an improper use of spectrum, violated public auction terms and constituted anti-competitive practices. These restrictions limit ODO's right to offer 4G LTE services through a USB device for wireless Internet access in five original areas of sale in Santo Domingo. Following Indotel's subsequent declaration that ODO had not committed the violations alleged by Claro, it elected to allow ODO to re-launch its offer subject to the limitations mentioned above. ODO's further deployment of 4G/LTE remains conditional on its successful acquisition of additional frequencies that support 4G/LTE services. Indotel has announced its intention to resume the public auction of additional frequencies in the near term. In addition, Tricom has sufficient bandwidth in the relevant spectrum band and currently offers 4G/LTE services nationwide. Following the consummation of the ODO Acquisition and the Tricom Acquisition, ODO expects to be able to leverage Tricom's spectrum entitlement to extend the reach of its 4G/LTE services. However, in the event the restrictions imposed by Indotel continue in place or ODO is unable to acquire additional frequencies for any reason (within the context of the public auction process or otherwise), its ability to provide 4G/LTE services will be significantly limited, which may have a material adverse effect on its results of operations.

Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.

Exposure to electromagnetic fields through telecommunications equipment, including mobile antennas, relay antennas and WiFi, has raised concerns regarding possible harmful side effects. If concern for such risks were to worsen, or if harmful effects were scientifically established, our business, financial condition and results of operations could be materially adversely affected.

A number of studies have been conducted to examine the health effects of mobile phone use and network sites, and some of these studies have been construed as indicating that radiation from mobile phone use causes adverse health effects. Media reports have suggested that radio frequency emissions from mobile network sites, mobile handsets and other mobile telecommunication devices may raise various health concerns. While, to the best of our knowledge, the handsets that we market comply with the applicable laws that relate to acceptable Specific Absorption Rate ("SAR") levels, we rely on the SAR levels published by the manufacturers of these handsets and do not perform independent inspections of the SAR levels of these handsets. As the manufacturers' approvals refer to a prototype handset, and not for each and every handset, we have no information as to the actual level of SAR of the handsets along the lifecycle of the handsets. Furthermore, we only own mobile networks in Israel and the French Overseas Territories and our mobile network sites comply with the International Council on Non-Ionizing Radiation Protection standard, a part of the World Health Organization.

In May 2011, the International Agency for Research on Cancer ("IARC"), which is part of the World Health Organization ("WHO"), published a press release according to which it classified radiofrequency electromagnetic fields as possibly carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use. We have complied with and are committed to continue to comply with the rules of the authorized governmental institutions with respect to the precautionary rules regarding the use of mobile telephones.

In June 2011, WHO published a fact sheet (no. 193) in which it was noted that "A large number of studies have been performed over the last two decades to assess whether mobile phones pose a potential health risk. To date, no adverse health effects have been established as being caused by mobile phone use". It was also noted by WHO that "While an increased risk of brain tumors is not established, the increasing use of mobile phones and the lack of data for mobile phone use over time periods longer than 15 years warrant further research of mobile phone use and brain cancer risk in particular, with the recent popularity of mobile phone use among younger people, and therefore a potentially longer lifetime of exposure". WHO notified that in response to public and governmental concern it will conduct a formal risk assessment of all studied health outcomes from radiofrequency fields exposure.

In Israel, the Israeli Ministry of Health published in July 2008 recommendations regarding precautionary measures when using mobile handsets. It indicated that although the findings of an international study on whether mobile phone usage increases the risk of developing certain tumors were not yet finalized, partial results of several of the studies were published, and a relationship between prolonged mobile phone usage and tumor development was observed in some of these studies. For example, we refer our customers in Israel to the precautionary rules that have been recommended by the Israeli Ministry of Health, as may be amended from time to time. These studies, as well as the precautionary recommendations published by the Israeli Ministry of Health, have increased concerns of the Israeli public with regards to the connection between mobile phone exposure and illnesses.

Several lawsuits have been filed against mobile operators and other participants in the mobile industry alleging adverse health effects and other claims relating to radio frequency transmissions to and from sites, handsets and other mobile telecommunications devices, including lawsuits against HOT, which were settled during 2012 with no material expenses incurred in such settlements.

The perception of increased health risks related to mobile network sites may also cause us increased difficulty in obtaining leases for new mobile network site locations or renewing leases for existing locations or otherwise in installing mobile telecommunication devices. If it is ever determined that health risks existed or that there was a deviation from radiation standards which would result in a health risk from sites, other mobile devices or handsets, this would have a material adverse effect on our business, operations and financial condition, including through exposure to potential liability, a reduction in subscribers and reduced usage per subscriber. Furthermore, we do not expect to be able to obtain insurance with respect to such liability.

If we cannot obtain or maintain favorable roaming or network sharing arrangements for our mobile services, our services may be less attractive or less profitable.

In Israel, we rely on agreements to provide roaming capability to our subscribers in many areas inside and outside Israel, for roaming services to our 3G mobile customers within areas in Israel not covered by our UMTS network while we build-out our UMTS network and with Vodafone for roaming services outside Israel. In November 2013 we entered into the Network Sharing Agreement with Partner Communications Company Ltd. ("Partner") pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation. In addition, in the French Overseas Territories we rely on third party operators to provide international roaming services for our mobile subscribers. In Belgium, we do not own a mobile network and we rely on a mobile virtual network operator agreement with Mobistar to provide mobile services. We cannot control the quality of the service that any such operators provide and it may be inferior to the quality of service that we provide. Equally, our subscribers may not be able to use some of the advanced features that they enjoy when making calls on our mobile network. Some of our competitors may be able to obtain lower roaming or MVNO rates than we do because they may have larger call volumes. If our competitors' providers can deliver a higher quality or a more cost effective service, then subscribers may migrate to those competitors and our results of operation could be adversely affected. Further, we may not be able to compel providers to participate in our technology migration and enhancement strategies. As a result, our ability to implement technological innovations could be adversely affected if these providers are unable or unwilling to cooperate with the further development of our mobile networks or if they cease to provide services comparable to those we offer on our networks.

In Israel, further to having amended our agreement with Pelephone in November 2013, which repealed the exclusivity clause HOT was subject to, we intend to transition the roaming arrangements with Pelephone to Partner. There can be no assurance that we will be able to achieve such transition in a timely or cost effective manner, or at all. The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028, may be terminated in the event of a material breach and certain other specific events and is subject to certain regulatory approvals. There can be no assurance that we will receive such regulatory approval in a timely manner or at all. The RoU Agreement with Partner is valid until January 4, 2017. There can be no assurance that we will be able to implement the arrangements we have entered into with Partner in a timely or cost effective manner. In Israel, our agreement with Vodafone automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. In Belgium, our MVNO agreement with Mobistar is valid for an initial term of three years expiring in 2014 and will automatically extend for an additional period of two years unless the agreement is terminated by either party, for any reason. If we are unable to obtain the required regulatory approvals for the Network Sharing Agreement or otherwise implement the arrangements we have entered into with Partner in a timely or cost effective manner we may be unable to achieve some or all of the anticipated benefits of these arrangement and our business and results of operations may be negatively affected. If we are unable to renew or replace the services provided by Vodafone with respect to roaming services outside Israel or similar agreements with other mobile operators with respect to our businesses in other jurisdictions (including Mobistar in Belgium) on favorable terms, our business and results of operations may be negatively affected.

We rely on interconnecting telecommunications providers and could be adversely affected if these providers fail to provide these services without disruption and on a consistent basis.

Our ability to provide commercially viable telephone services in the jurisdictions in which we operate depends upon our ability to interconnect with the telecommunications networks of fixed-line, mobile and international operators in such jurisdictions in order to complete calls between our subscribers and parties on a fixed-line or other mobile telephone network, as well as third parties abroad. Generally, fixed-line telephony, mobile and international operators in the jurisdictions in which we operate are obliged by law to provide interconnection to, and not to discriminate against, any other licensed telecommunications operator. We have no control over the quality and timing of the investment and maintenance activities that are necessary for these entities to provide us with interconnection to their respective telecommunications networks. In Israel, for instance, the implementation of number portability requires us to rely further on other providers, since our ability to implement number portability, provide our services and our basic ability to port numbers between operators are dependent on the manner of number portability implementation by interconnecting local operators.

The failure of these or other telecommunications providers to provide reliable interconnections to us on a consistent basis and under terms that are favorable to us could have an adverse effect on our business, financial condition or results of operations.

In addition, interconnection agreements and interconnection rates are normally subject to regulation in the jurisdictions in which we operate. In the Dominican Republic, interconnection rates are not set by the regulator but are individually negotiated by operators, however, operators must report the agreements they reach with each other to the regulator. The regulator reserves the right to intervene, if necessary, to establish prices and access to backhaul. Any changes in the interconnection rates set by the regulators may impact our results of operation. In the Dominican Republic, ODO has challenged the legality of a decision by Indotel which modified the regulation on interconnection agreements to include backhaul as an essential facility. If the Dominican Republic courts uphold the decision rendered by Indotel, ODO will have to comply with the conditions related to backhaul. It is unclear what financial implications this would have on ODO's operations.

We rely on third parties for access to and the operation of certain parts of our network.

We are generally dependent on access to sites and land belonging to, and network infrastructure owned by, third parties, including for cable duct space and antennas used for our networks and facility space (colocation). In this respect, we have generally obtained leases, rights and licenses from network operators, including incumbent operators, governmental authorities and individuals. Our ability to offer our services to customers depends on the performance of these third parties of their obligations under such leases, licenses and rights. If we are not able to renew our current lease agreements for these sites and/or to enter into new lease agreements for suitable alternate sites, this could have a negative impact on the coverage of our network. In certain cases we are reliant on such third parties to provide installation and maintenance services, such as in Israel where we rely on our competitor and incumbent operator Bezeq to provide installation and maintenance services on certain parts of our cable network. Following the implementation of the Network Sharing Agreement with Partner, we will rely on the newly formed limited partnership (in which HOT Mobile and Partner shall each hold an equal share), which will hold, develop and operate an advanced shared mobile network for both companies. With respect to our operations in Belgium and Luxembourg, our subsidiary Coditel Holding has also entered into an arrangement with Numericable France, valid for an initial term until 2017, pursuant to which it permitted to deliver television channels' signal and existing data flows over Numericable France's backbone.

If third parties refuse to or only partially fulfill their obligations under or terminate the licenses granted to us or prevent the required access to certain of all of such sites, it could prevent or delay the connection to sites or customers, limit the growth of our offerings and influence our ability to supply high quality service to our customers in a timely and cost effective manner. In addition, the costs of providing services is dependent on the pricing and technical terms under which we are given such access and any change in such terms may have a material adverse effect on our business. In many cases, we may not be able to find suitable alternatives at comparable cost or within a reasonable timeframe.

If we are unable to obtain attractive programming on satisfactory terms for our pay television services, the demand for these services could be reduced, thereby lowering revenue and profitability.

The success of our basic and premium pay television services depends on access to an attractive selection of television programming from content providers. The ability to provide movie, sports and other popular programming, including VOD content, is a major factor that attracts subscribers to pay television services, especially premium services.

We rely on digital programming suppliers for a significant portion of our programming content and VOD services. We may not be able to obtain sufficient high-quality programming from third party producers for our digital cable television services on satisfactory terms or at all in order to offer compelling digital cable television services. Further, with respect to our operations in Israel, there can be no assurances that the local content we are required to develop in conjunction with our partner studios will continue to be successful. The inability to obtain high-quality content, may also limit our ability to migrate customers from lower tier programming to higher tier programming, thereby inhibiting our ability to execute our business strategy. In addition, we are currently subject to "must carry" requirements in certain of the jurisdictions in which we operate that may consume channel capacity otherwise available for other services. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, our digital cable television services.

Also, some of our programming contracts require us to pay prices for the programming based on a guaranteed minimum number of subscribers, even if that number is larger than the number of actual subscribers. In addition, some of our programming contracts are based on a flat fee irrespective of the popularity of the content purchased under such contract. As a result, if we misjudge anticipated demand for the programming or if the programming we acquire does not attract the number of viewers we anticipated, the profitability of our television services may be impaired.

In addition, program providers and broadcasters may elect to distribute their programming through other distribution platforms, such as satellite platforms, digital terrestrial broadcasting or IPTV, or may enter into exclusive arrangements with other distributors.

Furthermore, as we purchase a significant portion of our content from various content providers under relatively short-term contracts, the prices we pay to purchase such content are subject to change and may increase significantly in the future, which could have a material adverse effect on our results of operations.

An increase in the rate of our annual royalty or other payments with respect to our licenses could adversely affect or results of operations.

We are required to make certain royalty payments to the State of Israel in connection with our domestic license with respect to our broadband and fixed-line services, our broadcasting license, our mobile license and our international long distance telephony services. See "*Regulatory—Broadband Internet Infrastructure Access and Fixed- Line Telephony—Fees and Royalty Payments*". In Israel, although the royalty payments due to the Israeli Ministry of Communication have decreased in recent years and have been reduced to zero with effect from January 2013, there is no assurance that the Israeli Ministry of Communications would not reinstate or increase them in the future. We are still required to make annual payments until January 2015, to the State of Israel for the use of cable infrastructure. See "*Description of Our Business—Material Contracts—Agreement with the State of Israel relating to ownership of our cable network*". In Portugal, we are required to pay certain fees to the regulatory authority to cover certain costs of such authority that are allocated amongst the telecommunications operators, such as an annual fee calculated considering our turnover in the telecommunications sector, as well as annual fees for number usage and for frequency usage. We are also required to pay fees for number allocation, for frequency allocation and for certain declarations of rights, among other fees. If the Israeli Ministry of Communications and the Israeli Ministry of Finance or the relevant government authorities in Portugal or in the other jurisdictions in which we operate increase the royalty or other payments we are required to make pursuant to our licenses or otherwise, it may have a material effect on our revenue and results of operations.

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 Israel, 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.

Customer churn, or the threat of customer churn, may adversely affect our business.

Our ability to attract and retain subscribers to our cable based and mobile services or to increase profitability from existing subscribers will depend in large part on our ability to stimulate and increase subscriber usage, convince subscribers to switch from competitors' services to our services and our ability to minimize customer "churn". Customer churn is a measure of the number of customers who stop subscribing for one or more of our products or services. Churn arises mainly as a result of competitive influences, introduction of new products and technologies, deterioration of personal financial circumstances, price increases and regulatory developments. In Israel, the regulatory framework prohibits, among other things, cable based service providers and mobile operators from charging exit fees, except in limited circumstances, to subscribers who wish to terminate their services and mobile operators from selling locked handsets or linking the terms of sale of handsets to the terms of mobile services, including discounts and other benefits, which has increased churn rates for many cable based service providers and mobile operators. If we fail to effectively communicate the benefits of our networks through our marketing advertising efforts, we may not be able to attract new customers and our efforts to attract and retain customers may prove unsuccessful. With the launch of our UMTS network in 2012, our mobile churn rate in Israel increased from historical levels as 3G mobile services generally have a higher churn rate than iDEN mobile services. In addition, any interruption of our services or the removal or unavailability of programming, which may not be under our control, could contribute to increased customer churn. Further our competitors may improve their ability to attract new customers, for example by offering new product bundles or product offerings at lower prices than us, which would make it difficult for us to retain our current subscribers, and the cost of retaining and acquiring new subscribers could increase. In Portugal, we experienced increase churn in recent periods mainly as a result of aggressive competition and the adverse economic conditions. In addition, our B2B operations are also subject to "tariff churn" (i.e., an existing customer negotiating tariff decreases). Large corporate customers in particular are highly sophisticated and often aggressive in seeking to renegotiate the pricing of their contracts which tends to result in margin pressure. Increased customer or tariff churn may have a material adverse effect on our business, financial condition and results of operation.

Acquisitions and other strategic transactions present many risks including the risk that we may not be able to integrate newly acquired operations into our business, which may prevent us from realizing the strategic and financial goals contemplated at the time of any such transaction and thus adversely affect our business.

Historically, our business has grown, in part, through a significant number of selective acquisitions that enabled us to take advantage of existing networks, service offerings and management expertise. Since 2010, we have acquired the HOT telecommunications group in Israel and Cabovisão and ONI in Portugal as well as majority controlling equity interests in Coditel with operations in Belgium and Luxembourg and Outremer in the French Overseas Territories. In addition, on November 26, 2013, we entered into an agreement to acquire ODO. Furthermore, on March 12, 2014, we completed the acquisition of Tricom. Tricom and ODO are telecommunications services providers in the Dominican Republic and the ODO Acquisition is subject to certain conditions including the approval of governmental authorities. We expect to continue growing our business through acquisitions of cable and telecommunications businesses that we believe will present opportunities to create value by generating strong cash flows and operational synergies.

Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs and not realize all the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions or fail to integrate any previous acquisitions, there could be a material adverse effect on our business, financial condition or results of operations. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. If we use available cash on hand to finance acquisitions pursuant to our acquisition strategy, our ability to make dividend payments may be limited or we may not be able to make such dividend payments at all. There can be no assurances that we will be successful in completing business acquisitions or integrating previously acquired companies.

There can be no assurance that we will receive the required governmental approvals and meet the other conditions required to consummate the ODO Acquisition. Furthermore, acquisitions of additional telecommunications companies may require the approval of governmental authorities (either at country or, in the case of the EU, European level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In the event conditions are imposed and we fail to meet them in a timely manner, the relevant governmental authority may impose fines and, if in connection with a merger transaction, may require restorative measures, such as mandatory disposition of assets or divestiture of operations.

Although we analyse and conduct due diligence on acquisition targets, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and our inquiries may fail to uncover relevant information. There can be no assurance that our assessments or due diligence of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Moreover, our plans to acquire additional businesses in the future are subject to the availability of suitable opportunities. Our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less-favorable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors.

We may be unable to allocate sufficient managerial and operational resources to meet our needs as our business grows, and our current operational and financial systems and managerial controls and procedures may become inadequate.

Historically, our business has grown, in part, through selective acquisitions. As a result, the operating complexity of our business, as well as the responsibilities of management, has increased, which may place significant strain on our managerial and operational resources.

Although we consider the operational and financial systems and the managerial controls and procedures that we currently have in place to be adequate for our purposes, we recognize that the efficacy of these systems, controls and procedures needs to be kept under regular review as our business grows. We will have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Management of growth will also require, among other things, continued development of financial and management controls and information technology systems. The constant growth and increased international operations may strain our managerial resources which may require us to hire additional managerial resources. We may be unable to hire managers with the relevant expertise or the hiring process may require significant time and resources, all of which could result in a disruption in our management, growth, operational and financial systems, managerial controls and procedures and results of operations.

Any failure to apply the necessary managerial and operational resources to our growing business and any weaknesses in our operational and financial systems or managerial controls and procedures may impact our ability to produce reliable financial statements and may adversely affect our business, financial condition and results of operations.

Pressure on customer service could adversely affect our business.

The volume of contacts handled by our customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on our customer service personnel. Increased pressure on such functions is generally associated with decreased satisfaction of customers.

In the B2B wholesale markets, customers require service to be extremely reliable and to be reestablished within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment. Delays and service problems may result in both penalties and the potential loss of customers. In these segments, we rely on our experienced customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers. Improvements to customer service functions may be necessary to achieve desired growth levels, and, if we fail to manage such improvements effectively and achieve such growth, we may in the future experience customer service problems and damage our reputation, contribute to increased churn and/or limit or slow our future growth.

Revenue from certain of our services is declining, and we may be unable to offset this decline.

We continue to provide analog television services to subscribers in all of our geographies where we provide pay television services but expect that the number of subscribers to such services will continue to decline and that such services will ultimately be phased out. Furthermore, our analog television subscribers may decide, upon their transition to a digital television service, to shift to other providers of television services.

Disruptions in the credit and equity markets could increase the risk of default by the counterparties to our financial instruments, undrawn debt facilities and cash investments and may impact our future financial position.

Although we seek to manage the credit risks associated with our financial instruments, cash and cash equivalents and undrawn debt facilities, disruptions in credit and equity markets could increase the risk that our counterparties could default on their obligations to us. Were one or more of our counterparties to fail or otherwise be unable to meet its obligations to us, our cash flows, results of operations and financial condition could be adversely affected. It is not possible to predict how disruptions in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. In this regard, (i) the financial failures of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all.

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 can be 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. Furthermore, a failure on our part to protect our image, reputation and the brands under which we market our products and services 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, there can be no assurances that we will be able to successfully eliminate the piracy we currently face. In addition, there can be no assurances 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, 2013 in respect of each lawsuit, which in the aggregate amounted to €18.0 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 sought 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. See "*Description of Our Business—Legal Proceedings*".

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. See "*Description of Our Business—Legal Proceedings*". 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.

ODO is currently involved in two ongoing regulatory proceedings with Claro which, if not decided in its favor, may have an adverse effect on our business, financial condition and results of operations.

In December 2009, ODO filed a complaint with Indotel claiming that Claro, ODO's biggest competitor, had participated in anti-competitive conduct and restrictive practices when it introduced a new plan ("Plan NSF"). Indotel's board of directors ordered a formal investigation to determine whether Claro had a dominant position in the market and if it abused such dominant position. The investigation was also expected to determine if Claro used predatory pricing, cross-subsidies or any improper interconnection access fees. If ODO's complaint relating to Plan NSF is not decided in its favor, Claro could continue to offer bundled services and we may not be able to do so, which would adversely affect our competitive position. In response to the Plan NSF case, on December 16, 2011, Claro filed a complaint against ODO for our Plan Los Mios and other post-paid services. The claim argued that ODO, not Claro, had a dominant market position in the mobile market and that ODO had abused its dominant position with the introduction of its plan. If Claro's complaint relating to our Los Mios offer is decided in its favour, we may be subject to a significant fine.

Our Historical Consolidated Financial Information, Pro Forma Financial Information and Illustrative Aggregated Selected Financial Information may not reflect what our actual results of operations and financial condition would have been had we been a combined company for the periods presented and thus these results may not be indicative of our future operating performance.

Altice VII is a holding company which, since its formation in 2008, has from time to time made significant equity investments in a number of cable and telecommunication businesses in various jurisdictions. The Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Annual Report for any period for which our historical consolidated financial information has been presented herein. As a result, the Historical Consolidated Financial Information included in this Annual Report may not accurately represent the results of operations and financial condition of the entire business undertaking of the Group as it exists as of the date of this Annual Report and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Accordingly, the Historical Consolidated Financial Information may not reflect what our actual results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future.

In order to aid the comparability of the financial condition and results of operations of the entire business undertaking of the Group as it exists at the date of this Annual Report, we have presented the Illustrative Aggregated Selected Financial Information, which represents the arithmetical sum, of selected financial information extracted from (i) the audited historical consolidated financial statements of Altice VII and (ii) the audited historical financial information of each of the business undertakings the acquisitions of which have been consummated by Altice VII prior to date of the Annual Report (to the extent the results of operations of such acquired business undertaking is not included in the audited historical consolidated financial statements of the Group for the relevant period). The Illustrative Aggregated Selected Financial Information is subject to significant limitations. The Illustrative Aggregated Selected Financial Information does not contain any adjustments to the resulting aggregation other than adjustments to align the accounting framework of the acquired business undertaking in instances where the audited historical financial information of such acquired business undertaking included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS as adopted by the European Union, or where such acquired business undertaking was utilising accounting policy elections that differ substantially to those adopted by Altice VII for the purposes of its Historical Consolidated Financial Information. Therefore, among other things, the Illustrative Aggregated Selected Financial Information does not reflect several effects of the relevant acquisitions prior to the dates on which the financial information of the relevant acquired business undertakings were consolidated with the financial information of Altice VII. The Illustrative Aggregated Selected Financial Information neither represents financial information prepared in accordance with IFRS nor pro forma financial information. The Illustrative Aggregated Selected Financial Information is provided with respect to certain limited items of Altice VII's statement of income and statement of cash flows and accordingly does not include all the information that would usually be included in a statement of income or statement of cash flows or any information that would usually be included in a statement of other comprehensive income, statement of financial position or statement of changes in equity, in each case prepared in accordance with IFRS. The Illustrative Aggregated Selected Financial Information has not been audited in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information does not purport to present the operations of the Group as they actually would have been had the relevant acquisitions occurred with effect from any relevant dates indicated or to project the operating results or financial condition of the Group for any future period. The Illustrative Aggregated Selected Financial Information has been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared by the Group for any other periods for which Historical Financial Information or Pro Forma Financial Information has been included in this Annual Report.

We have also included the Pre-Transaction Pro Forma Financial Information which gives effect to each of the significant acquisitions for the year ended December 31, 2013 (without giving effect to the ODO Acquisition or the Tricom Acquisition) and the Post-Transaction Pro Forma Financial Information in this Annual Report, which also gives pro forma effect to the ODO Acquisition. The Pro Forma Financial Information does not give pro forma effect to the Tricom Acquisition and therefore does not include any financial information of Tricom. The Pro Forma Financial Information has not been audited in accordance with any generally accepted auditing standards. The Pro Forma Financial Information is based on certain assumptions that we believe are reasonable. Our assumptions may prove to be inaccurate over time. Accordingly, the Pro Forma Financial Information may not reflect what our results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future. The Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information include the results of operations and financial condition of the acquired businesses and in the case of the Post-Transaction Pro Forma Financial Information, the results of ODO also) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we currently have the ability to control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. The non-controlling interests in the operating results of Coditel Holding and Outremer in the Historical Consolidated Financial Information and the Pro Forma Financial Information are reflected in the line item profit or loss attributable to non-controlling interests in the relevant statements of income. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA, the non-controlling owners' interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non- controlling interests may be very significant and in the year ended December 31, 2012 and 2013 amounted to negative €1.0 million and €1.1 million respectively based on the Pre-Transaction Pro Forma Financial Information. The Illustrative Aggregated Selected Financial Information is also subject to the limitations generally attributable to non-IFRS measures. For further details, please see "*Presentation of Financial and Other Information*".

In addition, we have presented certain key operating measures across all the countries in which we currently operate even though we may not have owned or controlled such business for the entire duration of the periods presented.

Our lack of operating history as a combined company and the challenge of integrating previously independent businesses make evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently organized or combined companies.

We are exposed to local business risks in many different countries.

We conduct our business in multiple jurisdictions, including in Israel, Belgium, the French Overseas Territories, Luxembourg, Portugal and Switzerland. Furthermore, we have completed the Tricom Acquisition and have also entered into a definitive agreement relating the ODO Acquisition pursuant to which we expect to extend our business operations in the Dominican Republic, subject to certain closing conditions, including obtaining regulatory approval, for the ODO Acquisition. In addition, we may expand into additional markets in the future by entering into acquisitions or other strategic transactions. Accordingly, our business is subject to risks resulting from differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments in a variety of jurisdictions, including in emerging markets. These risks include, among other things:

- differing economic cycles and adverse economic conditions;
- political instability;
- the burden of complying with a wide variety of foreign laws and regulations;
- unexpected changes in the regulatory environment;
- varying tax regimes;
- fluctuations in currency exchange and interest rates;
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- varying degrees of concentration among suppliers and customers;
- insufficient protection against violations of our intellectual property rights;
- foreign exchange controls and restrictions on repatriation of funds; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force; and
- challenges caused by distance, language and cultural differences.

Our overall success as a business depends to a considerable extent on our ability to anticipate and effectively manage differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments. We may not continue to succeed in developing and implementing policies and strategies which will be effective in each location where we do business or may do business in the future.

The liquidity and value of our interests in certain of our subsidiaries and our ability to take certain corporate actions may be adversely affected by shareholder agreements and other similar agreements to which we are a party.

Certain of our operations including our operations in Israel, Belgium and Luxembourg and the French Overseas Territories are conducted through subsidiaries in which third parties hold a minority equity interest or with respect to which we have provided third parties with rights to acquire minority equity interests in the future. The Tricom sellers hold, and following the consummation of the ODO Acquisition will continue to hold, minority equity interests (approximately 2.8%) in the holding company of these businesses. Our equity interests in certain of the subsidiaries, in which third parties hold a minority equity stake, are subject to shareholder agreements, partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those interests. Most of these agreements subject the transfer of such equity interests to consent rights, pre-emptive rights or rights of first refusal of the other shareholders or partners. Some of our subsidiaries are parties to loan agreements and Indentures that restrict changes in ownership of the borrower without the consent of the lenders or noteholders. All of these provisions will restrict the ability to sell those equity interests and may adversely affect the prices at which those interests may be sold. In addition, the present or potential future minority shareholders in our subsidiaries have the ability to block certain transactions or decisions that we would otherwise undertake. Although the terms of our investments vary, our operations may be affected if disagreements develop with other equity participants in our subsidiaries. Failure to resolve such disputes could have an adverse effect on our business. For further details, see "*Description of Our Business—Material Contracts*.

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. There can be no assurances 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 ,see “*Regulatory*”.

Israel

In Israel, we are subject to, among other things:

- price regulation for certain services that we provide, specifically analog television;
- rules governing the interconnection between different telephone networks and the interconnection rates that we can charge and that we pay;
- regulations requiring us to maintain structural separation between our cable television, broadband Internet infrastructure access and fixed-line telephony, ISP and mobile subsidiaries;
- regulations governing the prohibition of exit-fees or cancellation charges;
- regulations requiring us to grant third party ISPs access to our cable network;
- regulations restricting the number of channels we can own and specifying the minimum investment we are required to make in local content productions;
- regulations governing roaming charges and other billing and customer service matters;
- requirements that, under specified circumstances, a cable system carry certain television stations or obtain consent to carry certain television stations according to telecommunication laws;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;
- requirements that we extend our cable television, broadband Internet infrastructure access and fixed-line telephony services to areas of Israel even where it is not economically profitable to do so;
- rules and regulations relating to subscriber privacy;
- laws requiring levels of responsiveness to customer service calls;
- anti-trust law and regulations and specific terms within the anti-trust authority’s approval for the Israeli cable consolidation;

- requirements that we provide or contribute to the provision of certain universal services; and

- other requirements covering a variety of operational areas such as land use, health and safety and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards and subscriber service requirements.

The Israeli Ministry of Communications has recently taken active steps to increase competition in the fixed-line and mobile telecommunications industries, including providing licenses to MVNOs and eliminating termination fees that operators can charge, except in limited circumstances, and prohibiting the linkage of the price and terms of handsets to the services or benefits of the mobile contract. The Israeli Ministry of Communications has also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. On January 2014, the Israeli Ministry of Communication published a list of wholesale services that would be provided by HOT Telecom and Bezeq, and also published a hearing regarding Bezeq's tariffs for certain services. HOT Telecom was asked to submit a response relating to the decision by March 3, 2014 and is currently awaiting further instructions. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and thus competition in the broadband Internet infrastructure access market may increase significantly which could negatively affect or results of operations. For further information see "*Regulatory—Israel—Copyright/Trademark Law—Structural Separation*".

European Union

The regulations applicable to our operations within the EU often derive from EU Directives. The various Directives require EU Member States to harmonize their laws on communications and cover such issues as access, user rights, privacy and competition. These Directives are reviewed by the EU from time to time and any changes to them could lead to substantial changes in the way in which our businesses in the relevant jurisdictions are regulated and to which we would have to adapt. Any changes to these EU Directives could lead to substantial changes in the way in which our businesses in the European Union are regulated.

Belgium and Luxembourg. In Belgium and Luxembourg, telecommunication activities are subject to significant regulation and supervision by various regulatory bodies. In addition, specific requirements can also be imposed in Belgium and Luxembourg on entities that are deemed, by the Belgium Institute for Postal Services (the "BIPT") or the Luxembourg Regulatory Institute (the "LRI") and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including grant of access, non-discrimination and transparency obligations.

In Belgium and Luxembourg, we are subject to, among other things:

- price regulation for certain services that we provide in Belgium (for instance, the Belgian Ministry for Economic Affairs must consent to any increase in the prices that we charge our subscribers for providing basic cable television);

- rules governing the interconnection between different networks and the interconnection rates that we can charge and that we pay;

- rules and remedies imposed on electronic communications services providers with "significant market power" as defined in Directive 2002/21/EC of the European Parliament (as amended and updated from time to time) and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services;

- risk of regulatory authorities granting third parties access to our network;

- requirements that, under specified circumstances, a cable system carry certain broadcast stations or obtain consent to carry a broadcast station;

- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;

- rules and regulations relating to subscriber privacy;

- requirements that we provide or contribute to the provision of certain universal services, including requirements to provide certain "social" tariffs;
- taxes imposed on our public rights of way; and
- other requirements covering a variety of operational areas such as land use and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards, subscriber service requirements and the implementation of data retention obligations in Belgium.

For an overview of such regulation, please see "*Regulatory—Belgium" and* "*Regulatory—Luxembourg*".

Portugal. In Portugal, our activities in the electronic communication industry, including cable television, broadband Internet and telephony industries, are subject to significant regulation and supervision by the National Regulatory Authority, ICP-ANACOM.

In Portugal, we are subject to, among other things:

- rules regarding authorizations, information duties and specific rights of use for number assignments;
- price regulation with respect to fixed call termination charges;
- number portability obligations;
- rules regarding the interconnection of our network with those of other network operators (capacity interconnection);
- requirements that a network operator carry certain channels (the must carry obligation);
- rules and regulations relating to subscriber privacy;
- regulations governing the limitation of exit-fees or cancellation charges;
- obligation to contribute to the universal service fund; and
- sector specific charges (e.g. annual charge and investment obligations created by Law 55/2012 of Portugal).

For further information see "*Regulatory—Portugal*".

French Overseas Territories. In the French Overseas Territories, our existing and planned activities in the cable television, broadband Internet and telephony industries are subject to significant regulation and supervision by various regulatory bodies, including national and EU authorities.

Regulation of our service includes price controls (for termination charges), service quality standards, requirements to carry specified programming, requirements to grant network access to competitors and content providers, and programming content restrictions. In particular, we are subject, for our activities in the French Overseas Territories to:

- rules regarding declarations and registrations with telecommunication regulatory authorities;
- price regulation with respect to call termination charges;
- rules regarding the interconnection of our network with those of other network operators;
- requirements that a network operator carry certain channels (the must carry obligation);
- rules relating to the quality of the landline networks;
- specific rules relating to the access to new-generation optical fiber networks;
- rules relating to the content of electronic communications, antitrust regulations; and
- specific tax regimes.

In addition, the expiry of one of Le Cable Guadeloupe's 28 cable network agreements (that of Point-à-Pitre,) is due on November 22, 2014. While we are currently negotiating to buy back this network, we cannot guarantee what will eventually happen at the expiry.

Further, the payment activity we conduct in the French Overseas Territories through our subsidiary OPS SAS, is subject to the control of the French *Autorité de Contrôle Prudentiel* ("ACP"). In connection with this activity, OPS SAS is subject to the control of the ACP covering matters such as, for instance, its level of equity capital, its management standards and the protection of the funds it receives.

Dominican Republic. With the completion of the Tricom Acquisition and following the ODO Acquisition, we are and will continue to be subject to significant regulations in the Dominican Republic. For further details, see "*Regulatory*".

We can only operate our business for as long as we have licenses from the relevant governmental authorities in the jurisdictions in which we operate.

We are required to hold governmental licenses to own and operate our networks and to broadcast our signal to our customers. These licenses generally require that we comply with applicable laws and regulations, meet certain solvency requirements and maintain minimum levels of service.

For example, in Israel, we conduct our operations pursuant to licenses granted to us by the Israeli Ministry of Communications and by the Council for Cable and Satellite Broadcasting for specified periods, which may be extended for additional periods upon our request to the Israeli Ministry of Communications and confirmation that we have met certain performance requirements. Our broadcast license is valid until 2017, our domestic operator license for fixed-line telephony and broadband Internet infrastructure access is valid until 2023, our UMTS-based mobile license is valid until 2031 and our general international telecommunications service provider license is valid until 2032. There is no certainty, however, that the licenses will be renewed or extended in the future or that they will not be cancelled or changed by the Israeli Ministry of Communications. Any cancellation or change in the terms of our licenses may materially affect our business and results of operations. Furthermore, although we believe that we are currently in compliance with all material requirements of our licenses, the interpretation and application of the technical standards used to measure these requirements, including the requirements regarding population coverage and minimum quality standards and other license provisions, disagreements have arisen and may arise in the future between the Israeli Ministry of Communications and us. We have provided significant bank guarantees to the Israeli Ministry of Communications to guarantee our performance under our licenses. If we are found to be in material breach of our licenses, the guarantees may be forfeited and our licenses may be revoked. In addition, the Israeli Ministry of Communications is authorized to levy significant fines on us for breaches of our licenses.

Should we fail to comply with these requirements or the requirements of any of our other licenses, we may be subject to financial penalties from the relevant authorities and there may also be a risk that licenses could be partially or totally withdrawn. The imposition of fines and/or the withdrawal or non-renewal of licenses could have a material adverse effect on our results of operations and financial condition and prevent us from conducting our business.

In the Dominican Republic, ODO was awarded a concession to and are licensed to provide telecommunications services. ODO's concession was originally granted under a concession agreement with Indotel in 1996 and will expire on August 1, 2015. In order to renew ODO's concession, a renewal request needs to be submitted to Indotel by August 1, 2014. In the event that the concession agreement expires and ODO has not submitted a request to renew, according to applicable law, Indotel may automatically renew the agreement for another 20-year term or terminate the agreement. If ODO correctly files all of the documentation for renewal and remains in compliance with all of Indotel's policies and regulations, Indotel should approve the renewal request, however we cannot guarantee approval. In addition, ODO currently holds a number of frequency license certificates issued by Indotel. All of ODO's frequency licenses are valid until August 1, 2015. We cannot guarantee that Indotel will approve ODO's renewal request for its concession or for its frequency licenses. Furthermore, certain regulatory approvals, such as new build permits, may be required for ODO to operate antenna sites with other frequencies /frequency bands, in particular where the shift is made from a higher frequency band (e.g., 1800 MHz) to a lower frequency band (e.g., 900 MHz). To the extent that ODO seeks to operate antenna sites with other frequencies/frequency bands in the future, failure to obtain such regulatory approvals could have a negative impact on the coverage of its network. If Indotel does not renew ODO's concession or frequency licenses or if ODO fails to obtain any regulatory approvals that are required, such events could have a material adverse effect on our business, financial condition and results of operations following the ODO Acquisition.

We do not have complete control over the programming that we provide or over some of the prices that we charge, which exposes us to third party risks and may adversely affect our business and results of operations.

In all of our jurisdictions where we provide pay television services, we are required to carry certain broadcast and other channels on our cable system that we would not necessarily carry voluntarily. For example, in Israel, these "must carry" obligations apply to: (i) two specific governmental channels; (ii) two specific commercial channels; (iii) the "Knesset" channel, which is a channel broadcasting content from the Israeli parliament; (iv) one educational channel and (v) channels from a special license broadcaster that we deliver to all of our pay television subscribers. See "*Regulatory—Israel—Television—Access to DTT channels*". We cannot guarantee that the remuneration, if any, that we receive for providing these required channels will cover our actual costs of broadcasting these channels, or provide the return that we would otherwise receive if we were allowed to freely choose the programming we offer on our system.

We may incur significant costs to comply with city planning laws.

We are subject to planning laws when we upgrade or expand our networks. In particular, our current installation of the UMTS network in Israel is subject to compliance with the National Zoning Plan 36 (TAMA 36) and the directives issued thereunder, which are aimed at reducing the danger of radiation and the damage to the environment. The cost of complying with TAMA 36 can be substantial and there is currently a regulatory process underway to amend TAMA 36 which would place substantial limitations and further increase the cost of erecting our UMTS network. See "*Regulatory—Israel—Mobile—Construction of Network Sites—National Zoning Plan 36*".

In addition, the local loop of our networks is generally located aboveground. Local municipal governments generally have the authority to require us to move these network lines underground. Usually, we are able to coordinate with other utility suppliers to share the costs associated with moving lines underground but no assurance can be given that we will always be able to do so. Nevertheless, the costs of complying with municipal orders can be substantial and not subsidized by such municipal government, and may require us to incur significant costs in the future.

We have had difficulties obtaining some of the building and environmental permits required for the erection and operation of our mobile network sites in Israel, and some building permits have not been applied for or may not be fully complied with. These difficulties could have an adverse effect on the coverage, quality and capacity of our mobile network. Operating mobile network sites without building or other required permits, or in a manner that deviates from the applicable permit, may result in criminal or civil liability to us or to our officers and directors.

Our ability to maintain and improve the extent, quality and capacity of our mobile network coverage in Israel depends in part on our ability to obtain appropriate sites and approvals to install our mobile network infrastructure, including mobile network sites. The erection and operation of most of these mobile network sites require building permits from local or regional planning and building authorities, as well as a number of additional permits from other governmental and regulatory authorities. In addition, as part of our UMTS network build-out, we are erecting additional mobile network sites and making modifications to our existing mobile network sites for which we may be required to obtain new consents and approvals.

For the reasons described in further detail below, we have had difficulties obtaining some of the building permits required for the erection and operation of our mobile network sites.

Mobile network site operation without required permits or that deviates from the permit has in some cases resulted in the filing of criminal charges and civil proceedings against our subsidiaries in Israel and its officers and directors, and monetary penalties against such subsidiaries, as well as demolition orders. In the future, we may face additional monetary penalties, criminal charges and demolition orders. The prosecutor's office has set up a national unit to enforce planning and building laws. The unit has stiffened the punishments regarding violations of planning and building laws, particularly against commercial companies and its directors. If we continue to experience difficulties in obtaining approvals for the erection and operation of mobile network sites and other mobile network infrastructure, this could have an adverse effect on the extent, coverage and capacity of our mobile network, thus impacting the quality of our voice and data services, and on our ability to continue to market our products and services effectively. In addition, as we seek to improve the range and quality of our mobile telephony services, we need to further expand our mobile network, and difficulties in obtaining required permits may delay, increase the costs or prevent us from achieving these goals in full. Our inability to resolve these issues in a timely manner could also prevent us from achieving or maintaining the mobile network coverage and quality requirements contained in our license.

Since June 2002, following the approval of the National Building Plan 36 (the "Plan"), which regulates network site construction and operation, building permits for our mobile network sites (where required) have been issued in reliance on the Plan. See "*Regulatory*".

We have set up several hundred small communications devices, called wireless access devices, pursuant to a provision in the Planning and Construction Law, which exempts such devices from the need to obtain a building permit. A claim was raised that the exemption does not apply to mobile communications devices and the matter reached first instance courts a number of times, resulting in conflicting decisions. This claim is included in an application to certify a class action filed against certain Israeli mobile telephone operators, but we were not included in this claim. In May 2008, a district court ruling adopted the position that the exemption does not apply to wireless access devices. The mobile telephone operators filed a request to appeal this ruling to the Supreme Court. In May 2008, the Israeli Attorney General filed an opinion regarding this matter stating that the exemption applies to wireless radio access devices under certain conditions. Subsequently, two petitions were filed with the High Court of Justice in opposition to the Israeli Attorney General's opinion. The matter is still pending before the Supreme Court and the High Court of Justice.

In September 2010, adopting the position of the Israeli Attorney General, the Israeli Supreme Court issued an interim order prohibiting further construction of radio access devices for mobile networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until December 31, 2013, provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot. On August 28, 2013 we submitted a formal request with the Israeli Supreme Court, requesting a renewal of the exemption. On September 30, 2013 we received a response from the Supreme Court stating that they had requested a formal reply from the state on this subject matter. On October 1, 2013, the Israeli Supreme Court passed a decree nici in relation to the petition to which the State filed a response on December 17, 2013, requesting a perpetual injunction to prevent the erecting of access network devices until legislation was put in place by the Israeli Ministry of Interior and the Ministry of Communication to regulate this matter. In its response, the State further clarified that the exemption relating the erecting of access network devices for HOT Mobile and Golan would be valid until June 30, 2014.

Until a final decision has been passed by the Supreme Court, HOT Mobile will be allowed to continue the deployment of its UMTS network. If this exemption is not extended, we will have to seek permits, which could result in substantial delays and costs and as a result, we may be unable to meet our license requirements.

If a definitive court judgment holds that the exemption does not apply to mobile devices at all, or in case of disagreements with the municipalities where we have installed our devices or a regulatory authority regarding the interpretation of the Supreme Court's decision we may be required to remove the existing devices and would not be able to install new devices on the basis of the exemption. As a result, our mobile network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

We, like the other mobile telephone operators in Israel, provide repeaters, also known as bi-directional amplifiers, to subscribers seeking an interim solution to weak signal reception within specific indoor locations. In light of the lack of a clear policy of the local planning and building authorities, and in light of the practice of the other mobile telephone operators, we have not requested permits under the Planning and Building Law for the repeaters. However, we have received an approval to connect the repeaters to our communications network from the Israeli Ministry of Communications and have received from the Israeli Ministry of Environmental Protection permit types for all our repeaters. If the local planning and building authorities determine that permits under the Planning and Building Law are also necessary for the installation of these devices, or any other receptors that we believe do not require a building permit, it could have a negative impact on our ability to obtain permits for our repeaters.

The Israeli Ministry of Environmental Protection notified us of a new condition for all of our 3G mobile network site operation permits, according to which we must install systems software (provided by the Israeli Ministry of Environmental Protection) that continuously monitors and reports the level of power created in real time from the operation of our 3G mobile network sites (the "Monitoring System"). Since May 2012, we started erecting our new UMTS cell sites according to construction permits received in November 2011. We have also made practical examinations to all our new UMTS cell sites. All of the examinations showed that our new UMTS cell sites comply with the safety standard determined by the Israeli Ministry of Environmental Protection. As of August 2012, we began to apply requests for operation permits to our sites to the Commissioner. We also applied to the Commissioner for extended time to connect to the monitoring system. As of November 2012, we started receiving operation permits, which are subject to the demand to connect to the monitoring system no later than February 5, 2013. On February 4, 2013, we were notified by the Israeli Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system.

We are of the opinion that all of the antennas that we operate comply with the conditions of the safety permits that we were granted by the Israeli Ministry of Environmental Protection. However, implementation of the monitoring software increases our exposure and our directors and senior officers to civil and criminal proceedings in the event that any antennas are found to not meet the conditions of the permits granted to us and the maximum permitted power. In addition, if our antennas are found to not meet the conditions of the permits granted to us and the maximum permitted power, the Israeli Ministry of Environmental Protection may revoke existing permits, which would require us to dismantle existing mobile network sites. As a result, our network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

We may be required to indemnify certain local planning and building committees in Israel with respect to claims against them.

In Israel, under the Planning and Building Law, 1965, local planning committees may be held liable for the depreciation of the value of nearby properties as a result of approving a building plan. Under the Non-Ionizing Radiation Law, 2006, the National Council for Planning and Building requires indemnification undertakings from mobile companies as a precondition for obtaining a building permit for new or existing mobile network sites. The National Council has decided that until the Plan is amended to reflect a different indemnification amount, mobile companies will be required to undertake to indemnify the committees in full against all losses resulting from claims against a committee for reductions in property values as a result of granting a permit to the mobile network site. On June 1, 2010, the National Council for Planning and Building approved the National Building Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the "Amended Plan"). The Amended Plan is subject to government approval in accordance with the Planning and Building Law.

As of December 31, 2013, we had approximately 342 indemnification letters outstanding to local planning and building committees although no claims have been filed against us under such letters. Calls upon our indemnification letters may have a material adverse effect on our financial condition and results of operations.

In addition, the requirement to provide indemnification in connection with new building permits may impede our ability to obtain building permits for existing mobile network sites or to expand our mobile network with the erection of new mobile network sites. The indemnification requirement may also cause us to change the location of our mobile network sites to less suitable locations or to dismantle existing mobile network sites, which may have an adverse effect on the quality and capacity of our mobile network coverage.

In 2007, the Israeli Ministry of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building permit for a mobile network site under the Plan and six months from the construction of a mobile network site. The Israeli Ministry retains the general authority to extend such period further. This extension of the limitation period increases our potential exposure to depreciation claims.

Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.

The tax laws and regulations in the jurisdictions in which we operate may be subject to change and there may be changes in the content as well as in the interpretation and enforcement of tax law. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws and regulations are modified by the competent authorities in an adverse manner.

In addition, the tax authorities in the jurisdictions in which we operate periodically examine our activities. We regularly assess the likelihood of such outcomes and have established tax allowances which represent management's best estimate of the potential assessments. In December 2009 and during 2010, the Israeli Tax Authority issued certain tax assessments with respect to HOT for 2006-2008, which if accepted, may adversely affect our results of operations. In general, these tax assessments may give rise to the imposition of a tax payment in the amount of NIS 120 million and the cancellation or postponement of net operating losses in the amount of NIS 1.1 billion. In addition this may have adverse tax consequences for years subsequent to 2008. In this regard, HOT has included a reserve in its financial statements.

On May 31, 2013, HOT received a tax assessment on HOT Vision, one of its subsidiaries, for the 2009-2010 tax year. The Tax Authority identified NIS 38 million of taxable income for this period. On June 27, 2013, HOT appealed against this tax assessment. The proceeding is still pending. The outcome of this tax assessment could also impact tax years not covered by this tax assessment. We are also subject to certain tax assessments in Portugal relating to financial years 2003, 2005 and 2006 which we are contesting. Those tax assessments may give rise to the imposition of a tax payment in the amount of up to €10 million.

The resolution of any of these and future tax matters could differ from the amount reserved, which could have a material adverse effect on our cash flows, business, financial condition and results of operations for any affected reporting period.

Risks Relating to Our Employees, Management, Principal Shareholders 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 Principal Shareholder. There can be no assurances 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 there can be no assurances 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 Altice S.A., our parent company, may conflict with our interests or the interests of our creditors and noteholders.

Altice S.A., a public company incorporated in the Grand Duchy of Luxembourg, having listed its shares on the Euronext Amsterdam, owns 100% of the voting interests in Altice VII. When business opportunities, or risks and risk allocation arise, the interests of Altice S.A. (or its affiliates) and its shareholders may be different from, or in conflict with, our interests on a stand alone basis. Because we are controlled by Altice S.A., Altice S.A. may allocate certain or all of its risks to us and there can be no assurances that Altice S.A. will permit us to pursue certain business opportunities. In particular, Altice S.A. owns or controls and has an interest in other cable and telecommunication businesses, including 40% of the shares in Numericable (including certain call options) and, pursuant to certain shareholders arrangements relating to Numericable, has the ability to appoint a majority of the members of the board of directors of Numericable.

In addition, the interests of Altice S.A. and its shareholders may conflict with the interests of our creditors and noteholders. Altice S.A. will be able to appoint a majority of Altice VII's and each other group entity's board of directors and to determine our corporate strategy, management and policies. Moreover, Altice S.A. will have control over our decisions to enter into any corporate transaction and will have the ability to prevent any transaction that requires the approval of shareholders regardless of whether our creditors or noteholders believe that any such transactions are in their own best interests. Furthermore, Next L.P. is the controlling shareholder of Altice S.A. and its interests may conflict with the interests of our creditors and noteholders. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as our debt instruments and Intercreditor Agreement permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenues, each of which could adversely affect our creditors and noteholders.

It may be difficult to enforce civil liabilities or judgments against Dominican companies or its directors and executive officers outside the Dominican Republic.

Tricom and ODO are organized under the laws of the Dominican Republic and substantially all of their respective assets are located in the Dominican Republic. As a result, it may not be possible for our creditors and noteholders to enforce outside the Dominican Republic judgments against Tricom or ODO.

The Dominican Republic is not party to any treaties providing for reciprocal recognition and enforcement of judgments rendered in judicial proceedings with respect to civil and commercial matters. For a foreign judgment to be effective and enforceable in the Dominican Republic, a request for exequatur (a judgment issued by a Dominican court validating a foreign judicial decision) must be presented before the Court of First Instance (Juzgado de Primera Instancia) of the Dominican Republic. The Court of First Instance will examine the foreign judicial decision to determine whether to ratify or deny its execution under Dominican law. If the judicial decision is validated, the Court of First Instance will issue an exequatur declaring the judgment issued by the foreign court enforceable in the Dominican Republic, as provided under Article 2123 of the Dominican Republic Civil Code and Article 122 of the 834 Law, enacted on July 15, 1978, which substituted Article 546 of the Dominican Republic Civil Procedure Code. In principle, a judicial process seeking the validation of a foreign judgment should limit the Court of First Instance to an examination of procedural issues, such as jurisdiction, due service of process, adherence to public policy rules and enforcement matters. In practice, however, the Court of First Instance has substantial discretion and may revisit the merits of the case, if it deems it necessary. Such an examination would initiate an independent judicial process before the Dominican courts which could be lengthy.

With respect to the recognition and enforcement of decisions rendered in arbitration proceedings, the Dominican Republic is party to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") since 2002, without reservation. Dominican Law No. 489-08 on Commercial Arbitration (Ley No. 498-08 sobre Arbitraje Comercial) sets forth the process to obtain an exequatur for a foreign arbitral award, as an ex parte process in which the petitioner is required to file a motion requesting the exequatur (along with an original, duly legalized and certified counterpart of the award and the arbitration clause or agreement to arbitrate). The Civil and Commercial Court of First Instance of the National District (Cámara Civil y Comercial del Juzgado de Primera Instancia del Distrito Nacional) has exclusive jurisdiction to grant exequatur for foreign arbitral awards. The grounds for a judge to deny an exequatur are the same as the ones provided for in the New York Convention. The decision granting an exequatur to a foreign arbitral award can be challenged only through an annulment claim based on the grounds specifically provided in the law (which are the same grounds as those established in the New York Convention). An annulment claim will not be admitted if the parties have previously waived any right to appeal or to file any remedy against the arbitral award or any decision related to the same (such as an exequatur's decision). There are recent precedents of exequaturs granted to foreign arbitral awards based on the New York Convention as well as under the Law No. 489-08 on Commercial Arbitration. There are also precedents from the Court of Appeals and the Supreme Court of Justice (Suprema Corte de Justicia) of the Dominican Republic on matters relating to annulment claims filed against decisions granting exequatur to foreign arbitral awards. Although the Court of First Instance frequently validates foreign judicial decisions and arbitral awards that do not conflict with the public policy of the Dominican Republic, there is no assurance that the Court of First Instance will render a decision ratifying any such foreign judgment or arbitral award. However, based on precedents set during the years 2011 and 2012, the present tendency of the Dominican courts is to recognize the agreement to arbitrate and to grant exequatur to foreign arbitral awards.

On the other hand, as a matter of public policy, the property of the Dominican Republic cannot be subject to seizure or foreclosure for repayment of obligations incurred during the course of operating or using such property. This policy cannot be waived by the Dominican government. Therefore, even if an arbitral award or legal decision were rendered against the Dominican government and validated in that country, such judgment may not be enforced against the property of the Dominican Republic. However, the Supreme Court of Justice of the Dominican Republic has stated that, under certain circumstances, the principle of non-seizure of the State's property (or immunity from seizure) may not be applicable, particularly if the "public entity" to which property has been seized and/or enforcement is being sought, is a concessionaire of the Dominican government, as opposed to the Dominican government itself, and has been incorporated as a commercial entity to perform commercial and industrial activities on its own.

The Dominican State is the owner of the radioelectric spectrum. Under the rule of non-seizure of State property such frequencies (or the right to use the same) may not be seized by a creditor. However, General Telecommunication's Law No. 153-98 provides that concession and license rights may be pledged as security on the condition that a prior authorization from Indotel is obtained.

Risks Relating to certain Transactions

The Tricom Acquisition and the ODO Acquisition are subject to significant uncertainties and risks.

The consummation of the ODO Acquisition is subject to the conditions set out in the ODO Acquisition Agreement including regulatory approval from Indotel. Indotel is likely to consider, among other things, the potential impact of the combination between Tricom and ODO on competition between telecoms operators. Despite Indotel having approved the Tricom Acquisition and our consummation of the Tricom Acquisition on March 12, 2014, there can be no assurance that Indotel will approve the ODO Acquisition or, if such approval is granted, Indotel may make such approval conditional on us taking certain actions, such as disposing of certain ODO assets. Furthermore, in the case that Indotel require any concessions from us to approve the ODO Acquisition, the ODO Acquisition Agreement does not allow for a reduction in the purchase price and requires us to complete the ODO Acquisition. There can be no assurance that such approvals will be obtained in a timely manner if at all. In addition, we may also be subject to litigation risk that is customary for transactions such as the acquisition of Tricom and the ODO Acquisition and may face challenged by shareholders or creditors, which may result in a delay or prevent us from closing the ODO Acquisition or require us to pay significant amounts to claimants.

Anticipated synergies from the completed Tricom Acquisition and the ODO Acquisition may not materialize.

Following the completion of the Tricom Acquisition and upon completion of the ODO Acquisition, we expect to achieve certain synergies discussed elsewhere in this Annual Report relating to the operations of Tricom and ODO as they will become part of the Group. We may not realize any or all of the anticipated synergies of the Tricom Acquisition and the ODO Acquisition that we currently anticipate, including if we are unable to consummate the ODO Acquisition. Among the synergies that we currently expect are cross selling opportunities to existing customers of Tricom and ODO, network synergies and other operational synergies. See "*Description of Our Business—Material Contracts—Potential Benefits from the acquisition of Tricom and ODO*." We also expect to achieve certain synergies from the July 2013 Transaction. Among the synergies that we currently expect are operational synergies in the French Overseas Territories and Portugal as a result of the Outremer Transaction and ONI Transaction, respectively, increased scale, access to global credit markets, more efficient employment of capital, harmonization of accounting policies and computation of key operating measures and harmonization of best practices across our footprint. Our estimated synergies from the ODO Acquisition, the completed Tricom Acquisition and the July 2013 Transactions are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize over time may differ significantly from the ones that we currently estimate and we may incur significant costs in realizing the reorganization of ODO and Tricom. We may not be successful in integrating some or all of these businesses as currently anticipated which may have a material adverse effect on our business and operations.

The integration of Tricom and ODO into the Group could result in operating difficulties and other adverse consequences.

Further to the completion of the Tricom Acquisition and the anticipated consummation of the ODO Acquisition the integration of Tricom and ODO as anticipated into the Group may create unforeseen operating difficulties and expenditures and pose significant management, administrative and financial challenges to our business. These challenges include:

- integration of Tricom and ODO into our current business in a cost- effective manner, including network infrastructure, management information and financial control systems, marketing, branding, customer service and product offerings;

- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the Tricom Acquisition and the ODO Acquisition;

- integration of different company and management cultures; and

- retention, hiring and training of key personnel.

In such circumstances, our failure to effectively integrate Tricom and ODO into our Group could have a material adverse effect on our financial condition and results of operations.

Further, ODO has entered into various agreements with a variety of service and outsourcing suppliers, which may terminate upon the ODO Acquisition as a result of a change in control in ODO's corporate structure. These services include the supply of software licenses, call center support, data management and human resources consulting, among others. Some of the supply agreements cannot be assigned to any third party outside of Orange S.A. affiliated companies. In addition, Orange S.A. has, on ODO's behalf, entered into agreements with various suppliers for the supply of handset devices. Following the ODO Acquisition, ODO will no longer benefit from such agreements. These handset supply agreements contemplate a three to six month grace period after a change of control during which we could enter into a new agreement with these suppliers; however there is no guarantee that such grace period would avoid disruptions to service or that we would be able to attain similar terms in any new agreements. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these will be successful.

Moreover, the Tricom Acquisition and the ODO Acquisition have required, and will likely continue to require, substantial amounts of certain of our management's time and focus, which could potentially affect their ability to operate the business.

ODO's ability to operate its business effectively may suffer if we do not, quickly and cost-effectively, establish the necessary support functions, as well as a service platform, to support ODO's business following the ODO Acquisition.

Historically, ODO has relied on certain financial, administrative and other resources of Orange S.A. to operate its business and to provide services to its customers. ODO has entered into certain intercompany agreements with Orange S.A. which provided ODO with support services and access to software, IT operations and other technical support. Some of these agreements will automatically terminate upon the ODO Acquisition. As a consequence, ODO will need to create certain independent support systems or contract with third parties to replace Orange S.A.'s systems and services from which ODO will not benefit post-closing.

ODO will enter into the Transitional Services Agreement with Orange S.A. identifying, among the products and services provided by Orange S.A. and related entities prior to the Orange Dominicana Acquisition Completion Date, which ones will be maintained, modified or terminated after the closing of the ODO Acquisition, and setting forth the conditions under which certain products and services will continue to be provided after the Orange Dominicana Acquisition Completion Date. See "*Description of Our Business—Material Contracts—ODO Acquisition*." The Transitional Services Agreement will have a term of up to twelve months following closing of the ODO Acquisition. These services may not be sufficient to meet ODO's needs, and, after the arrangements with Orange S.A. expire or terminate, we may not be able to replace these services at all or obtain these services at prices or on terms as favorable as currently provided to ODO. Any failure or significant downtime in the services provided to ODO by Orange S.A. during the transition period could impact our results or prevent ODO from paying its suppliers or employees, performing other administrative services on a timely basis or providing an adequate level of service to its customers. Any such event could also have a material adverse impact on our business, financial condition and results of operations.

We may not be successful in establishing a new brand identity for the products and services marketed by ODO.

Historically, ODO has marketed its products and services through the "Orange" brand. Following the ODO Acquisition, ODO will benefit from a Brand License Agreement which will allow it to use the "Orange" brand for its current products and services in the Dominican Republic for several years after the closing of the ODO Acquisition although this agreement can be terminated early in certain circumstances. The value of the "Orange" brand name has been recognized by ODO's suppliers and customers. We will need to expend significant time, effort and resources to establish a new brand name in the marketplace for ODO's products and services to prepare for the termination of the Brand License Agreement, in addition to our regular marketing and advertising expenses. We cannot guarantee that this effort will ultimately be successful. If our efforts to establish a new brand identity are unsuccessful, our business, financial condition and results of operations could be materially adversely affected.

ODO will not be controlled by us until completion of the ODO Acquisition.

We currently do not own ODO. We will not acquire ODO until completion of the ODO Acquisition which is expected to be consummated in the first quarter of 2014, subject to regulatory approval. There can be no assurance that during the interm period the business of ODO will be operated in the same way that we would operate them.

The information contained in this Annual Report has been derived from public sources and, in the case of historical information relating to Tricom and ODO, has been provided to us by Tricom and ODO, respectively, and we have relied without independent verification, on such information supplied to us in its preparation.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following contains an overview of the terms of the agreements, indentures or other documents governing the material indebtedness, including 2012 Senior Secured Notes, the 2012 Senior Notes, the HOT Unsecured Notes, the 2012 Revolving Credit Facility, the Intercreditor Agreement, the 2013 Term Loan Facility Agreement, the 2013 Revolving Credit Facility Agreement, the 2013 Guarantee Facility, the 2013 Euro Senior Notes, 2013 Senior Secured Notes, 2013 Dollar Senior Notes, the Coditel Senior Facilities Agreement, the Coditel Mezzanine Facility Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the 2012 Senior Secured Notes Indentures, the 2012 Senior Notes Indenture, the HOT Unsecured Notes, the relevant Revolving Credit Facility Agreement, the 2013 Euro Senior Notes Indenture, the 2013 Senior Secured Notes Indenture, the 2013 Euro Senior Notes Indenture, the 2013 Guarantee Facility or the Intercreditor Agreement as applicable.

The 2012 Notes

On December 12, 2012 and December 20, 2012, Altice Financing issued $460 million aggregate principal amount of its $7^{7}/_{8}$% senior secured notes due 2019 (the "2012 Dollar Senior Secured Notes") and €210 million aggregate principal amount of its 8% senior secured notes due 2019 (the "2012 Euro Senior Secured Notes" and together with the 2012 Dollar Senior Secured Notes, the "2012 Senior Secured Notes"), and Altice Finco issued $425 million aggregate principal amount of its $9^{7}/_{8}$% senior notes due 2020 (the "2012 Senior Notes", and together with the 2012 Senior Secured Notes, the "2012 Notes").

The 2012 Senior Secured Notes

The 2012 Senior Secured Notes mature on December 15, 2019. Interest on the 2012 Senior Secured Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The 2012 Senior Secured Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any future indebtedness of Altice Financing that is not subordinated in right of payment to the 2012 Senior Secured Notes, (ii) rank senior in right of payment to any future indebtedness of the Altice Financing that is expressly subordinated in right of payment to the 2012 Senior Secured Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Financing that is secured by property or assets that do not secure the 2012 Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2012 Senior Secured Notes are currently guaranteed on a senior basis (the "2012 Senior Secured Notes Guarantees") by Altice VII and certain of its subsidiaries, including Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal and Cabovisão, Winreason, ONI S.G.P.S., Onitelecom, Knewon, Altice Bahamas, and within ninety (90) days of March 12, 2014, such date being the date on which the Tricom Acquisition was completed, Tricom S.A. and Global Interlinks Ltd., and following the ODO Acquisition, Orange Dominicana S.A. (collectively, the "2012 Senior Secured Notes Guarantors"). Each 2012 Senior Secured Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Secured Notes. The 2012 Senior Secured Notes Guarantees are subject to the terms of the Intercreditor Agreement. The 2012 Senior Secured Notes Guarantees are subject to release under certain circumstances. Following the 2013 Transactions, the 2012 Senior Secured Notes will benefit from the senior secured guarantees provided by the 2012 Senior Secured Guarantors.

The 2012 Senior Secured Notes are currently secured on a first-ranking basis by (i) share pledges over all of the share capital of Altice Financing and Senior Secured Notes Guarantors (other than Winreason), (ii) a pledge over the bank accounts and all receivables of Altice Financing, including the Senior Secured Notes Issuer Pledged Proceeds Notes, (iii) a pledge over all of the material assets of each of the 2012 Senior Secured Notes Guarantors, including all of the share capital of HOT (other than certain minority shareholder call options and management options), (iv) a pledge over the Senior Notes Proceeds Loans, and (v) a pledge over the Cool Shareholder Loan.

Prior to December 15, 2015, Altice Financing may redeem all or a portion of the 2012 Senior Secured Notes at a price equal to 100% of the principal amount plus a “make-whole” premium. Altice Financing may redeem some or all of the 2012 Senior Secured Notes at any time on or after December 15, 2015, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to December 15, 2015, Altice Financing may redeem up to 40% of the aggregate principal amount of each series of the 2012 Senior Secured Notes with the proceeds of certain public equity offerings at a redemption price equal to 107.875% of the principal amount of the 2012 Dollar Senior Secured Notes and 108.000% of the principal amount of the 2012 Euro Senior Secured Notes plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2012 Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Upon certain Minority Shareholder Option Exercises (as defined in the 2012 Senior Secured Notes Indenture), Altice Financing must offer to repurchase the 2012 Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such Minority Shareholder Option Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Finco must offer to repurchase the 2012 Senior Notes and the 2013 Euro Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, Altice Financing may redeem all of the 2012 Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the 2012 Senior Secured Notes Indenture and the 2012 Senior Notes Indenture) and their respective subsidiaries sell certain of their assets, or if Altice Financing or the Covenant Parties experience specific kinds of changes in control, Altice Financing may be required to make an offer to repurchase the 2012 Senior Secured Notes. Currently, Cool Holding and Altice Holdings have each been designated as a Covenant Party under the 2012 Senior Secured Notes Indenture.

The 2012 Senior Secured Notes Indenture, among other things, limits the ability of Altice Financing, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based Consolidated Leverage Ratio test (as defined in the 2012 Senior Secured Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2012 Senior Secured Notes Indenture provides for certain customary events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The 2012 Senior Secured Notes Indenture, the 2012 Senior Secured Notes and the related 2012 Senior Secured Notes Guarantees are governed by the laws of the State of New York.

The 2012 Senior Notes

The 2012 Senior Notes mature on December 15, 2020. Interest on the 2012 Senior Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The 2012 Senior Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any future indebtedness of Altice Finco that is not subordinated in right of payment to the 2012 Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2012 Senior Notes, and (iii) are effectively subordinated to any future indebtedness of the Altice Finco that is secured by property or assets that do not secure the 2012 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2012 Senior Notes are currently guaranteed on a senior subordinated basis (the “2012 Senior Notes Guarantees”) by Altice VII and certain of its subsidiaries, including Cool Holding, SPV1, Altice Financing, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom, Altice Bahamas, and within ninety (90) days of March 12, 2014, such date being the date on which the Tricom Acquisition was completed, Tricom S.A. and Global Interlinks Ltd., and, following the ODO Acquisition, Orange Dominicana S.A. (the “2012 Senior Notes Guarantors”). Each 2012 Senior Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Notes Guarantor's 2012 Senior Notes Guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the relevant 2012 Senior Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Notes Guarantor's 2012 Senior Notes Guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Notes Guarantor's 2012 Senior Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Notes. The 2012 Senior Notes Guarantees are subject to the terms of the Intercreditor Agreement, including payment blockage upon a senior default and standstills on enforcement. The 2012 Senior Notes Guarantees are subject to release under certain circumstances. The 2012 Senior Notes benefit from the Senior Notes Guarantees provided by the Senior Notes Guarantors.

The 2012 Senior Notes are currently secured by (i) a first-ranking share pledge over all of the share capital of Altice Finco, (ii) second-ranking share pledges over all of the share capital of Altice Financing and Cool Holding, (iii) a second-ranking pledge over the Cool Shareholder Loan, and (iv) a second-ranking pledge over the 2012 Senior Notes Proceeds Loan. Following the 2013 Transactions, the 2012 Senior Notes will benefit from the Senior Notes Collateral.

Prior to December 15, 2016, Altice Finco may redeem all or a portion of the 2012 Senior Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. Altice Finco may redeem some or all of the 2012 Senior Notes at any time on or after December 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to December 15, 2015, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2012 Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.875% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2012 Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2012 Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the 2012 Senior Notes Indenture) and their respective subsidiaries sell certain of their assets, or if Altice Finco or the Covenant Parties experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2012 Senior Notes. Currently, Cool Holding and Altice Holdings have each been designated as a Covenant Party under the 2012 Senior Notes Indenture.

The 2012 Senior Notes Indenture, among other things, limits the ability of Altice Finco, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based Consolidated Leverage Ratio test (as defined in the 2012 Senior Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2012 Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The 2012 Senior Notes Indenture, the 2012 Senior Notes and the related 2012 Senior Notes Guarantees are governed by the laws of the State of New York.

The 2013 Euro Senior Notes

On June 14, 2013, Altice Finco issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the "2013 Euro Senior Notes").

The 2013 Euro Senior Notes mature on June 15, 2023. Interest on the 2013 Euro Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 Euro Senior Notes are general obligations of Altice Finco and (i) rank pari passu in right of payment with any existing or future indebtedness of the Altice Finco that is not subordinated in right of payment to the 2013 Euro Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2013 Euro Senior Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2013 Euro Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Euro Senior Notes benefit from guarantees from the 2012 Senior Notes Guarantors on a senior subordinated basis and are secured by the same security applicable to the 2012 Senior Notes.

Prior to June 15, 2018, Altice Finco may redeem all or a portion of the 2013 Euro Senior Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. Altice Finco may redeem some or all of the 2013 Euro Senior Notes at any time on or after June 15, 2018, at the redemption prices indicated below plus accrued and unpaid interest and additional amounts, if any.

In addition, prior to June 15, 2016, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2013 Euro Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.000% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2013 Euro Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2013 Euro Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice VII and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice VII experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2013 Euro Senior Notes at specified redemption prices.

The indenture governing the 2013 Euro Senior Notes (the "2013 Euro Senior Notes Indenture"), among other things, limits the ability of Altice Finco, the ability of certain other Group entities and the ability of the Restricted Subsidiaries (as defined therein) to (i) incur or guarantee additional indebtedness, (subject to an incurrence based Consolidated Leverage Ratio test (as defined in the 2013 Euro Senior Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2013 Euro Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period provided, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 Euro Senior Notes Indenture, the 2013 Euro Senior Notes and the 2013 Euro Senior Notes Guarantees are governed by the laws of the State of New York.

The December 2013 Notes

On December 12, 2013, Altice Financing issued $900 million aggregate principal amount of its $6^{1}/_{6}\%$ senior secured notes due 2022 (the "2013 Dollar Senior Secured Notes") and €300 million aggregate principal amount of its $6\ ^{1}/_{6}\%$ senior secured notes due 2022 (the "2013 Euro Senior Secured Notes" and together with the 2013 Dollar Senior Secured Notes, the "2013 Senior Secured Notes"), and Altice Finco issued $400 million aggregate principal amount of its $8^{1}/_{8}$ senior notes due 2022 (the "2013 Dollar Senior Notes", and together with the 2013 Senior Secured Notes, the "December 2013 Notes").

The 2013 Senior Secured Notes

The 2013 Senior Secured Notes mature on January 15, 2022. Interest on the 2013 Senior Secured Notes is payable semi-annually in cash in arrears on each July 15 and January 15, commencing July 15, 2014.

The 2013 Senior Secured Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Financing that is not subordinated in right of payment to the 2013 Senior Secured Notes, (ii) rank senior in right of payment to any existing or future indebtedness of Altice Financing that is expressly subordinated in right of payment to the 2013 Senior Secured Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Financing that is secured by property or assets that do not secure the 2013 Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Senior Secured Notes are currently held in escrow. Following the ODO Acquisition the 2013 Senior Secured Notes will be guaranteed on a senior basis by the 2012 Senior Secured Notes Guarantors (other than ABO) (the "2013 Senior Secured Notes Guarantees"). The 2013 Senior Secured Notes Guarantees are subject to release under certain circumstances.

The 2013 Senior Secured Notes are currently secured by collateral over the rights of Altice Financing under the escrow agreement relating to the 2013 Senior Secured Notes and the assets in the escrow accounts. Upon the first release of the proceeds from the offering of the 2013 Senior Secured Notes from the applicable escrow accounts and with respect to Tricom and ODO, within 90 days following the ODO Acquisition, the 2013 Senior Secured Notes will be secured by (i) first-ranking pledges over all of the share capital of Altice Financing, all the 2012 Senior Secured Notes Guarantor (other than Altice VII, ABO, Green, Altice Portugal and Cabovisão), the capital stock of HOT and, following regulatory approval of such pledge, Tricom and ODO, (ii) a first-ranking pledge over the bank accounts and all receivables of Altice Financing, (iii) subject to certain exceptions, first-ranking pledges over all of the material assets of each 2012 Senior Secured Notes Guarantor (other than ABO, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon) and ODO, (iv) a first- ranking pledge over the Senior Notes Proceeds Loans, (v) a first-ranking pledge over the Cool Shareholder Loan and, (vi) a first-ranking pledge over the Covenant Party Pledged Proceeds Loan (collectively, the "2013 Senior Secured Collateral").

Prior to December 15, 2016, Altice Financing may redeem all or a portion of the 2013 Senior Secured Notes at a price equal to 100% of the principal amount plus a "make-whole premium". Altice Financing may redeem some or all of the 2013 Senior Secured Notes at any time on or after December 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any.

In addition, prior to December 15, 2016, Altice Financing may redeem up to 40% of the aggregate principal amount of each series of the 2013 Senior Secured Notes with the proceeds of certain public equity offerings at a redemption price equal to 106.500% of the principal amount of the relevant 2013 Dollar Senior Secured Note and 106.500% of the principal amount of the 2013 Euro Senior Secured Notes plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2013 Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Upon the exercise of certain Minority Shareholder Option Exercises (as defined in the 2013 Senior Secured Notes Indenture) Altice Financing must offer to repurchase the 2013 Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such Minority Shareholder Call Options Exercises. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Financing must offer to repurchase the 2013 Dollar Senior Secured Notes and the 2013 Dollar Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, Altice Financing may redeem all of the 2013 Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice VII and its respective subsidiaries sell certain of their assets, or if Altice Financing or Altice VII experience specific kinds of changes in control, Altice Financing may be required to make an offer to repurchase the 2013 Senior Secured Notes at specified redemption prices.

The indenture governing the 2013 Senior Secured Notes (the "2013 Senior Secured Notes Indenture") among other things, limits the ability of Altice Financing and the ability of the other subsidiaries of Altice VII (other than Altice Finco) to (i) incur or guarantee additional indebtedness (subject to an incurrence-based Consolidated Leverage Ratio test (as defined in the 2013 Senior Secured Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2013 Senior Secured Notes Indenture provides for certain customary events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 Senior Secured Notes Indenture, the 2013 Senior Secured Notes and the related guarantees are governed by the laws of the State of New York.

The 2013 Dollar Senior Notes

The 2013 Dollar Senior Notes mature on June 15, 2024. Interest on the 2013 Dollar Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 Dollar Senior Notes are general obligations of Altice Finco and (i) rank pari passu in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the 2013 Dollar Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2013 Dollar Senior Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2013 Dollar Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Dollar Senior Notes benefit from the 2012 Senior Notes Guarantors (except ABO) on a senior subordinated basis and are secured by the same security applicable to the 2012 Senior Notes.

Prior to December 15, 2018, Altice Finco may redeem all or a portion of the 2013 Dollar Senior Notes at a price equal to 100% of the principal amount plus a make-whole premium. Altice Financing may redeem some or all of the 2013 Dollar Senior Notes at any time on or after December 15, 2018, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any.

In addition, prior to December 15, 2016, the Senior Notes Issuer may redeem up to 40% of the aggregate principal amount of the 2013 Dollar Senior Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 108.125% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2013 Dollar Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2013 Dollar Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and any additional amount. If Altice VII and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice VII experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2013 Dollar Senior Notes at specified redemption prices.

The indenture governing the 2013 Dollar Senior Notes (the "2013 Dollar Senior Notes Indenture"), among other things, limits the ability of Altice VII and its subsidiaries to (i) incur or guarantee additional indebtedness (subject to an incurrence based Consolidated Leverage Ratio test (as defined in the 2013 Dollar Senior Notes Indenture), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2013 Dollar Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 Indenture, the 2013 Dollar Senior Notes and the related guarantees are governed by the laws of the State of New York.

The 2013 Term Loan

On June 24, 2013 a senior secured term loan credit facility (as amended from time to time, the "2013 Term Loan Facility") which provide for U.S. dollar term loans (the "2013 Term Loans") in an aggregate principal amount equivalent to $1,034 million, was entered into among Altice Financing, as borrower, certain lenders party thereto, Goldman Sachs International, Morgan Stanley Senior Funding, Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch and Deutsche Bank Securities Inc., as joint lead arrangers and bookrunners, Goldman Sachs Lending Partners LLC, as administrative agent and Citibank, N.A., London Branch as security agent (the "2013 Term Loan Agreement"). The entire amount available under the 2013 Term Loan has been drawn.

Interest Rate and Fees

Borrowings under the 2013 Term Loan Facility bear interest at a rate per annum equal to an applicable margin plus, at Altice Financing's option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal

Funds rate plus 0.50%, (2) the prime rate quoted in the print edition of The Wall Street Journal, Money Rates Section as the prime pate, (3) the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (4) a floor of 2.00% (any such borrowing, an "ABR Loan") or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such LIBOR rate shall not be lower than 1.00% (any such borrowing, a "Eurodollar Loan").

The applicable margin is, for any day, (a) with respect to any ABR Loan, 3.50% per annum and (b) with respect to any Eurodollar Loan, 4.50% per annum.

In addition to paying interest on outstanding principal under the 2013 Term Loan Facility, after August 18, 2013, Altice Financing is required to pay a commitment fee to the lenders in respect of the unutilized commitments thereunder, payable on the date of each drawing and upon any reduction or termination of the commitments.

Mandatory Prepayments

The 2013 Term Loan Agreement requires Altice Financing to prepay outstanding term loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions; (ii) commencing with the fiscal year ended December 31, 2014, 50% of the annual excess cash flow, which percentage will be reduced to 0% if the Consolidated Leverage Ratio (as defined in the 2013 Term Loan) is less than 4.0:1.0; and (iii) 100% of the net cash proceeds in excess of a specified threshold amount of certain HOT Minority Shareholder Option Exercises (as defined in the 2013 Term Loan Agreement) at, in the case of such HOT Minority Shareholder Option Exercise prepayments, a price for such term loans prepaid equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any.

Voluntary Prepayments

Prepayments of the 2013 Term Loan Facility on or prior to the first anniversary of July 2, 2013 are subject to a make-whole provision and a minimum call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Term Loan Facility after the first anniversary of July 2, 2013 (the "Term Loan Closing Date") but on or prior to the second anniversary of the Term Loan Closing Date, are subject to a call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Term Loan Facility after the second anniversary of the Term Loan Closing Date but on or prior to the third anniversary of the Term Loan Closing Date are subject to a call premium of 1.00%. Otherwise, Altice Financing is able to voluntarily prepay outstanding loans under the 2013 Term Loan Facility at any time subject to customary "breakage" costs with respect to Eurodollar Loans.

Amortization and Final Maturity

Beginning with the quarter ending March 31, 2014, Altice Financing will be required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the 2013 Term Loan Facility, with the balance expected to be due on the sixth anniversary of the Term Loan Closing Date.

Guarantees

Each of the 2012 Senior Secured Notes Guarantors of the 2012 Senior Secured Notes guarantees, on a senior basis, the obligations of each other obligor under the 2013 Term Loan Agreement and related finance documents.

Security

The 2013 Term Loan Facility is secured by the same collateral securing, inter alia, the 2012 Senior Secured Notes.

Certain Covenants and Events of Default

The 2013 Term Loan Agreement includes negative covenants that, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence-based Consolidated Leverage Ratio test (as defined in 2013 Term Loan), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations.

The 2013 Term Loan Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under the 2013 Term Loan Facility will be entitled to take various actions, including the acceleration of amounts due under the 2013 Term Loan Facility and all actions permitted to be taken by a secured creditor, subject to the intercreditor agreement which regulates the rights and ranking in relation to liabilities owed by members (of the Group to various classes of creditors of the Group ("Intercreditor Agreement").

The Coditel Senior Facilities Agreement

The Coditel Senior Facilities Agreement consists of an aggregate of € 150 million of senior facilities and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding S.A. as the company and the original borrower, ING Bank N.V. as agent and security agent. On July 2, 2013 Altice Holdings purchased all of the remaining interests of the lenders under the Coditel Senior Facilities Agreement (the "Coditel Refinancing").

The Coditel Mezzanine Facility Agreement

The Facility

The Coditel Mezzanine Facility Agreement consists of a €100 million mezzanine facility and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding as the company and the borrower, Wilmington Trust (London) Limited as agent and ING Bank N.V. as security agent. The loan advanced under the mezzanine facility for the purpose of partially funding the refinancing of certain indebtedness originally incurred by the borrower to finance the acquisition of Coditel Belgium and Coditel Luxembourg (the "Refinancing") must be repaid on the date falling 90 months after the date on which the Refinancing occurred. The mezzanine facility constitutes subordinated obligations of Coditel Holding Lux S.à r.l. and Coditel Holding and benefits from guarantees and security provided by certain members of the group comprising Coditel Holding Lux S.à r.l. and its subsidiaries (the "Coditel Group").

Interest Rates and Prepayment Fees

Cash pay interest accruing at a rate of 8.50% per annum is payable on the loan at the end of each interest period and PIK interest accruing at a rate of 5.25% per annum is capitalized to the principal amount of the loan semi-annually. A prepayment fee is payable if the loan is prepaid (i) prior to the fifth anniversary of the Refinancing as a result of a voluntary prepayment or a mandatory prepayment triggered by a disposal of certain assets of the Coditel Group in an amount determined by reference to a ratchet or (ii) at any time as a result of a mandatory prepayment arising from a change of control in an amount equal to 1.00% of the principal amount of the loan prepaid. Coditel has the right to prepay the facility provided that a prepayment fee of 6.875% on the amount of the loan prepaid which is payable if the loan is prepaid after the third anniversary (November 2014) but prior to the fourth anniversary of the Refinancing (November 2015). A prepayment fee of 3.4375% on the amount of the loan prepaid is payable if the loan is prepaid after the fourth anniversary of the refinancing (November 2015) but prior to the fifth anniversary of the refinancing (November 2016).

Mandatory Prepayment

Upon the occurrence of the sale of all or substantially all of the assets or business of the Coditel Group, the loan and all amounts accrued under the mezzanine facility will become immediately due and payable. Upon the occurrence of a change of control of the Coditel Group, each lender is entitled to require that its share of the loan together with all other amounts accrued to that lender and a prepayment fee are paid to that lender. Certain proceeds received by any member of the Coditel Group arising from the disposal of assets are required to be prepaid upon receipt and certain proceeds received by any member of the Coditel Group from claims under certain acquisition documents and reports and insurance claims are required to be prepaid on and from the fifth anniversary of the Refinancing.

Covenants

The Coditel Mezzanine Facility Agreement requires certain members of the Coditel Group to observe certain restrictive and affirmative operating covenants, including restrictions on certain dividends and distributions.

Financial covenants

The Coditel Group's financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cashflow cover ratio, net interest cover ratio and leverage ratio that vary over time and to observe limitations on capital expenditure. The leverage ratio is currently 5.67:1 and will fall to 2.60:1 at the termination date.

Events of Default

There are certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate the loans together with other accrued amounts and/or (iii) declare that all or part of the loans be payable on demand.

Representations, Warranties and Undertakings

There are certain representations, warranties and undertakings customary for a facility of this type subject to certain exceptions and customary materiality qualifications.

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility

The Revolving Credit Facility Agreements are comprised of: (1) a $80 million super senior secured revolving credit facility (as amended from time to time, the "2012 Revolving Credit Facility") agreement entered into on November 27, 2012, between, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, HSBC Bank plc, ING Bank N.V., J.P. Morgan Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, Citibank International Plc as facility agent and Citibank, N.A., London Branch as Security Agent (the "2012 Revolving Credit Facility Agreement"), and (2) a €60 million super senior secured revolving credit facility (as amended from time to time, the "2013 Revolving Credit Facility", together with the 2012 Revolving Credit Facility, the "Revolving Credit Facilities") agreement entered into on July 1, 2013, between, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Credit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Citibank International Plc as Facility Agent and Citibank, N.A., London Branch as security agent (the "2013 Revolving Credit Facility Agreement" and together with the 2012 Revolving Credit Facility Agreement, the "Revolving Credit Facility Agreements"). Each Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the "borrower" or "borrowers" under this section refer to Altice Financing and any additional borrowers who accede to the Revolving Credit Facility Agreements in that capacity.

Structure of the Revolving Credit Facility Agreements

The final maturity date of the 2012 Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after December 27, 2012 (the "2012 Transaction Completion Date") and (ii) the date on which the 2012 Revolving Credit Facility has been fully repaid and cancelled. The final maturity date of the 2013 Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after July 2, 2013 (the "2013 Release Date") and (ii) the date on which the 2013 Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the Revolving Credit Facility Agreements for terms of, at the relevant borrower's election, one, two, three or six months (or any other period agreed by Altice Financing and the relevant lenders), but no such period shall end beyond the final maturity date of the relevant Revolving Credit Facility Agreement. Drawdowns under the Revolving Credit Facility Agreements must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date (save for certain roll-over loans).

Limitations on Use of Funds

The Revolving Credit Facilities and the 2013 Guarantee Facility (defined below) may be used by the borrowers for general corporate and working capital purposes of the Group (other than Altice Finco, the "RCF Group"), including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group.

The commitments under the 2013 Revolving Credit Facility may be increased by up to an additional maximum amount of $80 million euro equivalent, provided that an amount equal to any such increase is simultaneously cancelled under the 2012 Revolving Credit Facility.

The 2013 Guarantee Facility

A guarantee facility agreement for an amount of up to €75 million was entered into on July 1, 2013, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Wilmington Trust (London) Limited as Facility Agent and Citibank, N.A., London Branch. as security agent (as amended from time to time the "2013 Guarantee Facility"). The 2013 Guarantee Facility has been made available to the borrowers for general corporate and working capital purposes of the RCF Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group. The creditors under the 2013 Guarantee Facility will be Senior Bank Creditors and not Super Priority Creditors, each as defined in the Intercreditor Agreement.

Structure of the 2013 Guarantee Facility

The final maturity date of the 2013 Guarantee Facility is the earlier of (i) the date falling five years after the 2013 Release Date and (ii) the date on which the 2013 Guarantee Facility has been repaid and cancelled in full.

Conditions to Borrowings

Drawdowns under the Revolving Credit Facility Agreements and the 2013 Guarantee Facility are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following: (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties specified in the Revolving Credit Facility Agreements, and the 2013 Guarantee Facility, as applicable, being true in all material respects.

Interest Rates and Fees

The interest rate on each loan under the Revolving Credit Facility Agreements for each interest period is equal to the aggregate of: (x) the applicable margin; (y) (i) LIBOR, in respect of the 2012 Revolving Credit Facility Agreement, and (ii) LIBOR, or, in relation to any loan in Euro, EURIBOR, in respect of the 2013 Revolving Credit Facility Agreement; and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements).

The initial margin under the 2012 Revolving Credit Facility Agreement is 4.25% per annum but if: (i) no event of default has occurred and is continuing under the 2012 Revolving Credit Facility Agreement; (ii) at least twelve months have elapsed since the 2012 Transaction Completion Date, then the margin will be adjusted depending on the Consolidated Leverage Ratio (as defined in the Existing Credit Facility Agreement) of the RCF Group so that: (a) if the Consolidated Leverage Ratio is greater than or equal to 3.0:1, the applicable margin under the 2012 Revolving Credit Facility Agreement will be 4.25% per annum; (b) if the Consolidated Leverage Ratio is less than 3.0:1 but greater than or equal to 2.0:1, the applicable margin 2012 Revolving Credit Facility Agreement will be 3.75% per annum; and (c) if the Consolidated Leverage Ratio is less than 2.0:1, the applicable margin 2012 Revolving Credit Facility Agreement will be 3.25% per annum. The margin under the 2013 Revolving Credit Facility Agreement is 3.50% per annum. The margin under the 2013 Guarantee Facility is 3.50% per annum.

Interest under the Revolving Credit Facility Agreements accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period) and is calculated on the basis of a 360-day year. With respect to any available but undrawn amounts under the Revolving Credit Facility Agreements, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncancelled commitments from the date falling 30 days after the date of the relevant Revolving Credit Facility Agreement until one month prior the final maturity date of the relevant Revolving Credit Facility Agreement. A guarantee fee is payable to the relevant issuing bank issuing guarantees under the 2013 Guarantee Facility in an amount equal to 0.125% of the face value of the relevant guarantee. Each guarantee issued under the 2013 Guarantee Facility carries a guarantee fee equal to 3.50%.

Guarantees

Each of the 2012 Senior Secured Notes Guarantor guarantees, on a senior basis, the obligations of each other obligor under the Revolving Credit Facility Agreements and related finance documents.

Security

The Revolving Credit Facilities and the 2013 Guarantee Facility are secured by the same collateral securing, inter alia, the 2012 Senior Secured Notes.

Mandatory Prepayment

For so long as an event of default has occurred and is continuing under the Revolving Credit Facility Agreements, proceeds otherwise required to be applied in prepayment of the 2012 Senior Secured Notes shall instead be applied in cancellation and prepayment of the Revolving Credit Facilities in priority to any other indebtedness.

Upon the occurrence of a Change of Control (as defined in each of the Revolving Credit Facility Agreements and the 2013 Guarantee Facility, as applicable), the borrowers must repay the Revolving Credit Facilities and the 2013 Guarantee Facility in full together with accrued interest and all other amounts accrued under related finance documents and the Revolving Credit Facilities and the 2013 Guarantee Facility will be cancelled.

If an amount in excess of 50% of the 2012 Senior Secured Notes (and, in respect of the 2013 Revolving Credit Facility, an amount in excess of 50% of the 2012 Senior Secured Notes and all utilizations outstanding under and the 2013 Term Loan as at the date of the 2013 Revolving Credit Facility) is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the RCF Group, the relevant borrowers must apply an amount equal to such excess in cancellation of the Revolving Credit Facilities and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the RCF Group from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Revolving Credit Facilities.

Financial Covenants, Events of Default

The 2012 Revolving Credit Facility Agreement requires the RCF Group to maintain a Consolidated Leverage Ratio, calculated on a net basis (as defined in the 2012 Revolving Credit Facility Agreement) tested as of the end of each fiscal quarter of no more than 4.5:1.

Each of the 2013 Revolving Credit Facility Agreement and the 2013 Guarantee Facility requires the RCF Group to maintain a Consolidated Leverage Ratio (as defined in each of the 2013 Revolving Credit Facility Agreement and the 2013 Guarantee Facility), tested as of the end of each fiscal quarter of no more than 4.5:1.

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Intercreditor Agreement described below, the proceeds of any enforcement of collateral will be applied towards repayment of the Revolving Credit Facilities and certain hedging obligations prior to repayment of the 2012 Senior Secured Notes, the 2013 Term Loan, the 2012 Senior Note, the 2013 Euro Senior Notes and the 2013 Guarantee Facility.

Representations and Warranties

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility contain certain restrictive covenants which substantially reflect the covenants contained in the 2012 Senior Secured Notes and the 2013 Term Loan.

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility also require the RCF Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) pari passu ranking of all payment obligations under the relevant Revolving Credit Facility Agreements or the 2013 Guarantee Facility, as appropriate, and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Trustee (as defined in the Revolving Credit Facility Agreements and the 2013 Guarantee Facility, as appropriate)/accountants/other professional advisers having access to investigate reasonably suspected defaults; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the share pledges; (xii) an entity not moving its center of main interest from its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by

Altice VII, Cool Holding, SPV1 and Altice Financing; and (xiv) restricting the making of proceeds drawn under the Revolving Credit Facility Agreements available to any sanctioned person or sanctioned country.

The HOT Unsecured Notes

On February 27, 2011, HOT entered into a trust deed between HOT and Ziv Haft Trust Co. Ltd (the "HOT Unsecured Notes Trustee") with respect to the unsecured notes ("HOT Unsecured Notes), which were issued on March 30, 2011 in two series: (i) in a nominal value equal to NIS 825 million or €173 million (based on the exchange rate as of December 31, 2013) pursuant to a debenture dated March 30, 2011 (the "Existing Series A HOT Notes") and (ii) in a nominal value equal to NIS 675 million or €141 million (based on the exchange rate as of December 31, 2013) pursuant to a debenture dated March 30, 2011 (the "Existing Series B HOT Notes"). The Existing Series A HOT Notes are linked to the Consumer Price Index in Israel ("CPI") and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As of September 30, 2013, the CPI linked principal amount of Existing Series A HOT Notes outstanding was NIS 760 million or €159 million (based on the exchange rate as of September 30, 2013) and the principal amount of the Existing Series B HOT Notes outstanding was NIS 591 million or €124 million (based on the exchange rate as of September 30, 2013).

The Existing Series A HOT Notes and the Existing Series B HOT Notes mature on September 30, 2018. The amortization schedule for each of the Existing Series A HOT Notes is as follows: 8.3% in 2013; 8.3% in 2014; 8.3% in 2015; 8.3% in 2016; 8.3% in 2017 and 54.2% in 2018. Based on the CPI as of December 31, 2012 of 105.7, we estimate the amortization schedule, which includes estimated future increases in CPI of three points per year, under the Existing Series A HOT Notes is approximately: NIS 71 million in 2013, NIS 71 million in 2014, NIS 71 million in 2015, NIS 71 million in 2016, NIS 71 million in 2017 and NIS 461 million in 2018. The amortization schedule for the Existing Series B Notes is as follows approximately: NIS 56 million in 2013, NIS 56 million in 2014, NIS 56 million in 2015, NIS 56 million in 2016, NIS 56 million in 2017 and NIS 366 million in 2018. The HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The Existing Series A HOT Notes bear interest at a rate of 3.9% per annum, payable semi-annually. The Existing Series B HOT Notes bear interest at a rate of 6.9% per annum, payable semi-annually.

The HOT Unsecured Notes contain certain financial covenants, which require maintenance by HOT of a maximum net debt to EBITDA ratio of 6.0 and maintenance of minimum equity equal to NIS 300 million. Further, in order for HOT to be able to distribute dividends, the maximum net debt to EBITDA ratio is 5.5. In addition, the HOT Unsecured Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration of other HOT indebtedness of NIS 300 million or more in the aggregate, grants the holders the right to call for immediate payment of the HOT Unsecured Notes.

The HOT Unsecured Notes are senior obligations that rank equally with all of its existing and future senior debt and are senior to all of its existing and future subordinated debt. The HOT Unsecured Notes are not secured by any assets of HOT or its subsidiaries.

The HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The HOT Unsecured Notes will be:

(a) effectively subordinated to the HOT Refinancing Notes and the guarantees thereof granted by the HOT Refinancing Note Guarantors to the extent of the lesser of (x) the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes and the guarantees thereof and (y) the amount owing under the HOT Refinancing Notes;

(b) *pari passu* with the HOT Refinancing Notes to the extent the amount of the HOT Refinancing Notes exceeds the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes; and

(c) structurally senior to the 2012 Senior Notes, the 2012 Senior Secured Notes, the 2013 Euro Senior Notes, the 2013 Dollar Senior Notes, the 2013 Senior Secured Notes, the 2012 Senior Secured Notes Guarantees and the 2013 Euro Senior Notes Guarantees granted by the 2012 Senior Secured Notes Guarantors and the 2012 Senior Notes Guarantors.

The HOT Unsecured Notes will not be subject to the Intercreditor Agreement and, as a result, in the event of an enforcement sale of the shares of Cool Holding or HOT pursuant to the Intercreditor Agreement, the debt claims of the holders of the HOT Unsecured Notes are not required to be released or otherwise transferred.

The Intercreditor Agreement

To establish the relative rights of certain of our creditors, the obligors under the 2012 Notes, the Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the 2013 Term Loan and certain counterparties to hedging obligations relating to the foregoing, have entered into an intercreditor agreement (the "Intercreditor Agreement") with:

- the creditors of the Revolving Credit Facilities (the "RCF Creditors");
- any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements in accordance with the terms of the Intercreditor Agreement (the "Hedging Agreements" and any person that accedes to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "Hedging Banks" and, together with the RCF Creditors, the "Super Priority Creditors");
- any persons that accede to the Intercreditor Agreement under any future term facility (including the 2013 Term Loan) or revolving bank facility (including the 2013 Guarantee Facility but excluding the Revolving Credit Facilities) designated a senior bank facility in accordance with the terms of the Intercreditor Agreement (the "Senior Bank Creditors");
- any persons that accede to the Intercreditor Agreement as trustee (the "Senior Secured Notes Trustee") for the 2012 Senior Secured Notes and the 2013 Senior Secured Notes (and together the "Senior Secured Notes") on its behalf and on behalf of the holders of the Senior Secured Notes (the "Senior Secured Notes Creditors" and, together with any Senior Bank Creditors, the "Senior Creditors" and, together with the Super Priority Creditors, the "Senior Secured Creditors");
- any persons that accede to the Intercreditor Agreement as trustee for the 2012 Senior Notes, the 2013 Euro Senior Notes and the 2013 Dollar Senior Notes (and together the "Senior Subordinated Notes") (the "Senior Subordinated Notes Trustee" on its behalf and on behalf of the holders of the Senior Subordinated Notes (the "Senior Subordinated Notes Creditors" or the "Senior Subordinated Creditors");
- certain intra-group creditors (the "Intercompany Creditors")
- certain members of the group who are or become structural creditors in respect of certain intra-group liabilities (the "Structural Creditors");
- certain investors (the "Shareholders", together with Intercompany Creditors, the "Subordinated Creditors");
- Citibank, N.A., London Branch, as security agent for the Senior Secured Creditors (the "Security Agent");
- Citibank International plc, as facility agent or any other administrative agent or replacement agent; and
- Citibank, N.A., London Branch as security agent for the Structural Creditors (the "Structural Creditor Security Agent").

The Intercreditor Agreement provides that future indebtedness may be incurred by us and our subsidiaries subject to the terms of the Intercreditor Agreement and each finance document then existing. Future Super Priority Debt may, however, only be in the form of a revolving credit facility, which is a working capital facility or hedging indebtedness to the extent permitted (or not prohibited) by the terms of each finance document (including the indentures) or consented to by the appropriate parties. The aggregate commitment under all revolving credit facilities (including the 2012 Revolving Credit Facility) that are designated as Super Priority Debt cannot exceed the greater of \$80 million or 4% of total assets at any time.

For the purposes of the Intercreditor Agreement, the creditors of each class of debt will vote together and a representative trustee or agent of debt within that class of debt (a "Representative") may act on the instructions of the majority of creditors of that class of debt (or, in the case of the Super Priority Debt or Senior Bank Debt (as defined below), on the instructions of $66^{2}/_{3}$% of creditors of that class of debt) (a "Relevant Majority"). Hedging Banks will vote together with the Super Priority Creditors while any Super Priority Debt remains outstanding. In addition, in certain circumstances (as set out in the Intercreditor Agreement) certain classes of creditors will vote together as part of an instructing group (the "Instructing Group"), which is the Relevant Majority of (i) (if Senior Bank Debt has not been incurred or, if incurred, has been discharged and while any Senior Secured Notes Debt remains outstanding) the Senior Secured Notes Creditors, (ii) (while Senior Bank Debt (as defined below) remains outstanding) the Senior Creditors, and (iii) (if the Senior Secured Debt has been discharged and while the Senior Subordinated Notes Debt remains outstanding) the Senior Subordinated Creditors.

By accepting a Senior Secured Note or a Senior Subordinated Note, as the case may be, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement that relate to the rights and obligations of the Senior Secured Notes Creditors and the Senior Subordinated Notes Creditor. It does not restate the Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt or capital expenditures.

Order of Priority

Ranking & Priority

The Intercreditor Agreement provides, subject to certain provisions, that the liabilities of each issuer, obligor or borrower subject to the Intercreditor Agreement (the "Obligors") (other than the issuer of the Senior Subordinated Notes) under or in respect of the Revolving Credit Facility Agreements (the "RCF Debt"), the Hedging Agreements (the "Hedging Debt" and, together with the RCF Debt, the "Super Priority Debt"), any Senior Bank Facilities, including the 2013 Term Loan and the 2013 Guarantee Facility (the "Senior Bank Debt"), the Senior Secured Notes (the "Senior Secured Notes Debt" and, together with the Senior Bank Debt, the "Senior Debt"), the Senior Subordinated Notes (the "Senior Subordinated Notes Debt"), structural intra-group debt owed to the Structural Creditors (the "Structural Debt") and certain liabilities of members of the group owed to Altice Finco (the "Holdco Debt") and certain other liabilities will rank in right and order of payment in the following order:

(i) *first*, the RCF Debt, the Hedging Debt, the Senior Bank Debt, the Senior Secured Notes Debt, the Structural Debt and future permitted senior or super priority debt, *pari passu* without any preference among them;

(ii) *second*, the Senior Subordinated Notes Debt and future permitted senior subordinated debt, *pari passu* without any preference among them;

(iii) *third*, the intercompany debt and the Holdco Debt, *pari passu,* without any preference among them; and

(iv) *fourth*, the shareholder debt.

To the extent any liability is owed by Altice Finco in respect of any debt, the debt will rank in right and order of payment:

(i) *firstly*, the Senior Secured Debt (as defined below), pari passu without any preference among such debt; and

(ii) *secondly*, the shareholder debt.

Priority of Security

The Intercreditor Agreement provides that the Security (other than any Security created pursuant to the pledge of the shares of Altice Finco) provided by the Obligors (and any other parties) for the Super Priority Debt, the Senior Debt (together, the "Senior Secured Debt"), the Senior Subordinated Notes Debt (together with the Senior Secured Debt, the "Secured Debt") will rank in the following order:

(i) *firstly*, the Senior Secured Debt (*pari passu* among such class of debt); and

(ii) *secondly*, the Senior Subordinated Notes Debt.

Restrictions

Subject to certain limited exceptions and subject to, *inter alia*, the provisions set forth under the captions "*—Permitted Payments" and "—Restrictions on Enforcement*", while any Senior Secured Debt is outstanding, the Intercreditor Agreement restricts (to the extent not otherwise (i) prohibited by each of the Revolving Credit Facility Agreements, the indenture governing the 2012 Senior Secured Notes (the "2012 Senior Secured Notes Indenture"), the indenture governing the 2013 Senior Secured Notes (the "2013 Senior Secured Notes Indenture", and together with the 2012 Senior Secured Notes Indenture, the "Senior Secured Notes Indentures") the indenture governing the 2012 Senior Notes (the "2012 Senior Notes Indenture"), the indenture governing the 2013 Euro Senior Notes (the "2013 Euro Senior Notes Indenture) and the indenture governing the 2013 Dollar Senior Notes (the "2013 Dollar Senior Notes Indenture" and together with the 2012 Senior Notes Indenture and the 2013 Euro Senior Notes Indenture the "Senior Notes Indenture"), or (ii) consented to by the relevant Representative representing the Relevant Majority of (i) Super Priority

Creditors while any Super Priority Debt is outstanding), (ii) Senior Bank Creditors (if any Super Priority Debt has been discharged and while any Senior Bank Debt is outstanding) and (only to the extent prohibited under the Senior Secured Notes Indentures) the Senior Secured Notes Creditors and/or (iii) (only to the extent prohibited under the Senior Secured Notes Indenture) the Senior Secured Notes Creditors (if any Super Priority Debt or Senior Bank Debt has been discharged and while any Senior Secured Notes Debt remains outstanding):

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any debt owed to the Senior Subordinated Creditors and the intercompany creditors and shareholders (the "Subordinated Debt"), unless not prohibited by the Senior Secured Debt documents;
- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Senior Subordinated Notes Debt or the Holdco Debt, or otherwise to provide financial support in relation to such liabilities, except in respect of any Senior Subordinated Notes Debt in connection with any such payment or acquisition of any Senior Subordinated Notes Debt by the issuer in respect of the Senior Subordinated Debt (the "Senior Subordinated Notes Issuer"); and
- the ability of the Senior Subordinated Creditors to enforce the Senior Subordinated Notes Debt or the Holdco Debt and the security relating thereto, to demand or receive payments toward the discharge of any Senior Subordinated Notes Debt, any Holdco Debt or to apply money or property toward the discharge of any Senior Subordinated Notes Debt or any Holdco Debt.

In addition, the Intercreditor Agreement provides that the Security and guarantees relating to the Senior Secured Debt (and the Senior Subordinated Notes Debt) will be released in certain circumstances. See "*—Release of Security and Guarantees*". Moreover, certain proceeds received by the Senior Secured Creditors and the Senior Subordinated Creditors or the Subordinated Creditors (other than in connection with the Senior Subordinated Notes Debt of the Senior Subordinated Notes Issuer) must be turned over to the Security Agent pursuant to the Intercreditor Agreement for application in accordance with the Intercreditor Agreement. See "*—Turnover*".

The Intercreditor Agreement provides for certain additional restrictions on the form, provisions and terms of the documents evidencing the Structural Debt. No Structural Creditor and no member of the Group will be entitled to make material amendments to the documents evidencing the Structural Debt without the prior written consent of the relevant Representative representing the Super Priority Creditors, the Senior Bank Creditors and the Senior Secured Notes Creditors.

Limitation of Credit Support

Pursuant to the Intercreditor Agreement, the Obligors are prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt. The Obligors are also prohibited from granting any security in favor of the Senior Subordinated Notes Debt or the Subordinated Debt except (in respect of the Senior Subordinated Notes Debt) for security that is permitted under the Senior Secured Notes Indentures and given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt, and other security agreed by the Relevant Majority of the Super Priority Creditors and the Relevant Majority of the Senior Bank Creditors and the Relevant Majority of the Senior Subordinated Notes Creditor or otherwise required by the relevant debt documents.

Permitted Payments

The Intercreditor Agreement permits Obligors to pay, *inter alia*:

1. while any Senior Secured Debt is outstanding, any amounts then due under the Senior Subordinated Notes Debt if:

   (a) the payment is a Permitted Payment (as defined below) (or in lieu thereof, a payment of an amount to the issuer of Senior Subordinated Notes to enable it to make a corresponding Permitted Payment) or is not prohibited under the terms of any documents governing the Senior Secured Debt;

   (b) on the date falling two days prior to the date of payment, no payment default is outstanding (or has been accelerated/placed on demand); and

   (c) no Stop Notice (as defined below) is outstanding; or

   (d) with the consent of each of:

(i) (while any of the Super Priority Debt is outstanding) the Representative representing the Relevant Majority of the Super Priority Creditors;

(ii) (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of (A) the Senior Bank Creditors and (B) (only to the extent prohibited by the Senior Secured Notes Indenture) the Senior Secured Notes Creditors; and

(iii) (if any Senior Bank Debt has been discharged and while the Senior Secured Notes Debt is outstanding) (only to the extent prohibited under the Senior Secured Notes Indentures) the Representative representing Relevant Majority of the Senior Secured Notes Creditors;

2. while any Senior Subordinated Debt is outstanding, any amounts under the intercompany debt and the shareholder debt if:

(a) except in relation to an intercompany debt to an Obligor, the amount is due and payable under the terms of the intercompany debt documents;

(b) the payment is not prohibited under the terms of any documents governing the Senior Secured Debt and/or the Senior Subordinated Notes Debt; and

(c) in relation to an intercompany debt to a non-Obligor and any shareholder debt, no enforcement trigger event is outstanding; or

(d) with the consent of each of:

(i) (while any Super Priority Debt is outstanding) the Representative representing the Relevant Majority of the Super Priority Debt;

(ii) (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of (A) the Senior Bank Creditors and (B) (only to the extent prohibited by the Senior Secured Notes Indentures), the Senior Secured Notes Creditors;

(iii) (if any Senior Bank Debt has been discharged but while any Senior Secured Notes Debt is outstanding and only to the extent prohibited under the Senior Secured Notes Indenture (to the extent prohibited by a Senior Secured Notes Designated Debt Document (as defined below)) the Representative representing the Relevant Majority of the Senior Secured Notes Creditors; and

(iv) (while any Senior Subordinated Debt is outstanding), the Representative representing the Relevant Majority of Senior Subordinated Creditors; and

3. while any Senior Secured Debt is outstanding, the Obligors will only be permitted to make payments of Holdco Debt

(a) with the prior written consent of:

(i) (while any Super Priority Debt is outstanding) the relevant Representatives representing the Relevant Majority of the Super Priority Creditors;

(ii) (while any Senior Bank Debt is outstanding) the Representatives representing the Relevant Majority of (x) the Senior Bank Creditors and (y) (only to the extent prohibited by the Senior Secured Notes Indenture) the relevant Representatives Senior Secured Notes Creditors; and

(iii) (if any Senior Bank Debt has been discharged and while the Senior Secured Notes Debt is outstanding) (only to the extent prohibited by the Senior Secured Notes Indenture) the relevant Representatives representing the Relevant Majority of the Senior Secured Notes Creditors; or

(b) such payments are equal to the amount of payments in respect of the liabilities owed to the Senior Subordinated Notes Creditors.

A Representative representing (i) the relevant Senior Bank Lenders or (ii) the relevant Senior Secured Notes Creditors or (iii) the relevant Super Priority Creditors (each in accordance with its underlying documents) may serve a notice specifying that an event of default is outstanding and suspend the payment of any Senior Subordinated Notes Debt (a "Stop Notice") until the earlier of: (i) 179 days after the Stop Notice, (ii) if an enforcement notice specifying a default under the Senior Subordinated Notes Debt has been served by a Representative of the Relevant Majority of the Senior Subordinated Creditors (an "Enforcement Notice") and a standstill period of 179 days (a "Standstill Period") is already in effect, the date on which the aforementioned Standstill Period expires, (iii) the date on which the event of default under the relevant Super Priority Debt document or Senior Debt document has been remedied or waived in accordance with the relevant debt document, (iv) the date on which each Representative that served the Stop Notice cancels such Stop Notice, (v) the date on which the creditors with respect to the Senior Subordinated Debt take enforcement action in accordance with (and as permitted by) the Intercreditor Agreement, and (vi) the date the Senior Secured Debt is no longer outstanding. The Stop Notice is to be issued within 45 days of receipt of notice of such default and only one such notice may be served within any 360 day period and not more than one Stop Notice may be served in respect of the same event or set of circumstances. Notwithstanding the foregoing, the Senior Secured Notes Trustee will be entitled to receive and retain certain amounts payable for its own account. A Stop Notice shall be deemed to be in effect if a payment default is outstanding in respect of any Senior Secured Debt.

For purposes of the Intercreditor Agreement, "Permitted Payments" is defined to include certain customary permitted payments which include scheduled payments of interest; amounts payable under Senior Subordinated Notes by way of default interest, liquidated charges or penalty interest; amounts payable under applicable gross up provisions or currency indemnities; fees, costs, expenses and taxes incurred in respect of the issuance and offering of the Senior Subordinated Notes or the ordinary day-to-day administration of the Senior Notes; principal amount of the Senior Subordinated Notes upon or after their originally scheduled maturity; any other amount not exceeding an agreed amount in any 12-month period; note trustee costs and security agent costs; certain permitted defeasance trust payments; amounts funded from the proceeds of issuance of, or exchanged for or converted into certain defined permitted junior securities any other amounts consented to by the Representatives representing the Relevant Majority of each of the Super Priority Debt and Senior Debt.

Restrictions on Enforcement

Subject to certain limited exceptions, and except with the consent of the Relevant Majority of Super Priority Creditors (while the Super Priority Debt is outstanding) and the Instructing Group, while Senior Secured Debt is outstanding, the Senior Subordinated Creditors cannot (i) demand payment of any Senior Subordinated Notes Debt or Subordinated Debt, (ii) accelerate any of the Senior Subordinated Notes Debt or the Subordinated Debt or otherwise declare any of the aforementioned debt prematurely due or payable on an event of default or otherwise, (iii) enforce any of the Senior Subordinated Notes Debt or Subordinated Debt by attachment, set-off, execution or otherwise, (iv) (in the case of Senior Subordinated Creditors) enforce the Security relating to the Senior Subordinated Notes Debt, (v) petition for, initiate, support or take any steps with a view to any insolvency or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving an Obligor, (vi) sue or bring or support any legal proceedings against any Obligor or its subsidiaries or (vii) otherwise exercise any remedy for the recovery of any Senior Subordinated Notes Debt or Subordinated Debt. The aforementioned does not prohibit the Senior Subordinated Creditors from, among others, (i) taking any necessary action to preserve the validity and existence of any claims, (ii) taking any action against any creditor to challenge the basis on which any sale or disposal is to take place pursuant to powers granted under any security documents, (iii) bringing proceedings in relation to violations of securities laws/regulations or for fraud, (iv) solely for injunctive relief to restrain any actual or punitive breach of the indenture governing the Senior Subordinated Notes or for specific performance not claiming damages not inconsistent with the Intercreditor Agreement, (v) against the Senior Subordinated Notes Issuer, or (vi) requesting judicial interpretation of any provision of any Senior Subordinated Creditor finance document. A Senior Subordinated Creditor or Subordinated Creditor will be allowed to bring or support proceedings to prevent the loss of any right to bring or support proceeding by reason of expiry of statutory limitation periods. Subject to the written instructions of the Security Agent (acting on the instructions of the relevant Creditors entitled to take enforcement action with respect to the Collateral) no Structural Creditor may, while any Senior Secured Debt is outstanding take certain actions in respect of the Structural Debt including (i) accelerate any of the Structural Debt or otherwise declare any of the Structural Debt prematurely due or payable as a result of a default or an event of default (howsoever described), (ii) enforce any of the Structural Debt by attachment, set-off, execution or otherwise, (iii) enforce (or give instructions to the Structural Creditor Security Agent to enforce) the security securing the Structural Debt, (iv) petition (or vote in favor of any resolution in favor for) or initiate or take any steps with a view to any insolvency or any voluntary agreement or assignment for the benefit of creditors or any similar proceedings involving HOT and/or its direct or indirect subsidiaries, (v) sue or bring or support any legal proceedings against HOT and/or any of its direct or indirect Subsidiaries, or (vi) otherwise exercise any remedy for the recovery of any Structural Debt.

In addition to customary termination rights under the Hedging Agreements, the Hedging Banks benefit from certain additional termination rights permitting termination or close-out of the relevant Hedging Agreement prior to its stated maturity in the following circumstances (in each case subject to a grace period of at least 30 days from the date of occurrence of the relevant circumstance, and subject in each individual circumstance to the applicable grace periods set out in the relevant finance document):

(a) a payment default exceeding an amount to be agreed under any financial indebtedness (subject to any applicable grace period) of Altice Finco, any Covenant Party or their subsidiaries has occurred;

(b) a default and subsequent acceleration of any amounts of financial indebtedness equal to or greater than $20 million;

(c) failure by Altice Financing, an Obligor or a Significant Subsidiary (as defined in Senior Secured Notes Indentures) to pay final judgments aggregating in excess of $20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final;

(d) any impairment of security and/or guarantees which constitutes an event of default under the Senior Secured Notes Indentures;

(e) any event of default or prepayment event under the Senior Secured Notes Indentures or any other relevant finance document caused by a change of control; or

(f) any event of default or prepayment event under the Senior Secured Notes Indentures or any other relevant finance document which is caused as a result of: (i) a cross-default, (ii) a breach of the covenant relating to indebtedness, (iii) a breach of the covenant relating to restricted payments, (iv) a breach of the covenant relating to certain distributions, (v) a breach of the covenant relating to asset sales and subsidiary stock, (vi) a breach of the covenant relating to issuer activities, (vii) a breach of the covenant relating to holding company activities, (viii) a breach of the covenant relating to impairment of security and (ix) a breach of the covenant relating to affiliate transactions.

Permitted Enforcement

Despite the restrictions of enforcement described above, the Intercreditor Agreement allows the Senior Subordinated Creditors to take the aforementioned enforcement actions while any Senior Secured Debt is outstanding if (i) payment of the Senior Secured Debt has been accelerated or declared prematurely due and payable or payable on demand or the Relevant Majority of Super Priority Creditors and/or Senior Creditors have taken any enforcement action under the security documents in relation to such debt, (ii) certain insolvency, liquidation or other similar enforcement events have occurred with respect to an Obligor (other than an Obligor that is not a borrower or guarantor under any Senior Secured Debt) and such actions are taken with respect to such Obligor, (iii) there is an event of default under the Senior Subordinated Notes Debt for failure to pay principal at its originally scheduled maturity, (iv) the proposed enforcement action has been consented to by the Relevant Majority of Super Priority Debt, Senior Bank Creditors, Senior Secured Notes Creditors or (v) a period (the "Standstill Period") of not less than 179 days has elapsed from the date any Representative of the Senior Secured Creditors received an Enforcement Notice from the Senior Subordinated Creditors relating to an event of default under the applicable documents relating to such Senior Subordinated Debt and such event of default is outstanding at (and has not been waived prior to) the end of the Standstill Period.

The Intercreditor Agreement will require the Security Agent to give prompt notice to the representative of the Senior Subordinated Notes Debt if it is instructed to enforce the security relating to the equity/ownership interest securing Senior Secured Debt (a "Senior Enforcement"). During the period from the giving of that notice to the date that the Security Agent ceases to use all reasonable commercial efforts to carry out that Senior Enforcement as expeditiously as reasonably practicable having regard to the circumstances:

- the Security Agent will not be permitted to enforce any Security over such equity interests in a manner that would adversely affect such Senior Enforcement; and

- no Senior Subordinated Creditor will be permitted to take, or will be permitted to give any instructions to the Security Agent to take, any enforcement action prohibited by the preceding bullet,

provided that the foregoing will not prejudice any other rights of the Senior Subordinated Creditors to take any enforcement action against any other Obligor that are permitted under the Intercreditor Agreement. The Intercreditor Agreement will require the Security Agent to give prompt notice to the Representative of Senior Subordinated Notes Debt of its ceasing to carry out a Senior Enforcement.

Enforcement Instructions

No Senior Secured Creditor or Senior Subordinated Notes Creditor has any independent power to enforce, or have recourse to, any Security except through the Security Agent and the Security Agent shall enforce Security (if then enforceable) if so instructed by (i) while the Super Priority Debt is outstanding, the Relevant Majority of Super Priority Creditors or the Instructing Group, and (ii) after the discharge of the Senior Secured Debt (or if permitted to do so as described above under "*—Limitations on Enforcement*"), the Relevant Majority of Senior Subordinated Creditors. The Security Agent may disregard any instructions from any other person to enforce the Security and may disregard any instructions to enforce any Security if those instructions are inconsistent with the Intercreditor Agreement. The Security Agent is not obliged to enforce the Security if it is not appropriately indemnified by the relevant creditors.

No Structural Creditor has any independent power to enforce, or have recourse to, any security serving the Structural Debt.

To the extent that the Super Priority Creditors or the Instructing Group wish to enforce Security, they must notify the Senior Agent and each other Senior Secured Representative 10 business days prior to the date it issues the enforcement instructions (the "Proposed Enforcement Instruction Date"). To the extent any Super Priority Creditors or the Instructing Group wish to accelerate any debt owing to any Senior Secured Creditor, they must notify the Security Agent and each other Senior Secured Representative at least three business days prior to the date it intends to accelerate. If the Security Agent receives conflicting enforcement instructions prior to the Proposed Enforcement Instruction Date, the Representatives of the Super Priority Creditors and the Representative of the Instructing Group shall consult with one another and with the Security Agent in good faith for 30 days (or such shorter date as may be agreed) (the "Consultation Period"). Consultation will not be required if the Security has become enforceable as a result of an insolvency event relating to an Obligor against whom such enforcement action is taken or if any of such instructing representatives determines in good faith that consultation (and thereby the delay) could reasonably be expected to have a material adverse effect on the ability to enforce the Security or the realization of proceeds of enforcement.

While the Super Priority Debt is outstanding, if the Security Agent receives conflicting enforcement instructions from the Representatives of the Super Priority Debt or the Instructing Group, and the 30 day consultation period between the two parties has passed, the Security Agent shall comply with the instruction from the Instructing Group. The failure by a creditor group to issue enforcement instructions will be deemed to be conflicting, provided that if the representatives of the Instructing Group fail to give instructions as to enforcement and the 30 day consultation period has elapsed without the Instructing Group issuing instructions, the Security Agent will comply with the instructions of the representative of the Super Priority Debt. The instructions of the Super Priority Creditors will prevail if i) the Super Priority Creditors have not been fully and finally discharged in cash within six months of the Proposed Enforcement Date, or ii) the Security Agent has not commenced any enforcement action within 3 months of the Proposed Enforcement Date. All enforcement instructions will need to comply with the following security enforcement principles:

1. It shall be the aim of any enforcement of the Security to achieve the Security Enforcement Objective (hereinafter defined). "Security Enforcement Objective" means maximizing, so far as is consistent with a prompt and expeditious enforcement of the Security, the recovery of the Super Priority Creditors and (without prejudice to the waterfall described in "*Application of Proceeds*" below) the Senior Creditors.

2. The security enforcement principles may be amended, varied or waived with the prior written consent of the Relevant Majority of Super Priority Creditors, an Instructing Group and the Security Agent.

3. Without prejudice to the Security Enforcement Objective, the Security will be enforced and other action as to enforcement of the Security will be taken such that either:

    (a) in the event enforcement is being effected in accordance with the instructions of the Instructing Group either:

        (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "*Application of Proceeds*" below; or

        (ii) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the waterfall described in "*Application of Proceeds*" below), the Super Priority Debt is repaid and discharged in full (unless the Relevant Majority of Super Priority Creditors agree otherwise); or

    (b) in the event enforcement is being effected in accordance with the instructions of the Super Priority Creditors either:

(i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "Application of Proceeds" below; or

(ii) with the consent of the Instructing Group, the proceeds are received by the Security Agent in cash and non-cash consideration for distribution in accordance with the waterfall described in "Application of Proceeds" below.

4. The enforcement must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for realization of value from the enforcement of the Security pursuant to enforcement will be determined by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group provided that it is consistent with the Security Enforcement Objective.

5. On:

(a) a proposed enforcement of any of the Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds U.S.$ 3,000,000 (or its equivalent); or

(b) a proposed enforcement of any of the Security over some, but not all, of the shares in a member of the Holdco Group (being any Covenant Party and Altice Finco and their respective Subsidiaries from time to time) over which Security exists.

the Security Agent shall, if so requested by (while the Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group, and at the expense of such creditors, obtain an opinion from any (X) "big four" accounting firm, (Y) reputable and independent internationally recognized investment bank, or (Z) other reputable and independent professional services firm experience in restructuring and enforcement (a "Financial Advisor"), that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances. If the Security Agent is unable to obtain an opinion pursuant to this paragraph 5, it shall notify the Super Priority Representatives and the Senior Representatives representing an Instructing Group and may proceed to enforce the Security without obtaining such opinion.

6. The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the security enforcement principles or any other provision of the Intercreditor Agreement.

7. The Financial Advisor's opinion will be conclusive evidence that the Security Enforcement Objective has been met.

8. If enforcement of any Security is conducted by way of public auction in any relevant jurisdiction, no Financial Advisor shall be required to be appointed in relation to such enforcement action. Nothing shall require the enforcement of Security to take place by way of public auction.

Release of Security and Guarantees

An Obligor may dispose of an asset outside of the Holdco Group if (i) the disposal is not prohibited by the underlying finance documents, or (ii) the disposal is being effected at the request of the relevant creditor in circumstances where it is entitled to take enforcement action under the Intercreditor Agreement (and such disposal is consistent with certain security enforcement principles), or (iii) the disposal is pursuant to enforcement action in accordance with the Intercreditor Agreement, and, in each case, the Security Agent is authorized to release any Security or any security securing the Structural Debt and other claims (including guarantees) under any finance document over that asset and, if that asset comprises of the shares in the capital of an Obligor or any of its subsidiaries which are subject to Security or any security securing the Structural Debt, release on behalf of the relevant creditor and each Obligor and its Subsidiaries that subsidiary and its subsidiaries from all present and future obligations and liabilities under the relevant finance document provided that the proceeds of the disposal is applied in accordance with the relevant finance document and with the Intercreditor Agreement.

Where a disposal relates to ii) or iii) above, the Security Agent is only authorized to release the relevant Security and liabilities owing to the Senior Subordinated Creditors if (i) the proceeds are received by the Security Agent in cash (or substantially all cash); (ii) the disposal is made pursuant to a public auction or with an opinion from a restructuring advisor confirming that the disposal price is fair (taking into account all relevant circumstances); (iii) the debt is simultaneously and unconditionally released (and not assumed by a purchaser or affiliate of a purchaser) and (iv) the proceeds are applied in accordance with the Intercreditor Agreement.

Where liabilities in respect of any Senior Secured Debt would otherwise be released, the relevant creditor may elect to transfer such liabilities to Altice Finco or the original Shareholder. If shares in an Obligor or its holding company are being disposed of and the Security Agent decides to dispose of all or part of the liabilities of such Obligor, holding company or any subsidiary under the finance documents, the Security Agent may: (a) dispose of all or part of such liabilities such that the transferee shall not be treated as a Senior Secured Creditor or a secured party; and (b) dispose of all (and not part) of such liabilities owed to the Senior Secured Creditors on behalf of the relevant creditors and Obligors such that the transferee be treated as a Senior Secured Creditor or a secured party.

Turnover

The Intercreditor Agreement also provides that if any Super Priority Creditor, Senior Secured Creditor (with respect to proceeds from the enforcement of security and proceeds of certain disposals only), Structural Creditor (with respect to proceeds from the enforcement of security securing the Structural Debt only), Senior Subordinated Creditor or Subordinated Creditor receives or recovers a payment of any Senior Secured Debt, Structural Debt, Senior Subordinated Notes Debt or Subordinated Debt which is prohibited by the Intercreditor Agreement or not paid in accordance with the provisions described under "—*Application of Proceeds*", subject to certain exceptions, the receiving or recovering creditor will promptly notify the Security Agent and hold any amount on trust for the creditors and, upon demand by the Security Agent, pay that amount to the Security Agent or, if lower, the amount of debt owed to the relevant category of creditor, in each case less the third party costs and expenses (if any) reasonably incurred in receiving or recovering such amount, for application by the Security Agent in accordance with the order of priority described under "—*Application of Proceeds*". These provisions will not apply to any receipt or recovery by the Hedging Banks in relation to certain netting and set-off arrangements with Obligors, permitted refinancing or the loss sharing provisions of the Intercreditor Agreement.

Subordination on Insolvency

After the occurrence of an insolvency event in relation to any Obligor (the "Insolvent Obligor"), the Senior Subordinated Debt owed by the Insolvent Obligor will be subordinated in right of payment to the Super Priority Debt and Senior Debt owed by such Insolvent Obligor. Moreover, the shareholder debt and (unless otherwise required by (while the Super Priority Debt remains outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group) the Intercompany Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Secured Debt owed by such Insolvent Obligor.

Filing of Claims

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of (while any Super Priority Debt excluding Hedging Debt is outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group) to: (i) claim, enforce and prove for any debt owed by the Insolvent Obligor (ii) only with respect to shareholder debt, exercise all powers of convening meetings, voting and representations in respect of the shareholder debt owed by the Insolvent Obligor (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary to recover any debt owed by the Insolvent Obligor and (iv) receive all payments of or in respect of any debt owed by the Insolvent Obligor for application in accordance with the provisions set forth under "—*Application of Proceeds*." Notwithstanding the foregoing, nothing shall (i) entitle any party to exercise or require any other party to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for payment of or reschedule any of the Senior Subordinated Debt; or (ii) be deemed to require any Senior Subordinated Notes Creditor to hold a meeting or pass any resolution at such meeting or give any consent pursuant to the terms of any finance documents, or (iii) authorize any Super Priority Creditor or Senior Secured Creditor to take any action against the Senior Subordinated Notes Issuer in respect of the Senior Subordinated Debt.

If the Security Agent is not entitled or does not take any of the actions referred to above the representative of Senior Subordinated Debt, the Senior Subordinated Notes Creditor and the Subordinated Creditors (i) will each do so promptly when requested by the Security Agent (acting on the instructions of (while Super Priority Debt is outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group subject, in the case of Senior Subordinated Creditors only, to either or both the Super Priority Creditors or the Senior Creditors giving an appropriate indemnity for any costs and expenses which may be reasonably incurred by the Senior Subordinated Creditors and their representative in doing or taking the actions so requested); and (ii) may each do so to the extent permitted as described under "—*Restrictions on Enforcement*."

Application of Proceeds

Subject to the rights of any creditor (other than a Secured Creditor or a Structural Creditor) with prior security or preferential claims, (i) all amounts from time to time received pursuant to the provisions described under "—*Turnover*" or otherwise recovered by the Security Agent (or any other creditors) in connection with the realization or enforcement of all or any part of the security in favor of the Senior Secured Debt or Senior Subordinated Notes Debt (other than the pledge of the shares of Altice Finco), the sale of any asset of any Obligor pursuant to an insolvency event or, an enforcement action, judicial supervised or sanctioned reorganization or administrative work-out restructuring or otherwise and (ii) all amounts from time to time received or recovered by the Structural Creditor Security Agent in connection with the realization or enforcement of the security securing the Structural Debt, shall be held by the Security Agent or the Structural Security Agent, on trust, in each case to apply them at any time as the Security Agent or the Structural Creditor Security Agent sees fit in the following order:

- first, in payment of the following amounts in the following order of priority: (i) *pari passu* and pro rata to the Security Agent and the Structural Creditor Security Agent and thereafter to the trustees to the Senior Subordinated Notes and Senior Secured Notes of any amounts due to each such party, and (ii) *pari passu* and pro rata to each representative of Super Priority Debt, Senior Bank Debt, Senior Secured Notes Debt and Senior Subordinated Notes Debt of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such representative and any receiver, attorney or agent appointed by such representative under the security documents, the Structural Debt Documents or the Intercreditor Agreement;

- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Super Priority Creditor in connection with such enforcement;

- third, in payment *pari passu* and pro rata to the representative of the Super Priority Debt and the Hedging Banks for application towards the balance of the Super Priority Debt;

- fourth, in payment of the balance of the costs and expenses of each Senior Creditor in connection with such enforcement;

- fifth, in payment *pari passu* and pro rata to each representative of Senior Debt for application towards (i) Senior Bank Debt and (ii) Senior Secured Notes Debt;

- sixth, (only to the extent secured) in payment of the balance of the costs and expenses of each Senior Subordinated Creditor in connection with such enforcement;

- seventh, (only to the extent secured) in payment *pari passu* and pro rata to each Senior Subordinated Creditor towards the balance of the Senior Subordinated Notes Debt;

- eighth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

Subject to the rights of any creditor (other than a Secured Creditor) with prior security or preferential claims, all amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of Security created pursuant to the pledge of the shares of Altice Finco shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit in the following order:

- first, in payment of the following amounts in the following order of priority: (i) to the Security Agent and trustee to the Notes and of any amounts due to each such party, and (ii) *pari passu* and pro rata to each representative of Senior Subordinated Notes Debt and of such other senior subordinated debt of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such representative and any receiver, attorney or agent appointed by such representative under the security documents or the Intercreditor Agreement;

- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Senior Subordinated Creditor and such other senior subordinated debt creditor in connection with such enforcement;

- third, in payment *pari passu* and pro rata to the representative of the Senior Subordinated Notes Debt and of such other senior subordinated debt for application towards the balance of the Senior Subordinated Notes Debt;

- fourth, in payment of the surplus (if any) to the Obligors or other person entitles to it.

Amendment

Prior consent of each Representative (other than any Senior Subordinated Representative unless in respect of an amendment, waiver or consent under any security document evidencing Security in favor of the Senior Subordinated Creditors) is required for any waivers, consents, or amendments in relation to any security documents (including any Structural Debt Security document) if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the nature or scope of the assets which are or expressed to be the subject of security for the Structural Debt (the "Structural Debt Security") or the manner in which the proceeds of enforcement of Security or the Structural Debt Security is distributed.

Any Senior Subordinated Notes documents may be amended in accordance with their terms i) if permitted by the Senior Secured Debt documents or with the consent of (while Super Priority Debt excluding Hedging Debt is outstanding) the representatives representing the Super Priority Creditors, the Senior Bank Creditors and (but only to the extent prohibited by the indentures governing the Senior Secured Notes) the Senior Secured Note Creditors or ii) in certain other limited circumstances.

The Intercreditor Agreement may be amended by the Obligors and the Security Agent without consent of the other parties if the amendment is to cure defects, typographical errors, resolve ambiguities or reflect changes, in each case, of a minor technical or administrative nature. Where an amendment affects the rights and obligations of one or more parties to the Intercreditor Agreement, and could not reasonably be expected to be adverse to the interests of other parties or class of parties, only the parties affected by such amendment need to agree to the amendments.

Other than in respect of certain customary amendments and waivers (which require the consent of each of the Senior Secured Creditors, the Senior Subordinated Creditors, the Super Priority Creditors, the Security Agent and the Issuers), the Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Secured Notes Creditors and the Majority Senior Subordinated Creditors, the Issuers, the Security Agent and the Structural Creditor Security Agent.

License Guarantees

HOT and its subsidiaries are required to provide guarantees, often by way of a bank guarantee, to the Israeli Ministry of Communications and Broadcast Council in connection with various operating and broadcasting licenses, including provided a bank guarantee in the amount of NIS 695 million in connection with the HOT Mobile's winning a frequency allotment and receiving a mobile license in 2011. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that would entitle us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. For more information "*Description of Our Business—Material Agreements—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

HOT Mobile Earnout

In connection with the acquisition by HOT of HOT Mobile from Altice Securities S.à r.l. ("Altice Securities"), a subsidiary of Altice and affiliate of HOT, HOT agreed to pay to the managers of HOT Mobile and an unrelated third party ("Migad", and, together with the managers of HOT Mobile and Altice Securities, the "Earnout Recipients") additional consideration, in an amount of NIS 450 million, which is subject to future performance targets with respect to HOT Mobile (the "Earnout"). The Earnout includes (i) a contingent future payment of NIS 225 million, paid in four equal installments of NIS 56.25 million, conditioned upon achievement of certain EBITDA targets by HOT Mobile for the years 2013 to 2016, inclusive, and (ii) a contingent future payment of NIS 225 million conditioned on achievement of 7% market share, as defined in the HOT Mobile's mobile license, in the mobile market by 2016. There is a mechanism to reduce the payments required under the Earnout to the extent HOT Mobile is required to make payments to the Israeli Ministry of Communications pursuant to the mobile license. As of December 31, 2013, we estimate that the fair value of the Earnout is NIS 105 million and Altice Securities has pro rata rights to approximately 94% of the Earnout. Altice Securities has transferred its rights and entitlements to payments under the Earnout to Altice Finco (the assigned rights only include such payments that would actually have been received by Altice Securities). As a result of HOT Mobile having achieved a market share of over 7% since its acquisition by HOT, HOT made a payments to the Earnout Recipients amounting to NIS 225 million (NIS 233 million as per index-linked terms) as of December 31, 2013, of which Altice Finco received NIS 217 million. See "*Certain Relationships and Related Party Transactions—HOT Mobile Earnout*".

HOT Refinancing Note

The following contains a summary of the terms of the HOT Proceeds Term Note and the HOT Refinancing RCF Note. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

HOT Proceeds Term Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Financing purchased an NIS 1,900 million (€408 million equivalent) intercompany term note (the "HOT Proceeds Term Note") issued by HOT.

Interest

The HOT Proceeds Term Note bears interest at a rate of 6.3% per annum, which is payable semi-annually in cash in arrears on the date which is two business days prior to each June 15 and December 15, commencing on the date which is two business days prior to June 15, 2013 and shall be calculated on the basis of a three hundred and sixty (360) day year composed of twelve (12) months of thirty (30) days each. Interest accrues from 2012 Transaction Completion Date. The maturity date of the HOT Proceeds Term Note is the same as the maturity date of the 2012 Senior Secured Notes.

Guarantees and Security

The HOT Proceeds Term Note is a senior obligation of HOT and is guaranteed on a senior basis by the HOT Refinancing Note Guarantors. The HOT Proceeds Term Note is secured by a pledge over substantially all of the assets of the HOT and the HOT Refinancing Note Guarantors (including all of the share capital of HOT Mobile) but, in each case, excluding (a) licenses issued by the Israeli Ministry of Communications, which are not assignable as a matter of law, and (b) certain end-user equipment (the "HOT Refinancing Note Collateral").

Repayment

HOT may not prepay the HOT Proceeds Term Note except (i) in the event of a Change of Control, as defined in the HOT Proceeds Term Note, (ii) upon certain asset sales and (iii) if duly approved by HOT and required in order to facilitate or accommodate a repayment of the 2012 Senior Secured Notes by Altice Financing.

Change of Control

If a change of control occurs, Altice Financing will have the right to require HOT to prepay all or any part of the HOT Proceeds Term Note, together with a premium of 1% of the principal amount of the HOT Proceeds Term Note prepaid, plus accrued and unpaid interest, to the date of prepayment.

Change of Control is defined as

(a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (as defined in the HOT Proceeds Term Note, including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (as defined in the HOT Proceeds Term Note) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of HOT, measured by voting power rather than number of shares; or

(b) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of HOT and its restricted subsidiaries taken as a whole to a Person (including any "person" as defined above), other than a Permitted Holder.

Covenants and Events of Default

HOT has agreed, and has agreed to cause each of its subsidiaries, for the sole benefit of Altice Financing, (i) to be bound by the covenants in Article 4 (*Covenants*) and Article 5 (*Merger and Consolidation*) of the 2012 Senior Secured Notes Indenture that are applicable to HOT and its subsidiaries as Restricted Subsidiaries (as defined in the 2012

Senior Secured Notes Indenture), (ii) if duly appointed as Paying Agent under the 2012 Senior Secured Notes Indenture, to be bound by the obligations in the 2012 Senior Secured Notes Indenture relating thereto and (iii) to comply with the obligations set forth in the section to be titled “Collateral and Security Documents” in the 2012 Senior Secured Notes Indenture.

The HOT Proceeds Term Note contains events of default, substantially similar to those contained in the 2012 Senior Secured Notes Indenture which, if such event of default occurs, permits Altice Financing to declare the HOT Proceeds Term Note due and payable immediately. However, upon an event of default under the December 2013 Notes (or any other Senior Secured Debt), HOT and its subsidiaries shall not be liable in any way, including by way of cross-default, and shall not be required to repay any amounts outstanding, including any repayment premiums and accrued and unpaid interest thereon, under the December 2013 Notes (or any other Senior Secured Debt). Further, the HOT Refinancing Note Guarantors will only guarantee HOT’s obligations under the HOT Refinancing Notes (the “HOT Refinancing Note Guarantees”). The HOT Refinancing Note Guarantees will be limited to an aggregate amount equal to the amount outstanding under the HOT Refinancing Notes which may vary from time to time in accordance with the terms of the HOT Refinancing Notes. HOT and the HOT Refinancing Note Guarantors will only have liability to the holders of the Senior Secured Notes in the event of an event of default under the HOT Refinancing Notes, in each case, indirectly as a result of an assignment of the HOT Refinancing Notes and/or the ability of the holders of the 2012 Senior Secured Notes to direct the actions of Altice Financing in connection with the HOT Refinancing Notes in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. The 2012 Senior Notes, the 2013 Euro Senior Notes and the 2013 Dollar Senior Notes will not benefit from any assignment of the HOT Refinancing Notes.

Limitation of Liability

For the avoidance of doubt and without in any way limiting HOT’s and the HOT Refinancing Note Guarantors’ obligations to Altice Financing pursuant to the HOT Proceeds Term Note, in any event, including in the event of a default by HOT and/or the HOT Refinancing Note Guarantors under the HOT Proceeds Term Note, or by Altice Financing under the 2012 Senior Secured Notes or the 2012 Revolving Credit Facility or the relevant borrower under the Cool Proceeds Note, the Acquisition Proceeds Note or any documents related to any of the foregoing, HOT and the HOT Refinancing Note Guarantors shall not be liable in any way, including by way of cross default, and shall not be required to repay any amounts outstanding, any repayment premiums and accrued and unpaid interest thereon, under the 2012 Senior Secured Notes, the 2012 Revolving Credit Facility, the Cool Proceeds Note and the Acquisition Proceeds Note or any documents related to any of the foregoing. It is further clarified that the HOT Refinancing Note Guarantors serve as guarantors only with respect to the HOT’s debt obligation under the HOT Proceeds Term Note.

Conflicts

For the avoidance of doubt, and despite HOT not being party to such agreements, other than with respect to the covenants described above, in the event that any of the other terms or provisions of this HOT Proceeds Term Note conflict with any terms or provisions of the 2012 Senior Secured Notes Indenture, Intercreditor Agreement or related agreements that are applicable to HOT and the HOT Proceeds Term Note, Altice Financing has agreed and acknowledged that (as between HOT and Altice Financing only) the terms or provisions of the HOT Proceeds Term Note shall prevail.

HOT Refinancing RCF Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Financing purchased an intercompany revolving credit facility note (the “HOT Refinancing RCF Note” and, together with the HOT Proceeds Term Note, the “HOT Refinancing Notes”) issued by HOT pursuant to which the Altice Financing may make available to HOT amounts borrowed by Altice Financing under the 2012 Revolving Credit Facility Agreement. The HOT Refinancing RCF Note contains substantially similar terms as the HOT Proceeds Term Note except that, in addition to the covenants contained in the HOT Proceeds Term Note, the HOT Refinancing RCF Note contains one leverage based maintenance covenant. The HOT Refinancing RCF Note is guaranteed by the HOT Refinancing Note Guarantors and secured by the same HOT Refinancing Note Collateral that secures the HOT Refinancing Term Note.

Senior Notes Proceeds Loans

The Senior Notes Proceeds Loans comprise of the following:

(i) On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Finco made an intercompany loan (the “2012 Senior Notes Proceeds Loan”) in aggregate principal amount of approximately \$425 million pursuant to which it loaned the proceeds of the offering of the 2012 Senior Notes to Altice Financing.

(ii) On July 2, 2013 Altice Finco made an intercompany loan of €250 million pursuant to which the proceeds of the 2013 Euro Senior Notes were loaned to Altice Financing (the "2013 Euro Senior Notes Proceeds Loan").

(iii) On March 12, 2014, Altice Finco made an intercompany loan of $400 million pursuant to which the proceeds of the 2013 Dollar Senior Notes were loaned to Altice Financing (the "2013 Dollar Senior Notes Proceeds Loan", together with the 2012 Senior Notes Proceeds Loan and the 2013 Euro Proceeds Loan the "Senior Notes Proceeds Loans").

Additional Intercompany Proceeds Loans

On the 2012 Transaction Completion Date, Altice Financing made intercompany proceeds loans, in addition to the HOT Refinancing Note, to certain entities in the Group with the proceeds of the 2012 Senior Secured Notes and the 2012 Senior Notes Proceeds Loan.

On July 2, 2013 Altice Financing made an intercompany loan to Altice Holdings with the proceeds of the 2013 Euro Senior Notes and the 2013 Term Loan. Altice Holdings made additional intercompany proceed loans (or subscribe to bonds), including the ABO Proceeds Loan, the July 2013 Cabovisão Proceeds Notes, the Altice West Groupe Proceeds Loan, the Outremer Proceeds Loans and the Le Cable Proceeds Loans (the "Covenant Party Pledged Proceeds Loans") to certain entities in the Group in connection with consummation of the 2013 Transactions.

On March 12, 2014 Altice Financing made an intercompany loan to Altice Holdings with the proceeds of the 2013 Dollar Senior Notes. Altice Holdings used the proceeds to subscribe to common shares and preferred equity certificates issued by Altice Bahamas and its subsidiaries.

These loans are pledged as security for the Senior Secured Debt. The 2013 Dollar Senior Notes, the 2013 Euro Senior Notes and 2012 Senior Notes do not benefit from any security over the intercompany proceeds loans granted by Altice Financing.

Shareholder Funding

Altice VII ALPECs

On June 6, 2013, Altice VII has authorized the issuance in several tranches of up to 9,147,526,297 Asset Linked Preferred Equity Certificates (each an "ALPEC") with a nominal value of EUR 0.01 (one euro cent) each. The ALPECs have been issued and their terms were further amended on October 8, 2013 to provide for the issuance by Altice VII of up to 10,132,288,416 ALPECs.

Each ALPEC accrues a yield daily equal to the interest, gains, forex and/or additional profits and proceeds accrued on any yield/interest bearing and/or convertible debt investment (together the "Business Unit Assets") of Altice VII whether directly or indirectly in any of its affiliates less a margin determined by OECD Guidelines on transfer pricing as confirmed by the Luxembourg tax authorities ("ALPEC Yield"). The ALPEC Yield is payable on each 12 month anniversary of June 6, 2013, upon a liquidation of Altice VII and upon a redemption of the ALPECs at the option of Altice VII (each an "ALPEC Payment Date") provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment. If the ALPEC Yield is not paid on any ALPEC Payment Date it shall be rolled up and paid on the next ALPEC Payment Date provided that the board of managers of Altice VII may declare an earlier payment date.

Each ALPEC must be redeemed on June 6, 2062 (the "ALPEC Maturity Date") or in the event of a liquidation of Altice VII and may be redeemed earlier than the ALPEC Maturity Date at the option of Altice VII, in each case, at a price equal to its nominal value together with all accrued and unpaid ALPEC Yield provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors, whether privileged, senior, subordinated, *pari passu*, secured or unsecured after any such payment.

The obligations of Altice VII to make payments in relation to the ALPECs are limited to the lower of (i) EUR 2,000,000 or (ii) 1 per cent. of the outstanding principal amount of the Business Unit Assets. If such available funds are insufficient to pay or repay the amounts outstanding in full for any reason, Altice VII shall have no liability in respect of the unsatisfied amount and no liability to the holder(s) of the ALPECs to make up any such deficit.

The ALPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of subordination, covenants, transferability, cash payments and acceleration rights. Notwithstanding the foregoing, the ALPECs may be amended if: (i) the proposed amendment(s) is approved by the Instructing Group (as defined in the Intercreditor Agreement); or (ii) the parties receive an independent third party written opinion confirming that the proposed amendment(s) is not adverse to the Senior Secured Creditors.

Altice VII CPECs

On June 6, 2013, Altice VII has authorized the issuance of 21,906,623,840 Convertible Preferred Equity Certificates (each a "CPEC") with a nominal value of EUR 0.01 (one euro cent) each. The CPECs have been issued and their terms were amended on October 8, 2013 to provide for the issuance by Altice VII of 1,481,125,000 additional CPECs.

Each CPEC must be redeemed on June 6, 2062 at a price equal to its nominal value provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment. If permitted by the Intercreditor Agreement, Altice VII is entitled to repurchase each CPEC at a price equal to the greater of (i) its nominal value and (ii) the fair market value of one share in the capital of Altice VII.

In the event of a liquidation of Altice VII, if permitted by the Intercreditor Agreement, the holders of CPECs are entitled to be paid, before any distribution to holders of shares in Altice VII or any non-convertible yield free preferred equity certificates but after payment (or the provision of reasonable reserves for the future payment) of the obligations of Altice to prior ranking creditors, the aggregate nominal value of their CPECs. If at the time of liquidation Altice VII does not have sufficient funds available to redeem the CPECs and settle its liabilities to all of its other creditors it will only be required to redeem the maximum possible number of CPECs.

Upon the occurrence of, on any date after the date that is six months following the maturity date of the Senior Notes of Altice Finco, a material breach by Altice VII of the terms and conditions of the CPECs which is not remedied within 20 business days of a notice from at least 75% of the holders of the CPECs, if permitted by the Intercreditor Agreement the holders of the CPECs are entitled to request the redemption of all or part of the CPECs at their nominal value. If at the time of such redemption request Altice VII does not have sufficient funds available to redeem the CPECs and settle its liabilities to all of its other creditors it will only be required to redeem the maximum possible number of CPECs.

The CPECs are convertible into shares of Altice VII at any time at the option of Altice VII at a ratio of 1 share for each CPEC. The CPECs are expressed to rank prior to any shares and to any non-convertible yield-free preferred equity certificates in Altice VII, *pari passu* with any convertible preferred equity certificates and after all other present and future obligations of Altice VII.

The CPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of subordination, covenants, transferability, cash payments and acceleration rights. Notwithstanding the foregoing, the ALPECs may be amended by the parties if: (i) the proposed amendment(s) is approved by the Instructing Group (as defined in the Intercreditor Agreement); or (ii) the parties receive an independent third party written opinion confirming that the proposed amendment(s) is not adverse to the Senior Secured Creditors.

Altice VII YFPECs

On June 6, 2013, Altice VII has authorized the issuance of 3,633,865,779 Yield Free Preferred Equity Certificates (each a "YFPEC") with a nominal value of EUR 0.01 (one euro cent) each. The YFPECs have been issued on June 6, 2013.

Each YFPEC must be redeemed on June 6, 2062 and may be redeemed at any time before such date at the option of Altice VII, in each case, at a price equal to its nominal value provided that such payment is permitted by the Intercreditor Agreement and that Altice VII will have sufficient funds available to settle its liabilities to all of its other creditors after such payment.

In the event of a liquidation of Altice VII, if permitted by the Intercreditor Agreement, the holders of YFPECs are entitled to be paid, before any distribution to holders of shares in Altice VII or any convertible preferred equity certificates but after payment of the other obligations of Altice VII, and only to the extent that it has sufficient funds available after payment of its liabilities to all of its other creditors, whether privileged, senior, subordinated, pari passu, secured or unsecured, the aggregate nominal value of their YFPECs.

Upon the occurrence of, on any date after the date that is six months following the maturity date of the Senior Notes of Altice Finco, a material breach by Altice VII of the terms and conditions of the YFPECs which is not remedied within 20 business days of a notice from at least 75% of the holders of the YFPECs, if permitted by the Intercreditor

Agreement the holders of the YFPECs are entitled to request the redemption of all or part of the YFPECs at their nominal value, before any distribution to holders of shares in Altice VII or any convertible preferred equity certificates but after payment of the other obligations of Altice VII, and only to the extent that it has sufficient funds available after payment of its liabilities to all of its other creditors.

The YFPECs are expressed to rank prior to any shares in Altice VII or any convertible preferred equity certificates, *pari passu* with any yield free preferred equity certificates and after all other present and future obligations of Altice VII and Altice VII's Affiliates (as defined in the Terms & Conditions of the YFPECs) whether privileged, secured or unsecured.

The YFPECs may not be amended in a manner adverse to the Senior Secured Creditors (as defined in the Intercreditor Agreement), including, without limitation, in respect of subordination, covenants, transferability, cash payments and acceleration rights. Notwithstanding the foregoing, the ALPECs may be amended by the parties, if: (i) the proposed amendment(s) is approved by the Instructing Group (as defined in the Intercreditor Agreement); or (ii) the parties receive an independent third party written opinion confirming that the proposed amendment(s) is not adverse to the Senior Secured Creditors.

We have also issued preferred equity certificates to certain third parties and minority shareholders in our subsidiaries. As of September 30, 2013, the total amount of such preferred equity certificates were €291.3 million.

REGULATORY

General

Our business is subject to various regulatory requirements and obligations including communications and broadcasting laws, general antitrust law, environment, health and safety laws, planning and construction laws, consumer protection laws as well as technical and other regulations in each of the jurisdiction in which we operate. The ever changing regulatory environment can have a material effect on our activities. Certain key provisions of the regulations governing our activities in France, Israel, Portugal, Belgium, Luxembourg, the French Overseas Territories and the Dominican Republic as at the date of publication of this Annual Report are set forth below. This description is not intended to be an exhaustive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

Israel

The communications and broadcasting industry in Israel is highly regulated and requires service providers to obtain licenses from, and comply with the terms of such licenses and policy statements of, the Israeli Ministry of Communications or the Broadcasting Council with respect to the various communications and broadcasting services, respectively, before offering them to the public. The ever changing regulatory environment can have a material effect on our activities. In this section only, references to 'we', 'us', 'our', 'HOT' and the 'Company' may refer to HOT-Telecommunication Systems Ltd, HOT Telecom, HOT Mobile, HOT Net, HOT Mobile International Ltd. or, collectively, HOT- Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

As a general matter, the regulatory principles are set forth in the laws enacted by the Israeli legislature (the "Knesset"), primarily the Communications Law (Telecommunication and Broadcasting), 5742 - 1982 (the "Communications Law"), as described below. These laws are amended from time to time upon enactment of the Knesset. The laws authorize the Israeli Ministry of Communications (in some cases with the approval of the Economic Affairs Committee of the Knesset) to issue regulations which provide for specific requirements based upon the principles set forth in the laws. The Israeli Ministry of Communications grants licenses in accordance with the Communications Laws and regulations. In addition to the regulations, the Israeli Ministry of Communications issues policy statements after a public review and consultation process. These policy statements expand upon the Israeli Ministry of Communication's policy with respect to certain basic issues in the relevant market.

Television

Overview

Our television operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. We are also subject to specific legislation applying to the television broadcasting industry in Israel, such as the Harmful Broadcasts Classification, Marking and Prohibition of Damaging Broadcasts Law, 5761-2001 (which imposes certain classification and marking obligations with respect to television broadcasts) and the Television Broadcasts Law (Sub-Titles and Sign Language), 5765- 2005 (which imposes certain obligations regarding the accompaniment of television broadcasts with sub-titles and translation into sign language).

We provide our television services pursuant to a non-exclusive general cable broadcasting license applying to all areas of Israel and a non-exclusive general cable broadcasting license applying to Judea and Samaria (the "Broadcasting Licenses"). The Broadcasting Licenses contain certain conditions and restrictions relating to the provision of cable television services to our customers, including amongst others, a requirement to extend our services to customers in all areas of Israel which, in some cases, creates an obligation on us to provide services even though it would not be worthwhile economically to do so. There are certain places in Israel in which we do not currently provide services. The Broadcasting Licenses also stipulate the maximum fees that may be charged for our analog package. Our Broadcasting Licenses are valid until 2017 and may be extended for periods of ten years at a time by the Broadcasting Council. We also have a special license (held by HOT Telecom) for operating a broadcasting hub which is valid until April 2017. As a general rule, the Broadcasting Licenses are non-transferable. In addition, the transfer of any means of control in the relevant license holders may be subject to prior approval of the Israeli Ministry of Communications and the Broadcasting Council.

Our operations in the pay television segment are subject to the supervision of the Israeli Ministry of Communications and the Broadcasting Council, including, among other things, in connection with the prices of analog services, broadcasting content, and launching of new channels or ceasing to broadcast existing channels. In addition, we have been declared a monopoly in the area of multi channel television broadcasts for subscribers, and accordingly, the Anti Trust Commissioner (the "Commissioner") is permitted to issue instructions to us pursuant to the Restrictive

Business Practices Law, 5748-1988. Accordingly, our ability to make acquisitions in the broadcasting sector will be limited. The Commissioner has set various conditions which apply to us as part of its decision to approve the Israeli cable consolidation. These conditions include, among others, separation of broadcasting and cable infrastructure activities, limitations on possessing means of control and relationships with producers of the channels, limitations on the purchase of programs and ownership of broadcast programs; limitation on agreements with producers of channels, a requirement to provide telephony services; investing in infrastructure; and provision of a bank guarantee. We are also subject to general anti-trust law which prohibits certain restrictive agreements and the abuse of dominant position in a market. Certain key features of the regulations and Broadcasting Licenses governing our television operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Obligation to Extend Services

Under the terms of the Broadcasting Licenses, we are required to extend our cable television services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services.

Access to DTT Channels

The Second Authority for Television and Radio (the “Second Authority”), a statutory body set up under the Second Television and Radio Authority Law (the “Second Authority Law”), is responsible for facilitating the development of, and regulating, commercially operated television and radio broadcasts in Israel. Pursuant to an amendment to the Second Authority Law, the Second Authority was charged with planning, establishing and operating, itself or via others, digital broadcasting stations for the free reception and distribution of television broadcasts (“DTT”) to the general public. Accordingly, in August 2009, the Second Authority launched broadcasts on a nationwide basis, enabling the free distribution to the public of the following DTT channels: the Israeli Broadcasting Authority channels (Channel 1 and Channel 33), the commercial television channels (Channel 2 and Channel 10), the Knesset Channel (Channel 99) and, recently, the Educational Channel (Channel 23). The establishment of the digital broadcasting stations infrastructure enables subscribers to view the broadcasts of DTT channels free of charge upon purchasing a set top box. We are also required to carry the DTT channels over our network.

In April 2012, the Distribution of Broadcasts through Digital Infrastructure Law, 5772 - 2012 was passed into law (the “DTT Law”). Pursuant to the DTT Law, the state will finance the first three multiplexes of the DTT array allowing the broadcasting of up to 18 channels. Currently, the DTT has already been expanded to include all radio channels broadcasted in Israel and an educational television channel. Additional DTT channels due to be included in the DTT array may include, among others, the Israeli Russian language Channel (Channel 9), the Israeli Music Channel (Channel 24), the Israeli Arabic language Channel, three additional channels dedicated to specific themes and HD versions of any of the channels included in the DTT array.

The draft economic plan for 2013-2014 was published by the Ministry of Finance in April 2013, and was approved by the Government in May 2013 and by the Knesset in August 2013 (the “Economic Plan”) determined to amend the DTT Law in the following ways:

- The Minister of Communications (the “Minister”) and the Minister of Finance will be authorized to appoint a body that will act as an operator of the DTT array under the law, and the Minister will be authorized to set limitations on holding and ownership of the said operator (subject to the approval of the Knesset Economic Committee), with respect to its activities, and regarding tying between services (which, according to the DTT Law, would otherwise be prohibited).

- The Minister and the Minister of Finance, subject to consultation with the Council for Cable and Satellite Broadcasting (the “Council”), shall by January 1, 2014, establish criteria for the use of a multiplexer that has not been used for propagating broadcasts on the DTT Array.

- In general, a body whose broadcasts are distributed through the DTT Array will pay the aggregate payments and costs as set forth in the law and, the State will not bear the costs for the unused capacity in the DTT array.

- To amend Article 13 of the DTT Law to provide that:

- The Council may grant a license for theme channel broadcasting which will be distributed through the DTT array. Such license shall be granted to the operator selected in a tender solely based on the price offered for DTT array, subject to the limitations on participation in the tender prescribed in section 13 (d) of the DTT Law.

- The winning bidder shall, after its selection, decide to which of the following its broadcasts will be devoted: sports; kids; movies; nature; series; documentary; news; music; history; culture or any other topic that the Minister, in consultation with the Second Authority for Television and Radio and the Council, with the approval of the government, determines to be a defined and specific issue for which there is justification to broadcast through a theme channel on the DTT Array. Notwithstanding the aforementioned, the bidder will be required to notify in advance its intention to devote its broadcasts to news.

- A theme channel transmitter may finance its broadcasting (other than children's channels which may not be financed through commercials) through commercials or by charging subscribers a fee for receiving the broadcasts of the same channel.

- A holder of cable or satellite broadcasting license, in accordance as defined in the Communications Law (Telecommunications and Broadcasting)-1982 (the "Communications Law"), may not participate in the theme channel tender.

- An amendment to the Communications Law authorizes the Minister to promulgate regulations for determining the holdings of an Israeli citizen and resident in a Broadcasting Licensee pursuant to the Communications Law (currently, 26% of each of the "Means of Control", as defined in the Law, in a licensee). Granting such authority to the Minister may simplify the regulatory requirements applicable to HOT in this regard.

HOT estimates that the DTT broadcasts, the addition of extra channels, expansion (or varying) of the distribution system of the digital broadcasting stations and the possibility of investment by a private equity firm, are expected to significantly increase the competition in the multi-channel television broadcasts market. This is likely to cause changes to the consumption practices of the multi-channel television broadcast subscribers, to a significant decrease in the company's income and, as a result of this, it is likely to cause a significant negative influence on the transactions and the future business results of the company. The management of company estimates that, as of the date of this report, no significant worsening has taken place to the transactions and its current business results as a result of the DTT broadcasts in their current form.

HOT's estimation is forward looking information within the meaning of the Israeli Securities Act. HOT's estimation is based on the company's familiarity with the market in which it operates. HOT's estimation is liable to not be realized or to be realized partially or in a way differing from that set out above, including in the event of the bills, amendments to legislation, and amendment of the policy to be actually passed differing in their form or scope from that set out above.

Narrow Package Proposal

In September 2012, the Broadcasting Council made a decision to compel both multi channel television broadcasters to offer, in parallel with a basic package of channels a more limited basic package of channels (the "Narrow Package") on a pilot basis, with the goal of reducing the cost of the most basic pay television services. We launched our Narrow Package on December 2, 2012, which included all the channels distributed through the DTT array and 10 other channels (16 channels in total), which included sport, children and youth, series and movies and global news in accordance with the Broadcasting Council's decision.

The Communications Law has been amended, in the following manner to regulate the introduction of a narrow broadcasts package:

- The Minister shall be authorized to determine, for a limited period not exceeding three years (subject to extension in consultation with the Broadcasting Council), provisions regarding the obligation of a cable and satellite broadcasting license holders ("a Broadcasting Licensee") to generally offer a narrow package containing a limited number of channels (the "Basic Narrow Package"), in accordance with the guidelines determined by the Minister regarding the mix of channels therein, and under a price determined by him. The Narrow Package will be offered in addition to the basic broadcasts package that Broadcasting Licensees must offer to all subscribers by law.

- The Broadcasting Council will be empowered to set the channels to be included in the Basic Narrow Package in accordance with the guidelines, and to set instructions regarding the publication of a Basic Narrow package.

- A Broadcasting Licensee shall not charge a subscriber of the Narrow Package payments beyond the price thereof, for ancillary services such as installation fees, installation costs, etc. (the "Related Services"), if it does not charge payment for those Related Services from subscribers of other packages. If a Broadcasting

Licensee charges fees for such Related Services, the payment therefore charged from Basic Narrow Package subscribers shall not exceed the payment therefore charged from subscribers to other packages.

- If the Minister exercises his authority to require a Broadcasting Licensee to offer a Basic Narrow Package, the Council will not be authorized to set rules with regard to a Broadcasting Licensee's obligation to offer such a package.

- In August 2013, the Council published a proposal regarding a Basic Narrow Package to be offered by a Broadcasting Licensee.

Further to the hearings carried out on the subject matter and to the Israeli Minister of Communication's decision, on February 20, 2014, HOT and the satellite company began to offer new basic packages to their subscribers at a tariff of NIS 120, that include a collection of channels including DTT channels and the designated channels, as well as additional channels. In addition the companies will permit every customer to add, at his choice, single channels, at the list price. As part of the new basic packages, the company began to offer two plans: one aimed at children and youngsters and the other intended for sports fans. HOT estimates that the basic packages offered by it are likely to be a significant increase in a number of subscribers to the basic package, in a way liable to harm the company's business results. The company's estimate, as aforesaid, is forward looking information within the meaning of the Israeli Securities Act, whose realization depends on factors outside the company's control.

Ownership of Television Channels

We are subject to regulatory limitations in connection with the ownership and production of television channels, including the rules set forth in the Communications Rules (Telecommunication and Broadcasting) (Broadcasting Licensees), 5748-1987 ("Communications Rules"). Pursuant to the provisions of the Communications Rules we are subject to restrictions regarding the number of channels that we can produce ourselves or in collaboration with another broadcasting license holder, such that the number of such television channels does not exceed two-fifths of the number of independent channels that we broadcast on our network. However, we are subject to more restrictive ownership rules pursuant to the decision of the Broadcasting Council approving the Israeli cable consolidation in 2006. Accordingly, the number of channels that we can produce, including channels produced by our predecessor companies at the date of approval, must not exceed 20% of the independent channels that we broadcast. In addition to those channels, we are also permitted to hold controlling interests in additional channels so long as the number of such channels does not exceed 4% of the total independent channels that we broadcast and we are not the controlling shareholder of such independent channels.

As a result of our monopoly status in multi channel television broadcasting, we are also subject to the decision of the Commissioner approving the cable consolidation in 2006, pursuant to which are only permitted to hold means of control in the HOT 3 Channel and the HOT Movies Channel (previously Channel 3 and Channel 4) and four additional channels, unless we obtain prior approval of the Commissioner.

Minimum Investment in Local Content Productions

In accordance with the Communications Law, the Communications Rules and decisions of the Broadcasting Council, we are required to invest at least 8% of our annual television revenues from subscriber fees in local productions to be broadcast for the first time over our network. During 2010, 2011 and 2012, we fulfilled the required rate of investment. In 2011, the Broadcasting Council notified our Group that with effect from 2012, the revenues from subscription fees forming the basis for calculating the minimum investment requirement must also include all payments made by customers for the purpose of receiving their broadcasts, including revenues from the rental of set-top boxes. We disputed this stipulation, which we communicated in writing to the Broadcasting Council. In response, the Broadcasting Council has permitted us to deploy the additional investment amount required in 2012 as a result of the new basis of calculation over the next three years in equal proportions.

Special Licenses for Cable Broadcasts

Under the Communications Law, the Broadcasting Council is permitted to grant special licenses for cable broadcasts with a view to increasing the number of competitors involved in the broadcasting industry. In such cases, the general broadcasting licensees will be required to transmit the special licensee's broadcasts over their networks subject to the condition that the capacity available to the general broadcasting licensee will not fall below five- sixths of the total capacity available over its network. In August 2007, the Israeli Minister of Communications determined the minimum carriage fee to be paid by a special licensee for distribution of its channel by a general cable broadcasting licensee. We are also required to maintain a minimum level of capacity for transmitting special licensee broadcasts pursuant to the conditions established for approving the Israeli cable consolidation. In addition, in accordance with the Communications Law, the Broadcasting Council is permitted to grant special licenses to the broadcasters of designated channels. Unlike other special licensees, the designated channel licensees are not obliged to pay a carriage fee to the general broadcasting licensee although the parties are free to agree to such consideration contractually. “

Prohibition of Termination Fees

In 2011, the Communications Law was amended to prohibit a license holder from collecting an exit or termination fee from residential and business subscribers whose monthly bill is under NIS 5,000 who terminate their agreement with the license holder before the end of minimum term of such agreement. While a license holder is permitted to collect the balance of the payment in respect of end- user equipment purchased by the subscriber and debts accumulated by the subscriber, if payment for end-user equipment is due in instalments, the license holder is not permitted to demand immediate repayment of the entire balance. With regards to some residential and small business subscribers with contracts which predate the effectiveness of the amendment, the termination fee is limited to a maximum of 8% of the subscriber’s monthly account, multiplied by the number of months remaining until the end of the commitment period. The maximum amount does not include the purchase price or rental amount for end- user equipment.

In addition, pursuant to a decision of the Broadcasting Council in 2011, we are only permitted to collect payments from new subscribers only in respect of services provided in the past month and cannot collect payment for service in advance. This decision has had an impact on our cash flows as we transition customers to a post services billing basis.

Prohibition on Advertising

The Communications Law prohibits broadcasting licensees from including commercials in their broadcasts other than promotional advertisements for upcoming broadcasts. Commercial channels, including certain “must carry” channels, and foreign channels may be permitted to include commercials on their channels.

Proposed Transition from Franchises to Licenses for Television Broadcasts

Currently, the commercial DTT channels such as Channel 2 and Channel 10 are operated on an exclusive franchisee basis granted by the Second Authority. However, an amendment to the Second Authority Law was passed in February 2011, which proposes to increase the number of broadcasters by transitioning from the exclusive franchisee system to a non-exclusive license system under which any entity which satisfies certain threshold conditions may apply for a commercial broadcasting license.

Fees and Royalty Payments

The Communications Law obligates general telecommunications licensees to pay royalties to the State of Israel. The regulations enacted under the Communications Law provide for an ongoing decrease in the rate of royalties applicable to such licensees, which have been reduced to 0% commencing on January 2, 2013.

In addition, in accordance with an agreement dated July 2001 between HOT and the State of Israel regarding the consideration payable to the State of Israel for the cable infrastructure, HOT has undertaken to pay the State of Israel payments at a rate of up to 4% of its revenue until the end of 2015. In each of the years ended December 31, 2011, 2012 and 2013 we paid the State of Israel over NIS 58 million under this agreement. *See “Description of Our Business – Material Contracts – Agreements with the State of Israel relating to ownership of our cable network”*.

Public Committees in the Broadcasting Field

On February 5, 2014, the Israeli Minister of Telecommunications announced the setting up of a public committee for the evaluation of the future arrangement of the commercial broadcasts, against a background of the technological developments, the changes to viewing habits, and the move to broadcasts over the Internet. According to the letter of appointment of the committee, it will make recommendations in the following subjects: (a) The principles and rules of the regulation that shall apply to all the players – new and traditional – that engage in the distribution of audio-visual contents, from an overall view of the broadcasts market and with the intention of creating balanced and fair regulation that shall apply to all the various broadcasters; (b) An alternative model for the supervisory bodies (noting the existing regulatory models in the world) and the method of supervision recommended for the broadcasts in Israel; (c) The option of the introduction of advertising into the broadcasts of the cables and satellite companies, noting the possible influence of this step on the advertising market and on the traditional broadcasters, based on examination of that customary throughout the world and given that the contents channels to be broadcast over the Internet are expected to be financed, inter alia, by advertising.

In accordance with the letter of appointment of the committee, when formulating its recommendations the committee shall take into account, inter alia, the following subjects: (a) The development in the field of transfer of audiovisual contents by means of the Internet, including its influence on the competition, on the income of the traditional broadcasters, including the influence of the entry of new players on the division of the income between the traditional broadcasters and the new players; (b) The need to continue to protect the major interests that lie at the basis of regulation of the broadcasting market, including the existence of pluralism in broadcasts, the encouragement of a quality original Israeli creation, preservation of the rules of ethics in broadcasting, protection of minors, etc.; (c) The maintenance of a competitive and strong market, and encouragement of the entry of additional players, including by means of reduction of entry barriers to the market and by providing initial protections.

In accordance with the letter of appointment of the committee, if during its discussions the committee is required to address additional subjects that in its opinion are relevant for the purpose of evaluating the rules of the arrangement that shall apply to the new players that engage in the distribution of audio-visual contents, the committee shall submit its recommendations, after receiving approval from the Minister of Telecommunications, in these subjects also. The committee was asked to submit its recommendations by August 14, 2014. The committee shall also be entitled to submit reports with interim recommendations.

HOT estimates that on entry of new competitors to the field of broadcasts by means of the Internet as aforesaid, and especially if these competitors will be subject to the regulation to which the company is subject, there will be a significant influence on the characteristics of the competition in the field, and it is expected to grow. HOT estimates that the aforesaid is liable to have a negative influence on its business affairs in the field of broadcasts.

Broadband Internet Infrastructure Access and Fixed-Line Telephony

Overview

Our broadband Internet infrastructure access and fixed-line telephony operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. Our operations are subject to the supervision of the Israeli Ministry of Communications.

We provide our broadband Internet infrastructure access, fixed-line telephony services and certain other communication services pursuant to a general domestic operator license for the provision of fixed-line services in Israel and a general license for provision of telecom services in several towns in Judea and Samaria (the “Fixed-Line Licenses”). Among other things, the Fixed-Line Licenses prohibit disconnection of any subscriber from the services other than in certain specified cases listed in the license. Our Fixed-Line Licenses are valid until 2023 and may be extended for periods of ten years at a time upon approval by the Israeli Ministry of Communications. As a general rule, these Licenses are non-transferable. In addition, the transfer of means of control in the relevant license holders is subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our broadband Internet infrastructure access and fixed-line telephony operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Decision Regarding the Creation of a Wholesale Market

In February 2010, the Israeli Ministry of Communications and Ministry of Finance appointed a commission headed by the former General Manager of the Israeli Ministry of Industry, Trade and Labour, Amir Hayek (the “Hayek Committee”), to review and make recommendations with respect to Bezeq’s retail telephony rates and the setting of rates for different segments with regard to provision of services in the broadband Internet infrastructure access wholesale market. The Hayek Committee published its recommendation in October 2011. In May 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field, which primarily adopts the recommendations made by the Hayek Committee.

In broadband Internet infrastructure access in particular, on May 2, 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field adopting the main recommendations made by the Hayek Committee in October 2011 with respect to the creation of a wholesale market for fixed line communications. The Israeli Ministry of Communications adopted the following principles affecting the broadband Internet infrastructure access market:

- In order to increase competition between providers of fixed-line communications services, owners of nationwide fixed-line access networks who also provide retail communications services (“infrastructure owners”), shall be obliged to sell wholesale services to communications license holders, who will provide services based on these infrastructures (“service providers”), including bitstream access, leasing of access elements (unbundling), leasing of dark fibers, duct access and transmission services (the "wholesale services"), on the basis of non-discriminatory terms.

- A service provider may issue a request to the infrastructure owners to make use of their network elements, including wholesale services. Service providers and infrastructures owners will conduct commercial negotiations to reach a usage agreement or provision of the aforementioned services and immediately upon the signing of such an agreement, each infrastructure owner shall publish a reference offer. The reference offer will include the services that are included in the agreement between the infrastructure owner and the service provider, according to the tariffs and the terms set in the agreement, as well as other wholesale services, in accordance with a list that will be published by the Israeli Ministry of Communications from time to time, including an offered price for each service. An infrastructure owner shall not be allowed to offer volume discounts to a service provider. This offer will be offered to anyone who requests, on equitable and non-discriminatory terms, it will be available for perusal by any seeker, and will be presented on the website of the infrastructure owner, as well as on the website of the Israeli Ministry of Communications. For the purposes of this paragraph, an "agreement" means an agreement between an infrastructure owner and a significant service provider, which is not a related company to an infrastructure owner.

- Should the Minister of Communications see that a tariff or a term was demanded by an infrastructure owner, or a tariff or a term was agreed to, for a wholesale service, which is not reasonable, may harm competition, may harm the public interest, or may harm the interests of a service provider, the Minister of Communications shall set that tariff or term. In the absence of a demand or an agreement on one or more terms or on a tariff, as stated above, the Minister of Communications shall set them, provided that an agreement has been signed or 6 months have passed since the issuance of this document, whichever shall come first, according to his authority under the Communications Law.

- The ancillary activities, services and arrangements to the wholesale services (rental of space, maintenance, etc.), arrangements for ordering, payment terms, and provisioning, and their tariffs shall also be set in commercial negotiations between service providers and infrastructure owners, and infrastructure owners shall be allowed to demand reasonable and equitable prices. In the absence of agreement between the relevant license holders, the Minister of Communications shall decide according to his authority under the Communications Law.

- The Israeli Ministry of Communications shall make use of a model for enforcement and supervision, which will help the Israeli Ministry of Communications ensure that the tariffs set in the reference offers are in accordance with the conditions set out above, and to monitor the actual provision of the wholesale services in a reasonable and non-discriminatory manner, and to track the level of implementation of the wholesale market.

- Infrastructure owners shall provide, on an ongoing basis, information about ordering of wholesale services and the deployment of existing infrastructures, to other license holders, in accordance with the requirements of the Israeli Ministry of Communications and with exceptions that will be set by the Ministry.

- When a reference offer is published by an infrastructure owner, related corporations to that owner shall be allowed to purchase wholesale services in order to provide services according to the terms of their licenses, on the condition that such wholesale services are offered without discrimination to any seeker.

- When Bezeq publishes a reference offer, Bezeq shall be allowed to supply telephony services which are not provided over broadband networks, to its subsidiaries, in a wholesale arrangement; should Bezeq decide to provide the aforementioned services it shall provide them concurrently to any license holder who seeks them without discrimination, all subject to the relevant regulations regarding Bezeq subsidiaries.

- Within 9 months of the publication of the reference offer, as described above, the Minister of Communications shall order the abolishment of the structure separation between an infrastructure owner who published the reference offer, and providers of international calls and ISP services which are related corporations to that infrastructure owner, so that Bezeq, for example, will be allowed to provide to its subscribers bundles which are not disintegrable of all its services (local and international telephony, broadband access and ISP service), unless the Minister of Communications shall determine that in the situation of the wholesale market at that time, abolishment of structural separation might cause significant harm to competition or to the public interest. Should the aforementioned structural separation be abolished, it will be replaced with accounting separation, in a format that will be set by the Minister of Communications.

- The Israeli Ministry of Communications shall set indicators or conditions, under which the Minister of Communications may conclude that the level of development of the wholesale market and the level of development of competition based on bundles include fixed and mobile services in the household sector, allows the granting of easements of the structure separation between an infrastructure owner and a radio telephone operator which is a related company, or the abolishment of the said structural separation and its replacement with accounting separation.

- Should the Minister of Communications decide that the development of the wholesale market and the level of development of competition based on bundles of fixed and mobile services in the household sector allow it, the Minister of Communications shall consider the abolishment of the structural separation between an infrastructure owner and a radio telephone operator which is a related company.

- The Minister of Communications shall review the matter of the disintegrability of television broadcasting services, included in service bundles which also include telecommunications services (whether fixed or mobile) or broadband services. The abolishment of the structural separation between infrastructure owners and the multi channel broadcasting sector, will be done while providing a reasonable opportunity to provide a basic television broadcasting package on the Internet, by operators who do not have a fixed nationwide network.

- If the wholesale market will not develop in a sound and proper manner, according to indicators which will be set for this purpose, within 24 months of the publication of this policy document, the Minister of Communications shall act to enforce structural separation between the infrastructure of a fixed domestic license holder and the services provided by that license holder to end users.

- Within six months of the publication of the reference offer, as described above, the Minister of Communications will act to change the tariff control mechanism over the tariffs of Bezeq, such that the control shall be done by setting a maximum tariff.

- The Israeli Ministry of Communications shall set, within nine months, a regulatory policy with the aim of increasing investment in, and upgrading the fixed communications infrastructure in Israel.

The Communications Law was amended in August 2013 in the following manner:

- The Minister's authority to determine payments under the law can include prices based on reference points (benchmark).

- The Minister may determine linkage payments by law based on other indexes than the CPI.

- To clarify the Minister's authority to obligate a license holder with respect to activities, services and ancillary arrangements related to interconnection or use of infrastructures.

- The Minister shall be authorized to issue instructions to immediately apply on a license holder for a limited period, if the actions of the licensee raise concern of immediately harm to competition, the public or the interests of another operator. The licensee will be given the opportunity to be heard as soon as possible, under the circumstances, after the instruction.

- The Minister may determine, with the consent of the Minister of Finance, the maximum or minimum charges for telecommunications services.

- The Minister may impose a structural separation between the infrastructure of a domestic operator and the services it provides to the end customers, if necessary.

On January 15, 2014, HOT received the Israeli Ministry of Communication's decision regarding the list of the wholesale services that infrastructure owners (HOT Telecom and Bezeq) will be obliged to offer to services providers. According to this decision, the list of the services, includes: (1) bitstream access, at a national level and at a regional or local level, in the broadband path of the infrastructure owner; (2) for the time being with respect to Bezeq's network only, sub loop unbundling from the interface cable or optical cabinet, as the case may be, until the first plug at the end-user's premise; (3) leasing of dark fibers at the access network, aggregation network and core network; (4) leasing of virtual dark fibers at the core network; (5) access to the physical network of the ducts, miniducts, microducts, man-hole, box access and poles, at the access network, aggregation network and core network; and (6) wholesale telephony services. In addition, the Israeli Ministry of Communication announced a hearing regarding the service file of bitstream access, at a national, regional and local level, and regarding the maximum tariffs of the wholesale services in Bezeq's network. HOT is currently evaluating the impact of the Israeli Ministry of Communication's decision. HOT Telecom was invited to submit its response with respect to the same hearing before March 10, 2014.

To the best of HOT's knowledge, on February 2014, Bezeq filed a petition in the Israeli Supreme Court for granting an injunction ordering the Israeli Ministry of Communication to give it documents and information required by it for the preparation of its response to the aforesaid hearing, and in particular the original report of Frontier, whose services were hired by the Hayek Committee, that contained recommendations regarding tariffs for the wholesale services.

In addition, on February 26, 2014, the Israeli Ministry of Communications published a hearing in the subject of the wholesale services file for use in passive infrastructures (dark fibers, manholes, ducts, and above-ground network). Attached to the service file was an accompanying document that stated, inter alia, that the obligation applying to Bezeq and HOT Telecom, regarding the supply of a service for the use of passive infrastructures for the suppliers of the services, shall apply, in addition, mutually, so as to permit HOT Telecom to make use of passive wholesale services of Bezeq, and vice versa. The Ministry wished to receive the comments of the license holders regarding the hearing by April 3, 2014.

Obligation to Extend Services

Similar to the Broadcasting Licenses, the Fixed-Line Licenses contain a requirement to extend our services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services and we have applied for exemptions from the terms of the Fixed-Line Licenses in accordance with the procedure specified under existing regulations. Pursuant to the Fixed-Line Licenses we are also required to provide network access service to other license holders on reasonable commercial terms so as to enable them to provide services to their subscribers and we must also avoid preferential provision of network access to our affiliated companies, including with regard to payment terms and service availability.

Removal of Certain Restrictions on Bezeq

In 2010, following the reduction in the market share of Bezeq, the incumbent telephony services provider in Israel, in the field of land-based communications below 85%, the Israeli Ministry of Communications announced that it was amending the licenses granted to Bezeq and its subsidiaries thus enabling it to commence marketing multiple-play packages to residential customers and allowing it to market its ISP and fixed-line telephony and broadband Internet infrastructure access services together. To the best of our knowledge, Bezeq currently markets two communications multiple-play packages which include: (a) Internet infrastructure access services (ADSL) as well as ISP services from subsidiary Bezeq International; and (b) Internet infrastructure access services (ADSL), ISP services from subsidiary Bezeq International as well as fixed-line telephony services. Bezeq also recently began to market bundles including its fixed-line domestic services (both telephony and broadband Internet infrastructure access) with mobile services provided by its subsidiary, Pelephone. Bezeq has recently been permitted to provide multiple-play packages to business customers as well. However, Bezeq will not be permitted to discriminate with its Internet infrastructure access services prices between a subscriber that uses the service together with telephone service and a subscriber that only uses the Internet infrastructure access service.

Based on publicly available sources, Bezeq has filed a merger notice with the Israeli Antitrust Commissioner, regarding its proposed merger with YES. Based on publicly available information disclosed by Bezeq, the Israeli Antitrust Commissioner is considering approving the merger subject to the following conditions:

1. Bezeq will not limit use of Internet infrastructure services based on incremental browsing capacity, nor will the price or quality be based on incremental volume;

2. There will be prohibition on conditioning use of broadcasting services on the use of other telecommunications services; and

3. For two years after the approval of the merger, YES will not prevent any entity, other than those who hold a broadcasting license on the date of the Israeli Antitrust Commissioner's decision (cable and satellite, commercial, IBA), from acquiring rights in original productions, excluding news.

Israel Electric Company Infrastructure

In 2010, the Israeli Ministry of Communications announced that in order to leverage the existing infrastructure owned by the Israeli Electric Corporation, which is a government owned company and the principal owner of the electric transmission and distribution network in Israel, with a view to increasing competition in the fixed-line telephony and broadband Internet infrastructure access market, it intended to grant a license to a joint venture between the Israeli

Electric Corporation ("IEC") and a private sector partner pursuant to which such joint venture would be permitted to provide various communication services, including wholesale products to other telecommunication licensees and fixed-line telephony and broadband Internet access to large business customers. The procedure to select the private sector partner to the Israeli Electric Corporation has also been initiated.

In June 2013, the Committee that selects an investor and controlling owner of the communications venture, with the participation of the IEC, announced that it had selected a group of investors to set up the venture which would have an infrastructure based on optic fibers, led by Via Europa. Also, on August 2013, the Israeli Minister of Communications granted a general license for domestic landline telecommunications services (infrastructure) to a third party. The license requires the construction of a nationwide communications network on an optical fiber infrastructure. In addition, to HOT's knowledge, a special license for domestic landline data communications services was granted, enabling it to provide services to large business customers, with annual revenues of at least NIS 30 million, and to government bodies and local authorities. The entry of a third party through a nationwide platform to be provided by the IEC network to the communications market, as the third element with a nationwide infrastructure, could have significant impact on HOT's business results, and on the competitive environment in which it operates, since this body would be linked to a government monopoly with considerable financial resources and ownership of an infrastructure, that could offer services to other communications companies, possibly at very low prices.

Telephony Services over Broadband

In 2007, the Israeli Ministry of Communications published the licensing policy for the provision of telephony services via broadband Internet infrastructure or Voice Over Broadband. The policy stipulated that the provision of Voice Over Broadband services will be regulated via general specific licenses to be granted pursuant to the provisions of the Communications Regulations (Telecommunications and Broadcasting) (Processes and Conditions for Receipt of a General Specific License), 5764-2004. A general specific licensee will be permitted to provide telephony services using VoIP or VOB technology via the broadband infrastructure access service of a general fixed-line licensee (currently only us and Bezeq). This policy thus permits a general specific licensee to provide services using a fixed-line licensee's network without the requirement to pay the owner of the network infrastructure charge, although they still must pay interconnection fees, whilst competing with it in providing fixed-line telephony services.

Elimination of Gigabit Ethernet Transmissions Fees

In the Israeli broadband Internet market, the broadband Internet infrastructure access providers, Bezeq and us, receive payment from subscribers for access to the infrastructure and from ISPs for the Gigabit Ethernet (GBE) connections used as part of the connection to the Internet. On June 26, 2012, the Israeli Ministry of Communications announced a hearing and request for comment on the subject of GBE connections for ISPs. The proposal was issued in light of the expectation that the use of the television broadcasting services via the open Internet network (OTT) will increase, thus increasing the need for Internet bandwidth. In order to ease the entry of additional players into the broadcasting field through OTT, the Israeli Ministry of Communications is considering changing the service files which describe the fee structure charged with respect to the broadband Internet access services provided to customers, so that such fees and services include all of the components that are required to provide the connection speeds for the purchasers of the service, including the carrying of traffic on the access and core networks. Thus, the proposed legislation would eliminate the payments that are currently paid to the owners of the infrastructure by the ISPs for the GBE connections, other than the transmission from point-to-point segment which connects between the networks of the owners of the infrastructure and the facilities of the ISPs and which may be purchased from the owners of the infrastructure or from one of the other appropriate license holders, who provide GBE transmissions. It was also proposed that the owners of the infrastructure maintain a minimum number of connection points on the basis of geographic regions and regulate the ability of the ISP to select a certain number of connection points. The proposal also provides that the owners of the infrastructure will be required to provide GBE connections at a certain rate based on the aggregate connection rate that has been ordered by the subscribers of that ISP. The GBE proposal could reduce the revenue our broadband Internet infrastructure access segment receives as a result of the prohibition on charging ISPs for the GBE connections.

Fees and Royalty Payments

The regulations enacted under the Communications Law obligate HOT Telecom to make royalty payments to the State of Israel in connection with its domestic fixed-line operator license. These royalty payments were reduced to zero as of January 2013.

Internet Service Provider

We provide our ISP services through our subsidiary, HOT Net, pursuant to a special license to provide Internet access services (the "ISP License"). The ISP license permits us to provide various services, including Internet access services, email services, installation and maintenance of a network for transmission of data, documents and electronic messages (EDI), processing, management and routing of messages and system administration services (including monitoring and handling malfunctions, information security, information systems and information compression, and securing access to service recipient's computer). Under the terms of the ISP License, we are required to provide ISP services to any customer or other ISP license holders, including to customers of other broadband Internet infrastructure access providers, without discrimination and under identical terms and conditions. Our ISP License is valid until December 31, 2015 and may be extended upon approval by the Israeli Ministry of Communications. As a general rule, the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications. On October 31, 2012, the Israeli Ministry of Communications published an amendment applicable to all licenses issued to ISP providers including our ISP License. The amendment introduced certain provisions mainly relating to consumer protection.

Mobile

Our mobile operations are subject to the Communications Law, the Telegraphy Ordinance New Version, 1972, and the regulations enacted in accordance with them. We are also subject to the Planning and Construction Act and regulations with regard to site construction, the Consumer Protection Law, 1981 and the Non-Ionising Radiation Law. We provide our mobile services pursuant to a non-exclusive license to erect, maintain and operate a mobile system and to provide mobile services (the "Mobile License"). The Mobile License was amended in September 2011 to add additional frequencies in relation to the launch of a UMTS network. The Mobile License with respect to the main original frequencies which we use to deliver our iDEN based mobile services is valid until February 2016. The Mobile License with respect to the additional frequencies which we will utilize to provide UMTS based mobile services is valid until September 2031. The Mobile License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications. As a general rule, the Mobile License is non-transferable, and the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our mobile operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

Construction of Network Sites

The regulation of network site construction and operation are primarily set forth in the Israeli National Zoning Plan 36 for Communications, which was published in May 2002 ("National Zoning Plan 36"). The construction of radio access devices, which are cell sites of smaller dimensions, is further regulated in the Planning and Building Law and the Communications Law.

National Zoning Plan 36

National Zoning Plan 36 includes guidelines for constructing cell sites in order to provide mobile broadcasting and reception communications coverage throughout Israel, while preventing radiation hazards and minimizing damage to the environment and landscape. National Zoning Plan 36 sets forth the considerations that the planning and building authorities should take into account when issuing building permits for cell sites. These considerations include the satisfaction of safety standards meant to protect the public's health from non-ionizing radiation emitting from cell sites, minimizing damage to the landscape and examining the effects of cell sites on their physical surroundings. However, National Zoning Plan 36 is in the process of being revised. Current proposed changes will impose additional restrictions and requirements on the construction and operation of cell sites. On June 1, 2010, the National Council for Planning and Building approved the National Zoning Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the "Amended Plan"). The main amendments to the Plan are: (a) the plan provides for full liability for depreciated property claims on the mobile operators; (b) the plan prohibits the erection of poles in urban areas (excluding industrial zones) and in rural areas (excluding next to existing infrastructure); (c) the plan grants to the municipalities the authority to approve local zoning plans that will regulate the deployment of site; and (d) the plan demands a minimum distance of four meters between antenna poles on a rooftop.

The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown if and when the government intends to approve the Amended Plan. If the Amended Plan is approved, it might have a significant impact on our ability to get permits for our mobile sites. In addition, we may need to change the location of our future mobile network sites to less suitable locations, which may have an adverse effect on the quality and capacity of our mobile network coverage. The cost of complying with the Amended Plan might be substantial, and may adversely affect our revenues and profits.

Radio Access Devices

Most mobile operators have historically relied on an exemption from obtaining a building permit under the Construction and Planning Law for constructing rooftop mobile radio access devices, which was consistent with the

Israeli Attorney General opinion on the matter. In May 2008 the District Court of Tel Aviv- Jaffa, in its capacity as court of appeals, ruled that the mobile operators' devices do not meet the exemption's requirements and therefore the exemption may not be relied upon. An appeal was filed against this ruling to the Supreme Court and the Israeli government notified the Supreme Court that it concurs with the appeals against the District Court ruling. Furthermore, in July 2008, a petition seeking to annul the Attorney General's opinion and apply the District Court ruling was filed with the Supreme Court by the Union of Local Authorities in Israel and certain local planning and building authorities which also requested to join our appeal and argue against the position of the State. In June 2009, another petition seeking similar remedies, was also filed with the Supreme Court. The Supreme Court decided to hear both petitions and our appeal together. In September 2009, following publication of the recommendations of an inter ministry committee established to examine the appropriateness of future application of the exemption; the Attorney General concluded that the application of the exemption does not balance properly the different interests involved and therefore cannot continue. In March 2010 draft regulations were issued setting conditions for the application of the exemption, which include significant limitations on the ability to construct radio access devices based on such exemption, including a limitation of the number of such radio access devices to 5% of the total number of cell sites constructed or to be constructed with a building permit in a certain area during a certain period (which will render the construction of radio access devices based on the exemption practically impossible), and circumstances in which a request for a building permit for the radio access device was filed and no resolution has been granted within the timeframe set in the regulations. In September 2010, the Supreme Court issued an interim order prohibiting further construction of radio access devices in mobile networks in reliance on the exemption. The interim order, that was issued pursuant to the Israeli Attorney General's request, will be in effect until the enactment of the proposed regulations or other decision by the court. A further decision of the Supreme Court in February 2011, states that the order will not apply to the replacement of existing radio access devices under certain conditions. In September 2010, pursuant to the Israeli Attorney General, the Supreme Court issued an interim order prohibiting further construction of radio access devices for mobile networks in reliance on the exemption mentioned above. In September 20111, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until July 31, 2011 (subsequently extended several times, most recently on September 30,2013), provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer, and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot.

HOT Mobile is holding discussions with the regulatory authorities on how to calculate the quantity of facilities that can be built in the territory of a local committee.

Recently the Court issued a conditional injunction. In response to the petition, the Government stated that the injunction limiting the scope for new operators would be in force until June 30, 2014 and that after this date, the only option for setting up new access facilities would be after approval of the Regulations and in accordance with the restrictions stipulated therein.

Radio access devices also require permits from the Israeli Ministry of Environmental Protection. The local planning and building committee's engineer may object to the exemption for a permit requirement prior to installing radio access devices. An annulment of, or inability to rely on, or substantial limitation of, the exemption could adversely affect our existing network and network build-out particularly given the objection of some local planning and building authorities to grant due permits where required, could have a negative impact on our ability to obtain environmental permits for these sites, could negatively affect the extent, quality, capacity and coverage of our network, and our ability to continue to market our mobile services effectively.

Indemnification Obligations

In January 2006, the Planning and Building Law was amended to provide that as a condition for issuing a building permit for a cell site, local building and planning committees shall require letters of indemnification from mobile operators indemnifying the committees for possible depreciation claims under Section 197 of the Planning and Construction Law, in accordance with the directives of the National Council for Planning and Building. Section 197 establishes that a property owner whose property value has depreciated as a result of the approval of a building plan that applies to his property or neighbouring properties may be entitled to compensation from the local building and planning committee. In February 2007, the Israeli Minister of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building permit under National Zoning Plan 36 for a cell site and one year from the construction of a cell site. The Minister retains the general authority to extend such period further. This extension of the limitation period increases our potential exposure to depreciation claims.

The Non-Ionizing Radiation Law

The Non-Ionising Radiation Law prohibits the construction and operation of cell sites without a permit from the Israeli Ministry of Environmental Protection. The Commissioner of Environmental Radiation, or the Commissioner, is authorized to issue two types of permits: construction permits, for cell site construction; and operating permits, for cell site operation. These permits contain various conditions that regulate the construction and operation of cell sites. A construction permit is valid for one year, and will allow us to operate a cell site for a period not exceeding three months and an operating permit will allow us to operate a cell site for a period of five years. We are required to submit to the Commissioner annual reports regarding radiation surveys conducted on our cell sites and other facilities by third parties that were authorized to conduct such surveys by the Commissioner. In order to receive an operating permit from the Commissioner, certain conditions must be met, such as presenting a building permit or an exemption and means taken (including technological means) to limit exposure levels from each cell site or facility (relevant also for the receipt of a construction permit). The Non-Ionising Radiation Law, grants the Commissioner authority to issue eviction orders if a cell site or other facility operates without complying with its permit, and it imposes criminal sanctions on a company and its directors and officers for violations of the law. Failure to comply with the Non-Ionising Radiation Law or the terms of a permit can lead to revocation or suspension of the permit, as well as to withholding the grant of permits to additional cell sites.

The Ministry of Environmental Protection notified us of a new condition for all of our mobile network site operation permits in order to receive operating permits, according to which we must connect to a monitoring system of the Ministry of Environmental Protection that continuously monitors and reports the level of power created in real time from the operation of our mobile network sites.

Since May 2012, we started erecting our new UMTS cell sites according to construction permits received in November 2011. We have also made practical examinations to all our new UMTS cell sites. All of the examinations showed that our new UMTS cell sites comply with the safety standard determined by the Ministry of Environmental Protection. As of August 2012, we began to apply for operation permits to our sites to the Commissioner. We also applied for extended time to connect to the monitoring system to the commissioner. As of November 2012, we started receiving operation permits. On February 4, 2013, we were notified by the Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system.

Prohibition of Exit Fee

On March 21, 2012, the Knesset passed an amendment to the Communications Law in order to prohibit a license holder from collecting an exit or termination fee from new subscribers who cancel their agreement with the license holder. A license holder is still permitted to collect the balance of payment owed to it by the subscriber relating to the purchase of end-user equipment. The amendment does not apply to large subscribers who have purchased 100 or more lines. Additionally, under the terms of the amendment, as of January 2013, it is not be possible to link a transaction for the purchase of end-user equipment and the provision of mobile services.

Mobile Virtual Network Operator

A mobile virtual network operator, or MVNO, is a mobile operator that does not own its own spectrum and does not have its own radio network infrastructure. Instead, MVNOs have business arrangements with existing mobile operators to use their infrastructure and network for the MVNO's own customers. The Communications Law was amended in July 2009 to provide for MVNO licenses and in January 2010, the regulations necessary for the granting of an MVNO license were promulgated. The regulations regulate the operation of an MVNO pursuant to an agreement to be reached and entered between a mobile operator and an MVNO and sets, among others, the conditions for receiving an MVNO license, including a requirement to operate a mobile phone switch, a restriction on a mobile operator and a fixed-line operator to receive an MVNO license and limitations on parties related to an existing mobile operator and on other communication licensees, to receive an MVNO license. The amendment provides that in the event that a MVNO and the mobile operator will not have reached an agreement as to the provision of service by way of MVNO within six months from the date the MVNO has approached the mobile operator, and if the Israeli Ministry of Communications together with the Israeli Ministry of Finance determine that the failure to reach an agreement is due to unreasonable conditions imposed by the mobile operator, the Israeli Ministry of Communications will use its authority to provide instructions. Such instructions may include intervening in the terms of the agreement, including by setting the price of the service. To the best of our knowledge, based on publicly available sources to date the Israeli Ministry of Communications has granted eleven MVNO licenses.

Fees and Royalty Payments

In accordance with our Mobile License, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. We provided a bank guarantee to the State of Israel for the remaining NIS 695 million. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license and the Ministry of Communication's instructions that would entitle us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS

80 million as guarantee of our obligations under the license, including our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million, and if we meet the territorial coverage requirements within 84 months from September 2011, the guarantee will be reduced to $10 million.

Reduction of Interconnection Fees

Effective December 1, 2013, interconnection fees between fixed line telephony service providers (including Bezeq, VoIP or VOB providers and us) will be reduced by 60% and set at NIS 0.01.

Copyright/Trademark Law

Israel grants copyright protection to original literary, dramatic, musical and artistic works, as well as sound recordings and computer programs under the Copyright Law, 5767-2007. Copyright protection automatically subsists with respect to works which comply with the terms set forth in the Copyright Law. Under the Copyright Law, generally, protection of a work runs from the date of creation until the end of the seventieth year after the year of the death of the author. Israel is party to a number of multinational treaties relating to copyrights, including the Berne Convention.

In Israel, trademarks are governed by Trade Marks Ordinance (New Version), 5732-1972. A trademark registration is valid for ten years from the date of the trademark application. The registration may be renewed for further periods of 10 years after each renewal. The legal protection of a trademark is conditioned on it having distinctive character. Israeli law also provides for legal protection to unregistered trademarks. Under the Trade Marks Ordinance an owner of a trademark that is well-known in Israel can exclude others from using the mark, even when the trademark was not registered in Israel. Israel is also party to a number of multinational treaties relating to trademarks.

Structural Separation

In order to promote competition in the telecommunication and broadcasting industry in Israel the various licenses issued to us to conduct our business contain provisions that require us to maintain strict structural separation between the HOT group entities that hold the licenses, including separation of assets, management and employees. As a result, we generally operate our cable television services which are subject to the Broadcasting Licenses, our broadband Internet infrastructure access and fixed-line telephony services which are subject to the Fixed-Line Licenses, our ISP services which are subject to the ISP License and our mobile and ILD services which are subject to the Mobile and ILD Licenses as separate businesses conducted by separate entities within our Group. In addition, pursuant to the license provisions, our cable network assets are owned by HOT Telecom and access to the network is provided to other HOT entities pursuant to certain inter company arrangements and subject to legal requirements. Under the terms of the licenses, we are also prohibited from making any of our services conditional upon subscription to another service. For example, we are not allowed to force customers to opt for our multiple-play packages and must continue to offer our various services on a stand alone basis also. However, notwithstanding the requirement to maintain such structural separation, we are permitted to offer our customers multiple-play services and conduct related marketing, billing and collection activities of our pay television, broadband Internet infrastructure access and fixed-line telephony on the condition that only commercial information necessary for marketing, billing and collection activities of our multiple-play services are shared between the relevant HOT entities.

On December 9, 2013, the Israeli Knesset in a second and third reading passed the Law for Promotion of Competition and Reduction of Concentration. In accordance with the law, a committee will be established with the objective to supervise the attempts to limit concentration, headed by the Antitrust Commissioner and hosting members such as the General Director of the Ministry of Finance and the head of the National Economic Council or one of his deputies appointed by the prime minister. Under the law, among other things, the regulator may decide not to assign any right, including the right to grant or extend a license, to a concentrated factor as it is defined in the law, if it finds that it is unlikely that any real harm may be caused to the sector in which this rights is assigned and the regulation of such sector. Also, a regulator seeking to allow the assignment of a right, including the grant or extension of a license, will not do so, including not allowing any concentrated factor to participate in the assignment procedure of this right and not setting any conditions that allow its assignment, but only after taking into account considerations of cross market concentration, in consultation with the entity in charge of the concentration reduction. In addition, the law provides, *inter alia*, that when assigning a right and setting its terms the regulator must consider, in addition to any other vital consideration as specified by law, considerations of promoting the competition in the sector, and if the right is included in the list of rights issued by the Antitrust Commissioner in this regard, the regulator may not assign this right but only after considering considerations of promoting competition in the sector in consultation with the Antitrust Commissioner. Under the law, the holder of a general license to broadcast through cables is defined a concentrated factor.

On October 16, 2013, the Israeli Ministry of Communications published a hearing regarding a recommendations report of an inter departmental team aimed at examining the current regulations in the international telecommunication services sector, and the need to modify it in light o developments and changes in the telecommunication market. The ministry allows such license holders and all relevant parties to submit their position regarding the hearing until December 1, 2013. On August 14, 2013, the Israeli Ministry of Communications published a hearing by which the ministry began formulating a new regulation framework, in which a version of one unified license will be determined, by which it will be possible to provide all the services provided today with a special general license for providing domestic wired telecommunication services a license to provide radio mobile phone services through another operator, and a general license to provide international telecommunications service. The unified licensing framework will also enable to provide Internet access services (ISP) and NTP. Hot Telecom submitted a response with respect to the hearing.

French Overseas Territories

in the French Overseas Territories our business activities are subject to the specific legislation and regulations of both France and the European Union governing the telecommunications sector and the information society.

Regulation of Electronic Communications Networks and Services

The European Regulatory Framework for Electronic Communications

The majority of the regulatory provisions applicable in France to the telecommunications sector are set forth in the French Code for Postal and Electronic Communications Code (Code des Postes et des Communications Electroniques (the “CPCE”)).

In addition, the following texts are also applicable to the telecommunications sector:

- regulation (EC) No. 2887/2000 dated December 18, 2000, on unbundled access to the local loop, which provides that all operators with significant market power must offer unbundled access to their local loop and associated facilities, under transparent, fair and non-discriminatory conditions;

- regulation (EC) No. 717/2007 on roaming on public mobile telephone networks within the European Community, amended in 2009 by Regulation (EC) 544/2009 of June 18, 2009 and in 2012 by Regulation (EC) No. 531/2012 which provides that all wholesale and retail roaming charges levied by mobile operators are subject to price caps which are set until June 30, 2017; and

- regulation (EC) 1211/2009 dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the “BEREC”). Rather than operating as a European regulatory agency, the BEREC’s role is to act as a forum for cooperation between the national regulatory agencies (“NRAs”) and the Commission. Its responsibilities include developing and relaying guidelines and regulatory best practices to NRAs as well as issuing reports and opinions to the European Commission, Parliament and Council.

French Regulatory Framework Applicable to Electronic Communications

Authority of the ARCEP

In France, the national regulatory authority (NRA) for electronic communications is the ARCEP.

Our operations do not require specific authorisations from the ARCEP. However, we must declare our activities and register with the ARCEP.

The sanctions available to the ARCEP if an operator fails to comply with the regulatory framework include limiting the scope or reducing the term of the operator’s registration, as well as suspending or even fully withdrawing such registration. It can also impose fines representing up to 3% of the operator’s annual revenue, or 5% in the event of a repeated breach.

Market Analysis—Asymmetric Regulation

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position.

The first and second phases of such market analysis were completed by the ARCEP at the end of 2007 and 2010, respectively. The market analysis was carried out in three distinct markets: the fixed-line market, the mobile market and the broadband market. From 2010 to 2012, the ARCEP carried out and completed the third phase of its market analysis, covering the period from 2011 to 2014.

The regulatory measures that can be imposed by ARCEP on operators identified as having significant market power in a relevant market (and, as applicable, on another market of the electronic communications sector that is tightly linked to the aforementioned market) are specified in Articles L. 38 (wholesale markets) and L. 38-1 (retail markets) of the CPCE.

We are not presently considered by the ARCEP to be an operator identified as having significant market power in any relevant market except in the market of calls terminating on our network, like any other operator. It implies that we must comply with the regulations applicable to call termination charges on landline networks.

The regime governing the call termination charges has recently been changed. Since January 1, 2013 the call termination charge applied by operators is set at €0.01.

We cannot guarantee that we will not, in the future, be identified by the ARCEP as having significant market power in one or several other relevant markets and that the ARCEP will not impose additional regulatory measures on us.

Symmetric Regulation

The ARCEP also regulates in a "symmetric" way, i.e., by imposing the same obligations on all operators, through a number of decisions, for instance:

- decision 06-0636 dated November 30, 2006, on supplying subscriber lists for the purpose of publishing universal directories;
- decision 07-0213 dated April 16, 2007, on routing communications used for value added services;
- decision 2009-0637 dated July 23, 2009, on portability; and
- decision 2009-1106 dated December 22, 2009 and decision 2010- 1312 dated December 14, 2010, on access to the terminal section of optical fiber networks.

Interconnection Access

Regulations governing the interconnection of each operator to the networks of the incumbent operator and of other operators are essential for opening up the market and ensuring the quality of services provided to each operator's subscribers. Interconnection agreements are subject to private law and must be disclosed to the ARCEP if requested. The ARCEP has the power to rule on disputes between operators but its decisions may be appealed before the Paris Court of Appeal (Cour d'Appel).

We have interconnection agreements with local operators mainly for call termination over fixed and mobile operators. The local loop network is partially leased to France Telecom (ADSL Broadband) and to local fibre suppliers.

Specific Regulatory Framework Applicable to the Access to New-Generation Optical Fibre Networks

The French Economy Modernisation Law dated August 4, 2008 introduced several provisions aimed at setting up a regulatory framework for the roll-out of very-high-speed optical fibre networks.

The law comprises a number of measures intended to foster such roll-outs, including: (i) an obligation for private and public landlords to facilitate the installation of optical fiber networks in their buildings; (ii) rules for sharing optical fiber access in order to avoid several networks being set up within the same building (only one "building operator" may therefore set up a network in the said building); (iii) a requirement for each operator offering very-high-speed access to be able to connect to the network; and (iv) provisions stating that the access point to the shared network must be located outside the limits of a private property (unless the ARCEP approves the access point being inside such a property).

In addition to the implementing decrees, the ARCEP has been given decision making powers to set the terms and conditions relating to the application of this law.

Legal Status of the Le Cable Networks

A telecommunications network is comprised essentially of the physical infrastructure (ducts, head-ends, switches) into which the telecommunications equipment (mainly the cables) are placed. These different components can be governed by different legal statutes. Because Le Cable's physical infrastructure is not built on its own premises (but on public land and private property), Le Cable has entered into concession, easement or lease agreements with landlords. Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment.

One of Le Cable's cable networks (Point-à-Pitre, Guadeloupe) can be categorized as an agreement for the delegation of public services (délégation de service public). Under such agreement with a local authority for the delegation of public services, the infrastructure and equipment used to carry out the said public services revert back to the local authorities upon expiry or termination of the agreement (biens de retour). Renegotiations of these agreements were imposed by laws passed on July 9, 2004 and March 5, 2007 with a view to clarifying the legal classification of these agreements. Moreover, the law of August 4, 2008 authorized local authorities to grant equal rights of access on their network to our competitors even if the agreement with such local authorities says otherwise.

The rest of Le Cable's current cable network is governed by ad hoc legal agreements. Concerning such agreements with local authorities, Le Cable has initiated their transformation into agreements for the occupation of public domain (conventions d'occupation du domaine public). Occupation of public domain agreements, which are entered into with local authorities for terms ranging from 10 to 30 years, provide that, upon termination, we must, at the option of the local authority (i) return the entire network to the local authority, in some cases against the payment by the local authority of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove, either at our cost or at the cost of the local authority, the equipment installed by us on their land or premises or (iii) transfer the network to another operator, provided it is approved by the local authority.

Fees are typically paid on an annual basis, and in principle based on the size of the network deployed on public land or premises.

Fixed Number Portability

Number portability is an obligation for all operators connecting end- subscribers. Decree 2006-82 of January 27, 2006 extended this number portability obligation to alternative landline operators. The ARCEP decision 2009-0637 implementing this decree was issued on July 23, 2009, and approved by the Minister for Electronic Communications on October 22, 2009. This decision sets forth the portability obligations of operators.

Directories and Provision of Subscriber Lists

All operators that connect end-subscribers are required to disclose their subscriber lists for the purpose of publishing directories and/or providing information services (as set out in more details by ARCEP decision 06-0639 of November 30, 2006).

Contribution to Universal Service Funding

Pursuant to law 2003-1365 dated December 31, 2003, the operator required to guarantee the provision of universal service is designated on the basis of calls for tender. The cost of the universal service is shared between operators pro rata to their revenues derived from telecommunications services.

Broadcasting of Audiovisual Services

The transmission and broadcast of radio and television services falls within the scope of the 2002 Telecoms Package and is consequently subject to the control of the NRAs.

As a broadcaster of radio and television services, we must declare our activities and register with the Conseil Supérieur de l'Audiovisuel ("CSA").

Pursuant to articles 42-1 and 42-2 of law 86-1067 dated September 30, 1986 (as amended by law 2004-669), the sanctions available to the CSA if an operator fails to comply with the regulatory framework includes limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing said registration. The CSA may also impose a fine representing up to 3% of an operator's annual revenue, or 5% in the case of a repeated breach.

In our capacity as a broadcaster of audiovisual services, we are subject to the regulatory "must-carry" provisions, i.e., the obligation for a provider of services via cable, satellite or ADSL to carry certain audiovisual services on its network. The must-carry obligations are governed by articles 34-2 and 34-4 of law 86-1067 dated September 30, 1986.

Moreover, the CSA controls the content of the broadcast channels. In particular, under article 15 of law 86-1067 dated September 30, 1986; the CSA must enact rules to protect minors against programs considered dangerous to their physical and mental health. The CSA has put in place strict rules in this respect, including the encryption of specifically designed logos on programs considered inappropriate for minors. As an operator and distributor of TV channels, we make sure that we strictly comply with these rules.

Regulation of the Content of Electronic Communications

Content of Online Services and Liabilities of Internet Market Players

The liability provisions applicable to intermediary Internet service providers are set forth in law 2004-575 dated June 21, 2004 and the CPCE and decree 2011-219 of February 25, 2011 (as modified on March 30, 2012). They include the conditions under which providers/operators can be held civilly or criminally liable.

Copyright and the Internet

Under law 2009-669 adopted on June 12, 2009 promoting the dissemination and protection of creative works on the Internet, a specific "graduated response" system was introduced, aimed at limiting illegal downloads. The French government announced in May 2012 the setting up of an ad-hoc commission dedicated to the reform of HADOPI and the legal framework on copyright and the Internet is expected to be modified in the near future.

Processing of Personal Data and Protection of Individuals

The main applicable provisions of the revised law 78-17 dated January 6, 1978, which is the cornerstone of the French data privacy regulations, are as follows:

- no personal data may be processed without the prior information and consent of the person concerned. However, a limited number of circumstances are defined in which such processing may be lawful, even without the consent of the person concerned (these exceptions do not apply to the processing of sensitive data);

- the right of data subjects to access, correct and object to the processing of their personal data must be ensured at all times;

- all processing of personal data must be notified to or duly authorized by the French data protection authority (CNIL), to the exception of very few processings;

- electronic communications providers have a whistleblowing obligation (to the French authorities) in the event of a breach of personal data protection which is detailed in Decree no. 2012-436 of March 30, 2012; and

- any failure to comply with the provisions of law 78-17 is subject to administrative and/or severe criminal sanctions. The possible offenses and related penalties are set forth in Articles 226-16 to 226-24 of the French Penal Code (Code pénal). Such offenses are punishable by a fine of up to €300,000 and five years' imprisonment.

In the course of our business, we record and process personal data including statistical data, in particular data concerning the number of visits to our websites. These personal data are, however, processed pursuant to all applicable laws.

Last, Decree no. 2012-488 of April 13, 2012 puts additional obligations on operators to protect the safety of personal data on their networks. Operators must, inter alia, implement specific policies to protect the integrity of their networks.

Payment services regulations applicable to OPS

Payment services which Outremer plans to introduce through a fully owned subsidiary OPS, are governed by Articles L. 522-1 of the French Monetary and Financial Code (the "CMF"), as further detailed in an Order dated October 29, 2009, setting out prudential requirements for payment institutions (the "Order"). As a payment institution, such subsidiary is controlled by the Autorité de Contrôle Prudentiel (the "ACP").

Prior Approval

Pursuant to the CMF and the Order, all payment institutions must have been approved by the ACP. When reviewing the request for approval, the ACP seeks to ensure that the payment institution will be operated in a sound and prudent way and examines, in particular, if the company has (i) a sound system of corporate governance, (ii) an efficient procedure for detecting, managing, monitoring and declaring the risks to which it is, or may be, exposed, and (iii) an adequate internal auditing system. Further, it seeks to verify that the individuals declared responsible for the effective management of the payment institution possess the respectability, competence and experience, as well as the status of the shareholders who have a qualified equity holding.

Changes requiring prior approval from or notice to the ACP

The CMF and the Order provide that some changes require the prior approval of the ACP, while others only need to be notified to the ACP. In particular and without limitation the following changes require the ACP's prior approval: (i) change in the corporate form, (ii) change in the types of payment services provided or (iii) change in any element which the ACP imposed as a condition to its prior approval.

The ACP's prior approval is also required for any direct or indirect acquisition, extension or sale of a shareholding in the payment institution by a person or group of persons (other than a person or entity within the same group) causing these persons to either (i) reach the thresholds of 10%, 20%, or $33^{1}/_{3}$% of the payment institution's voting rights or (ii) acquire or give up the effective control over the payment institution's management. We have now obtained this approval from ACP.

Rules governing the management and organization of payment institutions

The CMF and the Order require payment institutions to abide by a series of management and financial requirements.

Agents

When a payment institution intends to provide payment services through an agent, it must report this agent ("agent") to the ACP, pursuant to the Order.

Control by the ACP

A payment institution must at all times comply with the requirements set out in the ACP's approval and the ACP monitors the compliance of the activities conducted by payment institutions.

The CMF and the Order provide that if a payment institution fails to comply with any of the requirements applicable to payment institutions, the ACP may withdraw its approval. In such a case, the payment institution will be removed from the list of authorized payment institutions within a maximum of fifteen months from the ACP's decision and funds received in connection with payment services must be returned to the users of the payment services or transferred to a credit or payment institution or to the Caisse des Dépôts et Consignations within this fifteen month period.

The ACP may also impose disciplinary sanctions on payment institutions, including their removal from the list of authorized payment institutions. In such a case, the institution is banned from offering payment services and, in certain circumstances; this sanction entails the dissolution of the payment institution.

Luxembourg

Legislative framework applicable to the provision of telecommunications services and networks

The Luxembourg legislature implemented parts of the Directives on the Open Network Provision with the law of March 21, 1997 on telecommunications, which initiated the liberalization of the telecommunications market. This law set a new legislative framework for the provision of telecommunications services and networks and completed the separation of regulatory functions and service provision functions with the creation of an independent regulatory authority in charge of monitoring the telecommunications sector. The above mentioned law was substantively amended by the law of May 30, 2005 on electronic communications networks and services which constitute one of the four acts of the Telecom Reform Package.

The Telecom Reform Package is effectively composed of four Acts:

- The Act of May 30, 2005 on networks and electronic communications services repealed by the Act of February 27, 2011 on the networks and electronic communications services (the "Telecom Act");
- The Act of May 30, 2005 on the organization of the management of radio frequency spectrum last amended by the Act of February 27, 2011 (the "Spectrum Act");
- The Act of May 30, 2005 on the organization of the Luxembourg Institute of Regulation amended on several occasions and;
- The Act of May 30, 2005 on the specific provisions regarding the protection of individuals as to the processing of personal data in the electronic communications sector (the "Personal Data in Electronic Communication Act").

Legal regime

Electronic communications services and network

Under article 2(27) of the Telecom Act, "electronic communications service" means a service normally provided for remuneration which consists wholly or mainly in the conveyance of signals on electronic communications networks, including telecommunications services and transmission services in networks used for broadcasting, but exclude services providing, or exercising, editorial control over, content transmitted using electronic communications networks and services; it does not include information society services which do not consist wholly or mainly in the conveyance of signals on electronic communications networks.

Under article 2(24) of the Telecom Act, "electronic communications network" means transmission systems and, where applicable, switching or routing equipment and other resources which permit the conveyance of signals by wire, by radio, by optical or by other electromagnetic means, including satellite networks, fixed (circuit and packet switched, including Internet) and mobile terrestrial networks, electricity cable systems, to the extent that they are used for the purpose of transmitting signals, networks used for radio and television broadcasting, and cable television networks, irrespective of the type of information conveyed.

Under Luxembourg regulation operators are free to provide electronic communications networks and services. Indeed, under article 7 of the law of February, 27, 2011 the 2011 E-Law, the provision of electronic communications services and networks can be freely exercised. Any undertaking, however, wishing to engage in such activities must first notify the Luxembourg Regulatory Institute ("LRI") which regulates electronic communications networks and services.

The undertaking must initiate the notification procedure at least 20 days before commencing. The LRI provides a standard notification form to the undertakings. Upon receipt of the notification, the LRI issues within one week, at the request of the concerned undertaking, a standardized certificate, proving that the entity has duly filed a notification.

In principle, the LRI regulates upstream by preventing any hindrance to competition in regulated sectors and freedom of economic activity while the Luxembourg Competition Council regulates downstream by sanctioning such anti-competitive hindrances.

The LRI is also entrusted with the collection of notifications sent by undertakings planning to provide electronic communications networks and services ("notified undertakings") and maintains a registry of notified undertakings.

The LRI also has the possibility to impose sanctions on notified undertakings not complying with the related regulations, specifications made in their implementation, and the regulatory measures of the LRI.

The maximum fine that the LRI may impose on notified undertakings is of €1 million. The LRI may also impose a daily fine (penalty) of an amount between €200 and €2,000, fixed according to the economic capacity of the undertaking and the nature of the infringement. Such fine may be doubled for a second offense.

The LRI may also take complementary or alternative disciplinary sanctions (e.g. warnings, prohibitions on carrying out certain operations, or temporary suspension of one or more managers or directors of an undertaking).

The LRI is entitled to suspend temporarily or definitely, without giving rise to any right to compensation, the services provided by a notified undertaking after having notified such undertaking of its infringement of the law.

Content regulation and protection

Pursuant to the Personal Data in Electronic Communication Act, operators of electronic communication services and networks are compelled to ensure the confidentiality of communication exchanged by way of electronic communication means.

The general rule is that other than the user, no person is allowed to listen, intercept or store communications and data related to the traffic and location without the agreement of the user.

This prohibition does not apply to communication related to emergency calls, commercial transactions to the extent that they constitute proof of the transactions, authorities investigating and acting in relation to a flagrante delicto or within the scow of criminal offenses in order to ensure national and public security and cookies. In relation to data resulting from commercial transactions and cookies, the user or parties to the transaction must be informed that their data may be processed, the conditions (in particular the duration) and aim of the storage, and the possibility of the user opposing such data processing.

Radio Spectrum

The use of radio spectrum is regulated by the Spectrum Act and the Grand Ducal decree of April, 7 2011 on the administrative taxes applicable to telecommunications.

The frequencies are granted by the minister responsible for communications, in accordance with the national plan of allocation and assignment of frequencies. This plan allocates specific frequencies by type of use. The aim is to ensure the quality of the service and to avoid interferences. The Minister might consider technological neutrality where all the parameters ensuring service quality for shared channels are known.

Frequencies can be granted upon request or under certain circumstances (e.g. if several candidates request the exclusive use of the same frequency) through an open tendering allowing for the selection of the candidates on one of the following criteria: best offer, competition, or comparison.

The use of spectrum cannot be made license exempt. Nevertheless, spectrum can be made exempt from individual licensing. In this case, general conditions applicable to a certain type of application are pre-defined and, as far as these conditions are met, no individual license is required.

The Grand Ducal decree of April 7, 2011 on the administrative taxes applicable to telecommunications set out the fees and levies that have to be paid. For some applications, the fees have been defined in the license itself. Generally, the fees are linked to the used amount of the spectrum.

Since the implementation of the law of February 27, 2011, allocating licenses are no longer personal. On that account it is currently possible to sell, transfer or sublease allocated spectrum, thus enhancing the flexibility of spectrum use.

Audio visual Media

Overview

The media sector is mainly governed by the Act of July 27, 1991 on electronic media as amended by the Act of December 17, 2010 and the law of April 8, 2011 (the “Electronic Media Act”) and the law of April 11, 2010 on freedom of expression in electronic media amending the law of 8 June 2004 (as amended) on the freedom of expression in the media sector.

A certain number of Grand ducal decrees also regulate the media sector.

Besides, two Acts governs the audiovisual production:

- the act of 21 December 1998 establishing a temporary special tax regime for audiovisual investment certificates; and

- the act of 16 March 1999 creating a national support fund for audiovisual production.

The media law creates several governmental commissions, the first of which is the Media and Communications Services which assists the minister in the determination and the execution of the Luxembourg media policy. Its main responsibilities are to:

- promote the development of the programs viewable by the Luxembourg population;

- promote in concert with other commissions and committees, Luxembourg as an European center for audio visual and communication activities;

- assist government representatives responsible for the supervision of the beneficiaries of licenses or authorization; and

- ensure communication with international organizations responsible for the supervision of the audio visual sector and ensure representative function within certain European committees.

In addition, there is also the Independent Radio broadcasting Commission which has three main functions:

- implementing of provisions relating to authorizations of low powers transmitters;

- advising the government in authorization matters and;

- arbitration of specific potential disputes.

Finally, the National Programming Council is an independent body advising the government on matters of surveillance of certain specific television and radio programs and proposes a balanced content for socio cultural radio programs.

A new bill of law presented on October 10, 2012 modifying the actual law of July 27, 1991 on electronic media aims at centralizing the competence of the three existing commissions into one single authority, “the Luxembourg Independent Audi-visual Authority”, which will gain disciplinary powers and adopt the status of a public institution.

Legal regime

The Media law has been recently amended in order to adapt itself to the newest sorts of audio visual and radio media. More importance is attributed to content regulation. Rules are set related to enhance the protection for children and non-discriminatory content and the form and the content of commercials advertising are more regulated.

Licenses for distribution of audi-visual media

Pursuant to article 2 of the Electronic Media Act, any program which is transmitted to the public through a Luxembourg broadcasting frequency is considered a television or radio program.

Pursuant to article 3 of the Electronic Media Act, no one can transmit a radio or television program without having obtained prior permission or a license granted by the Prime Minister assisting by the Services of Media and Telecommunications.

Thus, a company willing to develop an audiovisual media service (either a television or an on-demand audiovisual media service) would be required to notify to the Ministry of Economies of its intention to provide such a service either because it is considered as a Luxembourg provider or under some circumstances as a foreign media service provider by the amended Electronic Media Act which provides the applicable criteria in this respect.

In that case, the company shall notify the Ministry of Economies at least 20 days prior to launching the service.

License for a Luxembourg satellite program

Applications for the granting of licenses are required to be sent by email to the Prime Minister—Department of Media and Communication, and information about the applicant and the relevant program must be attached.

The Department of Media and Communication conducts an initial review. If it is deemed complete, the license application is forwarded to the Independent Commission on broadcasting for advice. The final decision is taken by the government on the advice of the Prime Minister, and the license is granted by the Prime Minister on behalf of the government.

License for Luxembourg cable program (TV and Radio)

The same process as license for a Luxembourg satellite program is required to be conducted for a license for a Luxembourg cable program.

Permission for sound radio program

The allocation of frequency is subject to the condition that a terrestrial frequency is available in Luxembourg. In this case, terrestrial frequencies are granted following a public call nomination.

The Independent Commission on broadcasting is the body that grants the permission for programs to low power transmitters and make the call for nomination for these frequencies.

Internet infrastructure

Overview

Internet access services as well as services provided through Internet are regulated by the Telecom Act of May, 30 2005 which has been amended by the Act of February 27, 2011.

Internet services providers are subject to telecommunications regulation depending on the type of services that is considered (i.e. access services would be regulated by electronic communications laws whereas content would depend on a different set of legislation).

Further, cyber security is one of the priorities of the Luxembourg government. Individuals and companies are encouraged to take appropriate measures to defend themselves against cyber attacks. Similarly, the government has created “CASES Luxembourg” which is a project accessible by all Internet users, the purpose of which is to make the public aware of a potential cyber attack inherent to Internet use and advises on how to identify them.

In July 2011, the government has created two new structures: the Luxembourgish Cybersecurity Board whose mission is to work on a strategic plan against attacks via the Internet, and the governmental Computer Emergency Response Team which is responsible if an incident of cyber crime ever occurs in the public information systems.

To date there is no legal obligation for operators or Internet service providers to assist content owners whose rights may be infringed. However, to be exempt of liability in such a case, Internet services providers shall act promptly upon knowledge of fact of circumstances, following which content is obviously illegal, to remove or disable access to such content.

To date, there are no restrictions blocking on service providers by operators. From a legislative point of view, Luxembourg is one of the countries which defended net neutrality in the framework adoption of the telecom package.

Legal regime

Pursuant to article 5 of the Telecom Act, the operation of electronic communication services or networks, notably Internet services and IP- services, is subject to a notification to the Luxembourg Institute of Regulation (*Institut Luxembourgeois de Régulation*) (the “ILR”).

Concerning Internet service providers, the law on electronic commerce as amended of August 14, 2000 provides the obligation for hosting and caching providers to stop the activity or information from the moment that it has an actual knowledge that the activity or information is illegal or from the moment that the facts and circumstances show apparently that the activity or information is unlawful.

Others

The laws listed below may be also applicable to the telecommunication, media and Internet sector:

- the law of April, 18, 2001 on copyrights as amended;

- the law of August, 2 2002 as amended (for the last time by a law of July 28, 2011) regarding the protection of individuals as to the processing of personal data;
- the law of May 15, 2006 related to trademarks;
- the law of 11 August 1982 on privacy;
- the Consumer code introduced by the law of April 8, 2011.

General laws are applicable for all aspects not specifically regulated by specific laws or regulations, in particular the provisions of the Luxembourg criminal Code (e.g. in relation to pornography, discrimination, racism, violence theft and privacy).

In addition, a large number of Grand Ducal regulations and other regulations (particularly from ILR) have been adopted in relation to the implementation of various laws.

Portugal

The first Portuguese telecommunications regulatory framework was enacted in 1989 under Law 88/89, of 11 September 1989 to regulate the opening of the telecommunications network to private enterprises. This initial regulatory package divided the industry into two main areas: a state owned and monopolistic basic telecommunications network and services, which meant the fixed national telephony services and some associated facilities, run by the publicly owned companies that in 1995 merged to form the PT Group; and the so-called complementary services which assembled a large group of mainly private operators ranging from mobile wireless operators (using GSM), paging, trunking, VSAT and data transmission (using mainly Frame Relay and X25 protocols).

Ensuing the 1996 revision of the European Unions' ONP Directives (e.g. Directives 96/2/EC, 96/19/EC and 97/13/EC), in August 1997 the Portuguese Government decided to revise the whole regulatory structure and submitted to Parliament a new Telecommunications Bill aimed at establishing "the general bases that regulate the establishment, management and exploitation of telecommunications networks and the provision of telecommunications services" later enacted as Law 91/97, of 28 August 1997 (the "1997 Telecommunications Law"). The adoption of a "full liberalization" principle accelerated the progressive opening of the Portuguese telecommunications market to new entrants, and was completed on 1 January 2000 with the end of the Portugal Telecom's legal monopoly over fixed telephony services.

Following the major review of existing EU telecommunications law that resulted in the adoption of a new regulatory framework for electronic communications in 2002, known as the "Review 99" Directives, the Portuguese Parliament voted Law 5/2004 of 10 February 2004 (the "2004 Communications Law"). The new legislation transposed the EU Review 99 package Directives and regulations to national law and revoked all previous regulations containing provisions related to general market framework, licensing, interconnection and all telecommunications networks and service provision, with the exception of radio communications, telecommunications infrastructure and supply of electronic equipment.

In 2011, Law 51/2011, of 13 September 2011, amended the 2004 Communications Law, transposing other EU Directives to national law. Although some provisions of the 2004 Communications Law already dealt with data privacy issues, the Data Protection Directive (Directive 2002/58/EC) was transposed by Law 41/2004 of 18 August.

ICP-ANACOM, a public entity endowed with financial and administrative autonomy and with its own assets, is the entity with the general duties of regulating, supervising and representing the communications sector. ICP- ANACOM is an independent body in the exercise of its duties, although subject to the policy guidelines set by the Portuguese Government with respect to the communications sector, and to supervision by the relevant Ministry as to certain acts which fall under the Portuguese Government's administrative power. ICP- ANACOM is granted the powers to investigate unlawful behavior and impose fines or other sanctions under the 2004 Communications Law. Under the Law 67/2013, of August 28, 2013, which establishes a general framework for regulatory authorities, ICP-ANACOM is expected to undergo statutory changes in early 2014.

Undertakings willing to provide electronic communications services are required to notify ICP-ANACOM under the General Authorization regime and may therefrom begin their electronic communications provider activity. Undertakings are then subject to certain provisions relating to the specific services they provide, and can also be subject to other regulatory obligations in case they are found by ICP-ANACOM to have significant market power in some market sectors.

ICP-ANACOM is also the enforcer of Decree-Law 151-A/2000, of 20 July 2000 (the "2001 Radio Communications Law"), and as such, it is up to ICP-ANACOM to grant radio licenses and manage the radio electric spectrum, the numbering resources and the sharing of radio communications infrastructures.

For both mobile and fixed telephony services, under ICP-ANACOM Regulation 114/2012 on number portability, operators are obligated to ensure the effective transfer of the number within a maximum period of one business day from the presentation of the request by the subscriber before the new operator.

Under Decree-Law 7/2004, of 7 January 2004, as amended, Internet service providers are not liable for information transmitted over their electronic communications network provided that they are not the disclosing party of the transmitted information, do not select or modify neither the information nor its recipients. Storage providers can only become liable for unlawful stored information provided that they become aware of the unlawful use of that information and upon becoming aware, do not take action to remove or to disable access to the information.

Under Portuguese data protection law, it is necessary to obtain the prior consent of the user to store information and to access stored information in the user's equipment, as well as to send unrequested communications for direct marketing purposes. Electronic communications services providers are demanded to notify the Comissão Nacional de Protecção de Dados in cases of breach of personal data of the users.

Universal service obligations are still provided by the PT Group, however, an auction that took place earlier in 2013awarded the universal service provision for the next five years starting 2014, to (i) ZON and Optimus (and later transferred to the entity resulting of their merger) as regards the provision of a connection to a public communications network at a fixed location and provision of a publicly available telephone service over that connection and (ii) the PT Group as regards the provision of public payphone service and (iii) the PT Group as regards provision of a comprehensive directory service and provision of a comprehensive telephone directory enquiry service. ICP-ANACOM sets out the universal service provision regimes and manages the Universal Service Compensation Fund which was set up to finance the net costs arising out of the provision of such services and that consists of funds collected from the electronic communications services providers, and to a lesser extent, of contributions from the State or money collected from fines.

The Consumer Protection Law establishes that debts of consumers to electronic communications services providers are subject to a six-month limitation period, starting from the moment the services were provided. Consumer protection was strengthened by Law 10/2013, of 28 January 2013, establishing rules of mandatory suspension and/or termination of the service provision in a short period of time in case the consumer fails to pay an invoice on the due date.

ICP-ANACOM collects an annual regulation fee from electronic communications services providers and other regulation fees that are directly related to its activity, such as a fee for granting the usage of certain numbers or certain frequencies. Such fees were recently revised by Administrative Rule 378-D/2013, of 31 December 2013, amending Administrative Rule 1473-B/2008, of 17 December 2008. Municipalities collect a municipal fee for rights of way ("MFRW") established in the 2004 Communications Law, based on the provider's turnover concerning end users in each municipality.

Under Law 55/2012, of 6 September 2012, electronic communications service providers are also required to contribute to a fund concerning the financing of audiovisual and independent cinema works. Contributions are based on the total number of subscribers were expected to increase at a yearly rate of 10 per cent, from €3.50 to a cap of €5.00 per subscriber per year. However, providers have been challenging these contributions on the grounds that they are contrary to Portuguese constitution and EU law. The Government has disclosed draft legislation aimed at amending Law 55/2012, of 6 September 2012, reducing the electronic communications service providers' direct contribution from €3.50 to €1.75, with ICP-ANACOM contributing to the fund with an amount equal to 76% of the amount paid by electronic communications service providers. The same act also establishes a compulsory investment obligation pending on video-on-demand services ("VoD").

The key statutes and regulations setting the current telecommunications legal framework in Portugal are:

- The 2004 Communications Law, as amended;
- Law 67/2013, of August 28, 2013, which establishes a general framework for regulatory authorities;
- Law 42/2013, of July 3, 2013, which sets out rules on selective communication barring, namely regarding valued-added services;
- Law 10/2013, of 28 January 2013, on the strengthening of electronic communications services consumer protection;

- Law 55/2012, of 6 September 2012, on the financing of audiovisual and independent cinema works;
- Decree-Law 56/2010, of 1 June 2010, on the unlocking of terminal equipment to allow access to electronic communication services;
- Decree-Law 123/2009, of 21 May 2009, as last amended by Law 47/2013, of July 10, 2013 on the access to infrastructure suitable for usage by telecom services;
- Law 99/2009, of 4 September 2009, approving the legal framework of administrative offences within the communications sector;
- Decree-Law 78/2009, of 21 May 2009, concerning the deployment of telecommunications networks in buildings (ITUR and ITED regulations);
- Administrative Rule 1473-B/2008, of 17 December 2008, as amended, on regulatory fees;
- ANACOM Regulation 58/2005, of 18 August 2005, as amended by Regulation 114/2012, of 13 March 2012, on number portability;
- Law 41/2004, of 18 August 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended;
- ANACOM Regulation 38/2004, of 29 September 2004, on the procedures for the collection and delivery of the MFRW to municipalities;
- Decree-Law 7/2004, of 7 January 2004, on information society services and electronic commerce;
- Decree-Law 309/2001, of 7 December 2001, which approved the statutes of ICP-ANACOM; and
- The 2001 Radio Communications Law.

Belgium

Overview

Under Belgian law, telecommunications and broadcasting activities are regulated separately. Telecommunications include telephony and Internet and are regulated by the Federal Electronic Communications Act of June 13, 2005 (ECA). Television and radio broadcasting is regulated by decrees at community level (Decree of the Flemish Community of March 27, 2009; Coordinated Decree of the French Community of March 26, 2009; Decree of the German Community of June 27, 2005; and the Act of March 30, 1995 of the Federal State for broadcasting activities that are not provided in either French or Dutch in the Brussels Capital region). The sector is also regulated by decisions, resolutions and recommendations of BIPT (the federal postal and telecommunication services regulator) for telecommunications, as well as of radio and television regulatory authorities at community level. In addition, network infrastructure can be subject to local planning and other regulations issued by municipalities. Specific requirements can also be imposed on entities that are deemed, by the BIPT and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including non-discrimination and transparency obligations with respect to access, accounting, and price (Numericable has notably been recognized as an operator with significant market power on the Brussels retail market for the distribution of television and radio services by cable).

Market Practices

Joint offers, e.g. of telephony services, Internet services and television services, are allowed under Belgian law, provided that such offers comply with EU and national competition legislations and that they do not constitute an unfair trade market practice prohibited by the Act of April 6, 2010 on Market Practices and Consumer Protection. Network operators must also comply with all applicable consumer protection provisions set forth in this act, as well as, where applicable, other legislation, namely the Act of May 15, 2007 on the Protection of Consumers in respect of Radio Transmission Services and Radio Distribution.

Prior Notification

Under the ECA, companies must notify to the BIPT electronic communications services and/or networks that they intend to provide as well as any change thereto.

Telephony Regulation

The ECA mandates that a minimum set of "universal services" be offered to all end-users, independently of their geographical location, at an affordable price and at a specified quality level, and contains, in addition to applicable general privacy protection regulations, several provisions that address privacy protection in the electronic communications sector, including, notably, the processing and use of traffic and location data, the confidentiality of communications, as well as the subscribers' rights with respect to telephone directories. The BIPT may issue specific regulations with respect to, e.g. the allocation of numbers and radio frequencies.

Internet Regulation

In addition to the provisions of the ECA, activities of Internet service providers are also subject to the Acts of March 11, 2003 on certain Legal Aspects of Information Society Services that provide that Internet service providers may not be held liable for information transmitted over an electronic communications network, subject however to certain conditions and exceptions.

Broadcasting Regulation

The provision of radio and television broadcasting services are subject to prior notification to the relevant regulatory authority, i.e. the VRM, CSA and, BIPT for the Flemish Community, French Community and the Brussels Capital Region respectively. Pursuant to the Flemish and French Broadcasting Decrees as well as the Act regulating broadcasting activities in the Brussels Capital, network operators must also comply with must carry obligations, which requires them to distribute specific radio stations and television channels in their respective communities. The same legislative acts also provide, in the relevant territorial areas, for a right of way for what concerns cable networks.

The Act of January 22, 1945 on economic regulation and pricing and the Ministerial Decree of April 20, 1993 regarding special regulation on prices impose on television services distributors the Minister of Economy's prior consent for any price increase of their basic package.

Pursuant to the Act of June 30, 1994 on Authors' Rights and Neighboring Rights, cable companies must receive approval from the holders of the relevant author and related rights to distribute radio and television signals embedding protected works over their cable. A collective author society has initiated a law suit before a Brussels court to have Internet service providers subject to the same regime.

Dominican Republic

Overview

The legal framework of the telecommunications sector in the Dominican Republic is set forth by General Telecommunications Law 153-98 of May 27, 1998, as amended ("Law 153-98"), resolutions issued by the telecommunications regulator on the grounds of Law 153-98 and various decrees of the Executive Power on matters related to the National Plan of Attribution of Frequencies ("PNAF").

The Constitution of the Dominican Republic guarantees the freedom of enterprise, trade and industry among other individual and social rights, in addition to the industry specific legal framework. The Constitution specifically sets forth that monopolies shall not be permitted except in favor of the Dominican State and must be created by law. The Dominican Constitution provides that the secrecy of the communication telegraphic, telephonic, cable graphic, electronic, telematics or established by another mean, shall not be breached, except by an order of a judge or competent authority, in accordance with the law. Also, the Dominican Constitution guarantees public services of radio, television, library and information networks, to allow universal access to the information.

General Telecommunications Law 153-98

Law 153-98 classifies telecommunications services as follows:

(a) Carrier services: provide the necessary capacity to transport signals between two points of termination of a defined network;

(b) Final services or teleservices: provide the complete capacity that makes communication possible among users (e.g. telephone, telex, telegraphic);

(c) Value added services: work as support carrier services, adding some characteristic or facility to the service that is being used on the ground (e.g. internet/intranet systems, voice mail, SMS, electronic mail, digital transmission of information in general);

(d) Broadcasting services: telecommunication services in which the communication takes place normally one way to various points of reception simultaneously (e.g. radio and television).

Law 153-98 provides a basic framework to regulate the installation, maintenance and operation of telecommunications networks and the rendering of telecommunications services. Law 153-98 reaffirms the "Universal Service Principle" by guaranteeing access to telecommunications services at affordable prices in low income rural and urban areas. Law 153-98 created the "Contribution to the Development of Telecommunications" ("CDT") consisting of a 2% tax fund for the development of the telecommunications sector that is payable by customers and collected by telecommunications providers from customers based on billings to customers for telecommunications services.

According to Law 153-98 the Instituto Dominicano de las Telecomunicaciones ("Indotel") is the regulatory body created as a decentralized state entity, with operational, jurisdictional, and financial autonomy, with its own patrimony and legal personality, responsible for guaranteeing the existence of sustainable, fair, and effective competition in the rendering of public telecommunications services as well as ensuring the efficient use of the public domain of the radio electric spectrum.

Law 153-98 sets forth the responsibilities, authorities and procedures of the regulator. Indotel is made up of a Board of Directors and an Executive Director. The Board of Directors is the maximum authority of Indotel, composed of five (5) members designated by the Executive Power.

Among other management powers, Indotel administers the entrance and participation of the telecommunications service providers in the Dominican telecommunications market, and has various functions including (i) granting, expanding and revoking concessions and licenses under the conditions provided for by the laws in force, allowing the entrance of new providers of telecommunications services; (ii) managing and administering the spectrum- orbit resources, including the management of the orbital portions of the telecommunications satellites with their respective bands of frequencies, as well as the satellite orbits for Dominican satellites which may exist and coordinating their use and operation with international entities and organisms and with other countries; (iii) controlling the compliance with obligations of the concessionaires of public telecommunications services and of the users of the radio electric spectrum, protecting the right of defence of the parties in its actions.

Law 153-98 promotes competition in all telecommunications services by enforcing the right to interconnect with existing participants and ensuring against monopolistic practices, and at the same time upholding those concessions that are operational. Law 153-98 provides that the regulator shall ensure charges are not discriminatory strengthening effective and sustainable competition. In case of disagreement between the parties, the regulator shall intervene in the establishment of the same by means of a motivated resolution, taking as parameters the costs, including a reasonable remuneration for the investment, calculated according to the "Regulation of tariffs and costs of the services".

In accordance with Law 153-98 a concession granted by Indotel is required for providing public telecommunications services to third parties, with the exceptions set forth in Law 153-98. The authorization process is governed by "Regulations governing on Concessions, Inscriptions in the Special Registries and Licenses to provide Telecommunications Services in the Dominican Republic" contained in Resolution No. 007-02, issued by the Board of Directors of Indotel (as amended by Resolution No. 129-04) ("Resolution 007- 02").

Pursuant to Law 153-98 a license granted by Indotel shall be required for the use of the public radio electric domain, with the exceptions set forth in the corresponding regulations. The authorization process is governed by Resolution 007-02. When concessions and licenses are required for the rendering of a public telecommunications service, they shall be granted simultaneously.

According to Law No. 153-98 the transfer, assignment, lease or granting of rights of use of any title or the creation of a lien on licenses shall be performed, under penalty of forfeiture, prior authorization of the regulating authority, which authorization may not be denied without justified cause. The acquirer shall meet all the conditions imposed on the grantor and shall be ruled by the same obligations as the concessionaire or licensee.

Law No. 153-98 constitutes the ratifying instrument of the Fourth Protocol attached to the General Agreement on Commerce of Services (GATS) concerning negotiations on basic telecommunications of the World Trade Organization (WTO), for liberalization of telecommunication services. Law No. 153-98 provides the corresponding regulatory framework to comply with the liberalization commitments undertaken pursuant to said agreement and to guarantee the efficient provision of telecommunications services.

Law 153-98 combined with technological advances and the sustained growth of private investment promotes the development of the telecommunications sector in the Dominican Republic.

Certain Relevant Resolutions of Indotel

On the grounds of Law 153-98 Indotel issued various resolutions. Some of the said relevant resolutions regulating certain areas of telecommunications in the Dominican Republic are as follows:

- Resolution 110-12 dated August 9, 2012, by means of which Indotel's Board of Directors approved the General Regulation for Telephone Services. The principal purpose of this Regulation is to set forth a regulatory framework governing relations between the public telephone service providers and their customers and users, in all its forms (postpaid or prepaid), regardless of the technology used to provide the service, in order to guarantee the rights of each party explicitly maintaining their respective obligations.

- This regulation will apply to all relations between users and telephone service providers. After a public consultation process, by Resolution 003-13, dated January 22, 2013, Indotel's Board of Directors approved the modification of Articles 1, 3, 6, 12, 14.2, 14.4, 15, 18.10 to 18.13, 21, 24.1 letter i), 25.3 and 32 of the General Regulation for Telephone Service.

- The above mentioned regulation sets forth user's basics rights, including: a) access to telephone services in terms of continuity, generality, equality, neutrality, transparency and quality, in accordance with the principles of the Telecommunications General Law No. 153-98; b) Right to choose their service provider; c) Right to have a phone number and numeric portability; d) Right to sign a contract in accordance with terms, conditions and rights set forth in this regulation; e) Right to cancel the service in accordance with the procedure indicated in this regulation.

- This regulation considers as "abusive clauses" those (i) imposing conditions to the users that affect their interests and rights, and those that are in disproportion, or contrary to the laws, regulations and standards. According to Article 14.2, abusive clauses on contracts will be unenforceable. Indotel shall require the amendment of abusive clauses to a reasonable standard. If telecommunications service providers do not amend the contract in such term, Indotel may impose the amendment.

- Resolution No. 64-11 dated July 27, 2011 approved the bill of the National Frequency Allocation Plan (PNAF) drafted by Indotel to be submitted to the Executive Power for its final approval. Decree 520-11 dated August 25, 2011 issued by the Executive Power approved the new PNAF and repealed Decree of the Executive Power No. 518-02 dated July 5, 2002. The new PNAF approved by Decree 520-11 seeks to optimize and rationalize the use of the radio electric spectrum to efficiently satisfy present and future frequency needs with regard to all systems, equipment and devices that send or receive radio electric waves within the national territory. According to the PNAF, migration of services shall not restrain the correct functioning of services provided. Indotel is in charge of deciding, applying and resolving all matters arising in connection with the frequencies allocation and migration.

- Resolution No. 156-06 dated August 30, 2006, issued by the Board of Directors of Indotel that approves the General Regulation related to Numeric Portability, among other resolutions issued by the Board of Directors of Indotel related to numeric portability.

- Resolution No. 022-05 that approves Regulation on Free and Fair Competition for the Telecommunications Sector provides that Indotel will review, authorize, object or condition the operations related to economic concentration which must be previously informed pursuant to said Regulation, in order to comply with the purposes of Law 153-98. Indotel will also investigate and impose sanction in the cases where the information obligation of the mentioned operations is not complied with.

- Resolution No. 022-05 defines economic concentration in the telecommunications sector as a juridical transaction by means of which the structure of direct or indirect control, total or partial, of one or more providers of public telecommunications services is modified permanently and stably, for the benefit of persons that control other providers of public telecommunications services, whenever such transaction has the potential to modify the structure and functioning of the markets in the telecommunications sector in accordance with the purposes set forth in article 3 of Law No. 153-98.

The providers of public telecommunications services, as well as any other persons subject to said Regulation must previously inform Indotel of all those operations that could result in an economic concentration in the telecommunications sector in the terms therein defined, in order to previously obtain the authorization of Indotel to do so.

In addition to the obligations set forth in Resolution 007-02, related to requirements for the authorization to transfer the rights or permits, the assessment to determine if there is any economic concentration in the telecommunications sector, will be based in its restrictive, predictable and verified effects, mainly considering certain circumstances set forth in Resolution No. 022-05.

The failure to inform and/or apply for an authorization prior to an economic concentration operation in the telecommunications sector constitutes an infringement of Resolution No. 022-05 that will result in the sanctions set forth therein.

Application for an authorization related to economic concentration must be filed pursuant to the provisions set forth in Chapter VIII of Resolution 007-02, before the Executive Director of Indotel.

- Resolution No. 160-05 dated October 13, 2005 that approves the Regulation concerning Cable Broadcasts and Other Measures, including “Must Carry” provisions.

- Resolution No. 038-11 dated May 12, 2011 that amends the General Ruling concerning Interconnection.

- Resolution No. 025-10 dated March 2, 2010 that approves the Ruling concerning Resolution of Controversies between the Telecommunications Services Providers.

- Resolution No. 151-04 that approves the Regulation concerning the Installation and Use of Common Telecommunications Infrastructures in Properties of Joint Ownership.

- Resolution No. 128-04 that approves the General Regulation concerning the Use of the Radio Electric Spectrum.

- Resolution No. 120-04 that approves the Regulation concerning Television Broadcasting Service.

- Resolution No. 093-02 dated November 14, 2002 that amends several Articles of Resolution No. 045-02 that approved the Regulation concerning Sound Broadcasting Frequency Modulation (FM).

- Resolution No. 046-02 dated July 20, 2002 that approves the Regulation concerning Sound Broadcasting Amplitude Modulation (AM).

Trademark/Copyright Laws

From a technical standpoint, broadcasting services are essentially regulated by Law 153-98 and the regulations approved by the regulator. Now then, in connection with the content of the broadcasting services they shall be governed by the provisions of the specific legislation which regulates the social communications media and by the laws that regulate copyrights, whether they are national laws or resulting from international conventions or agreements signed and ratified by the Dominican Republic.

In the Dominican Republic, patents of invention, trademarks, service marks, commercial names, signs, logos, commercial slogans are governed by Industrial Property Law No. 20-00 dated May 8, 2000, modified by Law No.424- 06 for the Implementation of the Free Trade Agreement between the Dominican Republic, Central America and the United States of America (DR CAFTA).

Dominican Republic grants copyright protection to original literary, dramatic, musical and artistic works, under the Copyright Law no. 65-00 dated August 21, 2000, also modified by Law No.424-06 for the implementation of the free trade agreement between the Dominican Republic, Central America and the United States Of America of America (DR CAFTA).

MANAGEMENT AND GOVERNANCE

Altice Financing

Altice Financing was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on August 17, 2012 under the name of "Altice Financing S.A.". The registered office (*siège social*) of Altice Financing is at 3, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. Altice Financing's telephone number is +352 226 05 640. Altice Financing's is registered with the Luxembourg Register of Commerce and Companies under number B 171162.

Altice Finco

Altice Finco was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on August 17, 2012 under the name of "Altice Finco S.A.". The registered office (*siège social*) of the Altice Finco is at 3, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. Altice Finco's telephone number is +352 226 05 640. Altice Finco is registered with the Luxembourg Register of Commerce and Companies under number B 171151.

The following table sets forth certain information regarding the members of the board of directors of each of Altice Financing and Altice Finco as of the date hereof. The number of directors is not subject to any maximum limit. The sole shareholder of the applicable Issuer has the authority to dismiss any director and fill any vacancy.

Name	Age	Position
Jérémie Bonnin	39	Chairman
Emilie Schmitz	31	Director
Laurent Godineau	40	Director

Jérémie Bonnin, 39, is a director of the Senior Notes Issuer and the Senior Secured Notes Issuer. See "*Management and Governance—Altice VII—Senior Management*".

Emilie Schmitz, 31, is a director of the Altice Finco and Altice Financing. Mrs Schmitz serves as an accountant manager of Quilvest Luxembourg Services S.A., a corporate and trust services provider. Prior to joining Quilvest Luxembourg Services S.A. in 2013, Mrs Schmitz was a Senior Advisor at Deloitte SA (Luxembourg). She graduated from the School Robert Schuman of Metz (France) with a bachelor's degree specializing in accountancy and management.

Laurent Godineau, 40, is a director of Altice Finco and Altice Financing. Mr Godineau works at Quilvest Luxembourg Services S.A., a corporate and trust services provider specialized in private equity funds. Prior to joining Quilvest Luxembourg Services SA in 2013, he served as a general manager of Centralis S.A., a corporate and trust services provider. Prior to joining Centralis S.A. in 2007, Mr. Godineau was a Senior Advisor at Alter Domus (Luxembourg). He graduated from the ESC Bretagne Brest with a master's in Finance and Chartered Accountancy and also holds a Master of Sciences degree in International Business and Finance from the University of Reading.

Altice VII

Board of Directors

The following table sets forth certain information regarding the members of the board of managers of Altice VII as of the date hereof. The number of managers is not subject to any maximum limit. The sole shareholder of Altice VII has the authority to dismiss any manager and fill any vacancy.

Name	Age	Position
Jérémie Bonnin	39	Chairman
Emilie Schmitz	31	Manager
Laurent Godineau	40	Manager

Senior Management

All of our senior management personnel named below are employees of our parent entity and devote their time as needed to conduct our business and affairs. In addition, the management teams at our various operating subsidiaries have significant experience and are responsible for the day-to-day operations of the relevant operating subsidiary.

Dexter Goei, Chief Executive Officer. Dexter joined the Group in 2009, after he worked 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. Notable transactions in the recent past include: the acquisition of Multikabel/Casema/Kabelcom, the sale of a stake in Numericable, the acquisition of Telenet, the sale of Cablecom, the IPO of Premiere and the sale of KBW. Dexter is a graduate of Georgetown University's School of Foreign Service with cum laude honors.

Dennis Okhuijsen, Chief Financial Officer. Dennis joined as the CFO of the Group in September 2012 prior to which 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. His experience includes raising and maintaining non-investment grade capital across both the loan and bond markets in many countries, including Netherlands, Belgium, Germany, Switzerland, Japan, Chile, Australia and the USA. In his previous capacities, he was also responsible for financial risk management, treasury and operational financing. Dennis holds a Master of Business Economics of the Erasmus University Rotterdam.

Jérémie Bonnin, General Secretary. Jérémie joined the Group in May 2005 as Corporate Finance director prior to which he was 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 joining the Group, he has been involved in all of Group's acquisition which have increased Group's international footprint (in France, Belgium, Luxembourg, Switzerland, Israel and the French Overseas Territories). 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 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.

Max Aaron, General Counsel. Max became General Counsel of the Group in September 2013. Prior to joining the Group, Max was a partner for over 14 years at Allen & Overy focusing on capital markets and where he was one of the founding member of Allen & Overy's US law practice. Prior to joining Allen & Overy, Max worked at Shearman & Sterling in both their New York and London Offices. Consistently rated in Europe by the legal directories as one of the top practitioners in his area, Max has done transactions in over 30 countries in a wide variety of industry sectors, including telecoms, media, technology and utilities. Max received a BA from Brown University and a JD from Boston University School of Law where he was on the Law Review.

PRINCIPAL SHAREHOLDER

Altice VII, the parent company of the Group, is a wholly-owned subsidiary of Altice S.A., a public company incorporated in the Grand Duchy of Luxembourg and listed on the Euronext Amsterdam. Altice S.A. is controlled by its shareholder Next L.P., which in turn is controlled by Mr. Patrick Drahi.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

HOT Mobile Earnout

In connection with the acquisition by HOT of HOT Mobile from Altice Securities S.à r.l. ("Altice Securities"), a subsidiary of Altice and affiliate of HOT, HOT agreed to pay to the managers of HOT Mobile and an unrelated third party ("Migad", and, together with the managers of HOT Mobile and Altice Securities, the "Earnout Recipients") additional consideration, in an amount of NIS 450 million, which is subject to future performance targets with respect to HOT Mobile (the "Earnout"). The Earnout includes (i) a contingent future payment of NIS 225 million, paid in four equal installments of NIS 56.25 million, conditioned upon achievement of certain EBITDA targets by HOT Mobile for the years 2013 to 2016, inclusive, and (ii) a contingent future payment of NIS 225 million conditioned on achievement of 7% market share, as defined in the HOT Mobile's mobile license, in the mobile market by 2016. There is a mechanism to reduce the payments required under the Earnout to the extent HOT Mobile is required to make payments to the Israeli Ministry of Communications pursuant to the mobile license. As of December 31, 2013, we estimate that the fair value of the Earnout is NIS 105 million and Altice Securities has pro rata rights to approximately 94% of the Earnout. Altice Securities has transferred its rights and entitlements to payments under the Earnout to Altice Finco (the assigned rights only include such payments that would actually have been received by Altice Securities). As a result of HOT Mobile having achieved a market share of over 7% since its acquisition by HOT, HOT made a payments to the Earnout Recipients amounting to NIS 225 million (NIS 233 million as per index-linked terms) as of December 31, 2013, of which Altice Finco received NIS 217 million. See "*Description of other Indebtedness—HOT Mobile Earnout*".

Relationships with Numericable France

Belgium and Luxembourg

As members of the Numericable Group prior to the acquisition of Coditel Belgium and Coditel Luxembourg by Coditel Holding (the "Acquisition"), Coditel Belgium and Coditel Luxembourg relied on the Numericable Group for numerous operational functions. Altice VII's controlling shareholder holds an approximately 30% indirect interest in the Numericable Group (including certain call options) and has entered into certain arrangements pursuant to which we will acquire control of these entities, subject to regulatory approval. Following the Acquisition, Coditel continues to have the following operational arrangements with the Numericable Group.

Services Agreement

On June 30, 2011, the date of closing of the Acquisition, Coditel Holding entered into a services agreement (the "Services Agreement") with a subsidiary of Numericable France, Numericable SAS. Pursuant to the Services Agreement, Numericable France will continue to provide Coditel Holding with all the services it was providing to Coditel Holding prior to the Acquisition, including, mainly:

- VoD platform services and VoD content services;
- Television, IP and voice engineering services;
- Support and assistance in purchasing hardware and devices needed for Coditel Holding operations, and in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VoD content; Numericable France undertakes to use its reasonable efforts to ensure that Coditel Holding obtain the same key terms and conditions as Numericable France for these supplies, but also for IP traffic and voice, web and webmail and material reconditioning;
- Delivery of television channels' signal and existing data flows over Numericable France's backbone;
- Upgrade of the billing software; and
- Continued support of Coditel Holding systems currently located in Numericable France's premises or currently supported from its systems.

In consideration of the services provided, Coditel Holding will pay to Numericable France a total of €100,000 per year. €75,000 will be paid by Coditel Belgium and €25,000 by Coditel Luxembourg. In addition, Coditel Holding, Coditel Belgium and Coditel Luxembourg will pay to Numericable France 10% of their monthly VoD revenues.

The initial term of this agreement is six years and can thereafter be renewed for consecutive one-year periods, unless prior six months' prior written notice to the contrary by Coditel Holding or by Numericable France. In addition, Numericable France can terminate the Services Agreement by giving six months' prior written notice in the event that Coditel Holding, Coditel Belgium or Coditel Luxembourg is acquired by a competitor of Numericable France.

Trade Mark License Agreement

On June 30, 2011, Coditel Holding and Numericable SAS also entered into a trademark license agreement (the "Trade Mark Agreement"). Pursuant to the Trade Mark Agreement, Numericable France will provide a license to Coditel Holding to use the trademark "Numericable", registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, internet and telephone products and services. The license fee is included in the €100,000 annual fee under the Services Agreement. The Trade Mark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Services Agreement or upon expiry of the Services Agreement. Numericable France may immediately terminate the Trade Mark Agreement in the event that Coditel Holding, Coditel Belgium or Coditel Luxembourg is acquired by a competitor of Numericable France.

IP and voice international call termination

Coditel Holding also entered into an agreement with Completel for the termination of Coditel Holding's IP and voice traffic. This agreement is based on Completel's general terms and conditions, including pricing.

French Overseas Territories

On October 24, 2013, Altice Blue Two SAS ("ABT"), an indirect subsidiary of Altice VII and the parent of Le Cable, entered into a services agreement (the "Le Cable Services Agreement") with the Numericable Group, pursuant to which the Numericable Group agreed to provide to Le Cable certain services, including, amongst others, signal transportation services between France and the West Indies, digital television distribution, Internet and telephony services.

The Le Cable Services Agreement was entered into for an initial term expiring on December 31, 2019 at which time, absent a six-month notice by either party, the contract will be renewed for an indefinite term. From its renewal, the Le Cable Services Agreement may be terminated at any time by either party upon twelve months' notice. ABT may also terminate the Le Cable Services Agreement or any and all of the services, or any individual service, at any time, upon a one month's notice. The Le Cable Services Agreement contains a change of control provision pursuant to which it will automatically terminate in the event of a change of control of ABT or any of its affiliates, it being understood that in the event of a change of control of any ABT's affiliate(s), the Le Cable Services Agreement shall remain in effect in respect of the affiliates not concerned by the change of control.

Pursuant to the trademark licensing agreement included in the Le Cable Services Agreement, the Numericable Group granted a non-exclusive license to ABT to use the Numericable brand to market its products and services in the French Overseas Territories and the Caribbean and the Indian ocean regions. This agreement was entered into for an initial period expiring on December 31, 2019 and is automatically renewed annually, subject to the right of either party to terminate the contract upon three months' notice before the anniversary date.

Pursuant to the Le Cable Services Agreement, the Numericable Group provides the services described above to Le Cable for an annual consideration of €120,000 plus telephony costs which vary depending on the volumes of minutes and the destination of calls. The Le Cable Services Agreement also provides for specific fees for identified projects such as migration to the white label interface (€150,000) and the LaBox project (€50,000 and an annual license fee of €30,000).

GLOSSARY

Term	Definition
"3G"	The third generation of mobile communications standards, referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology.
"4G"	The fourth generation of mobile communications standards, referred to the industry as IMT-Advanced with a nominal data rate of 100 Mbit/s while the client physically moves at high speeds relative to the station, and 1 Gbit/s while client and station are in relatively fixed positions. Expected to provide a comprehensive and secure all-IP based mobile broadband solution to laptop computer wireless modems, smartphones, and other mobile devices. Facilities such as ultra-broadband Internet access, IP telephony, gaming services, and streamed multimedia may be provided to users, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities.
"ADSL"	Asymmetrical DSL; an Internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
"ARPU"	Average Revenue Per User; ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. ARPU is calculated by dividing the revenue (for the services provided, in each case including the proportional allocation of the bundling discount) for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two.
"bandwidth"	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
"broadband"	Any circuit that can transfer data significantly faster than a dial-up phone line.
"churn"	The number of RGUs for a given service disconnected (either at the customer's request or due to termination of the subscription by us) during the period divided by the number of average RGUs for such service for such period; statistics do not include customers excluding transfers between our services (other than a transfer between our cable services and our mobile services).
"CPE"	Customer premise equipment, which typically comprises a modem or set-top box and associated cabling and other fittings such as an NIU in order to deliver service to a subscriber.
"DSL"	Digital Subscriber Line; DSL is a technology that provides high-speed Internet access over traditional telephone lines.
"DTT"	Digital terrestrial television.
"FTTx"	Fiber optic infrastructure
"HD"	High definition.
"HFC"	Hybrid fiber coaxial.
"HSPA"	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
"IMS"	IP Multimedia Subsystem.
"Internet"	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol.
"IP"	Internet Protocol.
"IPTV"	Internet Protocol television
"IRU"	Indefeasible Right of Use, the effective temporary ownership of a portion of the capacity of an international cable. IRUs are specified in terms of a certain number of channels of a given bandwidth. IRU is granted by the company or consortium of companies that built the (usually optical fiber) cable.
"ISP"	Internet Service Provider.
"IT"	Information technology, a general term referring to the use of various software and hardware components when used in a business.
"local loop"	The network element used to connect a subscriber to the nearest switch or concentrator, commonly referred to as the "last mile" because it is the part of the network that is connected directly to the subscriber; alternatively the HFC access network.
"LTE"	Long term evolution technology being a standard in mobile network technology.
"M2M"	Machine-to-machine
"MHz"	Megahertz; a unit of frequency equal to one million Hertz.
"Mbps"	Megabits per second; each megabit is one million bits.
"Moody's"	Moody's Investors Services, Inc.
"multiple-play"	The bundling of different telecommunications services, e.g. digital cable television, broadband Internet and fixed telephony services, by one provider.

“MVNO”	Mobile virtual network operator. Refers to a company that provides mobile services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services.
“network”	An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.
“PacketCableTM”	A CableLabs-led initiative to develop interoperable interface specifications for delivering advanced, real-time multimedia services over two-way cable plant. PacketCable™ networks use Internet protocol (IP) technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications.
“PSTN”	Public switched telephony network
“PVR”	Personal video recording
“quad-play”	Triple-play with the addition of mobile service.
“RGU”	Revenue Generating Unit. 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 infrastructure access are counted on a per source service basis and RGUs for fixed-line telephony are counted on a per line basis. Mobile RGUs is equal to the net number of lines or SIM cards that have been activated on our mobile network.
“S&P”	Standard & Poor’s Investors Ratings Services.
“SOHOs”	Small offices and home offices.
“triple-play”	Where a customer has subscribed to a combination of three products, digital cable television, broadband Internet and fixed telephony services, from us.
“UMTS”	Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards.
“U.S. Docsis 3.0”	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.
“VoD”	Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming.
“VoIP”	Voice over Internet Protocol; a telephone service via Internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
“VPN”	Virtual private network, a business service enabling users to obtain remote access to network functionality.
“VDSL”	Very high speed DSL. A high speed variant of ADSL.
“VoN”	Voice over Net, a form of telephony over the Internet that is usually a lower quality than VoIP.

INDEX OF FINANCIAL INFORMATION

Altice VII S.à r.l.

(Société à responsabilité limitée)

Annual Report 2013

Table of contents

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Sole Partner of
Altice VII S.à r.l.
3, boulevard Royal
L-2449 Luxembourg
Grand-Duchy of Luxembourg

Following our appointment by the Sole Partner, we have audited the accompanying consolidated financial statements of 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 Managers for the consolidated financial statements

The Board of Managers 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 Managers 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.

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 Managers, 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 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.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 14, 2014

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	(185.5)	(162.5)
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(*)		**518.8**	**403.2**
Depreciation and amortization	26	(399.6)	(266.3)
Goodwill impairment		-	(121.9)
Other expenses, net	27	(15.1)	(29.8)
Management fees		(0.6)	(6.2)
Restructuring and other non-recurring costs	27	(61.2)	(20.8)
Operating profit/(loss)		**42.3**	**(41.7)**
Finance income	28	93.6	26.1
Finance costs	28	(336.9)	(200.0)
Loss before income tax expenses		**(201.0)**	**(215.8)**
Income tax (expenses)/benefit	23	(7.4)	26.0
Loss for the year		**(208.4)**	**(189.8)**
Attributable to equity holders of the parent		*(186.2)*	*(148.9)*
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)	
Loss for the year		**(208.4)**	**(189.8)**
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 loss for the year		**(205.9)**	**(194.9)**
Attributable to equity holders of the parent		*(183.8)*	*(152.6)*
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	11	61.3	129.7
Restricted cash	11	1,242.8	-
Trade and other receivables	10	230.9	183.1
Inventories	9	11.0	6.1
Current tax assets	23	14.6	5.5
Total Current assets		**1,560.6**	**324.5**
Non-current assets			
Deferred tax assets	23	47.4	19.3
Financial assets	7	50.6	34.4
Trade and other receivables	8	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		**2,935.4**	**2,395.5**
Total assets		**4,496.0**	**2,720.0**
EQUITY AND LIABILITIES			
Current liabilities			
Debentures	17	57.6	28.1
Borrowings from financial institutions	17	-	86.5
Deferred revenue	21	55.9	34.1
Trade and other payables	20	516.6	385.2
Other current liabilities	17	15.9	7.8
Provisions	14	2.1	-
Current tax liabilities	23	57.1	10.7
Total current liabilities		**704.9**	**552.5**
Non-current liabilities			
Debentures	17	2,527.0	1,108.5
Borrowings from financial institutions	17	894.3	257.2
Loans from related parties	17	99.2	109.0
Other financial liabilities	17	271.6	174.5
Provisions	14	29.0	25.6
Deferred revenue	21	10.6	10.8
Trade and other payables	20	29.0	38.8
Retirement benefit obligations	15	8.2	9.1
Deferred tax liabilities	23	183.1	148.2
Total non-current liabilities		**4,052.0**	**1,881.8**
Equity			
Issued capital	12	7.4	7.4
Share premium	12	5.4	-
Other reserves	13	(82.9)	277.5
(Accumulated losses)/Retained earnings		(4.5)	144.5
Net loss-attributable to the equity holders		(186.2)	(148.9)
Equity attributable to equity holders of the parent		**(260.7)**	**280.5**
Non-controlling interests	16	(0.5)	5.2
Total equity		**(261.2)**	**285.7**
Total equity and liabilities		**4,496.0**	**2,720.0**

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

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

	Issued capital	Share Premium	Other reserves	Retained earnings	Net income	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
					(in millions of euros)			
Equity at January 1, 2012	**7.4**	**-**	**232.9**	**25.8**	**118.4**	**384.5**	**349.2**	**733.6**
Allocation to retained earnings	-	-	-	118.4	(118.4)	-	-	-
Loss for the year	-	-	-	-	(148.9)	(148.9)	(40.9)	(189.8)
Employee benefits.....	-	-	0.1	-	-	0.1	0.4	0.5
Variation in Currency Translation Reserve	-	-	(3.7)	-	-	(3.7)	(1.3)	(5.0)
Increase or decrease of ownership interest	-	-	(16.2)	-	-	(16.2)	21.6	5.4
Dividends paid							(26.0)	(26.0)
Option warrants	-	-	(3.9)	-	-	(3.9)	-	(3.9)
Purchase of non-controlling interests................	-	-	68.3	-	-	68.3	(298.4)	(230.1)
Other variations.........	-	-	-	0.3	-	0.3	0.8	1.1
Equity at December 31, 2012	**7.4**	**-**	**277.5**	**144.5**	**(148.9)**	**280.5**	**5.2**	**285.7**
Allocation to retained earning	-	-	-	(148.9)	148.9	-	-	-
Loss for the year	-	-	-	-	(186.2)	(186.2)	(22.1)	(208.3)
Employee benefits.....	-	-	0.6	-	-	0.5	0.1	0.6
Variation in CPEC	-	-	(203.9)	-	-	(203.9)	-	(203.9)
Variation on Discounting Reserve	-	-	2.6	-	-	2.6	-	2.6
Variation in Currency Translation Reserve	-	-	0.1	-	-	0.1	0.2	0.3
Decrease/(increase) in ownership interest	-	-	(132.8)	-	-	(132.8)	16.0	(116.7)
Increase in equity......	-	5.4	-	-	-	5.4	-	5.4
Integration of entities under common control....	-	-	(31.2)	-	-	(31.2)	-	(31.2)
Other variations.........	-	-	4.2	-	-	4.2	0.1	4.3
Equity at December 31, 2013	**7.4**	**5.4**	**(82.9)**	**(4.4)**	**(186.2)**	**(260.7)**	**(0.5)**	**(261.2)**

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 loss, including non-controlling interests		**(208.3)**	**(189.8)**
Adjustments for:			
Depreciation and amortization		399.6	388.2
Gains and losses on disposals	27	(1.0)	4.8
Other non-cash operating gains and losses		(13.0)	59.9
Net cash provided by operating activities before changes in working capital, finance costs and income tax		**177.3**	**259.9**
Finance costs recognized in profit and loss		232.1	174.0
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		24.6	51.8
Net cash provided by operating activities		**439.2**	**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		0.8	(16.1)
(Increase)/ use of restricted cash	11	(1,234.9)	32.6
Net cash (outflow)/inflow on acquisition of subsidiaries	3.3	(13.0)	(35.1)
Transactions with non-controlling interests	28	-	(172.9)
Net cash provided used by investing activities		**(1,552.6)**	**(574.2)**
Proceeds from issue of equity instruments	12	1.8	-
Dividends paid to non-controlling-interests	28	-	(26.0)
Proceeds from issuance of debts (*)	18	2,487.8	891.5
Repayment of debt	17	-	(528.3)
Distribution to CPEC holders	13	(212.5)	-
Interest paid		(178.6)	(117.8)
Net cash provided in financing activities		**1,044.7**	**219.3**
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		**(68.7)**	**109.9**
Cash and cash equivalents at beginning of year	11	129.7	19.8
Net (decrease) / increase in cash and cash equivalents		(68.7)	109.9
Cash and cash equivalents at end of year	11	**61.3**	**129.7**

(*) The proceeds from issuance of debts are shown as the net amount since the funds flowed directly from the lending party to the vendor in each case and hence it does not generates a cash flow for the group as no cash is transitioning via the Group's accounts.

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

1 Notes to the consolidated financial statements

1.1 General description of the Group and its activities

Altice VII (the "Company") is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008, and registered under the number B 143.725 in Luxembourg. The Group refers to the Company and it subsidiaries. The Company was initially established as a public limited company (société anonyme) and then converted to a private limited liability company on October 7, 2009.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at December 31, 2013 its sole equity holder is NEXT LP. The ultimate controlling party is considered to be Patrick Drahi.

On January 31, 2014, Next LP contributed all its economic interests in Altice VII S.à r.l. ("The Group") to Altice S.A. ("Altice") in exchange for shares in Altice S.A.

Altice is listed on Euronext in Amsterdam. The consolidated financial statements, which include Altice VII Group are available at the registered address of Altice: 3, boulevard Royal, L-2449 Luxembourg and on its website : www.altice.net.

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 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.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 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 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 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 Managers of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) and have not identified any impact in the scope of consolidation linked to application of IFRS 10.

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 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 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 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 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 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 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 Group’s consolidated financial statements.

Standards issued but not yet effective

In its financial statements, the 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 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 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 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 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 Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- 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 Group's accounting policies.

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

All companies in which the 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 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 Group.

The functional currency, which is the currency that best reflects the economic environment in which the Group operates and conducts its transactions, is separately determined for each 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 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 Group's entities reported in their functional currencies are translated into euro, the 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 Group entities, together with differences arising from the restatement of the net results for the year of the Group entities, are recognized in other comprehensive income.

2.6 Subsidiaries and associates

2.6.1 Subsidiaries

All companies in which the Group has a controlling interest are fully consolidated. Control exists when the 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 Group's equity therein.

2.6.2 Associates

Investments, over which the 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 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 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 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 Group has included the subtotal "Operating profit before depreciation, amortization and no-recurring costs" on the face of the consolidated statements of income. The Group believes that this subtotal is useful to users of the 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 Group's financial statements and providing information regarding the results of the Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Group's financial performance.

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

The 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 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 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 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 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 Group. In the light of the aforesaid, the 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 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 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 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 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 Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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 Group.

For acquisitions under common control, the 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 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 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 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 Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the 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 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 Group.

2.15.2 The Group as lessee

Assets held under finance leases are initially recognized as assets of the 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 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 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 Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the 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 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 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 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 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 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 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 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 Group's cash management.

2.21 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Group’s liabilities to banking entities in accordance with the Group’s credit agreement and therefore amounts that the 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.

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 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 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 Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the 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 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 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 Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the 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 Group recognizes a provision for warranty for the sale of its products. The warranty is limited to malfunctions as defined by the 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 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 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 Group.

2.26 Liabilities for employment benefits

In accordance with the laws and practices of each country in which it operates, the 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 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 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 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 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 Group's creditors, and cannot be paid directly to the 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 Group has defined contribution plans pursuant to the Severance Pay Law under which the 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 Group's employees are entitled to benefits and other long-service grants. These benefits are accounted for as other long-term benefits since the Group estimates that these benefits will be used and the respective Group's obligation will be settled during the employment period and after one year from the end of the reporting period.

The 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 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 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 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 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 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 Managers 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 Managers. 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 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 Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group’s capacity to utilize tax loss carry-forwards relies on significant judgment. The 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 and similar instruments (YFPEC)

The 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 Group.

3-Scope of consolidation

3.1 The entities included in the scope of consolidation

	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the group	
Name of subsidiary		**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**
Altice VII S.à r.l.	Luxembourg	Parent company	Parent company	-	-
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%	-

(*) FC stands for "Full Consolidation"

3.1.1 Composition of the 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*

		Proportion of ownership interests and voting rights held by non-controlling interests		Profit/ (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
Name of subsidiary	**Place of incorporation and operation**	**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	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 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 Group to expand its footprint in the French Overseas Territories.

Since July 5, 2013 OMT contributed €102.1 million to revenue and €13.5 million to operating profit to the 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 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 Group to expand its footprint in Portugal and eventually realise synergies with the Group's other business within the same country.

Since August 8, 2013 ONI contributed €41.8 million in revenue and €4.9 million in operating loss to the 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 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 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 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 €6.4 million in revenue and €0.3 million in operating profit to the Group's result for the year ended December 31, 2013.

3.2.2 Change in the 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 Company 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.

3.3 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 Managers to be integrations 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. See note 13 for more details.

(2) When acquiring OMT, ONI and 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)/income, 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 operating segments. 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	-	620.2
OMT Invest	-	293.9	-	-	-	293.9
ONI	-	1.3	-	-	-	1.3
Total Gross Value	**921.1**	**295.2**	**-**	**18.5**	**(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	295.4	-	-	-	-	295.5
Hot Telecom	477.6	-	-	14.7	-	492.2
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 Group of cash-generating unit ("CGU") level for impairment annually or 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 October 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 post-tax discount rates, the terminal growth rate, the churn rate and the EBIT ("Earnings Before Interest and Taxes") margin 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 cyclical 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.

Beyond the specifically forecasted period of five years, the Company extrapolated cash flows for the remaining years based on an estimated constant growth rate between 1% and 2%. These rates did not exceed the average long-term growth rate for the relevant markets.

When estimating turnover for purposes of the 2013 impairment test, the Company used a growth rate between 1.5-2% 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 Telecom
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 Telecom
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 for the year ended December 31, 2013, 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 is 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 WACC 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 WACC 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 WACC 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
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]	94.8	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**	**(2.5)**	**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)
Prepayments on tangible assets		-	-	-	-		-
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	3.0	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		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)	-	-	(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)**	**(231.0)**	**12.8**	**-**	**(4.2)**	**-**	**(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	(52.3)	(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 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 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-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	18.7
Other financial assets	5.5	-
Restricted cash[(3)]	1.8	9.6
Total	**50.6**	**34.4**

(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 Managers 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 Managers 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 Managers 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 € 3.0 million ($4 million equivalent). The decrease compared to December 31, 2012 is explained by the partial conversion of the notes from Wananchi to equity.

(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.

8-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.

9-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 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 during the year in respect of continuing operations was EUR 0.4 million (31 December 2012: EUR 0.1 million).

The cost of inventories recognised as an expense includes 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.

10-Trade and other receivables

10.1 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, MCS and SportV during the course of the year.

10.2 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**

10.3 Other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Loans to related party	0.1	3.8
Bank guarantee[(1)]	-	14.0
Prepaid expenses[(2)]	20.9	6.3
Other current receivables	15.9	8.2
Total	**36.9**	**32.3**

(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 22 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 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 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 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 Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information.

11-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 overdraft	(0.3)	-
Bank balances	60.1	124.5
Cash and cash equivalents presented in the consolidated statement of cash flows	**61.3**	**129.7**
Restricted cash [(1)]	1,242.7	-
Restricted cash	**1,242.7**	**-**

(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 Managers 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).

12-Issued capital and share premium

On December 31, 2013, the share capital amounts to EUR 7.4 million and is divided into 743,011,510 fully paid shares with a nominal value of EUR 0.01.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Share capital	7.4	7.4
Share premium	5.4	-
Total	**12.8**	**7.4**

In June 2013, all the classes of shares were converted into one single class of shares with a nominal value of EUR 0.01 per share and equal voting rights. A capital increase amounting to EUR 4,500 took place on May 30, 2013 together with a share premium of EUR 1.8 million.

Share premium was also issued through the capitalization of a debt instrument for an amount of EUR 3.6 million.

Different classes of shares are summarized below:

December 31, 2013

Class of corporate units	Number
Common shares	743,011,510

December 31, 2012

Class of corporate units	Number
Class A	14,832,900
Class B	71,747,100
Class C	98,886,400
Class D	64,226,800
Class E	98,886,400
Class F	98,886,400
Class G	1,058,610
Class 1A	1,113,600
Class 1B	5,386,000
Class 1C	202,108,900
Class 1D	4,603,900
Class 1E	19,337,000
Class 1F	25,657,900
Class 1O	44,600
Class 1G	79,600
Class M	31,000,000
Class H	742,868
Class 1H	7,132
Ordinary	3,955,400

	December 31, 2013	December 31, 2012
	Number of shares	
Opening balance	**742,561,510**	**741,811,510**
Issuance	450,000	750,000
Redemption	0	0
Closing balance	**743,011,510**	**742,561,510**

13-Other reserves

	December 31, 2013	December 31, 2012
	(in millions of euros)	
CPEC reserve	(2.2)	201.7
Discounting reserve	25.3	22.7
Employee Benefits Reserve	0.8	0.3
Currency Translation Reserve	(6.7)	(6.7)
Impact of changes in ownership interests	(71.5)	61.3
Integration of entities under common control	(31.2)	-
Other reserves	2.6	(1.6)
Group reserves	**(82.9)**	**277.7**

13.1 CPEC Reserves

CPECs (Convertible preferred equity certificates) issued by the group and subscribed by the direct shareholder Next L.P., whose maturity comprises between 2058 and 2061, increased from EUR 219.1 million in 2012 to EUR 290.5 that million in 2013, due to new issuances and subscriptions. In substance, CPECs are subordinated financial instruments have been considered as equity instruments as the issuer can avoid settling these in cash and the CPECs instruments does not bear interest.

Name	Maturity date	Interest rate	Convertible	Principal amount as at December 31, 2012	Principal amount as at December 31, 2013
CPECs A	14/05/2058	-	Yes (at the option of the issuer)	0.84	-
CPECs B	01/12/2058	-	Yes (at the option of the issuer)	3.61	-
CPECs B	14/05/2058	-	Yes (at the option of the issuer)	0.46	-
CPECs B	14/05/2058	-	Yes (at the option of the issuer)	15.42	-
CPECs C	03/12/2058	-	Yes (at the option of the issuer)	23.48	-
CPECs C	03/12/2058	-	Yes (at the option of the issuer)	22.67	-
CPECs C	14/05/2058	-	Yes (at the option of the issuer)	132.30	-
CPECs D	03/12/2058	-	Yes (at the option of the issuer)	3.45	-
CPECs E	01/12/2058	-	Yes (at the option of the issuer)	16.18	-
CPECs G	18/03/2058	-	Yes (at the option of the issuer)	0.06	-
CPECs H	29/06/2058	-	Yes (at the option of the issuer)	0.45	-
CPECs H	16/11/2060	-	Yes (at the option of the issuer)	0.01	-
CPECs H	01/12/2060	-	Yes (at the option of the issuer)	0.15	-
CPECs I	29/02/2061	-	Yes (at the option of the issuer)	0.03	-
Master CPECs	06/06/2062	-	Yes (at the option of the issuer)	-	290.5
Total				***219.1***	**290.5**

13.2 Discounting Reserves

The Master Yield Free Preferred Equity Certificates ("YFPEC") have been valued using a discount rate of 4.76% given their preferred interest rate which therefore values these certificates at €4.8 million as of December 31, 2013. This value is recorded as a loan from related parties in the accounts of Altice VII.

The nominal amount of outstanding YFPECs issued by Altice VII as of December 31, 2013 is given below. The initial discounting effect is recorded in the Group's reserves and includes the impact of deferred taxes arising as a result of the discounting for EUR 22.7 million as of December 31, 2013.

Details of YFPECS (before impact of discounting) are presented as follows:

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2012	Principal amount as at the end 2013
				in millions of euros	
YFPECs C..........	14/05/2058	-	No	22.07	-
YFPECs C..........	03/12/2058	-	No	4.51	-
YFPECs C..........	15/06/2060	-	No	0.10	-
YFPECs C..........	26/08/2011	-	No	0.11	-
YFPECs C..........	28/11/2011	-	No	2.51	-
YFPECs C..........	03/12/2058	-	No	4.00	-
YFPECs E..........	01/12/2058	-	No	1.88	-
YFPECs K	31/12/2061	-	No	1.16	-
Master YFPECs ..	06/06/2062	-	No	-	38.3
Total				***36.34***	**38.3**

Details of the interest free loan registered as equity are given below.

IFL	26/04/2061	-		-	**2.6**

13.3 Employee benefits reserve

This reserve contains variations related to employee benefit plans in place at different group entities that apply IAS 19R. More information is provided in note 15.

13.4 Currency translation reserve

Exchange rate differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

13.5 *Impact of changes in ownership structure*

This reserves records the impact of the changes in ownership interests held by the Group in its different subsidiaries. As described in note 3.2., the Group acquired non-controlling interests held in Altice Portugal, Cabovisao and Coditel from non-controlling interests, leading to a net decrease of EUR 120.7 million in the Group's reserves, offset by a EUR 3.3 million gain realized on the sale of Valvision. In addition to these transfers of non-controlling interests, an adjustment of EUR 14.2 million, relating to the share of non-controlling interests was recorded in the reserves.

13.6 Integration of entities under common control

As described in note 3.2.1.3, the entry of Ma Chaine Sport S.A.S. and SportV S.A. in the scope of the Group's consolidation had an impact on the reserves equal to the difference between the acquisition price and the net asset position of the companies acquired. The total consideration paid for 100% of the shares MCS amounted to EUR 23.0 million, of which EUR 10.0 million was paid in cash with the remainder generating a vendor note of EUR 13.0 million. The net equity acquired amounted to EUR 2.1 million, thus generating an adjustment of the reserves accounts of EUR 20.9 million.

The total consideration paid for 100% of the shares of SportV was EUR 12.0 million, of which EUR 5.0 million was paid in cash with the rest generating a vendor note. The net equity acquired amounted to EUR 1.7 million, thus generating an adjustment of the reserves accounts of EUR 10.3 million.

13.7 Legal reserve

According to the Luxemburg legal provisions, 5% of net profit must be obligatorily credited to a legal reserve account. The obligation to make this contribution ends when the legal reserve equal 10% or more of the share capital of the Group.

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	**25.6**	**8.2**	**5.5**	**(7.7)**	**(0.4)**	**31.2**

	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)**	**25.6**

(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	0.7
Hot Telecom	15.1	3.8	6.5
Green.ch	15.1	1.8	1.9
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 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 Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the 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 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 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 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 Group's own creditors and cannot be returned directly to the 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 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 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 Group has committed to terminate employees before the normal retirement date and it is unable to cancel the proposal or where the 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 Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined contribution plans, in accordance with section 14 of the Israeli Severance Pay Law, in accordance with which the 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 Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined contribution plans, in accordance with which the 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 Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Group has defined contribution plans, in accordance with which the 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)	99.2	109.0
Borrowings from financial institutions(1)	894.3	257.2
Finance leases(2)	23.4	27.1
Other financial liabilities	105.9	84.9
Financial instruments	142.3	62.5
Non-current liabilities(3)	**3,792.1**	**1,649.5**
Bonds	26.4	25.4
Borrowings from financial institutions	-	86.5
Finance leases(2)	11.4	7.8
Other financial liabilities	4.5	-
Accrued interest	31.2	2.7
Current liabilities(4)	**73.5**	**122.4**
Total	**3,865.6**	**1,771.9**

(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 and (iii) Green data center debt for a total of EUR 23.7 million

(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.

- € 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.

- € 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.

- € 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 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 has 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 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 Group is allowed to use a general debt basket adjustment amounting to 4% of the total assets of the group, against the net debt of the Group.

In case the Group exceeds any of the two conditions mentioned above, it cannot incur any new debt, till such time as the ratios are met again. No other penalties are applicable in case of a breach of covenant. The Group also has access to two super senior revolvers provided under the indenture, in case of any financing needs the Group may face (for a total EUR equivalent amount of EUR 118.0 million).

17.3 Borrowings from financial institutions

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

- A mezzanine debt issued by Coditel Holding S.A. in 2011 with a principal amount of €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 $ 1,034 million (€ 795 million), bearing interest at Prime FFER, Libor + 4.5%) and maturing in June 2019.

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	6.79%	2061	0.2	0.2	-
Nominal value of bonds	**99.2**			**99.2**	**99.2**	**109.0**
Of which due within one year	-			-	-	
Of which due after one year	**99.2**			**99.2**	**99.2**	**109.0**

Subordinated financial instruments have been issued by Altice VII and Coditel Holding.

(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.

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	99.2	-	-	99.2
Borrowings from financial institutions	893.4	-	-	893.4
Finance leases	34.8	11.4	23.4	-
Accrued interest	31.2	31.2	-	-
Other financial liabilities	110.4	2.0	59.3	49.1
Financial instruments	142.3	-	142.3	-
Nominal value of borrowings	**3,865.2**	**71.4**	**478.7**	**3,315.9**

	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	109.0	-	-	109.0
Borrowings from financial institutions	343.7	86.5	27.5	229.7
Finance leases	34.9	12.3	15.0	7.6
Accrued interest	3.0	3.0	-	-
Other financial liabilities	84.9	-	7.8	77.1
Financial instruments	62.5	-	-	62.5
Nominal value of borrowings	**1,771.9**	**116.3**	**116.0**	**1,539.6**

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	1,534.0	280.6	-
Related party bonds	99.2	99.2			
Borrowings from financial institutions	893.4	870.0	-	-	23.4
Finance leases	34.8	5.8	-	26.5	2.5
Accrued interest	31.2	25.8	5.4	-	-
Other financial liabilities	110.4	107.1	-	3.0	0.2
Financial instruments	142.3	142.3	-	-	-
TOTAL	**3,865.2**	**1,989.6**	**1,539.4**	**310.1**	**26.4**

	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	109	109	-	-	-
Borrowings from financial institutions	343.7	319.7	-	-	24
Finance leases	34.9	6.2	-	26.1	2.6
Accrued interest	3	1.2	1.6	-	0.2
Other financial liabilities	84.9	82.0	-	2.7	0.2
Financial instruments	62.5	-	62.5	-	-
TOTAL	**1,771.9**	**544.2**	**903.4**	**297.3**	**27**

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	99.2	5.0	94.2
Borrowings from financial institutions	892.4	129.1	764.3
Finance leases	34.8	34.8	-
Accrued interest	31.2	15.4	15.8
Other financial liabilities	110.4	103.3	7.1
Financial instruments	142.3	-	142.3
TOTAL	**3,865.2**	**2,841.6**	**1,023.7**

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	1,133.9	969.7	164.2
Related party bonds	109.0	109.0	-
Borrowings from financial institutions	343.7	229.9	113.8
Finance leases	34.9	2.6	32.3
Accrued interest	3.0	3.0	-
Other financial liabilities	84.9	82.0	2.9
Financial instruments	62.5	62.5	-
TOTAL	**1,771.9**	**1,484.8**	**287.1**

17.8 Derivatives

As of December 31 2013, the 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 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	(35.8)
Transaction with non-controlling interests	(120.9)
Net payments on acquisition of subsidiaries	(240.1)
Repayment of external debts	(641.7)
TOTAL	**(1,038.5)**

18 – Obligations under finance leases

18.1 Leasing arrangements

The Group leased certain of its office facilities under financial leases. The average lease term is 5 years (2012: 5 years). The 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 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 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 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 Managers 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.

19.1 Credit risk

The 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 Group’s income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The 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 Group does not have significant concentration of credit risk, as a result of the 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 Managers, 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 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 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	2,841.6	1,484.8
Financial debt at variable rates	1,023.7	287.1
TOTAL	**3,865.2**	**1,771.9**

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
<u>31 December 2013</u>						
Non- interest bearing	-	-	-	4.9	4.9	4.9
Variable interest rate instruments(1)	5.9%	58.7	989.89	481.1	1,529.7	1,023.7
Fixed interest rate instruments	7.7%	272.62	1,942.42	1,712.64	3,927.68	2,841.6

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
<u>31 December 2012</u>						
Non- interest bearing	-	-	-	4.4	4.4	4.4
Variable interest rate instruments	5.1%	-	5.6	326.3	842.2	287.1
Fixed interest rate instruments	7.4%	-	-	839.4	839.4	1,484.8

(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 Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the 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 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 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 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 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 66.4 million in 2013 (2012: loss of EUR 22.5 million). They are allocated to the appropriate headings of expenses by nature.

The 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 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 :

Outstanding swap contracts	31/12/13	31/12/13	31/12/13	31/12/13
	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 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 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 Altice VII Group had a negative net equity position of EUR 261.2 million, thus resulting in a negative gearing ratio.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net Debt	**3,865.6**	**1,771.5**
Cash and cash equivalents	(61.3)	(129.7)
Total equity	(261.2)	**285.7**
Gearing	**(1,456%)**	**575%**

19.5 Fair value of financial assets and liabilities

19.5.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the 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 31/12/2013	Fair value as at 31/12/2012	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable differences	Relationship of unobservable differences
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 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 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 Managers 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 Group invested into convertible bonds issued by Wanachi. 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	392.2	314.2
Corporate and social security contributions	29.8	24.5
Other payables	94.3	46.3
Amounts due to related parties	0.1	0.2
Deposit and guarantee received	0.4	-
Total current payables	**516.6**	**385.2**
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 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	61.3	61.3	-	-
Restricted cash	1,242.7	1,242.7	-	-
Trade receivables	194.0	194.0	-	-
Other receivables	37.1	37.1	-	-
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	-	-
	1,608.5	**1,568.3**	**0.0**	**40.3**

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	57.6	57.6	-
Loans from related parties	-	-	-
Trade payables	383.4	383.4	-
Others payables	246.0	246.0	-
Other current liabilities	15.9	15.9	-
Non-current liabilities			-
Loans from banking corporations and debentures	3,520.5	3,520.5	-
Other financial liabilities	271.6	129.3	142.3
Other non-current liabilities	39.6	39.6	-
	4,534.6	**4,392.3**	**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	24.6	24.6	-	-
	377.4	**371.3**	**-**	**6.1**

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	113.2	113.2	-
Trade payables	311.3	311.3	-
Others payables	118.8	118.8	-
Short-term loans from related parties	2.7	2.7	-
Non-current liabilities			
Loans from banking corporations and debentures	1,365.7	1,365.7	-
Long-term loans from related parties	109.0	109.0	-
Other financial liabilities	174.5	112.0	62.5
Other non-current liabilities	49.5	49.5	-
	2,244.7	**2,182.2**	**-**

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	**148.4**	**(6.0)**	**31.0**	**9.6**	**.2**	**183.3**

	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)**	**148.4**

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	**(208.3)**	**(189.8)**
Share of net income-associates	-	-
Share of net income-equity holders	**(208.3)**	**(189.8)**
Tax charge [(−) expenses/(+) income]	(7.4)	(26.0)
Earnings/(Loss) before tax	**(200.9)**	**(215.8)**
Theoretical tax rate	28.80%	28.80%
Income tax calculated on theorical tax	58.7	62.1
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(6.5)	(5.8)
Permanent differences	(9.5)	(57.0)
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	4%	(12%)

Permanent differences present in different Group companies are summarized below:

	Altice VII	ABO	Altice Financing	Cool Holding	Hot Mobile	Others	December 31, 2013
Permanent differences	(1.5)	(3.9)	22.7	(0.5)	(2.5)	(0.6)	**13.6**
Tax adjustments	-	-	-	0.4	1.0	-	**1.4**
Regularization of deferred tax from prior periods	-	-	-	(8.3)	-	-	**(8.3)**
Regularization of local tax from prior periods	-	-	-	3.5	-	-	**3.5**
Earnout adjustment	-	-	(13.4)	-	-	(0.1)	**(13.5)**
Tax provisions	-	-	(6.8)	-	-	-	**(6.8)**
Others	-	0.3	-	-	-	0.3	**0.6**
Total	**(1.5)**	**(3.6)**	**2.4**	**(4.9)**	**(1.5)**	**(0.4)**	**(9.5)**

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 Managers 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 Managers understands that the final outcome of this matter will be favorable to the Company.

23.4.3 Other entities

The Board of Managers 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)	-
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	**(253.0)**	**(62.2)**

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 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),
- 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 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 Group revenues and EBITDA and has particularities that differentiate it. For this reason, it is classified as a separate region.

It is characterized 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 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.

24.2.4 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	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
Cable						
Revenue	891,9	61.8	694.2	27.1	108.7	-
Costs of sales	(179,5)	(10.6)	(129.6)	(5.0)	(34.1)	-
Gross Profit	**712,3**	**51.0**	**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	**126.4**	**0.3**	**79.8**	**46.1**	**-**	-
B2B and others						
Revenue	138,6	8.9	-	32.5	41.8	55,3
Costs of sales	(58.4)	(1.0)	-	(10.9)	(24.3)	(22.1)
Gross Profit	**80.2**	**7.8**	**-**	**21.6**	**17.5**	**33.2**
Total						
Total Revenue	**1,286.7**	**72.0**	**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**	**59.1**	**644.4**	**89.8**	**92.1**	**33.2**
Operating expenses	**(400.2)**	(12.9)	(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	**(76.8)**	(4.2)	(57.4)	(9.5)	(10.7)	5.0
Operating income	**42.3**	23.8	30.4	13.3	(26.8)	1.5

	December 31, 2012					
	Total	Belgium & Luxembourg	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 andothers						
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	(149.0)	(141.9)
Customer services	(32.9)	(18.3)
Taxes	(3.6)	(2.4)
Total	**(185.4)**	**(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-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.

28-Net finance costs

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Gain arising on fair value of financial instruments[1]	0.1	0.5
Foreign exchange gains	91.0	24.7
Gain arising from fair value of subordinated financial instruments[1]	2.5	0.9
Finance income	**93.6**	**26.1**
Interest charges on borrowings and overdrafts [2]	(199.2)	(118.5)
Loss arising on fair value of financial instruments	(99.4)	(62.8)
Foreign exchange losses	(24.5)	(2.8)
Net book-value of disposal/financial assets	(13.6)	(16.7)
Finance costs	**(336.8)**	**(200.0)**
Total	**(243.2)**	**(174.1)**

(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 (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013).

29-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 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 Group was valued at EUR 1.7 million, with a total impact of EUR 28.9 on the Group net equity following the consummation of the deal.

30-Average workforce

	December 31, 2013	December 31, 2012
Managers	352	268
Technicians	857	660
Employees	3,011	4,719
	4,220	**5,647**

31-Transaction with related parties

31.1 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 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	-	6.2
TOTAL	**0.2**	**0.2**	**14.6**	**0.9**	**-**	**6.8**

Assets	Loans and receivables December 31, 2012	Loans and receivables December 31, 2013	Trade accounts receivable and other December 31, 2012	Trade accounts receivable and other December 31, 2013	Current accounts December 31, 2012	Current accounts December 31, 2013
			(In millions of euros)			
Equity holders	-	-	-	0.2	-	-
Executive managers	2.7	-	-	-	-	-
Associate companies	-	-	-	0.8	-	-
TOTAL	**2.7**	**0.0**	**-**	**1.0**	**-**	**-**

Liabilities	Other financial liabilities December 31, 2012	Other financial liabilities December 31, 2013	Trade accounts payable and other December 31, 2012	Trade accounts payable and other December 31, 2013	Current accounts December 31, 2012	Current accounts December 31, 2013
			(In millions of euros)			
Equity holders	109.0	99.2	1.6	-	0.6	-
Executive managers	-	-	-	-	-	-
Associate companies	-	-	-	6.6	-	-
TOTAL	**109.0**	**99.2**	**1.6**	**6.6**	**0.6**	**-**

31.2 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**

32-Contractual obligations and commercial commitments

The Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below.

Unrecognised contractual commitments	December 31, 2013 < 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	103.4	70.0	36.0	1.4	21.9	232.7
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
Other commitments	(2.1)	51.5	-	-	-	49.4
Total	**160.1**	**132.9**	**39.3**	**7.7**	**45.4**	**385.3**

32.1 Hot Telecom Commitments

32.1.1 Commitments

A. Contingent liabilities

1. Within the framework of the merger of the cable companies on December 31, 2006, HOT Telecom (or "HOT") 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, HOT 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 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 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 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 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 HOT's management, in reliance on the opinion of its legal advisers, exceed 50%.

The following table is an abbreviated summary of the 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 Million				
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 EUR 6.1 million and EUR 5.4 million in respect of the years 2013 and 2012 respectively.

2. Other royalties

a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group within this context in the years 2013 and 2012 amounted to EUR 9.4 million and EUR 8.8 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 EUR 9.8 million and EUR 10 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 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 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 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 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 an onerous 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 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 Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the 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 Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the 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 EUR 7.1 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 EUR 6.7 million.

6. Guarantees for HOT Telecom and HOT Mobile

a) The 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 Group has extended a guarantee in an amount of EUR 51.5 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 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 Group has extended a guarantee in an amount of EUR 2.3 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 EUR 41.9 million and a credit facility for guarantees in an amount of up to EUR 22 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 EUR 17.6 million from these facilities, however it has not taken up credit for working capital from these facilities.

32.2 Cabovisao commitments

32.2.1 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.

32.2.2 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 EUR 595.000.. Until the present date, there are no subsequent deliberations. The Board of Managers 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 EUR 174.000. Until the present date, Cabovisao has not recognized any provision, since it is Board of Managers understanding that the final outcome will be favorable to the company, based on the legal counsels' opinion.

32.3 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.

32.4 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 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.

33-Statutory Auditors' fees

In 2013, an amount of EUR 3.5 million was paid to various networks affiliates of the Group's auditors, split mainly between EUR 1.4 million for audit services, EUR 1.7 million for assurance services and EUR 0.4 million for non-audit services (tax and consultancy).

34-Going concern

During the financial year ended December 31, 2013, the company had a net current asset position of EUR 855.7 million (mainly due to current restricted cash of EUR 1,242.7 million), a net loss of EUR 208.3 million (down from a net loss of EUR 189.8 million in FY12), positive cash flow from operations of EUR 439.2 million and negative working capital of EUR 198.3 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 198.3 million is mainly driven by trade receivables and payables. The net loss recorded in FY13 was mainly driven by increased non-recurring expenses as compared to FY12 (+EUR 40.4 million) and increased financial expense, directly related to the issuance of new debt to finance acquisitions and buy back of minority stakes. 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 392.3 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 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 439.2 million). Operating income before D&A amounted to EUR 518.8 million, an increase of 28.7% compared to FY12, thus reaffirming management's ability to drive profits in the different operating companies.

The Group had healthy unrestricted cash reserves at the end of 2013 (EUR 61.3 million vs. EUR 129.7 million in 2012), which would allow it to cover any urgent cash needs. Additionally, the 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 Group had a negative net equity position of EUR 261.2 million as of December 31, 2013, resulting from accounting adjustments related to losses made on the acquisition of minority interests from non-controlling shareholders. 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 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 subscribed by Next L.P.., into share capital, before the contribution of Altice VII to Altice S.A. Thus, YPFECs and ALPECs issued by Altice VII were converted into equity at their nominal value, totalling EUR 133.3 million.

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 is expected to occur on January 15, 2014. 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%. However, Altice Blue Two and the Mobius Managers are in advanced discussions to amend the existing investment agreement in order to provide that the Mobius Managers' reinvestment will be made directly in Altice S.A., through the subscription by the Mobius Managers, at the Offer Price, of Ordinary Shares of Altice S.A..

The transaction was completed 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.

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, before the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding YFPECs andALPECs 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.

Initial public offering

On January 31, 2014, Altice S.A., a newly incorporated Luxembourg based entity and the new direct controlling shareholder of the Company, listed its shares in an initial public offering on Euronext Amsterdam.

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, the OMT Managers will contribute 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.

The OMT managers will receive Altice S.A. common shares at the listing price at IPO (EUR 28.25), except in case of the second earn out, for which the determining price will be the share price at closing on the day on which any proceeds from the pending lawsuits are perceived by Altice Blue Two.

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

ALTICE VII S.à r.l.

Société à responsabilité limitée

2012 Annual Report

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Partners of
Altice VII S.à r.l.
3, boulevard Royal
L-2449 Luxembourg
Grand-Duchy of Luxembourg

Report on the consolidated financial statements

Following our appointment by the Board of Managers, we have audited the accompanying consolidated financial statements of Altice VII S.à r.l., which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of income, 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 Managers for the consolidated financial statements

The Board of Managers 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 Managers 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.

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 Managers, 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 VII S.à r.l. as of December 31, 2012, 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 Managers, is consistent with the consolidated financial statements.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

November 12, 2013

Consolidated statement of income
Year ended December 31, 2012

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
		(in millions of euros)	
Revenues	23	1 092,4	784,2
Purchases and subcontracting services	23	(302,1)	(175,4)
Other operating expenses	24	(248,9)	(195,4)
Staff costs and employee benefits expenses		(24,8)	(24,8)
General and administrative expenses	25	(33,3)	(26,4)
Other sales and marketing expenses		(80,1)	(64,4)
Operating profit before depreciation and amortization(*)		**403,2**	**297,8**
Depreciation and amortization		(266,3)	(176,4)
Goodwill impairment		(121,9)	—
Other expenses, net	26	(29,8)	(5,6)
Management fees		(6,2)	(3,1)
Restructuring and other non-recurring costs	26	(20,8)	(7,6)
Operating (loss)/profit		**(41,7)**	**105,1**
Gain arising on step acquisitions	26	—	134,8
Share of profit of associates		—	11,7
Finance income	27	30,5	16,6
Finance costs	27	(204,7)	(111,6)
(Loss)/profit before income tax expenses		**(215,8)**	**156,6**
Income tax benefit/(expenses)	22	26	(32,5)
(Loss)/profit for the year		**(189,8)**	**123,9**
Attributable to equity holders of the parent		*(148,9)*	*118,4*
Attributable to non-controlling interests		*(40,9)*	*5,5*

(*) Operating profit before depreciation and amortization is further referred to as ''EBITDA'' in these consolidated financial statements.

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

ALTICE VII S.À R.L.

Consolidated statement of other comprehensive income
Year ended December 31, 2012

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
		(in millions of euros)	
(Loss)/profit for the year		**(189,8)**	**123,9**
Other comprehensive income			
Exchange differences on translating foreign operations		(5,1)	0,4
Net fair value gain on available-for-sale financial assets		—	0,3
Total comprehensive (loss)/income for the year		**(194,9)**	**124,6**
Attributable to equity holders of the parent		*(152,6)*	*117,2*
Attributable to non-controlling interests		*(42,2)*	*7,4*

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

ALTICE VII S.À R.L.

Consolidated statement of financial position
Year ended December 31, 2012

	Notes	December 31, 2012	December 31, 2011
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents	11	129,7	19,8
Trade receivables	10	150,8	102,7
Other receivables	10	32,4	17
Inventories	9	6,1	6,1
Current tax assets	10	5,5	5,1
Total Current assets		**324,5**	**150,8**
Non-current assets			
Restricted cash	7	9,6	41,4
Deferred tax assets	22	19,3	0,3
Investments in financial assets available for sale	7	6,1	8,5
Long term trade receivables	7	18,7	2,4
Other long-term trade receivables	8	24,6	28,4
Property, Plant & Equipment	6	1 067,8	901,7
Other Intangible assets	5	458,5	458,3
Goodwill	4	790,9	911,9
Total non-current assets		**2,395,5**	**2,352,9**
Total assets		**2,720,0**	**2,503,7**
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings from banking corporations and debentures	17	113,2	241,8
Trade payables	19	311,3	208,2
Others payables	19	108,1	98,4
Current loans from related parties	17	2,7	2,9
Current tax liabilities		10,7	7,2
Total current liabilities		**546**	**558,5**
Non-current liabilities			
Borrowings from banking corporations and debentures	17	1,373,5	835,2
Non-current loans from related parties	17	109,0	127,1
Other financial liabilities	17	173,5	32,1
Provisions	15	25,6	40,5
Other non-current liabilities	20	49,5	46,1
Retirement benefit obligations	15	9,1	6,9
Deferred tax liabilities	22	148,2	123,7
Total non-current liabilities		**1,888,3**	**1,211,6**
Equity			
Issued capital	12	7,4	7,4
Other reserves	14	277,5	232,9
Retained earnings		144,5	25,8
Net (loss)/income—attributable to the equity holders		(148,9)	118,4
Equity attributable to equity holders of the parent		**280,5**	**384,5**
Non-controlling interests		**5,2**	**349,2**
Total equity		**285,7**	**733,6**
Total equity and liabilities		**2,720,0**	**2,503,7**

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

ALTICE VII S.À R.L.

Consolidated statement of changes in equity
Year ended December 31, 2012

	Issued capital	Other reserves	Retained earnings	Net income	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
				(in millions of euros)			
Equity at January 1, 2011	**7,8**	**254,9**	**(13,7)**	**40,2**	**289,2**	**0,4**	**123,9**
Allocation to retained earnings			40,2	(40,2)			
Profit for the year				118,4	118,4	5,5	123,9
Variation in CPEC		(22,7)			(22,7)		(22,7)
Employee benefits		0,1			0,1	0,3	0,4
Increase in share capital	(0,4)				(0,4)		(0,4)
Variation in Currency Translation Reserve		(1,4)			(1,4)	1,8	0,4
Increase or decrease of ownership interest		4,5			4,5	(2,5)	2
Acquisition of an associates		(3,7)			(3,7)	343,5	339,8
Other variations		1,2	(0,8)		0,4	0,2	(0,7)
Equity at December 31, 2011	**7,4**	**232,9**	**25,8**	**118,4**	**384,5**	**349,2**	**733,6**
Allocation to retained earnings			118,4	(118,4)			
Loss for the year				(148,9)	(148,9)	(40,9)	(189,8)
Employee benefits		0,1			0,1	0,4	0,4
Variation in Currency Translation Reserve		(3,7)			(3,7)	(1,3)	(5,1)
Increase or decrease of ownership interest		(16,2)			(16,2)	21,6	5,4
Dividends paid						(26,0)	(26,0)
Option warrants		(3,9)			(3,9)		(3,9)
Purchase of minority interest		68,3			68,3	(298,4)	(230,1)
Other variations		—	0,3		0,3	0,8	1,1
Equity at December 31, 2012	**7,4**	**277,5**	**144,5**	**(148,9)**	**280,5**	**5,2**	**285,7**

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

Consolidated statement of cash flows
Year ended December 31, 2012

	Notes	December 31, 2012	December 31, 2011
		(in millions of euros)	
Net (loss)/income, including non-controlling interests		**(189,8)**	**123,9**
Adjustments for:			
Share of profit of associates		—	(11,7)
Depreciation and amortization		388,2	176,4
Gains and losses on disposals		4,8	6,0
Other non-cash operating gains and losses		56,7	(168,5)
Net cash provided by operating activities after changes in working capital, finance costs and income tax		**259,9**	**126,1**
Finance costs recognized in profit and loss		174,0	89,3
Income tax (benefit)/expense recognized in profit and loss		(22,8)	32,5
Income tax received/(paid)		1,6	(1,8)
Changes in working capital		51,8	60,2
Net cash provided by operating activities		**464,5**	**306,4**
Purchases of tangible and intangible assets		(347,0)	(189,8)
Acquisitions of Financial Assets		(35,8)	—
Proceeds from disposal of tangible, intangible and financial assets		0,1	0,4
(Decrease)/increase in loans and other non-current financial assets		(16,1)	1,2
Use of restricted cash		32,6	(40,8)
Net cash (outflow)/inflow on acquisition of subsidiaries	3.3	(35,1)	(347,3)
Transactions with non-controlling interests	27	(172,9)	—
Net cash provided used by investing activities		**(574,2)**	**(576,3)**
Proceeds from issue of equity instruments	12	—	(0,4)
Dividends paid to non-controlling-interests	27	(26,0)	—
Proceeds from issue of debts	17	891,5	823,0
Repayment of debt	17	(528,3)	(481,2)
Interest paid		(117,8)	(69,0)
Net cash provided in financing activities		**219,3**	**272,4**
Effects of exchange rate changes on the balance of cash held in foreign currencies		0,2	(0,9)
Net increase in cash and cash equivalents		**109,9**	**1,6**
Cash and cash equivalents at beginning of year	11	19,8	18,2
Net increase in cash and cash equivalents		109,9	1,6
Cash and cash equivalents at end of year	11	**129,7**	**19,8**

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

1—Notes to the consolidated financial statements

1.1 General description of the Group and its activities

Altice VII (the ''Company'') is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008, and registered under the number B 143.725 in Luxembourg. The Group refers to the Company and it subsidiaries. The Company was initially established as a public limited company (société anonyme) and then converted to a private limited liability company on October 7, 2009.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and its sole equity holder is NEXT LP. The ultimate controlling party is considered to be Patrick Drahi.

The Group 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, the Group intends to deploy the same technologies and equipments across its footprints to deploy economies of scale and common knowledge. In addition, the Group companies aim at sharing skills and best practices across the various operations of the 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 Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Group also offers broadband Internet access services and fixed-line telephony in all of its broadband communications markets. It also owns and operates mobile infrastructures in certain geographies (Israel and the French Overseas Territories), and offers mobile services through an MVNO (Mobile virtual network operator) arrangement in Belgium.

2—Principles governing the preparation of the Consolidated Financial Statement

2.1 Basis of preparation of the consolidated financial statements:

The consolidated financial statements have been prepared on the historical cost basis, except for the liability in respect of share based payment transaction, derivatives and financial instruments at fair value through profit and loss, available for sale financial assets. The principal accounting policies are set out below.

2.1.1 Compliance with accounting standards

The 2012 consolidated financial statements of Altice VII Group, therein ''the Group'', have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

2.1.2 Standards issued but not yet effective

In its financial statements, the Group has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2012. Their impact on the Group's financial statements is estimated not to be significant and/or not applicable. This essentially relates to:

IFRIC 20 ''Overdraft expenses''.

IFRS 1 amended ''First application of IFRS'' concerning serious hyperinflation and the abolition of dates set for the first adopters, published by the IASB on December 20, 2010 and adopted by the

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

European Union on December 29, 2012. Application of this standard is mandatory from January 1, 2013.

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

2.2.1 Judgments

In the process of applying the significant accounting policies, the 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.

2.2.2 Estimates and assumptions

The preparation of the financial statements requires the 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.

2.2.3 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 managers 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 carrying amount of goodwill as at December 31, 2012 was EUR 790,9 million (December 31, 2011: EUR 911,9 million). Details of the impairments are set out in Note 2.8.

2.2.4 Legal claims

In estimating the likelihood of outcome of legal claims filed against the 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.

2.2.5 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.

2.2.6 Deferred tax asset

Deferred tax assets are recognized for deductible temporary differences and carried forward tax losses as and when management estimates that it is probable that future taxable profits will be available to utilize those temporary differences and tax losses.

2.2.7 Discounting of YFPEC

The 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.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

2.3 Basis of consolidation

2.3.1 Subsidiaries

All companies in which the Group has a controlling interest are fully consolidated. Control exists when the 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 Group's equity therein.

2.3.2 Associates

Investments, over which the 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 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 Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

2.3.3 Dates

The consolidated financial statements of the Group have been prepared as of the same date and for identical periods on an going concern basis. The accounting policies in the financial statements of the subsidiaries have been implemented in a uniform manner throughout the Group.

2.4 Functional currency

The Consolidated Financial Statements are presented in millions of euros. Euro is the functional currency of Altice VII, the parent company, and the presentation currency of the Group as well.

The functional currency, which is the currency that best reflects the economic environment in which the Group operates and conducts its transactions, is separately determined for each 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 functional currency of the 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 Group entities reported in their functional currencies are translated into euro, the 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 retranslation of opening net assets of Group entities, together with differences arising from the restatement of the net results for the year of Group entities, are recognized in other comprehensive income.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

2.6 Goodwill and business combinations

Business combinations 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 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;

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 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 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 profit (account ''Depreciation and amortization'') and shall not be reversed subsequently.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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 Group.

2.7 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.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

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
Content costs	3 years
Subscriber purchase costs	based on average duration of subscriptions

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

2.8 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 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 each fiscal year.

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.

2.9 Property, plant and equipment

Property, plant and equipment are presented at cost with the addition of direct purchase costs and 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.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

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 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 each annually and any changes are accounted for prospectively as a change in accounting estimate.

2.10 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.

2.10.1 The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the 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 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 up 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 Group.

2.10.2 The Group as lessee

Assets held under finance leases are initially recognized as assets of the 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

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

which case they are capitalized in accordance with the Group's general policy on borrowing costs (see note 2.12 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.

2.11 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.

2.12 Government grants

Government grants are not recognized until there is reasonable assurance that the 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 Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the 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 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 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.

2.13 Financial assets

The 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.

2.13.1 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.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

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 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.

2.13.2 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.

2.13.3 Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the 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 Group currently does not hold any held to maturity financial assets.

2.13.4 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 and costs.

This category mainly includes:

Assets held for trading which the Group intends to sell in the near future (primarily marketable securities);

Assets voluntarily classified at inception in this category;

Derivatives financial assets.

2.14 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.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

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

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

2.15 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 Group's cash management.

2.16 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Group's liabilities to banking entities in accordance with the Group's credit agreement.

2.17 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 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.

2.18 Share based payment arrangements

The 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 Group'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 in the Tel Aviv stock exchange.

2.19 Financial liabilities

Financial liabilities other than derivative instruments include:

2.19.1 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. The accrued interests are included in ''Current portion of financial liabilities'' in the statement of financial position.

2.19.2 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.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

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 Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the 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.

2.19.3 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.

2.19.4 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 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 Company also issued some CPECs (Convertible Preferred Equity Certificates).

2.20 Other liabilities

2.20.1 Provisions

A provision in accordance with IAS 37 is recognized in the statement of financial position when the 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 consolidated financial statements:

2.20.1.1 Legal claims

A provision regarding legal claims is recognized when the Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the 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—Principles governing the preparation of the Consolidated Financial Statement (Continued)

2.20.1.2 Warranty

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

2.20.1.3 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the 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.

2.20.1.4 Restructuring

A restructuring provision is recognized when the 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 entity.

2.20.2 Liabilities for employment benefits

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

2.20.2.1 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 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.

2.20.2.2 Post-retirement benefits

In Israel, the 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 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 Group deposits funds in respect of its severance pay liability, in a routine manner, 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 Group's creditors, and cannot be paid directly to the 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.

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

The Group has defined contribution plans pursuant to the Severance Pay Law under which the 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.

2.20.2.3 Other long-term employee benefits

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

The 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 Group's obligation. The obligation is calculated using the projected unit credit method. The projected unit credit method sees each period of service as giving rise to an additional unit of benefits and entitlements and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

2.20.2.4 Benefits in respect of the termination of employment

Severance pay for employees is reflected as an expense when the 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 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.

2.21 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 other comprehensive income items.

2.21.1 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.

2.21.2 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),

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

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 loss or profit.

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 Statement of Financial Position and Income Statement of the 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 loss or profit.

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.

2.22 Revenue recognition

Revenue from the 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 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 Group are split into and recognized under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play

2—Principles governing the preparation of the Consolidated Financial Statement (Continued)

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 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 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.

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.

2.23 Operating profit before depreciation and amortization

The Group has included the subtotal ''Operating profit before depreciation and amortization'' on the face of the consolidated statement of income (please refer to the Consolidated Statement of Income). The Group believes that this subtotal is useful to users of the 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 Group's financial statements and providing information regarding the results of the Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Group's financial performance.

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

The 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. Similarly, the Group's subtotal do not take into account impact of management fees paid to related parties, in order to better reflect economic underlying of the business operated.

2.24 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,

gains on extinguishment of debt.

3—Scope of consolidation

3.1 The entities included in the scope of consolidation

Name of subsidiary	Country	Method of consolidation December 31, 2012	Method of consolidation December 31, 2011	Proportion of ownership interest and voting power held by the group December 31, 2012	Proportion of ownership interest and voting power held by the group December 31, 2011
Altice VII S.à r.l.	Luxembourg	Parent company	Parent company	—	—
Cool Holding LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	100%	64,70%
Hot Mobile LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Cable Telecommunications Systems LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC(*)	FC(*)	100%	64,70%
Hot Properties LTD(1)	Israel	—	FC(*)	—	64,70%
Hot Vision LTD	Israel	FC(*)	FC(*)	100%	64,70%
Nonstop Ventures LTD	Israel	Equity method	Equity method	50%	32,35%
South Saron Communications LTD	Israel	FC(*)	FC(*)	100%	64,70%
Iscarable LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot TLM Subscription Television LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Red LTD(1)	Israel	—	FC(*)	—	64,70%
Hot Eden Cables Systems LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Israel Cables Systems LTD	Israel	FC(*)	FC(*)	100%	64,70%
Hot Gold LTD(1)	Israel	—	FC(*)	—	64,70%
Hot Net Limited Partnership	Israel	FC(*)	FC(*)	100%	64,70%
Hot EDOM LTD	Israel	FC(*)	—	100%	—
Zira (Copyrights on the Internet) LTD	Israel	Equity method	—	25%	—
Altice Securities S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	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(*)	100%	100%
WSG S.A.	France	FC(*)	FC(*)	99,95%	99,95%
Green ch.	Switzerland	FC(*)	FC(*)	99,12%	99,12%
Valvision S.A.S.	France	FC(*)	FC(*)	100%	100%
Auberimmo S.A.S.	France	FC(*)	FC(*)	100%	100%
Green Datacenter AG	Switzerland	FC(*)	FC(*)	97%	97%
Deficom Telecom S.à r.l.	Luxembourg	FC(*)	FC(*)	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Holding Lux S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Holding S.A.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Brabant S.p.r.l.	Belgium	FC(*)	FC(*)	44,39%	44,39%
Coditel S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Coditel Management S.à r.l.	Luxembourg	FC(*)	FC(*)	44,39%	44,39%
Altice Caribbean S.à r.l.	Luxembourg	FC(*)	—	100%	—
Altice Portugal S.A.	Portugal	FC(*)	—	60%	—
Cabovisao S.A.	Portugal	FC(*)	—	60%	—
Altice Finco S.A.	Luxembourg	FC(*)	—	100%	—
Altice Financing S.A.	Luxembourg	FC(*)	—	100%	—

(*) FC stands for ''Full Consolidation''

3—Scope of consolidation (Continued)

3.2 Modification of the scope of consolidation

3.2.1 Main acquisitions in 2012

Altice Portugal S.A. acquired 100% of Cabovisao as at February 29, 2012, from Cogeco Cable Luxembourg Holding S.A.. The consideration amounted to EUR 45 million, of which 40% was subsequently sold to APAX in April 2013.

Goodwill allocation has been completed based on the accounts as at February 28, 2012.

While carrying out the purchase price allocation, the following identifiable assets have been identified:

Brands

The Cabovisao brand has been valued through the royalty relief method over an indefinite useful life and based upon following key parameters:

Discount rate amounts to 7%;

Royalty rate used amounts to 3%, consistent with the rates used for Coditel, Numericable and Everido;

Clients.

The portfolio of clients has been valued through the excess earnings approach, and basing upon following the key parameters:

Ebit margin rate: 21,59%;

Attrition rate: 20,81%;

Discount rate: 7%;

Acquired clients' growth rate: 0%.

3.2.2 Main companies' formation in 2012

The following companies were created during the period: Altice Caribbean S.à r.l., Altice Finco S.A., Altice Financing S.A. and Altice Portugal S.A.

3.3 Acquisitions of businesses

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

3—Scope of consolidation (Continued)

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

	Total Business Combinations	Cabovisao
	(in millions of euros)	
Cost of acquisition	45,0	45,0
ASSET		
Intangible assets	37,8	37,8
Property, plant and equipment	123,0	123,0
Non-current financial assets	0,9	0,9
Inventories	—	—
Trade accounts receivable and other	6,5	6,5
Tax receivable	0,2	0,2
Cash and cash equivalents	9,0	9,0
Other current assets	1,6	1,6
Total assets	**178,9**	**178,9**
EQUITY AND LIABILITIES		
Non-current liabilities	37,7	37,7
Current liabilities	33,2	33,2
Total liabilities	**70,9**	**70,9**
Net assets	**108,0**	**108,0**
Residual badwill	**(63,0)**	**(63,0)**
Including impact of non-controlling interests on badwill	*(25,2)*	*(25,2)*

The impact of badwill has been recorded under the 'Depreciation and amortization' line item in the consolidated statement of income.

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

	Cabovisao
	(in millions of euros)
Revenues	**19,8**
Cost of sales	(8,8)
Gross Profit	**11,0**
Other operating expenses	(4,5)
General and administrative expenses	(1,4)
Other sales and marketing expenses	(2,4)
Operating profit before depreciation and amortization	**2,6**
Depreciation and amortization	(0,8)
Other expenses, net	(0,3)
Operating profit	**1,5**
Profit for the period (including non-controlling interests)	**1,4**

4—Goodwill

	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
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	209,2	—	—	—	209,2
Coditel S.à r.l.	86,4	—	—	—	86,4
Hot Telecom	600,2	—	—	1,6	601,8
Total Gross Value	**919,4**	**—**	**—**	**1,6**	**921**
WSG	(4,6)	—	—	—	(4,6)
Valvision	(1,4)	—	—	—	(1,4)
Solutions 25/Green ch/Everido	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	(1,6)	—	(121,9)	(0,7)	(124,2)
Total Cumulative impairment	**(7,5)**	**—**	**(121,9)**	**−0,7**	**(130,1)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	209,2	—	—	—	209,2
Coditel S.à r.l.	86,4	—	—	—	86,4
Hot Telecom	598,6	—	(121,9)	0,9	477,6
Total Net book value	**911,9**	**—**	**(121,9)**	**0,9**	**790,9**

4—Goodwill (Continued)

	December 31, 2010	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2011
			(in millions of euros)		
WSG	4,6	—	—	—	4,6
Valvision	1,4	—	—	—	1,4
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	—	209,2	—	—	209,2
Coditel S.à r.l.	—	86,4	—	—	86,4
Hot Telecom	—	629,8	—	(29,6)	600,2
Total Gross Value	**23,7**	**925,3**	**—**	**(29,6)**	**919,4**
WSG	(4,6)	—	—	—	(4,6)
Valvision	(1,4)	—	—	—	(1,4)
Solutions 25/Green ch/Everido	—	—	—	—	—
Coditel Brabant	—	—	—	—	—
Coditel S.à r.l.	—	—	—	—	—
Hot Telecom	—	(1,6)	—	0,1	(1,6)
Total Cumulative impairment	**(5,9)**	**(1,6)**	**—**	**0,1**	**(7,5)**
WSG	—	—	—	—	—
Valvision	—	—	—	—	—
Solutions 25/Green ch/Everido	17,8	—	—	—	17,8
Coditel Brabant	—	209,2	—	—	209,2
Coditel S.à r.l.	—	86,4	—	—	86,4
Hot Telecom	—	628,1	—	(29,5)	598,6
Total Net book value	**17,8**	**923,7**	**—**	**(29,5)**	**911,9**

Management monitors its different businesses by geography. The businesses are split into different geographies as mentioned below:

Israel

Belgium and Luxembourg

French overseas Territories

Switzerland

Others

In addition to this geographical split, for the purpose of the testing for impairment of goodwill and intangible assets with an indefinite useful life, the goodwill, brand name and customer relationships have been allocated to the local businesses that represent cash-generating units (CGU) as follows:

WSG

Valvision

Everido

Coditel Brabant

Coditel S.à r.l.

Hot Telecom

4—Goodwill (Continued)

Goodwill is tested at the cash-generating units (''CGU'') level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

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 Managers. 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 7% to 7,5%, except in Israel where it ranges from 10-11%.The Board of Managers estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

The Board of Managers has determined the value in use of each cash generating unit, with the assistance of an external appraiser, and as a result of this valuation the Group concluded that the recoverable amount of the Israeli in-country fixed line is lower than its carrying amount and accordingly recorded in the reporting period an impairment of approximately EUR 121,9 million which was recorded as part of section ''depreciation and amortization''.

5—Other intangible assets

	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	37,7	64,6
Brand name	50,0		—	29,6	0,2	5,3	79,8
Customer relations[1]	316,4		—	8,2	1,0	46,1	325,6
Licenses	19,2	13,2	(0,6)	—	—	(1,1)	32,0
Subscriber purchase costs[2]	152,1	21,2	—	—	0,6	25,7	173,9
Intangible assets under construction	0,0	0,3	—	—	—	(0,3)	0,0
Other intangible assets	95,3	23,1	—	0,1	0,4	7,7	118,8
Total Gross Value	**670,3**	**85,1**	**(0,6)**	**37,9**	**2,6**	**121,1**	**794,9**
Software	(10,8)	(17,2)	0,2	—	(0,2)	(37,7)	(27,9)
Brand name	(1,1)	(1,5)	(0,6)	—	—	(5,3)	(2,7)
Customer relations[1]	(21,6)	(35,4)	—	—	(0,3)	(46,2)	(53,0)
Licenses	(7,1)	(2,9)	0,2	—	—	1,2	(9,9)
Subscriber purchase costs[2]	(140,4)	(25,3)		—	(0,6)	(25,7)	(166,3)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(30,9)	(46,1)	—	—	(0,3)	(7,7)	(76,7)
Total Cumulative amortization and depreciation	**(211,9)**	**(128,4)**	**(0,2)**	**0,0**	**(1,4)**	**(121,4)**	**(336,5)**
							36,7
Software	26,3	10,1	0,2	—	0,1	—	77,2
Brand name	48,9	(1,5)	(0,6)	29,6	0,2	—	272,7
Customer relations[1]	294,8	(31,0)	—	8,2	0,7	—	22,1
Licenses	12,1	10,3	(0,4)	—	—	—	
Subscriber purchase costs[2]	11,7	(4,1)	—	—	—	—	7,6
Intangible assets under construction	0,0	0,3	—	—	—	(0,3)	0,1
Other intangible assets	64,4	(12,8)	—	0,1	0,1	0,7	52,5
Total Net book value	**458,3**	**(43,3)**	**—**	**37,9**	**1,2**	**0,5**	**468,8**

5—Other intangible assets (Continued)

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Software	6,0	19,8	(0,1)	13,7	(2,3)	—	37,1
Brand name	16,4	0,1	—	34,6	(1,0)	—	50,0
Customer relations[1]	38,9	—	—	290,5	(13,0)	—	316,4
Licenses	8,9	9,2	—	1,3	(0,1)	—	19,2
Start-up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs[2]	145,4	7,3	—	7,7	(8,4)	—	152,1
Intangible assets under construction	0,2	—	—	—	—	(0,2)	—
Other intangible assets	7,3	23,0	—	67,2	(2,3)	0,1	95,3
Total Gross Value	**223,2**	**59,4**	**(0,1)**	**414,9**	**(27,1)**	**(0,1)**	**670,3**
Software	(2,5)	(9,9)	0,1	—	1,6	—	(10,8)
Brand name	—	(0,7)	(0,6)	—	0,2	—	(1,1)
Customer relations[1]	(2,3)	(17,9)	(3,4)	—	1,9	—	(21,6)
Licenses	(6,1)	(1,1)	—	—	0,1	—	(7,1)
Start-up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs[2]	(118,4)	(28,6)	—	—	6,6	—	(140,4)
Intangible assets under construction	—	—	—	—	—	—	—
Other intangible assets	(3,8)	(10,9)	(14,5)	—	(0,3)	—	(30,9)
Total Cumulative amortization and depreciation	**(133,1)**	**(69,1)**	**(18,4)**	**—**	**10,2**	**—**	**(211,9)**
Software	3,5	9,8	—	13,7	(0,7)	—	26,3
Brand name	16,4	(0,6)	(0,6)	34,6	(0,8)	—	48,9
Customer relations[1]	36,6	(17,9)	(3,4)	290,5	(11,1)	—	294,8
Licenses	2,7	8,1	—	1,3	—	—	12,1
Start-up costs	—	—	—	—	—	—	—
Research and development costs	—	—	—	—	—	—	—
Subscriber purchase costs[2]	27,1	(21,3)	—	7,7	(1,8)	—	11,7
Intangible assets under construction	0,2	—	—	—	—	(0,2)	—
Other intangible assets	3,5	10,6	(14,5)	67,2	(2,6)	0,1	64,4
Total Net book value	**90,1**	**(11,2)**	**(18,5)**	**414,9**	**(16,9)**	**(0,1)**	**458,3**

(1) Customer relations have been valued on the basis of the fair value of the existing customers. The amortization expenses are in accordance with the benefits expected for each customers in each period.

(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.

The majority of the intangible assets movements for the year ended December 31, 2012 are related to the Cabovisao business combination (see Note 3.3).

6—Property, Plant & Equipment

	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	12,3	0,5	0,3	14,1	68,6
Cable networks[(1)]	480,3	58,3	58,3	110,4	3	514,1	661,8
Call center (primarily electronic equipment)[(2)]	68,3	25,8	25,8		0,7	148,6	94,9
Converters and modems	161,8	70,4	70,4		1,5	249,2	230,5
Computers and ancillary equipment	29,1	6,4	6,4	0,1	0,2	32	35,8
Office furniture and equipment[(3)]	97,7	12,2	12,2	0,7	0,2	162,3	113,9
Communication network infrastructure[(4)]	301,9	58	58	3,1	1	0,4	362,1
Other data center equipment	3	(1,6)	(1,6)	—	—	1,8	3,3
Tangible assets under construction	7,2	19,8	19,8	8,4	—	(16,6)	17,0
Prepayments on tangible assets	0,1	3,0	3,0	—	—	—	3,1
Other tangible assets	6,2	3,2	3,2	0,1	—	12,9	9,6
Total Gross Value	**1 213,7**	**267,9**	**(8,8)**	**123.6**	**6,9**	**1118,8**	**1 603,4**
Buildings	(8,7)	(4)	—	—	(0,1)	(14,1)	(12,8)
Cable networks[(1)]	(24,7)	(110,6)	0,8	—	(1,8)	(503,3)	(136,3)
Call center (primarily electronic equipment)[(2)]	(5,8)	(19,6)	(0,8)	—	(0,5)	(148,5)	(26,7)
Converters and modems	(11)	(44,9)	6,3	—	(0,9)	(249,3)	(50,6)
Computers and ancillary equipment	(20,4)	(5)	(2,0)	—	(0,2)	(32)	(27,6)
Office furniture and equipment[(3)]	(23,7)	(15,2)	1,9	—	—	(158,8)	(37,0)
Communication network infrastructure[(4)]	(212,3)	(28,2)	6,0	—	(0,5)	(0,1)	(235,1)
Other data center equipment	(1,1)	(0,3)	—	—	—	—	(1,5)
Tangible assets under construction	(0,1)	(0,3)	—	—	—	0,1	(0,3)
Prepayments on tangible assets	—	—	—	—	—	—	
Other tangible assets	(4,1)	(2,9)	(0,6)	—	—	(12,9)	(7,7)
Total Cumulative amortization and depreciation	**(311,9)**	**(231,1)**	**11,5**	**—**	**(4,1)**	**(1 118,9)**	**(535,6)**

6—Property, Plant & Equipment (Continued)

	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	46,8	8,2	—	0,5	0,2	—	55,8
Cable networks[(1)]	455,6	(52,2)	(0,1)	110,4	1,2	10,7	525,6
Call center (primarily electronic equipment)[(2)]	62,6	6,3	(0,8)	—	0,2	—	68,2
Converters and modems	150,8	25,5	3,0	—	0,6	—	179,9
Computers and ancillary equipment	8,7	1,4	(2,0)	0,1	—	—	8,2
Office furniture and equipment[(3)]	74	(2,9)	1,3	0,7	0,1	3,7	76,8
Communication network infrastructure[(4)]	89,6	29,7	3,6	3,1	0,5	0,4	127
Leasehold contracts	0	—	—	—	—	—	—
Other data center equipment	1,9	(1,9)	—	—	—	1,8	1,8
Tangible assets under construction	7,1	19,5	(1,8)	8,4	—	(16,4)	16,7
Prepayments on tangible assets	0,1	3,0	—	—	—	—	3,1
Other tangible assets	2,0	0,3	(0,6)	0,1	—	—	1,9
Total Net book value	**901,7**	**36,8**	**(2,6)**	**123,6**	**2,8**	**0,2**	**1 067,8**

6—Property, Plant & Equipment (Continued)

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Land	2,5	—	—	0,1	—	—	2,6
Buildings	17,9	13	—	14,6	(1,7)	11,7	55,5
Cable networks[1]	13	31,3	—	481,9	(45,9)	—	480,3
Call centers (primarily electronic equipment)[2]	—	14,1	—	64,9	(9,9)	—	68,3
Converters and modems	0,7	30,1	−2	151,7	(18,6)	—	161,8
Computers and ancillary equipment	22,4	4,8	—	4,6	(2,6)	—	29,1
Office furniture and equipment[3]	29,4	15,2	−1	43,6	0,4	10	97,7
Communication network infrastructure[4]	288,3	24,9	—	—	(11,4)	—	301,9
Other data center equipment	2,2	0,7	—	—	0,1	—	3
Tangible assets under construction	21,8	6,4	—	—	0,3	(21,3)	7,2
Prepayments on tangible assets	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets	3,6	0,5	—	2,8	(0,7)	—	6,2
Total Gross Value	**402,3**	**141,1**	**(3,1)**	**763,3**	**(89,9)**	**—**	**1 213,7**
Buildings	(6,1)	(3,4)	—	—	0,9	—	(8,7)
Cable networks[1]	(1,4)	(46,6)	—	—	23,3	—	(24,7)
Call center (primarily electronic equipment)[2]	—	(12,7)	—	—	6,9	—	(5,8)
Converters and modems	(0,2)	(24,2)	1,8	—	11,6	—	(11)
Computers and ancillary equipment	(20,3)	(2,5)	—	—	2,3	—	(20,4)
Office furniture and equipment[3]	(15,8)	(8,6)	0,9	—	(0,1)	—	(23,7)
Communication network infrastructure[4]	(205,9)	(14,7)	—	—	8,3	—	(212,3)
Other data center equipment	(0,8)	(0,2)	—	—	—	—	(1,1)
Tangible assets under construction	—	(0,1)	—	—	—	—	(0,1)
Prepayments on tangible assets	—	—	—	—	—	—	—
Other tangible assets	(2,1)	(2,5)	—	—	0,5	—	(4,1)
Total Cumulative amortization and depreciation	**(252,7)**	**(115,5)**	**2,7**	**—**	**53,5**	**—**	**(311,9)**

6—Property, Plant & Equipment (Continued)

	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
			(in millions of euros)				
Land	2,5	—	—	0,1	—	—	2,6
Buildings	11,8	9,5	—	14,6	(0,8)	11,7	46,8
Cable networks(1)	11,6	(15,2)	—	481,9	(22,6)	—	455,6
Call center (primarily electronic equipment)(2)	—	1,4	—	64,2	(3)	—	62,6
Converters and modems	0,5	5,9	(0,2)	151,7	(7,1)	—	150,8
Computers and ancillary equipment	2,1	2,3	—	4,6	(0,3)	—	8,7
Office furniture and equipment(3)	13,5	6,6	(0,1)	43,6	0,3	10	74
Communication network infrastructure(4)	82,4	10,2	—	—	(3,1)	—	89,6
Leasehold contracts	—	—	—	—	—	—	—
Other data center equipment	1,4	0,4	—	—	—	—	1,9
Tangible assets under construction	21,8	6,3	—	—	0,3	(21,3)	7,1
Prepayments on tangible assets	0,5	—	—	—	—	(0,4)	0,1
Other tangible assets	1,5	(2,1)	—	2,8	80,2)	—	2
Total Net book value	**149,7**	**25,6**	**(0,4)**	**763,3**	**(36,4)**	**—**	**901,7**

(1) Cable network: the 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.

Most of the tangible assets increases as of December 31, 2012 is related to the Cabovisao business combination (see Note 3.3).

The additions in capital expenditures come mainly from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 69,4 million for the year ended December 31, 2012, as compared to EUR 29,3 million for the year ended December 31, 2011. The increase in converters and modems related capital expenditures resulted from capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) for which delivery was delayed and which we had expected to incur during the second quarter of 2011 and did not received until the last quarter of 2011.
- Cable network related (including centers) capital expenditures represented EUR 84 million for the year ended December 31, 2012, as compared to EUR 51.6 million for the year ended December 31, 2011. The increase in our total cable network related (including centers) capital expenditure was as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012.

7—Financial assets

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Investments held as available for sale(1)	6,1	8,5
Loan term trade receivables(3)	18,7	2,4
Restricted cash(2)	9,6	41,4
Total Gross Value	**34,4**	**52,3**
Assets available for sale(1)	—	—
Loan term trade receivables(3)	—	—
Restricted cash(2)	—	—
Total Cumulative amortization and depreciation	**—**	**—**
Investments held as available for sale(1)	6,1	8,5
Loan term trade receivables(3)	18,7	2,4
Restricted cash(2)	9,6	41,4
Total Net book value	**34,4**	**52,3**

(1) Investment in available for sale financial asset:

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.

Partner's shares are subject to Israeli restrictions in accordance with the Radio Mobile Telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli buyer, as defined in the said license.

The subsidiary companies present the investment in Partner as an investment in an available for sale financial asset, which is measured at fair value.

(2) Restricted cash (see Note 2.18).

As of December 31, 2012 the cash is restricted for the purpose of collateralizing HOT's liabilities to banking entities. The restricted cash has been deposited in financial institutions and as of the statement of financial position date it bears interest based on the interest rate on daily bank deposits.

(3) On July 3, 2012, Altice Africa S.à r.l., as investor, entered into a convertible note purchase agreement with Wananchi Group (Holdings), Ltd (hereafter ''WGH'') for a principal amount of up to EUR 16 million. The promissory notes ((hereafter ''the notes'') plus any interest accrued shall be converted and capitalized into fully paid ordinary shares of WGH before the maturity date on December 31, 2012. In December 2012, it was decided to extend the maturities of the promissory notes till January 31, 2013. Hence the notes were treated as a loan to a related party and accrued interest (15% per annum, retroactive to the date of issue) was recognized on these notes in the accounts.

8—Other long-term trade receivables

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Income taxes	—	—
Prepaid expenses	0,8	5,9
Other current receivables[(1)]	23,7	22,5
Total Gross Value	**24,6**	**28,4**
Income taxes	—	—
Prepaid expenses	—	—
Other current receivables[(1)]	—	—
Total Cumulative amortization and depreciation	**—**	**—**
Income taxes	—	—
Prepaid expenses	0,8	5,9
Other current receivables[(1)]	23,7	22,5
Total Net book value	**24,6**	**28,4**

(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.

9—Inventories

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Work in progress	0,1	0,1
Finished/semi-finished goods	7,1	7,9
Total Gross Value	**7,2**	**8,0**
Work in progress	(0,1)	—
Finished/semi-finished goods	(1,0)	(1,9)
Total Cumulative amortization and depreciation	**(1,1)**	**(1,9)**
Work in progress	—	0,1
Finished/semi-finished goods	6,2	6,1
Total Net book value	**6,1**	**6,1**

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

	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)**	**—**	**—**	**(1,1)**

9—Inventories (Continued)

	December 31, 2010	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)				
Finished/semi-finished goods	(0,6)	(1,3)	—	—	(1,9)
Total Cumulative amortization and depreciation	**(0,6)**	**(1,3)**	**—**	**—**	**(1,9)**

10—Trade and other receivables

10.1 Trade receivables

	December 31, 2011	Business Combinations	Addition	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**

	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
	(in millions of euros)					
Trade receivables	60,8	62,2	8,1	—	(2,0)	129,1
Allowance for doubtful debts	(9,9)	(14,7)	(4,0)	1,5	0,8	(26,4)
Trade receivable, net	**50,9**	**47,5**	**4,1**	**1,5**	**(1,2)**	**102,7**

The increase in trade receivables in the year ended December 31, 2012 is explained by the switch in invoicing method in Israel from invoicing before the service was provided, to invoicing post utilization of the service, as decided by the Israeli Ministry of Telecom.

10.2 Age of receivables that are past due but not impaired

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Not yet payable	116,7	78,3
30-90 days	14,0	10,1
91-121 days	20,2	14,3
Total	**150,8**	**102,7**

10—Trade and other receivables (Continued)

10.3 Other receivables

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Loans to related party	3,8	1,8
Bank guarantee	14,0	—
Tax and social security receivables	5,5	5,1
Income tax	0,3	—
Prepaid expenses	6,1	4,3
Other current receivables	8,1	10,9
Total	**37,9**	**22,1**

The 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 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 Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information.

The increase in other receivables in the year ended December 31, 2012 is mainly explained by an increase in bank guarantees provided by HOT Mobile to the national regulator in Israel, for a total amount of EUR 14 million (NIS 69 million), related to the expansion of its mobile network.

11—Cash and cash equivalents

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Time deposits	5,2	0,1
Bank balances	124,5	19,7
Cash equivalents	**129,7**	**19,8**
Bank overdrafts	—	—
Bank overdrafts	**—**	**—**
Cash and cash equivalents presented in the consolidated statement of cash flows	**129,7**	**19,8**

12—Issued capital

On December 31, 2012, the share capital amounts to EUR 7,4 million and is divided into 742 561 510 fully paid shares with a nominal value of EUR 0,01.

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Share capital	7,4	7,4
Total	**7,4**	**7,4**

The details of the different classes of shares are provided in the table below. The Group has defined three share classes; Shares designated with the letters A through H are referred to as specific shares. Shares designated 1A through 1H are referred to as class 1 shares and when grouped together with their corresponding letters (i.e. Class A shares with class 1A shares), form a share category referred to as the

12—Issued capital (Continued)

specific share class ('*classe specifique*'). In addition to this class, the other two classes of shares are: Ordinary shares ('*part sociale ordinaire*') and Class M shares ('*classe M'*) shares. All these shares put together make up the total shares of the Group.

Each specific share class is linked to the investment in the assets of companies acquired by the Group and hence intrinsically linked to the financial performance of these entities (tracking shares). Each specific class allows its holder to obtain a share of the net profit of the Group in a proportion determined by the Board of Managers.

In addition to the profit sharing defined above, the economic benefit arising from investment in any of the specific share classes is determined as follows:

At the end of the financial year, the Group reports a net income from its activities and based on this net income could attribute it to the different specific classes, as if the investment to which they are related were the only asset held by the Group. Any profits arising from this distribution could be credited to a specific account. Thus, a separate account must be maintained for each specific share class.

Dividends may be issued from these accounts only to the holders of the shares linked to each account.

Holders of ordinary and class M shares are eligible to receive a share of profits, if any such profits remain after distribution to the holders of the specific share classes. None of the class of shares are subordinated to each other.

Each share class allows the holder one right to vote in general assembly meetings, provided that there is one single representative holder of the share class. If shares in a class are held by more than one person, the voting right is suspended till the holder designates a single legal representative.

Different classes of shares are summarized below:

	December 31, 2012
Class of corporate units	**Number**
Class A	14 832 900
Class B	71 747 100
Class C	98 886 400
Class D	64 226 800
Class E	98 886 400
Class F	98 886 400
Class G	1 058 610
Class 1A	1 113 600
Class 1B	5 386 000
Class 1C	202 108 900
Class 1D	4 603 900
Class 1E	19 337 000
Class 1F	25 657 900
Class 1O	44 600
Class 1G	79 600
Class M	31 000 000
Class H	742 868
Class 1H	7 132
Ordinary	3 955 400

12—Issued capital (Continued)

December 31, 2011	
Class of corporate units	**Number**
Class A	14 832 900
Class B	71 747 100
Class C	98 886 400
Class D	64 226 800
Class E	98 886 400
Class F	98 886 400
Class G	1 058 610
Class M	31 000 000
Class 1A	1 113 600
Class 1B	5 386 000
Class 1D	4 603 900
Class 1E	19 337 000
Class 1F	25 657 900
Class 1O	44 600
Class 1G	79 600
Ordinary	3 955 400

	December 31, 2012	December 31, 2011
	Number of shares	
Opening balance	**741 811 510**	**783 283 510**
Issuance	750 000	124 200
Redemption	0	(41 596 200)
Closing balance	**742 561 510**	**741 811 510**

In 2012, the extraordinary general meeting of the equity holders decided to conduct three capital increases for a total amount of EUR 0,01 million through the issuance of 742 868 class H units and 7 132 class 1H units.

13—Earnings per share (EPS)

Non diluted EPS for 2012 has been computed dividing 2012's net income by weighted average number of shares as of December 31, 2012.

Diluted EPS for 2012 has been computed based on the assumption that the CPECs (Convertible Preferred Equity Certificates) would be converted at a 1 to 1 ratio.

	December 31, 2012	December 31, 2011
Net income (in millions of euros)	(189,80)	123,90
Non diluted weighted average number of shares	742 417 674	742 417 674
Basic earnings per share	**(0,26)**	**0,17**
Diluted weighted average number of shares	967 944 738	967 944 738
Diluted earnings per share	**(0,20)**	**0,13**

In June 2013, all the different classes of tracking shares were merged into one single class of ordinary shares. No dividends were paid to any of the equity holders during any period since the inception of the Group. The Board of Managers has determined that the disclosure of EPS metrics for each class of share in issuance during 2011 and 2012 is not qualitatively relevant to the users of the financial statements and has hence elected to disclose EPS on the basis of the merged single class of ordinary shares.

14—Reserves

	December 31, 2012	December 31, 2011
	(in millions of euros)	
CPEC'S reclassed in equity	219,1	219,1
Distribution to CPEC's holders	(17,4)	(17,4)
YFPEC'S	22,7	21,6
Employee benefits	0,3	0,2
Currency Translation Reserve	(6,7)	(3,0)
Impact of changes in ownership interests	61,3	13,1
Other	(1,6)	(0,7)
Group reserves	**277,5**	**232,9**

According to the Luxemburg legal provisions, 5% of net profits must be obligatorily credited to a legal reserve account. The obligation to make this contribution ends when the legal reserves equal 10% or more of the share capital of the Group. An allocation to the legal reserve has been performed for the year ended December 31, 2012 for an amount of EUR 277 thousands and is not distributable to the equity holders of the Company.

CPEC, which maturity comprises between 2058 and 2061, increases from EUR 219 million in 2011 to EUR 219,1 million in 2012, due to subscriptions of EUR 0,1 million. In substance, CPECs subordinated financial instruments (about EUR 219,1 million as at the end of 2011) are equity instruments as:

CPECs give issuer the opportunity to avoid delivering cash.

CPECs do not bear interests.

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

The change in impact from changes in ownership structure are explained by the buyout of minority interests in HOT in December 2012, following the take private of HOT (see note 27).

14—Reserves (Continued)

Details of YFPECS (before impact of discounting) and CPECS are presented as follows:

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2011	Principal amount as at the end 2012
				in millions of euros	
YFPECs C	14/05/2058	—	No	22,07	22,07
YFPECs C	03/12/2058	—	No	4,51	4,51
YFPECs C	15/06/2060	—	No	0,10	0,10
YFPECs C	26/08/2011	—	No	0,11	0,11
YFPECs C	28/11/2011	—	No	2,51	2,51
YFPECs C	03/12/2058	—	No	4,00	4,00
YFPECs E	01/12/2058	—	No	1,88	1,88
YFPECs F	17/06/2059	—	No	—	—
YFPECs K	31/12/2061	—	No	—	1,16
Total				***35,18***	***36,34***
CPECs A	14/05/2058	—	Yes (to the benefit of the issuer)	0,84	0,84
CPECs B	01/12/2058	—	Yes (to the benefit of the issuer)	3,61	3,61
CPECs B	14/05/2058	—	Yes (to the benefit of the issuer)	0,46	0,46
CPECs B	14/05/2058	—	Yes (to the benefit of the issuer)	15,42	15,42
CPECs C	03/12/2058	—	Yes (to the benefit of the issuer)	23,48	23,48
CPECs C	03/12/2058	—	Yes (to the benefit of the issuer)	22,67	22,67
CPECs C	14/05/2058	—	Yes (to the benefit of the issuer)	132,30	132,30
CPECs D	03/12/2058	—	Yes (to the benefit of the issuer)	3,45	3,45
CPECs E	01/12/2058	—	Yes (to the benefit of the issuer)	16,18	16,18
CPECs F	01/12/2058	—	Yes (to the benefit of the issuer)	—	—
CPECs G	18/03/2058	—	Yes (to the benefit of the issuer)	0,06	0,06
CPECs H	29/06/2058	—	Yes (to the benefit of the issuer)	—	0,45
CPECs H	16/11/2060	—	Yes (to the benefit of the issuer)	—	0,01
CPECs H	01/12/2060	—	Yes (to the benefit of the issuer)	—	0,15
CPECs I	29/02/2061	—	Yes (to the benefit of the issuer)	—	0,03
Total				***219,0***	***219,1***

Information on the parameters used to calculate the employee benefits is presented in note 16.

Exchange rate differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

15—Provisions

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Provision for retirement benefits	6,9	—	2,0	(0,8)	1,0	9,1
Litigations[1]	38,8	—	1,9	(24,0)	(0,9)	15,8
Other risks[2]	1,7	5,0	1,4	(0,1)	(0,1)	8,0
Provisions for other expenses	—	—	1,8	—	—	1,8
TOTAL	**47,4**	**5,1**	**7,1**	**(24,9)**	**0,1**	**34,7**

	December 31, 2010	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
			(in millions of euros)			
Provision for retirement benefits	1,2	5,4	0,4	(2,5)	2,4	6,9
Litigations[1]	0,7	67,4	0,7	(26,6)	(3,4)	38,8
Other risks[2]	0,8	0,9	—	—	—	1,7
Provisions for other expenses	0,2	—	—	(0,2)	—	—
TOTAL	**2,9**	**73,7**	**1,1**	**(29,3)**	**(0,9)**	**47,4**

(1) Provisions for litigations and other risks decreased in FY12 compared to the previous period, mainly driven by a re-evaluation of the risk of pay-out on the various royalty and retransmission fees related lawsuits faced by HOT Telecom in Israel. The reversals on the three major litigations, namely TALI, AKUM and AGICOA, amounted to EUR 3, 13,5 and 3,5 million respectively. The total reversal on provision for litigation was EUR 20 million.

In 2012, HOT Telecom also recorded an additional provision of EUR 1,9 million to cover a contested withholding tax ruling.

(2) No major movements were recorded on provisions for risks in the French Caribbean entities. The increase in provisions for risk in FY12 was mainly attributed to the acquisition of Cabovisao in February 2012. Cabovisao had a provision of EUR 5 million on its statement of financial position to account for potential fines and penalties to be paid resulting from negative outcome on various tax rulings sought by Cabovisao.

16—Employee benefits

Breakdown of the employee benefits by entity:

	Notes	December 31, 2012	December 31, 2011
		(in millions of euros)	
Coditel Brabant		0,7	0,9
Hot Telecom	16.1	6,5	4,7
Solutions 25		2	1,4
Total		**9,1**	**6,9**

16—Employee benefits (Continued)

16.1 Hot Telecom

(a) Defined Benefit Plans

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

The Group has defined contribution plans, in accordance with section 14 of the Israeli Severance Pay Law, in accordance with which the 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, 2012	December 31, 2011
	(in millions of euros)	
Current service cost	4,7	3,9
Interest expenses in respect of the benefit liabilities	1,0	1,0
Expected yield in the plan assets	(0,8)	(0,8)
Net actuarial loss (gain) which has been recognized in the year	0,6	2,4
Total expenses in respect of employee benefit	**5,5**	**6,5**

(c) The plan assets (liabilities)

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	26,8	25,4
Fair value of the plan assets	(20,3)	(20,7)
Total net assets/(liabilities)	**6,5**	**4,7**

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

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Opening balance	**25,4**	**23,8**
Interest expenses	1,0	1,0
Current service cost	4,7	3,9
Benefits paid	(3,2)	(4,1)
Transfer of employees to section 14	(1,6)	—
Net actuarial loss (profit)	0,6	0,8
Closing balance	**26,8**	**25,4**

16—Employee benefits (Continued)

(e) The plan assets

The plan assets

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

The movement in the fair value of the plan assets

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Opening balance	**20,7**	**20,1**
Expected yield	0,8	0,8
Deposits by the employer into the plan	4,1	3,9
Benefits paid	(3,7)	(2,4)
Transfer of employees to section 14	(1,6)	—
Net actuarial loss	—	(1,6)
Closing balance	**20,3**	**20,7**

(f) The principal assumptions:

	December 31, 2012	December 31, 2011
	(in %)	
Discount rate	3,54	4,34
Expected yield on the plan assets	3,84	4,51
Expected yield of salary increases	2–4	2–4

17—Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Bonds	1 108,5	291,4
Related party bonds	109	73,9
Bank credit facilities	257,2	536,6
Finance leases	7,4	7,3
Other financial liabilities	111	85,3
Financial instruments	62,5	—
Non-current liabilities	**1 655,6**	**994,4**
Bonds	25,4	12,4
Bank credit facilities	86,5	228,8
Finance leases	1,4	0,6
Bank overdraft	—	—
Other financial liabilities	—	0,7
Accrued interest	2,7	2,2
Current liabilities	**116,3**	**244,7**

17—Borrowings and other financial liabilities (Continued)

17.1 Financial liabilities description

During the year ended December 31, 2012, bonds include the debentures in Hot Telecom:

The Series A' debentures—EUR 167 million (NIS 825 million par value), linked to the Consumer Prices Index for the month of February, 2011, that bear interest at a rate of 3,9% a year. 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 (NIS 675 million par value) that bear interest at a fixed rate of 6,9% a year. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

Bonds also include Senior and Senior secured Notes in Altice Finco S.A. and Altice Financing S.A.:

The Senior Notes in U.S. dollar, issued by Altice Finco S.A and with a face value of $425,0 million (EUR 322,0 million) mature on December 15, 2020 and bear coupons of 9,875% annually.

The Senior Secured Notes in U.S. dollars, issued by Altice Financing S.A. and with a face value of $460 (EUR 348,5 million) mature on December 15, 2019 and bear coupons of 7,875% annually.

The Senior Secured Notes in Euro, issued by Altice Financing S.A and with a face value of EUR 210 million mature on December 15, 2019 and bear coupons of 8% annually.

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. The interest payment of the bonds is semi-annually on June 15 and on December 15 of each year and the first payment of the interest will be on June 15, 2013.

17.1.1 Hot Telecom

The unsecured debentures issued on the Tel Aviv stock exchange by the 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, 2012, Hot Telecom was in compliance with all of the required financial covenants.

17.1.2 Altice Blue One

As part of the Altice Blue One (''ABO'') financing arranged in 2009, the ABO was required to respect certain covenants calculated on the basis of its consolidated accounts. As of December 31, 2012, the company was in default of financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt contracts, 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.

ABO's management does not believe that these covenant defaults affect in any way the ability of the Group to effectively pursue its operations. This hypothesis was supported by advanced level talks with the lending parties, and based on the fact that none of the lenders ever demanded early repayment of the loan. Thus ABO's accounts for 2012 were closed and approved based on the hypothesis outlined above. On July 2, 2013, ABO refinanced the relevant facilities with funds granted by the Group, thereby solving any default situation.

17—Borrowings and other financial liabilities (Continued)

17.1.3 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..

As of December 31, 2012, Coditel Holding S.A. was in compliance with all of the required financial covenants.

As at December 31, 2012, there were no breaches of covenants for the senior and senior secured notes mentioned in the note above.

17.2 Bonds

Issuer	Fair value in millions of euros December 31, 2012	Effective interest rate	Year of maturity	Carrying amount December 31, 2012	Carrying amount December 31, 2011
Bonds					
Hot Telecom					
—Debentures	269,2	Variable (3,9% and 6,9% + Consumer Price Index)	2018	269,2	291,4
Altice Financing					
—Senior Secured Notes	516,7	between 7,9% and 9,9%	2019/2020	516,7	
Altice Finco					
—Senior Secured Notes	322,7	between 7,9% and 9,9%	2019/2020	322,7	
Related party bonds					
Altice VII					
—Alpecs	104,6	Variable	2057 to 2061	104,6	69,8
—Yfpecs	4,4	4,76%	2058 to 2061	4,4	4,1
Nominal value of bonds	**1 322,6**			**1 217,6**	**365,3**
Of which due within one year					
Of which due after one year	1 322,6			1 217,6	365,3

The fair value of bonds amounts to EUR 1 322,6 million (2011: EUR 418 million). This value includes accrued interest of EUR 9,02 million on Alpecs (Altice VII) and EUR 8,6 million on Pecs (Coditel holding).

17.3 Related party bonds

Subordinated financial instruments have been issued by Altice VII and Coditel Holding.

(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;

17—Borrowings and other financial liabilities (Continued)

ALN: Asset Linked Notes.

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

ALPECs instruments (about EUR 101,3 Million as at the end of 2012);

YFPECs instruments (about EUR 36,3 Million as at the end of 2012).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

Details of ALPECs are summarized in the table below:

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2011	Principal amount as at the end 2012
				(in millions of euros)	
ALPECs A	14/05/2058	Loan Auberimmo—25 bp	No	1,0	1,0
ALPECs B1	31/12/2057	Loan ABO—25 bp	No	4,5	4,5
ALPECs B3	31/07/2058	Loan ICC France—25 bp	No	1,0	—
ALPECS F (US dollar)	27/05/2059	Loan Mirs—25 bp	No	—	—
ALPECS H	16/11/2060	Business Unit[(1)]—25 bp	No	59,0	69,0
ALPECS I	*28/02/2061*		No		*11,2*
ALPECS J	*03/08/2061*		No		*4,0*
ALPECS J	*02/10/2061*		No		*8,0*
ALPECS J	*13/11/2061*		No		*4,0*
Total				***65,5***	***101,3***

(1) Business Unit means any interests and proceeds received by the Issuer by virtue of the Subsidiary's PECs. Each instrument class is linked to the acquisition of a specific asset. This asset makes up the business unit mentioned earlier in the footnote.

(b) Coditel Holding

Subordinated financial instruments in Coditel Holding S.A. consist of PECs (Preferred Equity Certificates). Each PEC bears a yield and shall have a maturity of 49 years.

As at the end of 2012, the total of PECs instruments amounts to EUR 61,8 million (including interests):

Name	Issuing date	Maturity date	Number of instruments	Nominal value per instrument in euro	Interest rate	Convertible	Amount as at the end of 2011	Amount as at the end of 2012
			(in millions)	(in euro)			(in millions of euros)—including interests	
PECs C	30/06/2011	30/06/2060	44,2	1	12,98%	No	44,2	51,4
PECs C	02/12/2011	02/12/2060	9	1	12,98%	No	9	10,5
Total			***53,2***				***53,2***	***61,8***

17—Borrowings and other financial liabilities (Continued)

17.4 Maturity of financial liabilities

	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	109,0	—	—	109,0
Bank credit facilities	343,7	86,5	27,5	229,7
Finance leases	8,8	1,4	3,4	4,0
Accrued interest	3,0	3,0	—	—
Bank overdraft	—	—	—	—
Other financial liabilities	111,0	—	7,8	103,2
Financial instruments	62,5	—	—	62,5
Nominal value of borrowings	**1 771,9**	**116,3**	**116,0**	**1 539,6**

	December 31, 2011	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds	303,8	12,4	102,0	189,3
Related party bonds	73,9	—	—	73,9
Bank credit facilities	764,9	228,3	161,5	376,6
Finance leases	8,4	1,1	1,3	4,4
Accrued interest	2,2	2,2	—	—
Bank overdraft	—	—	—	—
Other financial liabilities	86,0	0,7	2,8	82,5
Financial instruments	—	—	—	—
Nominal value of borrowings	**1 239,2**	**244,7**	**267,6**	**726,7**

17.5 Currency of borrowings

	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	109	109	—	—	—
Bank credit facilities	343,7	319,7	—	—	24
Finance leases	8,8	6,2	—	—	2,6
Accrued interest	3	1,2	1,6	—	0,2
Bank overdraft	—	—	—	—	—
Other financial liabilities	111	108,1	—	2,7	0,2
Financial instruments	62,5	—	62,5	—	—
TOTAL	**1 771,9**	**544,2**	**903,4**	**297,3**	**27**

17—Borrowings and other financial liabilities (Continued)

	December 31, 2011	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds	303,8	—	—	303,7	—
Related party bonds	73,9	73,9	—	—	—
Bank credit facilities	764,9	292,6	—	450,9	21,4
Finance leases	8,4	6,5	—	—	1,9
Accrued interest	2,2	2,2	—	0,1	—
Bank overdraft	—	—	—	—	—
Other financial liabilities	86	82,4	—	3,1	0,5
Financial instruments	—	—	—	—	—
TOTAL	**1 239,2**	**457,6**	**—**	**757,8**	**23,8**

17.6 Nature of interest rate

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	1 133,9	969,7	164,2
Related party bonds	109	109	—
Bank credit facilities	343,7	229,9	113,8
Finance leases	8,8	2,6	6,2
Accrued interest	3	3	—
Bank overdraft	—	—	—
Other financial liabilities	111	108,1	2,9
Financial instruments	62,5	62,5	—
TOTAL	**1 771,9**	**1 484,8**	**287,1**

	December 31, 2011	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	303,8	—	303,8
Related party bonds	73,9	73,9	—
Bank credit facilities	764,9	245,2	519,7
Finance leases	8,4	1,9	6,5
Accrued interest	2,2	0,1	2,2
Other financial liabilities	86	83,5	2,5
TOTAL	**1 239,2**	**404,5**	**834,6**

17.7 Coditel Holding swaps

As of December 31, 2012, 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. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

On February 2012, Coditel Holding has concluded the following swap transactions:

- a swap transaction with ING amounting to EUR 35 million with a maturity date on March 31, 2015 and an interest rate composed of a fixed rate of 0,770% and an EUR-euribor-reuters floating rate;

17—Borrowings and other financial liabilities (Continued)

- a swap transaction with ING amounting to EUR 17,5 million with a maturity date on March 31, 2015 a fixed rate of 0,775% and an EUR-euribor-reuters floating rate;
- a swap transaction with ING amounting to EUR 50 million with a maturity date on March 31, 2015 a fixed rate of 0,710% and an EUR-euribor-reuters floating rate;
- a swap transaction with KBC amounting to EUR 20 million with a maturity date on March 31, 2015 a fixed rate of 0,755% and an EUR-euribor-reuters floating rate;
- a swap transaction with HSBC amounting to EUR 17 million with a maturity date on March 31, 2015 a fixed rate of 0,770% and an EUR-euribor-reuters floating rate.

18—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), commodity price 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 Managers 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.

18.1 Credit risk

The 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.

Qualities that could cause a concentration of risk include the significance of the activities that the debtors are involved in, such as the branch in which the geographical region in which they conduct their activities and the level of their financial stability.

The Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Group does not have significant concentration of credit risk, as a result of the Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

18.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which have established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Group. The Group 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.

18.3 Market risks

The 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.

18—Financial risk factors (Continued)

18.3.1 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 Group has an exposure to risk in respect of changes in the 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, 2012	December 31, 2011
	(in millions of euros)	
Financial debt at fixed rates	1 484,8	404,6
Financial debt at variable rates	287,1	834,6
TOTAL	**1,771,9**	**1,239,2**

18.3.2 Israeli CPI risk

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the 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 Group is exposed to changes in the Israeli CPI amounted to approximately EUR 247 million as of December 31, 2012.

18.3.3 Foreign currency risk

The 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 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 Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures, swaps and options.

	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)

	December 31, 2011		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(10,7)	(0,1)	(10,9)
Decrease of 10% in exchange rate	10,7	0,1	10,9
Equity			
Increase of 10% in exchange rate	(1,3)	(2,1)	(3,4)
Decrease of 10% in exchange rate	1,3	2,1	3,4

18—Financial risk factors (Continued)

Exchange differences recorded in the income statement represented a loss of EUR 22,5 million in 2012 (2011: loss of EUR 14,0 million). They are allocated to the appropriate headings of expenses by nature.

The 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.

18.3.4 Price risk

The 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 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, 2012, the carrying amount of these investments was EUR 5,7 million.

18.4 Sensitivity tests in respect of a change in market factors

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount that was in force as of the statement of financial position date was in force throughout the reporting period.

The changes that have been selected as variables for the relevant risk were determined in accordance with management's assessment in respect of the possible reasonable changes in those risk variables.

18.5 Gearing computation

Gearing ratio (net debt (1) /total equity holders' equity (2)) amounts, respectively in 2012 and 2011, to 5,4 and 1,6.

Consolidated Statement of financial position	December 31, 2012	December 31, 2011
	(in millions of euros)	
Total assets in balance sheet	**2,720,0**	**2,503,7**
Cash and cash equivalents	(129,7)	(19,8)
Trade payables	(311,3)	(208,2)
Other payables	(108,1)	(98,4)
Other non-current liabilities	(49,5)	(46,1)
Deferred tax liabilities	(148,2)	(123,7)
Current tax liabilities	(10,7)	(7,2)
Net assets in balance sheet	**1,962,6**	**2,000,4**
Net Debt (short term and long term)	**1 514,1**	**1 143,9**
Issued capital	7,4	7,4
Other reserves	—	232,9
Retained earnings	277,5	25,8
Retained earnings/(accumulated losses)	138,0	118,4
Equity attributable to equity holders of the parent	(148,9)	**384,5**
Non-controlling interests	5,2	349,2
Total equity	**285,7**	**733,6**
Total equity and liabilities	**1,795,2**	**1,871,2**
Gearing	**5,4**	**1,6**

(1) Excluding loan from related parties

18—Financial risk factors (Continued)

18.6 Fair value of financial assets and liabilities

18.6.1 Fair value of financial instruments carried at amortized cost

The managers consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements and accounted for at their amortized cost approximate their fair value.

18.6.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value of financial assets and financial liabilities are determined as follow:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded an active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);

The fair value of derivatives instruments are calculated using quote prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and

The fair value of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specially, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

19—Trade and other payables

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Trade payable	311,3	208,2
Trade payables—acquisition of assets	2,9	3,5
Corporate and social security contributions	24,5	26,2
Corporate income tax payable	10,7	7,2
Deferred revenue	34,1	31,3
Other payables	46,3	37,4
Liabilities from related parties	0,2	—
Total	**430,1**	**313,8**

A part of the trade payable increase as of December 31, 2012 results from the Cabovisao business combination. The rest is explained by the increase in business of other subsidiaries of the Group.

20—Other non current liabilities

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Trade payables—acquisition of assets	5,9	—
Deferred revenue	10,8	9,4
Other payables	32,9	36,7
Total	**49,5**	**46,1**

21—Classification and fair value of financial assets and liabilities

	December 31, 2012					
			Fair Value			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale	Loans & Receivables	Derivative instruments
			(in millions of euros)			
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	5,7	—	—	5,7	—	—
Long term trade receivables	2,7	2,7	—	—	—	—
Other long-term trade receivables	40,9	24,6	—	—	16,3	—
	377,4	**355,3**	**—**	**5,7**	**16,3**	**—**
Current liabilities						
Credit from banking corporations and debentures	113,2	113,2	—	—	—	—
Trade payables	311,3	311,3	—	—	—	—
Others payables	118,8	118,8	—	—	—	—
Short-term loans from related parties	2,7	2,730,0	—	—	—	—
Non-current liabilities				—	—	—
Loans from banking corporations and debentures	1 373,2	1 373,2	—	—	—	—
Long-term loans from related parties	170,8	170,8	—	—	—	—
Other financial liabilities	111,9	49,5	—	—	62,5	—
Other non-current liabilities	49,5	49,5	—	—	—	—
	2 251,4	**2 189**	**—**	**—**	**62,5**	**—**

21—Classification and fair value of financial assets and liabilities (Continued)

On December 31, 2012 and 2011, the principles for measuring financial instruments and their market value breaks down as follows:

	December 31, 2011				
			Fair value		
	Book value	Amortised cost	Fair value through profit/loss	Assets available for sale	Derivative instruments
	(in millions of euros)				
Current assets					
Cash and cash equivalents	19,8	19,8	—	—	—
Trade receivables	102,7	102,7	—	—	—
Other receivables	17,2	17,2	—	—	—
Non-current assets					
Restricted cash	41,4	41,4	—	—	—
Investments in financial assets available for sale	—	—	—	—	—
Available for Sale	8,5	—	—	8,5	—
Long term trade receivables	2,4	2,4	—	—	—
Other long-term trade receivables	28,4	24,2	—	—	4,3
	220,3	**207,5**	**—**	**8,5**	**4,3**
Current liabilities					
Credit from banking corporations and debentures	241,8	241,8	—	—	—
Trade payables	208,2	208,2	—	—	—
Others payables	98,4	98,4	—	—	—
Short-term loans from related parties	2,9	2,9	—	—	—
Non-current liabilities					
Loans from banking corporations and debentures	835,2	835,2	—	—	
Long-term loans from related parties	127,1	127,1	—	—	—
Other financial liabilities	32,1	28,3	3,8	—	—
Other non-current liabilities	46,1	46,1	—	—	—
	1 591,8	**1 588**	**3,8**	**—**	**—**

The classification of financial instruments in accordance with hierarchical levels for fair values:

The financial instruments that are presented in the consolidated statement of financial position in accordance with their fair value are classified into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

21—Classification and fair value of financial assets and liabilities (Continued)

As result, as of December 31, 2012, classification of financial instruments are as follows:

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(in millions of euros)			
Financial liabilities at FVTPL				
Other derivatives financial liabilities	—	62,5	—	62,5
AFS				
AFS HOT Telecom (Level 1)	5,7		—	5,7
	5,7	**62,5**	**—**	**68,2**

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

- FX Forward contract: USD 550 million, the maturity date will be on December 15, 2017 and swap to NIS at the aggregate rate of 4,1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4,17 in December 15, 2017;
- FX Forward contract: USD 98,9 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.
- FX Forward contract: EUR 40,1 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

- Cross currency swap: USD 200 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 7,7550%,
- Cross currency swap: USD 225 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,6850%,
- Cross currency swap: EUR 100 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,7750%.

Those contracts are effectively fixed Euro and USD interest payments in NIS.

21—Classification and fair value of financial assets and liabilities (Continued)

As of December 31, 2011, classification of financial instruments' issue mainly concerns HOT Telecom perimeter:

HOT Telecom	As of December 31, 2011 Level 1	Level 2	Level 3
	(in millions of euros)		
Available for sale financial asset:			
Shares	8,5		—
Financial assets at fair value through profit or loss:			
Forward contracts in foreign currency that are not defined as accounting hedges		5,1	
Financial liabilities at fair value through profit or loss:			
Embedded derivatives		(0,4)	
Interest rate swap contract		(0,2)	
Liability to the Ministry of Communications			(3,8)

22—Taxes on income

22.1 Income tax (expense)/benefit

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Current income tax	4,2	0,2
Carry back	—	(0,2)
Deferred taxes on deductible temporary differences	21,7	(32,4)
TOTAL	**26,0**	**(32,5)**

22.2 Deferred tax assets and liabilities

	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**

22—Taxes on income (Continued)

	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)**	**148,4**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
		(in millions of euros)			
Other	—	—	—	0,2	0,2
IAS 16, Property, Plant and Equipment	—	—	—	0,1	0,1
IAS 38, Intangible assets	—	—	—	—	—
Total deferred taxes assets	**—**	**—**	**—**	**0,3**	**0,3**

	December 31, 2010	Business combination	From equity	From profit and loss	December 31, 2011
		(in millions of euros)			
Customer relationships	6,9	44,0	(1,1)	2,3	52,0
Brand	3,1	6,0	0,1	0,1	9,3
Other Intangible assets	—	10,3	(0,3)	13,9	23,9
Revaluation of Tangible assets	1,0	10,6	(0,4)	(0,3)	11,0
IAS 23, Borrowing Costs	—	—	—	3,6	3,6
IAS 36, Depreciable fixed assets	—	1,5	(0,1)	(12,6)	(11,1)
Present value of YFPECS financial instrument	9,2	—	—	(0,2)	9,0
Temporary differences	6,5	—	(6,4)	22,8	22,8
Other	(0,4)	—	0,5	2,9	3,1
Total deferred taxes liabilities	**26,3**	**72,4**	**(7,6)**	**32,6**	**123,7**

22—Taxes on income (Continued)

22.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Net income	**(189,8)**	**123,9**
Share of net income—associates	**—**	**(11,7)**
Share of net income—equity holders	**(189,8)**	**112,3**
Tax charge [(−) expenses/(+) income]	(26,0)	32,5
Earnings/(Loss) before tax	**(215,8)**	**156,6**
Theoretical tax rate	28,80%	28,80%
Income tax calculated on theorical tax	62,1	(45,0)
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(5,8)	
Permanent differences	(57,0)	7,9
Restatements without tax impact	18,7	10,6
Utilization of previously non capitalized tax credit	20,0	3,6
Carry-back	0,1	(0,2)
Tax loss carry forwards of the periods non activated	(13,2)	(9,7)
Effect of unused tax losses not recognized as Deferred tax asset	1,0	0,3
Effective Tax	**25,9**	**(32,5)**
Effective tax rate		**27,66%**

Permanent differences stated above are almost exclusively present at the Cool Holdings sub consolidated level. Permanent differences totaled EUR 50,4 million and were comprised of EUR 30,0 million arising from the adjustment on the Goodwill at Cool Holdings Limited and another EUR 20,4 million related to finance costs at Cool Holdings Limited.

22.4 Tax assessments

22.4.1 Hot Telecom

In December 2009 and in the course of the year 2010, HOT received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance. In accordance with the tax assessments, expenses amounting to approximately EUR 220 million were adjusted for HOT for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between HOT and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. If the said position of the Tax Authority in relation to the assessments that were issued to HOT in respect of the 2006, 2007 and 2008 tax years is received, HOT will be exposed to a demand for the payment of tax in a cumulative amount of EUR 24 million. Linkage differentials and interest will be added to this amount. Furthermore, HOT will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the tax years after 2008.

HOT's management, on the basis of its position in the self-assessments and based upon its legal advice, has presented an objection against the tax assessments for the years 2006–2008 and in the opinion of HOT's management and its professional advisers, HOT has well founded complaints against the claims made in the tax assessments for the years 2006–2008, which could significantly change the results of the tax assessments for those years and could also significantly change the implications deriving from them in respect of the tax years after 2008.

22—Taxes on income (Continued)

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006–2008 and within the framework of Stage A for the 2009–2010 tax years. A number of issues have come within the framework of the discussions including the manner of the depreciation of the cables network infrastructure and the manner of the amortization of the intangible assets—brand, goodwill and customer connections. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision of EUR 2 million has been recorded within the framework of the financial statements in respect of HOT estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

HOT has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Vision, HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and HOT Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated company HOT Mobile have tax assessments that are considered to be final up to and including the 2008 tax year. The consolidated companies HOT Vision, HOT Edom and Hot Net (formerly HOT Investments and Finance) have tax assessments that are considered to be final up to and including the 2007 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with section 145, 147 and 152 of the Income Tax Ordinance.

22.4.2 Cabovisao

Cabovisao is subject to corporate income tax at the rate of 25%, increased by a municipal surcharge at the applicable rate up to 1.5%, resulting in an aggregate rate of a maximum of 26.5%. Additionally, any taxable profit in excess of EUR 1,5 million is subject to a State surcharge of 3%, being 5% if the taxable net, or exceeds EUR 10 million, according to article 87-A of the corporate income tax law.

In accordance with the article 88 of the corporate income tax law, Cabovisao is subject to autonomous taxation over some costs incurred by Cabovisao at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security). These periods can be suspended when there are tax inspections, claims or appeals in progress. Consequently, Cabovisao's tax returns for the years 2009 to 2012 are subject to review by the tax authorities.

Cabovisao was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

Notification for fiscal year 2003 to adjust tax losses by EUR 7,2 million and an additional payment of stamp taxes for fiscal years 2000 to 2002 in the amount of EUR 1,3 million. The Company did not agree with the additional payment of stamp taxes, having claimed through a lawsuit appeal against the Portuguese Tax Authorities, presenting a bank guarantee in the amount of EUR 1,7 million. During the year ended August 31, 2011, the Almada Administrative and Fiscal Court decided the appeal was unfounded. Cabovisao has appealed against that decision before the Almada Administrative and Fiscal Court.

Assessment of the Portuguese Tax Authorities related to 2005, requests an adjustment to tax losses in the amount of EUR 17,1 million, as well as an additional tax payment in the amount of EUR 4 million, for

22—Taxes on income (Continued)

withholding tax and stamp tax. Cabovisao paid EUR 2,6 million and contested this decision of the assessment through a gracious complaint and hierarchical appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1 million, was contested by hierarchic appeal. In the year ended 31 August, 2012, the Corporate Tax accepted the claim. As of the date of this report, there were not any subsequent deliberations after that decision.

For 2006, an assessment of tax payable on withholding tax linked to interest due to CSII in the amount of approximately EUR 4,9 million. 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, 2012, the administrative and tax court of Almada didn't pronounce on that claim, therefore it wasn't taken any subsequent deliberations.

The Board of Managers believes that any adjustments resulting from tax revisions to the tax returns of these exercises, taking into account the provisions recorded will not have a significant effect on the financial statements on December 31, 2012.

22.5 Unrecognized deferred tax assets

As at December 31, 2012, unrecognized deferred tax assets amount to EUR 33,4 million and split as follows:

- Cool Holding: EUR 21,2 million,
- Coditel Holding Lux S.à r.l.: EUR 13,63 million,
- Cabovisao: EUR 51,3 million.

23—Segment analysis

23.1 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 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),

French Overseas Territories (Antilles and Indian Ocean),

Other (Switzerland, Africa etc.).

Activities have been split as follows:

Cable,

Mobile,

Others (B2B/Content/etc.).

23.1.1 Operational KPIs

It has also been decided by the central team that local operational teams in each geography shall report operational KPIs every week and operational and financial KPIs every month using a standard reporting format defined by the central team.

23—Segment analysis (Continued)

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.

23.1.2 Financial KPIs

Each local operational company will also report the following financial KPIs by segment:

Revenues (Cable/Mobile/Other),

Cost of Sales (Cable/Mobile/Other),

Capex (Cable/Mobile/Other).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

HOT Telecom however will report EBITDA on cable and mobile, in addition to the KPIs mentioned above. This derives from the size of the mobile business and the fact that historically, this business had separate reporting for these two activities and also because local regulation require operators to report the EBITDA on these segments.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

The cable business has small fixed Capex requirements and initial Capex is quite low, but variable Capex is high, as an increase in customers drives the cash needs for Customer Premise Equipment (CPE) and installation.

Mobile Capex is one-off and mainly driven by investment in new mobile sites and licences to operate. Once the Capex is engaged and the business operational, there is limited Capex requirement.

Thus, the central team places a great emphasis on the proper tracking of capital expenditures and reviewing them against the costs budgeted for the year.

Management believes that operations in Switzerland and activities such as B2B sales are not yet substantial enough to warrant a separate reporting segment and will be reported under '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. Financial KPIs are expected to remain the same. The same applies to any new line(s) of business that the Group may decide to venture into (for e.g., content etc.).

23.2 Regional specificities

23.2.1 Israel

Israel is currently an important contributor to the Group revenues and EBITDA and, for this reason, is classified as a separate region. Apart from this, this region has particularities that differentiate it.

It is characterised by a high broadband and cable penetration and the general population is very technology focussed. The market is maturing but highly regulated, which means that while opportunities

23—Segment analysis (Continued)

for growth exist, they may be limited by specific regulatory challenges and also by high competition, thus leading to price pressures on ARPU development.

Triple play penetration is low and this represents the biggest development path. Customer retention is difficult as contractual terms heavily favour the customer and, hence, price increases, even when coupled with high value content, can be negatively perceived and lead to an erosion of the customer base.

The regulatory environment does not yet allow for quadruple play packages, which heavily restricts achieving full integration and operational synergies with the mobile business. 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.

23.2.2 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 distinctly 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 and a high percentage of triple play customers. Customers are willing to pay more for premium services (high ARPU/subs) and hence price pressures are low.

These regions are marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

23.2.3 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 after the crisis, makes it difficult to achieve high sales 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 then slowly migrating the customer base from double play to triple play offers.

23.2.4 French Overseas Territories

The French Overseas Territories represent an attractive market with high scope of growth in cable operations, owing to relatively limited competition and relatively low cable penetration. There is also a large scope for synergies between the cable and mobile businesses, as triple play penetration remains low and regulatory flexibility allows the marketing of quadruple play options.

Price pressures are low in these markets and customers are willing to pay more for value added services. Double play (TV and Internet) offers are predominant in these regions and the migration of new and existing customers to triple and quadruple play packages in the future will be an important factor in growing sales.

There are other opportunities for growth in the sector, most notably in the e-banking sector.

23—Segment analysis (Continued)

23.3 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

	December 31, 2012					
	Total	Belgium & Luxembourg	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**	**—**	**—**	**—**
Other						
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**

	December 31, 2011					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
Cable						
Revenue	560,3	34,5	499,7	23,6	—	2,5
Costs of sales	(125,3)	(6,9)	(114,1)	(3,8)	—	(0,5)
Gross Profit	**435,0**	**27,6**	**385,6**	**19,8**	**—**	**1,9**
Mobile						
Revenue	180,6	—	180,6	—	—	—
Costs of sales	(31,0)	—	(31,0)	—	—	—
Gross Profit	**149,7**	**—**	**149,7**	**—**	**—**	**—**
Other						
Revenue	43,3	0,4	—	—	—	42,9
Costs of sales	(19,1)	(0,5)	—	—	—	(18,7)
Gross Profit	**24,1**	**(0,1)**	**—**	**—**	**—**	**24,2**
Total						
Total Revenue	**784,2**	**34,8**	**680,4**	**23,6**	**—**	**45,4**
Total Costs of sales	**(175,4)**	**(7,3)**	**(145,1)**	**(3,8)**	**—**	**(19,2)**
Total Gross Profit	**608,8**	**27,5**	**535,3**	**19,8**	**—**	**26,2**

24—Operating expenses

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Technical and maintenance costs	(228,2)	(185,0)
Customer services	(18,3)	(9,9)
Taxes	(2,4)	(0,5)
Total	**(248,9)**	**(195,4)**

The increase in operating expenses was mainly related to the acquisition of Cabovisao, a Portuguese cable operator in February 2012 and the full year impact of the consolidation of HOT's cable business in 2012 (full 12 months vs. 9 months in 2011).

25—Equity based compensation

Equity based compensations are included in the line item ''General & administrative expenses'' in these consolidated financial statements and amounted to EUR 3,8 million.

26—Other operating incomes and expenses

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Other incomes and expenses	(24,9)	(5,6)
Disposal of tangible assets—selling price and book-value of disposal/ tangible assets	(4,8)	(7,4)
Subvention	—	—
Other expenses, net	**(29,8)**	**(13,0)**
Gain arising on step acquisition[1]	—	133,1
Other revenues	8,3	1,7
Expenses from prior periods[2]	(22,4)	(7,5)
Restructuring costs	(6,7)	(0,1)
Reorganization and extraordinary costs	**(20,8)**	**127,2**
Total	**(50,5)**	**114,2**

(1) In the prior year, the gain from achieving control is linked to acquisition of Hot Telecom: the amount of the investment in HOT Telecom prior to achieving control, in accordance with the equity method of accounting has been revalued in accordance with the HOT's share price as of the said time, such that in the Altice VII financial statements as of December 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company; as a result, HOT's assets and liabilities previously accounted for in accordance with equity method of accounting have been revalued for EUR 133,0 million.

(2) The increase in expenses from prior periods is mainly explained by fines and penalties paid by HOT relating to the early breakage of mortgage contracts and disputes with other suppliers. The total charge registered was of EUR 22.8 million, offset by a reversal in the provision for these charges for EUR 7.7 million, thus resulting in a net expense of EUR 14.9 million.

(3) Restructuring costs refer to the non-recurring costs incurred by Cabovisao in the year ended December 31, 2012, arising from the restructuring carried out at this company level, post-acquisition by the Group. The costs engaged are made up entirely of personnel costs and are associated with dismissal indemnities paid to employees.

27—Net finance costs

	December 31, 2012	December 31, 2011
	(in millions of euros)	
Cash and cash equivalent income	—	—
Gain arising on fair value financial instruments	0,4	6,4
Foreign exchange gains	24,7	6,8
Disposal of financial assets—selling price	4,5	3,0
Other financial incomes and expenses	0,9	0,4
Finance income	**30,5**	**16,6**
Interest charges on borrowings and overdrafts	(118,5)	(70,2)
Fair value financial instruments (losses)	(62,8)	—
Foreign exchange losses	(2,1)	(20,8)
Book-value of disposal/financial assets	(21,2)	(20,7)
Finance costs	**(204,7)**	**(111,6)**
Total	**(174,1)**	**(95,0)**

28—Transactions with non-controlling interests

On December 27, 2012, the Group sucessfully completed the take-private of HOT Telecom and thus the buyout of the non controlling interests in Cool Holding Limited. The total consideration paid to acquire this minority stake amounted to EUR 172,9 million.

On February 19, 2012 HOT distributed a dividend of NIS 365 million (EUR 73,4 million). Of this total amount, NIS 129 million (EUR 26,0 million) was paid to the non-controlling interests.

29—Average workforce

	December 31, 2012	December 31, 2011
Managers	268	280
Technicians	660	604
Employees	4 719	5 152
	5 647	**6 036**

30—Transaction with related parties

30.1 Trading and financial transaction

Transactions with related parties mainly related to the companies Adevintel, Titan consulting and DOK, all consulting firms specialized in the management and operations of telecom companies. The fees paid to these 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

30—Transaction with related parties (Continued)

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.

Consolidated Income and expenses	Revenue December 31, 2011	Revenue December 31, 2012	Operating expenses December 31, 2011	Operating expenses December 31, 2012	Financial expenses December 31, 2011	Financial expenses December 31, 2012
			(In millions of euros)			
Equity holders	0,4	0,2	(3,1)	(12,1)	—	—
Executive managers	—	—	—	—	—	—
Remuneration and benefits in kind	—	—	(1,1)	(2,5)	—	—
Associate companies	—	—	—	—	(0,1)	—
TOTAL	**0,4**	**0,2**	**(4,2)**	**(14,6)**	**(0,1)**	**—**

Assets	Loans and receivables December 31, 2011	Loans and receivables December 31, 2012	Trade accounts receivable and other December 31, 2011	Trade accounts receivable and other December 31, 2012	Current accounts December 31, 2011	Current accounts December 31, 2012
			(In millions of euros)			
Equity holders	10,5	—	0,2	—	—	—
Executive managers	2,7	2,7	—	—	—	—
Associate companies	1,0	—	—	—	—	—
TOTAL	**13,7**	**2,7**	**0,2**	**—**	**—**	**—**

Liabilities	Other financial liabilities December 31, 2011	Other financial liabilities December 31, 2012	Trade accounts payable and other December 31, 2011	Trade accounts payable and other December 31, 2012	Current accounts December 31, 2011	Current accounts December 31, 2012
			(In millions of euros)			
Equity holders	—	—	4,5	—	—	0,6
Executive managers	—	—	—	—	—	—
Associate companies	—	—	—	—	—	—
						—
TOTAL	**—**	**—**	**4,5**	**1,6**	**—**	**0,6**

30.2 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 VII, for the financial year 2012, is EUR 1,7 million compared to EUR 0,9 million for the financial year 2011.

31—Contractual obligations and commercial commitments

31.1 Hot Telecom Commitments

31.1.1 Commitments

Royalties to the Ministry of Communications and other payments to the government

(a) HOT is committed to pay annual royalties out of its overall income that are chargeable with royalties (hereinafter—the chargeable income) 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

31—Contractual obligations and commercial commitments (Continued)

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 royalty rates that HOT, HOT Telecom and HOT Mobile have each been charged to pay in respect of their chargeable income, as aforesaid, stood at 2,5% in 2007, 2% in 2008, 1,5% in 2009 and 1% in 2010. In accordance with a Temporary Order, the annual royalty rate for the years 2011 and 2012 stood at 1,75%.

In accordance with the Amendment to the Telecommunications Regulations (Concessions) and the Amendment to the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) (Temporary Order)—2012, as from 2013 the royalty rate that is paid by HOT, HOT Telecom and HOT Mobile on its chargeable income, as aforesaid, stands at 0%.

(b) In July 2001 the cables companies, including HOT, 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 or which touch upon the cables infrastructure (as defined in the agreement) 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 26 million and NIS 20 million in respect of the years 2012 and 2011 respectively (an amount of NIS 2 million in respect of December 2011).

(d) The license to operate a broadcasting center: It is stipulated in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.

Other royalties

(a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group

31—Contractual obligations and commercial commitments (Continued)

within this context in the years 2012, 2011 and 2010 amounted to NIS 42 million, NIS 43 million and NIS 47 million respectively.

(b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 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, of it is passed.

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 2010, 2011 and 2012 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, provided that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In October 2011 the Council informed HOT that with effect 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 record 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 such time the inclusion of income from terminal equipment for the purpose of this calculation 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.

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 Bezeq (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 Bezeq'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 Bezeq with the base equipment (as defined in the agreement) that comprises the cables network whereas Bezeq 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 Bezeq 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.

31—Contractual obligations and commercial commitments (Continued)

The agreement will remain in force for the length of the period of the concession, and 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. Bezeq is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.

A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of Bezeq's commitments to setup, to maintain and to provide malfunction repair services, which are calculated in accordance with the length of the cables networks that have been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

The total of the expenses recorded in HOT's accounting records for the network services payable to Bezeq in the years 2012, 2011 and 2010 amounted to NIS 48 million, NIS 46 million and NIS 43 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.

Commitments to lease assets

The 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 minimum future rental fees in respect of the rental contracts as of December 31, 2012, exclusive of the option period, are as follows:

	NIS in millions	EUR in millions
2013	186	37,7
2014	148	30,0
2015	120	24,3
2016	86	17,4
2017 and thereafter	304	61,7
TOTAL	**844**	**171,3**

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 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 arrive as a result of the increased use of applications that require a considerable band width.

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

31—Contractual obligations and commercial commitments (Continued)

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 is 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 exclusively from Motorola alone during the period of the agreement.

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 manner of 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.

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.

Within the framework of the preparations for the setting up of the new network, HOT Mobile entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network.

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 is HOT Mobile 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

31—Contractual obligations and commercial commitments (Continued)

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 arranges the work arrangements between the supplier and HOT Mobile, the manner of the handing over of the system to HOT Mobile and the manner of the maintenance of the system by the supplier.

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 Group will pay the supplier an amount of USD 52 million, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement. The overall consideration in the agreement for all of the services up to the year 2017 is approximately USD 120 million, according to HOT Mobile's assessment.

On January 31, 2013, an addition to the agreement was 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.

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. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately USD 12.5 million. In January 2012, the parties signed on an addition to this agreement, in accordance with which Comverse is committed to allocating 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 USD 500 000.

On October 6, 2005, HOT Mobile won a tender for the provision of Mobile services to the IDF. Following Cellcom's winning of a tender, which was published by the Ministry of Defense in 2012 for the selection of a new mobile operator for the IDF, in the third quarter of 2012, a gradual transfer of IDF customers to Cellcom's network began. HOT Mobile's revenues from the IDF in the years 2010, 2011 and 2012 amounted to NIS 139,3 million, NIS 112.4 million and NIS 83,7 million, respectively, which constituted approximately 13,5%, 12,5% and 9,8% of HOT Mobile revenues in the said periods, respectively. Of the said revenues, an amount of NIS 10 million a year was in respect of the PTT services, which are supplied to the IDF without reference to the tender.

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.

Marketing and distribution (for iDEN technology products and services)

In 2012 HOT Mobile operated through marketing and distribution channels, which included: sales personnel, who were employed by HOT Mobile, inter alia, through services and sales centers, which

31—Contractual obligations and commercial commitments (Continued)

HOT Mobile operates across the country, a national distribution channel that works ''door to door'' using an external contractor and authorized marketing agents. In 2012 and as of the date of this report, HOT Mobile distributes its products via sales staff who are employed by it, the Israel Post company in some 200 branches and some 150 branches of the Menta chain in the Delek Group's filling stations. In the ultra-orthodox sector, HOT Mobile operates through an external marketer who markets HOT Mobile's products and services in that sector.

In addition, HOT Mobile is acting to recruit private subscribers through its business/institutional customers, by way of offering attractive packages and paths to the family members of the business/institutional customers.

Commitment with an external marketer

As aforesaid, in 2012, one of the distribution channels for the Group's products and services in the iDEN field of operations was through an external contractor, S.D.M. Sales and Direct Marketing Ltd. (hereinafter—SDM), which provided HOT Mobile with marketing services for the iDEN products, though the operation of sales staff in order to market the iDEN products in the private and business markets, by operating a nationwide set-up, using a specialist marketing method involving initiated personal approaches whilst going door to door.

The consideration that SDM is entitled to is based on a fixed monthly consideration and commissions which are derived from SDM's results in respect of the sales of the iDEN products.

The original commitment was up to December 31, 2013. However, on December 6, 2012 a compromise arrangement was signed between HOT Mobile and SDM, in accordance with which HOT Mobile will pay SDM an amount of NIS 8 million and the commitment between the parties will be terminated, with each party waiving its claims against the other party.

Marketing and distribution (for UMTS technology products and services)

The marketing and distribution of UMTS products is performed by means of HOT Mobile's and HOT's marketing and distribution channels and through third parties, within the restriction places in the radio telephone license.

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 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. The lease periods end in the years 2021-2045.

31.1.2 Guarantees and liens

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 floating charge on HOT's assets.

A fixed charge on the shares in the subsidiary companies.

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.

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

31—Contractual obligations and commercial commitments (Continued)

borrowers, on all of the chargeable assets and the rights of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group.

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.

As collateral for the Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:

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.

Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April and June 2014.

A bank guarantee in an amount of 2 million Dollars to the Director in respect of HOT's compliance with the terms of the merger as determined by the Director, which is in force until December 2014.

A bank guarantee in an amount of NIS 695 million, which was made available by HOT Mobile within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.

In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party. Furthermore, HOT Mobile has a duty to bear any expense that is involved in the exercise or the extension of the guarantee.

In the light of the aforesaid terms, HOT Mobile has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which HOT waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.

On November 28, 2011, HOT Mobile and the former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for HOT's commitments vis-à-vis the Ministry of Communications within the context of HOT's win in a frequencies tender for the setting up of a third generation mobile network (UMTS).

The Group has given a number of bank guarantees to various bodies in an overall amount of NIS 59 million.

Guarantees to HOT Telecom

The Group has given guarantees in a cumulative amount of 23 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

The Group has given a guarantee in an amount of NIS 242 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

There exist mutual guarantees between HOT and companies in the Group, in unrestricted amounts, in favor of financial institutions as collateral for the repayment of the Group's liabilities to those financial institutions.

31.1.3 Other contingent liabilities

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter, ''The Legal Claims'').

31—Contractual obligations and commercial commitments (Continued)

In the opinion of the management of the Company and each of its subsidiaries, as at signature date, the amount of the additional exposure, in an amount of approximately NIS 3 billion (EUR 628,5 million) (over and above the provisions that have been recorded in these financial statements), as a result of the legal proceedings that have been filed against the Company's Subsidiaries on various matters, is as follows:

(a) An amount of approximately NIS 1.7 billion (EUR 356,1 million) in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

(b) An amount of approximately NIS 0,1 billion (EUR 20,9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements

(c) An amount of approximately NIS 1,42 billion (EUR 297,5 million) in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded in accordance with the assessments of the managements of the Company's Subsidiaries, as aforesaid.

The following is an abbreviated summary of the Group's contingent liabilities effective as of signature date, in accordance with groupings having similar characteristics:

The nature of the lawsuit (EUR in millions)	The amount of the additional exposure in excess of the provision recorded as of signature date	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)
Customers	574	21
Lawsuits after the balance sheet date in respect of customers	33	33
Suppliers	13	5
Employees	1	—
The merger transaction	50	—
Total	**671**	**59**

31.2 Cabovisao commitments

31.2.1 Contingent assets

During the year ended December 31, 2012, 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, 2012, Cabovisao had outstanding claims against several municipalities, totaling EUR 3,6 million. To present date, Cabovisao received 102 004 Euros from seven municipalities.

31—Contractual obligations and commercial commitments (Continued)

31.2.2 Contingent liabilities

31.2.2.1 Bank guarantees

	December 31, 2012
	In millions of euros
Tax Authority	8,4
City Council	0,9
Third Parties	0,01
Total	**9,3**

31.2.2.2 Real guarantees

On December 31, 2012, Cabovisao issued a bond amounting to EUR 25 million which was fully underwritten by Goldman Sachs International together with a financial first degree collateral of all bank accounts held by Cabovisao (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depositos, S.A.) and pledge the shares representing Cabovisao's share capital and equity holders' rights.

31.2.2.3 Other contingent liabilities

As a result of the refusal by Cabovisao to pay the municipal taxes referred to above (since September 2010), the municipality of Almada initiated a process executive for payment of fees from 2006 to 2009, amounting to approximately EUR 0,7 million. It is the understanding of the Board of Managers, based on the opinion of its legal counsel, that the likelihood of loss is very low in the process.

31.2.2.4 Contingent assets

Cabovisao has outstanding claims against various municipalities for municipal taxes that it deems were charged illegally. The amount of such outstanding claims was EUR 3.6 million for the year ended December 31, 2012, of which EUR 0,1 million have been received from seven municipalities, while recovery is on-going with others.

31.3 Coditel Holding commitments

As of December 31, 2012, 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. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

31.4 Others

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidaries, Coditel Holding S.A. and its subsidiaries have been pledged for the issued Senior Secured Notes and Senior Notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

32—Statutory Auditors' fees

In 2012, an amount of EUR 0,3 million was paid to various network affiliates of the Group's auditors, of which 0,2 million was paid as fees for audit services and EUR 0,1 million as fees for non-audit fee services.

33—Going concern

During the year ended December 31, 2012, the company had a net current liability position of EUR 221,4 million (mainly due to other payables of EUR 118,7 million and trade payables of EUR 311,3 million), a net loss of EUR 189,8 million (down from a net gain of EUR 123,9 million in FY11), positive cash flow from operations of EUR 467,8 and negative working capital of EUR 230,1 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 230,1 million is mainly driven by trade receivables and payables. The net loss recorded in FY12 was mainly driven by increased depreciation and amortisation charges as compared to FY11 (+EUR 211,7 million), increased financial charges and with the issuance of public debt at the time of the take private operation of HOT Telecom. In addition to this, an exceptional revenue was recognised in FY11, owing to the switch from equity method to global integration consolidation of HOT Telecom, which was non-recurrent in FY12 (an impact of EUR 133,1 million).

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 150,8 million vs. EUR 311,3 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2012, the company had many short term loan payments (< 1y), and long term debt was refinanced at the end of 2012 and 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 Group has a strong track record of generating positive operating income before amortisation and depreciation and generated strong positive operating cash flows in 2012 (EUR 467,8 million). Operating income before D&A amounted to EUR 403,2 million, an increase of 35% compared to FY11, thus reaffirming management's ability to drive profits in the different operating companies.

The Group had a marked improvement in cash reserves at the end of 2012 compared to December 31, 2011 (EUR 129,6 million vs. EUR 19,8 million), which would allow it to cover any urgent cash needs. Additionally, the Group had access to a revolving credit facility (''RCF'') of up to USD 80,0 million (EUR 60,9 million).

The Group has sufficient reserves to absorb the impact of the net loss incurred in the year ended December 31, 2012. Net equity amounted to EUR 285,7 million on December 31, 2012.

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 will be complemented by a mid-year reforecast based on real first semester numbers.

34—Events after the reporting period

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the ''ONI Purchase Agreement''), the owner of the Portuguese telecommunications group, ONI, pursuant to which Cabovisao purchased all of the outstanding shares of ONI and refinanced the outstanding indebtedness of ONI (the ''ONI Transaction''). The deal was consummated on August 8, 2013.

On June 7, 2013, Altice VII and certain of its subsidiaries entered into a sale and purchase agreement (the ''Outremer Purchase Agreement'') with the owners of OMT Invest and certain of its affiliates pursuant to which (i) the Group had agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately pursuant to the Outremer Investment Agreement on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries were to be refinanced using a portion of the proceeds of the June 24, 2013 bond issuance (see below). The parties to the Outremer Purchase Agreement entered into an investment agreement (the ''Outremer Investment Agreement'') pursuant to which (i) the Group contributed all of

34—Events after the reporting period (Continued)

the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe and (ii) managers of OMT Invest contributed all of the outstanding shares of OMT Invest not sold to the Group under the Outremer Purchase Agreement. The transaction was completed on the July 5, 2013.

On June 14, 2013, Altice Finco issued EUR 250 million aggregate principal amount of its 9% senior notes due 2023 (the ''2013 Senior Notes'').

On June 24, 2013, Altice Financing entered into a senior secured term loan credit facility (as amended from time to time, the ''2013 Term Loan Facility'') which provides for U.S. dollar term loans (the ''2013 Term Loans'') up to an aggregate principal amount equivalent to USD 1 034 million. Altice Financing may draw under the 2013 Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the existing Altice Financing debt documents. On July 2, 2013 and July 5, 2013, Altice Financing borrowed USD 584,2 million and U.S. dollar-equivalent USD 81,9 million under the 2013 Term Loan (the ''First Draw''). The proceeds, together with the proceeds of the 2013 Senior Notes and cash on the balance sheet of the Group were applied to complete the Cabovisao Refinancing, the Coditel Refinancing, the Le Cable Refinancing and the ABO Refinancing on July 2, 2013 (described above), and the Outremer Transaction on July 5, 2013.

On March 7, 2013, Altice VII purchased the 40% remaining shares held by Codilink S.à r.l in Altice Portugal S.A..

Cabovisao Refinancing

On July 2, 2013, Altice Financing repaid the outstanding indebtedness under the existing Cabovisao Bridge Facility of EUR 203 million (the ''Cabovisao Refinancing'').

Coditel Refinancing

In July 2, 2013, Coditel Holding prepaid approximately EUR 7 million of its EUR 138 million indebtedness outstanding under the existing Coditel Senior Facility and Altice Holdings purchased substantially all of the remaining interests of the existing lenders under the existing Coditel Senior Facility.

ABO Refinancing

On July 2, 2013 ABO refinanced approximately EUR 70 million of its existing indebtedness to third parties (the ''ABO Refinancing'').

WSG and MTVC Refinancing

WSG and MTVC are indirect subsidiaries of the Group. On July 2, 2013, Altice Pool refinanced approximately (x) EUR 8 million of indebtedness of MTVC and (y) EUR 14 million of indebtedness of WSG (collectively, the ''Le Cable Refinancing'').

MCS & SportV

In October 2013, the Group completed the acquisition of two sports based content delivery channels, Ma Chaine Sport and SportV. This acquisition was completed in October 2013 and total consideration paid amounted to EUR 15 million. These channels are focussed on providing quality sports programming and are intended to serve as a platform for the potential new business segment for the Company (Content). The acquisition was fully financed using equity holders' equity.

34—Events after the reporting period (Continued)

Tricom

In November 2013, the Group confirmed that it has signed an agreement to acquire a controlling stake in Tricom, the second largest cable operator in the Dominican Republic. This acquisition is expected to explore significant synergies with the Group's French Overseas Territories operations.

Network Sharing Agreement

On November 8, 2013, HOT Mobile entered in to a network sharing agreement (the ''Network Sharing Agreement'') with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile's customers.

Also, as part of the engagement the Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Company will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Company. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with Pelephone will be phased out until the contractual end of the agreement in 2014.

Reduction of Guarantees to the State of Israel

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11,3%, constituting an addition of 9.52% on HOT Mobile's market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695,0 (EUR 144,6 million) million to an amount of NIS 80 (EUR 16,6 million) million. This was in addition to an amount of NIS 10,0 (EUR 2,0 million) million that it paid upon the receipt of the license.

As of the date of the approval of the financial statements, the response of the Ministry of Communications has not yet been received and the guarantee therefore remained in the same amount.