ALTICE FINANCING S.A.

Société Anonyme

Financial statements as at and for the year ended December 31, 2013 and report of the Réviseur d'Entreprises Agréé

3, boulevard Royal
L - 2449 LUXEMBOURG
R.C.S. Luxembourg: B171.162
Issued capital: EUR 2.000.000

ALTICE FINANCING S.A.
Financial statements for the year ended December 31, 2013

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ALTICE FINANCING S.A.

Statement of comprehensive income for the year from January 1, 2013 to December 31, 2013

(Expressed in EUR)	Notes	For the year ended 31 December 2013	For the period from August 17, 2012 to 31 December 2012
Finance income		270.040.150	925.306
Finance costs		(226.536.846)	(66.885.690)
Net finance income/(costs)	**7**	**43.503.304**	**(65.960.383)**
Administrative expenses	**5**	(538.136)	(71.884)
Non-recurring expenses	**6**	(3.842.300)	-
Profit / (Loss) before tax		**39.122.869**	**(66.032.267)**
Income tax benefit	**8**	15.593.887	19.016.171
Profit / (Loss) for the year/period		**54.716.756**	**(47.016.095)**
Other comprehensive profit / (loss)			
Currency translation movement		3.660.804	(3.847.040)
Total comprehensive profit / (loss) for the year/period		**58.377.560**	**(50.863.135)**

The notes on pages 5 to 34 are an integral part of these financial statements.

ALTICE FINANCING S.A.
Statement of financial position as at December 31, 2013
(Expressed in EUR)

ASSETS	Notes	31 December 2013	31 December 2012
Non-current assets			
Loans receivable	**9**	1.957.724.701	770.476.989
Deferred tax assets	**17**	42.316.225	19.017.746
Total non-current assets		**2.000.040.927**	**789.494.736**
Current assets			
Restricted cash	**11**	952.694.177	-
Accrued interest receivable	**9**	36.809.679	925.907
Trade and other receivables	**10**	46.697.437	17.999.247
Cash and cash equivalents	**11**	2.298.813	83.773.673
Total current assets		**1.038.500.105**	**102.698.826**
TOTAL ASSETS		**3.038.541.032**	**892.193.562**
EQUITY AND LIABILITIES			
Equity			
Issued capital	**12**	2.000.000	28.872
Foreign currency translation reserve		(186.236)	(3.847.040)
Retained earnings / (Accumulated losses)		7.149.134	(47.016.095)
Total equity		**8.962.898**	**(50.834.263)**
Liabilities			
Non-current liabilities			
Borrowings	**14**	2.807.188.232	839.368.072
Other financial liabilities	**14**	142.294.656	62.450.909
Total non-current liabilities		**2.949.482.887**	**901.818.981**
Current liabilities			
Trade and other payables	**13**	25.432.750	1.201.869
Borrowings and accrued interest payable	**14**	47.674.906	40.005.401
Current tax liabilities	**17**	6.987.591	1.575
Total current liabilities		**80.095.247**	**41.208.844**
TOTAL EQUITY AND LIABILITIES		**3.038.541.032**	**892.193.562**

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ALTICE FINANCING S.A.

Statement of changes in equity for the year at December 31, 2013 and for the period from August 17, 2012 to December 31, 2012

(Expressed in EUR)

	Issued capital	Share premium	Foreign currency translation reserve	(Accumulated losses) / Retained earnings	Total equity
Balance as at August 17, 2012	**28.872**	**-**	**-**	**-**	**28.872**
Loss for the period	-		-	(47.016.095)	(47.016.095)
Other comprehensive loss for the period	-	-	(3.847.040)	-	(3.847.040)
		-			
Balance as at December 31, 2012	**28.872**	**-**	**(3.847.040)**	**(47.016.095)**	**(50.834.263)**
Balance as at January 1, 2013	**28.872**		**(3.847.040)**	**(47.016.095)**	**(50.834.263)**
Effect of change of functional currency	2.128		-	(551.527)	(549.399)
Proceeds from shares issued	1.969.000		-	-	1.969.000
Profit for the year	-		-	54.716.756	54.716.756
Other comprehensive profit/ loss for the year	-		3.660.804	-	3.660.804
Balance as at December 31, 2013	**2.000.000**	**-**	**(186.236)**	**7.149.134**	**8.962.898**

The notes on pages 5 to 34 are an integral part of these financial statements.

ALTICE FINANCING S.A.

Statement of cash flows for the year ended December 31, 2013 and for the period from August 17, 2012 to December 31, 2012

(Expressed in EUR)

	For the year ended 31 December 2013	For the period from August 17, 2012 to 31 December 2012
Cash flows from operating activities		
Profit / (Loss) for the year	54.716.756	(47.016.095)
Finance (income)/costs, net	(43.503.304)	65.960.383
Income tax expense recognised in profit and loss	(15.593.887)	(19.016.171)
Changes in working capital	(4.467.309)	(16.797.378)
Cash flows used in operating activities	**(8.847.745)**	**(16.869.261)**
Cash flows from investing activities		
Loans granted to related parties	(1.075.911.696)	(770.476.989)
Increase of restricted cash	(954.640.675)	-
Interest received	41.578.028	-
Net cash used in investing activities	**(1.988.974.343)**	**(770.476.989)**
Cash flows from financing activities		
Net proceeds from issuance of shares	1.969.000	31.000
Net proceeds from debt issuance	2.015.742.811	871.088.923
Interest paid	(102.434.772)	-
Net cash generated by financing activities	**1.915.277.039**	**871.119.923**
Effects of exchange rate changes on the balance of cash held in foreign currencies	1.070.189	-
Net (decrease) / increase in cash and cash equivalents	**(81.474.860)**	**83.773.673**
Cash and cash equivalents at beginning of the year	**83.773.673**	**-**
Cash and cash equivalents at end of the year	**2.298.813**	**83.773.673**

The notes on pages 5 to 34 are an integral part of these financial statements.

1 – Corporate information

ALTICE FINANCING S.A. (hereafter "the Company") was incorporated on August 17, 2012 and organised under the laws of Luxembourg as a private limited liability company "Société Anonyme" for an unlimited period of time.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at December 31, 2013 its sole shareholder is Altice Finco S.A.. The ultimate controlling party is considered to be Patrick Drahi.

On January 31, 2014, Next LP contributed all its economic interests in Altice International S.à r.l. (Parent company of Altice Finco S.A.) to Altice S.A. ("Altice") in exchange for shares in Altice S.A..

Altice is listed on Euronext in Amsterdam. The consolidated financial statements of Altice are available at its registered address: 3, boulevard Royal, L-2449 Luxembourg.

The Company may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any entities in whatsoever form, as well as the administration, management, control and development of such participating interests, in the Grand Duchy of Luxembourg and abroad.

The Company may particularly use its funds for the setting-up, management, development and disposal of a portfolio consisting of any securities and intellectual property rights of whatever type or origin, participate in the creation, development and control of any entities, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatsoever, any type of securities and intellectual property rights, realise them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Company may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other entities in which the Company has an interest or which form part of the group of companies to which the Company belongs (including shareholders or affiliated entities) or any other companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Company may borrow and raise funds in any form by way of public offer or exempted public offer. It may issue any kind of debt instruments (including, but not limited to notes, bonds and debentures), whether convertible or not, and/or equity securities, which may be unlisted or listed.

In general, the Company may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its corporate object or which are liable to promote its development provided that the Company will not enter into any transaction which would constitute a regulated activity of the financial sector.

The financial statements correspond to the financial year started on January 1 and ended on December 31, except for the first year which ran from August 17, 2012 to December 31, 2012.

2 – Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at revalued amounts or at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

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

- IFRS 13 Fair Value Measurement

The Company 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 Company 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 recognized in the financial statements.

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

The Company 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 Company 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 recognized in the 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 Company's financial statements.

(a) New standards and interpretations not yet adopted

In its financial statements, the Company has not anticipated the following standards and interpretations, for which application is not mandatory for periods beginning from January 1, 2013. Their impact on the Company 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 Company does not anticipate additional disclosures in relation to the application of this standard as it only holds financial assets.

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

*IAS 27 Separate Financial Statements (*as amended in 2011*)*

The standard outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

IAS 27 was reissued in May 2011 and applies to annual periods beginning on or after 1 January 2014, superseding IAS 27 Consolidated and Separate Financial Statements from that date.

The application of this standard will result in more extensive disclosure in the financial statements.

2.3 Summary of significant accounting policies

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the "functional currency"), which was the US dollar ("USD") until June 30, 2013.

Following raise of additional debt and loans granted to other group entities the functional currency changed from USD to EUR as at July 1, 2013.

The financial statements are presented in EUR, which is the Company's presentation currency, except when stated otherwise.

(ii) Transactions and balances

Transactions in a currency other than EUR are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in a currency other than EUR are retranslated in EUR at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated in EUR at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a currency other than EUR are not retranslated in EUR. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

At the end of each reporting period, all statement of financial position items are translated in EUR at the rates prevailing at that date and all statement of profit and loss items denominated in foreign currencies are retranslated in EUR at the rates of exchange prevailing at the dates of the transactions. Exchange differences are recognised in the statement of profit or loss in the period in which they arise.

(b) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value. Transaction costs, that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition). Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

(v) Classification as debt or equity

Debt and equity instruments issued by an 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.

(vi) 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 an entity are recognised at the proceeds received, net of direct issue costs.

(vii) Financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

(viii) Derivatives financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including-, cross-currency swaps, forward foreign exchange contracts.

Derivatives are initially recorded at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the statement of profit or loss.

(ix) Financial assets

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired;

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:

- The Company has transferred substantially all the risks and rewards of the asset; or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

(x) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.

(d) Impairment of financial assets

The Company assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired, other than those at fair value through profit or loss. A financial asset or a group of financial assets, other than those at fair value through profit or loss. is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter in bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Finance income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate ("EIR"). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Company has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(ii) Dividend income

Revenue is recognised when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(f) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, non–restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(g) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

For the year 2013, the global tax rate amounts to 29.22% (2012: 28.80%).

(ii) Deferred tax

Deferred tax is recognized on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3- **Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Going concern

The financial statements have been prepared on a going concern basis. The Company has recognised a net profit after tax of EUR 58.377.560 for the year ended December 31, 2013 and as at that date, current assets exceed current liabilities by EUR 958.404.859. The Company has a sufficient current asset position and will be able to meet its current liabilities over the next twelve months from year end hence there are no concerns on the capacity of the Company to continue as a going concern given its forecasted strong cash flows.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 15.

(Expressed in EUR)

Impairment losses on loans and other receivables

The Company reviews its individually significant loans and other receivables at each statement of financial position date to assess whether an impairment loss should be recorded in the statement profit or loss. In particular, the directors' judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and other receivables that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including country risk and the performance of different individual groups).

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies (See Note 8). Tax losses can be used indefinitely.

4 - Segment Information

The Board of Directors has determined that there is only one segment based on their existing lending activity. This segment corresponds to the level to which the Board of Directors analyzes the activity of the Company.

5 – Administrative expenses

	For the year ended December 31, 2013	For the period from August 17, 2012 to December 31, 2012
Legal fees	260.255	21.645
Accounting fees	45.921	7.774
Audit fees	41.616	31.050
Attest fees in relation to bonds issuance	139.186	-
Tax advisory fees	6.189	3.000
Other expenses	44.970	8.415
Total administrative expenses	**538.136**	**71.884**

6 – Non-recurring expenses

	For the year ended December 31, 2013	For the period from August 17, 2012 to December 31, 2012
Success fees	3.842.300	-
Total non-recurring expenses	**3.842.300**	**-**

The success fees have been paid to Altice International S.à r.l. in connection with the different bond issuances.

7 – Finance income/(costs)

	For the year ended December 31, 2013	For the period from August 17, 2012 to December 31, 2012
Borrowings (note 14)	(124.052.918)	(2.823.636)
Loss arising on fair valuation of financial instruments (note 14.5)	(95.509.381)	(62.450.909)
Net foreign exchange losses	-	(1.611.145)
Other finance costs	(6.974.547)	-
Finance costs	**(226.536.846)**	**(66.885.689)**
Interest income on loans and other receivables (note 9)	139.361.736	923.206
Interest income on cash and cash equivalents	106.442	2.101
Net foreign exchange gains	121.664.041	-
Other finance income	8.907.931	-
Finance income	**270.040.150**	**925.306**
Net finance income/(costs)	**43.503.304**	**(65.960.383)**

Other finance costs are composed of the fees regarding the rating of the external debt by rating agencies (1,3 M EUR) and commitment fees (1,6 M EUR) charged by the banks for unused credit facility made available to the Company. Also composed of guarantee fees paid to Altice International S.à r.l. for an amount of 4,0 M EUR.

Net foreign exchange gains are mainly composed of the revaluation of the bonds and loans denominated in ILS and USD.

Other finance income is linked to the difference between the fair value on initial recognition and the nominal amount of the Interest Free Loan granted by Altice Securities S.à r.l. (see note 14.3).

8 – Income tax

	For the year ended December 31, 2013	For the period from August 17, 2012 to December 31, 2012
Current tax:		
Current tax on profit for the loss	(3.320)	(1.575)
Foreign withholding tax on interests	(9.407.408)	-
Total current tax	**(9.410.729)**	**(1.575)**
Deferred tax (note 21) :		
Origination of temporary differences	25.004.616	19.017.746
Total deferred tax	**25.004.616**	**19.017.746**
Total income tax	**15.593.887**	**19.016.171**

(Expressed in EUR)

The tax on the Company's profit / loss before tax differs from the theoretical amount that would arise using the average tax rate applicable as follows:

	For the year ended December 31, 2013	For the period from August 17, 2012 to December 31, 2012
Income/(loss) for the year/period	**39.122.868**	**(66.032.267)**
Tax calculated at domestic tax rate (29.22%)	(11.431.702)	19.017.293
Tax effects of:		
Effect of unrecognised losses	(11.428.382)	19.018.868
Current tax expense	**(3.320)**	**(1.575)**

The amount of unrecognized tax losses amounts EUR 26.909.399. The effect of unrecognised losses are linked to the change of the fair value of the derivatives instruments.

9 – Loans and accrued interest receivable

The details of loans and accrued interest receivable is as follows:

	31/12/2013	31/12/2012
Non-current assets:		
Bonds Cool Holdings Ltd	254.648.915	207.419.580
Bonds H.Hadaros 2012 Ltd	231.114.208	188.395.614
Bonds HOT Telecommunications System Ltd	397.638.207	374.661.795
Loan Altice Holdings S.à r.l.	906.828.293	-
Loan Altice International S.à r.l.	167.495.079	-
Total non-current assets:	**1.957.724.701**	**770.476.989**
Current assets:		
Interest on bonds Cool Holdings Ltd	1.682.908	343.768
Interest on bonds H.Hadaros 2012 Ltd	1.527.373	311.997
Interest on bonds HOT Telecom.System Ltd	1.113.387	270.142
Interest on Loan Altice Holdings S.à r.l.	23.998.892	-
Interest on loan Altice International S.à r.l.	6.987.119	-
Interest free loan Altice International S.à r.l.	1.500.000	-
Total current assets:	**36.809.679**	**925.907**
Total loans and accrued interest receivable	**1.994.534.381**	**771.402.896**

During the year ended December 31, 2013, the Company loans and other receivables were as follows:

a) **Cool Holding Ltd. Bonds** issued on December 27, 2012. These are represented by 1.052.800 bonds with a value per bond of NIS 1,000 and bear interest at a rate per annum equal to 14.475%. The total nominal value of the bonds issued is NIS 1.052.800.000 (EUR 220.310.233).

The interest can either be capitalized at issuer discretion or paid semi-annually on June 15 and on December 15 of each year.
Interest has been capitalized for an amount of EUR 34.336.682 during the year ended December 31, 2013.

(Expressed in EUR)

b) **H.Hadaros 2012 Ltd Bonds** issued on December 27, 2012. These are represented by 955.500 bonds with a value per bond of NIS 1.000 and bear interest at a rate per annum equal to 14,475%. The total nominal value of the bonds issued is NIS 955.500.000 (EUR 199.949.144).

The interest can either be capitalized at issuer discretion or paid semi-annually on June 15 and on December 15 of each year.
Interest has been capitalized for an amount of EUR 31.165.064 during the year ended December 31, 2013.

c) **Hot Telecommunication System Ltd. Bonds** issued on December 27, 2012. These are represented by 1.900.000 bonds with a value per bond of NIS 1.000 and bear interest at a rate per annum equal to 6,30%. The total nominal value of the bonds issued is NIS 1.900.000.000 (EUR 397.638.207).

The interest can either be capitalized at issuer discretion or paid semi-annually on June 15 and on December 15 of each year. Interest has been paid on June 15 and December 15, 2013.

d) **Loan** with Altice Holdings S.à r.l. issued on July 2, 2013, for a credit facility in an aggregate amount up to EUR 906.828.293 has been issued as follows:

- Senior Notes Tranche up to EUR 250.000.000 with a maturity in June 2023
- Term Loan Tranche up to EUR 795.000.000 with maturity in June 2019

The interest rate of 9% is equal to the Senior Notes Interest rate on its unpaid principal amount for each of the Senior Notes Interest Periods.
The interest rate of 5,50% is equal to the Term Loan Tranche on its unpaid principal amount for each of the corresponding Term Loan Interest Periods.

e) **Loan Altice International S.à r.l.** is composed of several tranches as follows:
- a EUR 133.000.000 tranche with maturity in August 2062 and bearing interests at a rate of 9,379%
- a EUR 30.869.000 tranche with maturity in March 2062 and bearing interests at a rate of 8,379%
- a USD 5.000.000 tranche with maturity in March 2062 and bearing interests at a rate of 8,379%

f) The Loan Agreement with Altice International S.à r.l. is dated December 2013 for an amount of EUR 1.500.000 is interest free and repayable on demand.

10 – Trade and other receivables

The detail of trade and other receivables as follows:

	31/12/2013	31/12/2012
Current assets		
Advance to related parties	46.530.989	17.838.482
Other receivables	166.448	160.765
Other financial assets	46.697.437	17.999.247

The advance to related parties are mainly composed of different advances made during the year to Altice International S.à r.l. for a total amount of EUR 13.906.127 and of amounts receivables from Altice Holdings S.à r.l. for an amount of EUR 29.014.894.

These advances are payable within one year and do not bear any interest.

(Expressed in EUR)

11 – Cash and cash equivalents & restricted cash

	31/12/2013	31/12/2012
Cash at bank and in hand	2.298.813	5.567.602
Cash in short-term deposit	0	78.206.072
Cash and cash equivalents	**2.298.813**	**83.773.673**
Restricted cash (1)	952.694.177	-
Restricted cash	**952.694.177**	**-**

(1) Current restricted cash refers to cash held on escrow accounts related to the acquisition of two companies by Altice S.A. Group. The transactions closed during the first and second quarter of 2014, thus ensuring utilization of the cash in less than twelve months following December 31, 2013.

12 – Issued capital

	Ordinary shares
At January 1, 2013	28.872
Proceeds from shares issued	1.969.000
Change in functional currency	2.128
At December 31, 2013	**2.000.000**

On May 16, 2013, an extraordinary general meeting of the shareholders was held to decide to increase the capital from EUR 31.000 to EUR 2.000.000 by issue of 1.969.000 new ordinary shares with a nominal value per share of EUR 1.

As at December 31, 2013 the subscribed capital amounts to EUR 2.000.000 and is divided into 2.000.000 shares fully paid-up with a nominal value per share of EUR 1.

The authorized share capital of the Company is set at EUR 2.000.000 and is divided into 2.000.000 shares of a nominal value per share of EUR 1 and is valid until 5 years after the date of the publication of the authorized and unissued share capital of the Company.

The shares are freely transferable. All shares have equal economic and voting rights.

Each share entitles the holder thereof to a fraction of the Company's assets and profits in accordance with Article 26 of the incorporation deed.

13 – Trade and other payables

The balance at year end is composed of unpaid transaction costs in connection with the December 2013 issuance. The transaction costs are only payable on closing of the underlying transactions.

(Expressed in EUR)

14 – Borrowings & other financial liabilities

The detail of the borrowings is the following:

	Note	31/12/2013	31/12/2012
Non-current liabilities			
Loans from financial institutions	**14.1**	738.144.230	-
Bonds	**14.2**	1.451.080.239	532.185.702
Related parties loans	**14.3**	617.963.763	307.182.370
Other financial liabilities	**14.5**	142.294.656	62.450.909
TOTAL		2.949.482.888	901.818.981
Current liabilities			
Loans from financial institutions	**14.1**	7.498.731	-
Accrued interest payable		15.195.650	2.302.059
Related party loans	**14.3**	24.980.525	37.703.341
TOTAL		47.674.906	40.005.401

14.1 Loans from financial institutions

The balance is composed of a Term Loan Credit Agreement with various credit institutions on June 24, 2013 for an aggregate principal amount not in excess of USD 1.034.000.000 with a maturity date June 2019. The interest rate is a rate per annum equal to the Alternate Base Rate plus the Applicable Margin. The interest rate per annum is equal to EURIBOR and margin of 4.5%.

A mandatory quarterly payment of 2.585.000 USD is due from March 31, 2014.

In addition the Company has access to two Revolving Credit Facilities amounting to EUR 60,000,000 and USD 80,000,000 which are unused as at December 31, 2013.

14.2 Bonds

The Company has issued Senior Secured Notes in December 2012 and December 2013 to finance various acquisitions:

- USD 460 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7,875% and maturing on December 15, 2019.

- EUR 210 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8,0% and maturing on June 15, 2023.

- USD 900 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6,5% and maturing in 2022.

- EUR 300 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6,5% and maturing in 2022.

The 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.

	Fair value in millions of euros December 31, 2013	Coupon	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2012
-Senior Secured Notes USD 460 M	346,1	7,875%	2019	319,0	333,9	348,4
-Senior Secured Notes EUR 210M	219,1	8,00%	2019	201,9	210,5	210,5
-New Senior Secured Notes EUR 300M	300	6,50%	2022	292,9	300,0	-
-New Senior Secured Notes USD 900M	652,7	6,50%	2022	637,3	652,7	-
Nominal value of bonds	**1.517,9**			**1.451,1**	**1.497,1**	**558,9**

As at December 31, 2013, there was no breaches of covenants for the Senior Secured Notes mentioned below.

14.3 Related Party Loans

	31/12/2013	31/12/2012
Non-current related party loans:		
Notes Proceed Loan 12/20 9.875% USD - Altice Finco	294.285.158	307.182.370
Notes Proceed Loan 13/23 9% EUR - Altice Finco	245.000.000	-
Intercompany loan Cool Holdings Ltd	43.929.227	-
Interest Free Loan Altice Securities	34.749.378	-
Total non-current related party loans:	**617.963.763**	**307.182.370**
Current related party loans:		
Notes Proceed Loan 12/20 9.875% USD - Altice Finco	1.272.280	353.976
Notes Proceed Loan 13/23 9% EUR - Altice Finco	11.943.750	-
Intercompany Loan Cool Holdings Ltd.	-	37.289.251
Interest on Intercompany Loan Cool Holdings Ltd.	323.890	60.114
Intercompany Loan Hot Telecom System Ltd	7.645.736	-
Interest on Intercompany Loan Hot Telecom System Ltd	366.908	-
Other debts towards related parties	3.427.961	-
Total current related party loans:	**24.980.525**	**37.703.341**

a) Notes Proceeds Loan with Altice Finco S.A.

The Notes Proceeds Loan represents senior notes proceeds loan agreement with Altice Finco S.A. dated December 27, 2012 with an initial aggregate principal amount of USD 425.000.000 and maturing on December 15, 2020. The loan bears interests at a rate of 9,875% per annum.

b) Intercompany loan with Altice Finco S.A.

The Company entered in a Senior Notes Proceeds Loan Agreement with Altice Finco S.A. on July 2, 2013 with an aggregate principal amount of EUR 250.000.000 and maturing on June 2, 2023.
The loan bears interests at a rate of 9,0% per annum.

c) Intercompany Loan with Cool Holdings Ltd.

The Company entered in an Intercompany Loan with the Cool Holdings Ltd. on December 27, 2012 with an initial aggregate principal amount of NIS 184.100.000.
The maturity date has been set to December 15, 2019 which is related to Cool Proceeds Note. The interest rate is 14,475%.

d) Intercompany loan with Hot Telecommunication Systems Ltd

The Company entered in a loan agreement with Hot Telecommunication Systems Ltd on June 5, 2013 with an amount of NIS 86,422,985, an amount of NIS 49.886.144 has been repaid during the year.
The initial maturity date was December 31, 2013 and has been extended to December 31, 2014. The interest rate is Prim +1,1%.

e) Interest free loan Altice Securities S.à r.l.

On June 5, 2013 the Company entered in a Facility Agreement with Altice Securities S.à r.l., the total draw down amount equals to NIS 202.268.460 (equivalent to EUR 42.327.089 on draw down date) This Facility Agreement does not bear any interest and the maturity date is set on December 31, 2016.
The loan has been on initial recognition measured at its fair valuation, and the difference between the nominal amount and the fair value has been recognized in the statement of income.

14.4 Currency of borrowings

	December 31, 2013	**Euro (EUR)**	**US Dollar (USD)**	**Israeli Shekel (ILS)**
		(in euros)		
Non current liabilities				
Loans from financial institutions	**(738.144.230)**	-	(738.144.230)	-
Bonds	**(1.451.080.239)**	(494.730.786)	(956.349.453)	-
Related parties loan	**(617.963.763)**	(231.068.257)	(308.216.900)	(78.678.605)
TOTAL	**(2.807.188.232)**	(725.799.043)	(2.002.710.584)	(78.678.605)
Current liabilities				
Loans from financial institutions	**(7.498.731)**	-	(7.498.731)	-
Accrued interest payable	**(15.195.650)**	(2.663.395)	(12.532.254)	-
Related parties loan	**(24.980.525)**	(15.366.711)	(1.272.280)	(8.341.534)
TOTAL	**(47.674.906)**	(18.030.107)	(21.303.265)	(8.341.534)

14.5 Derivatives

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

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 425 million principal of Altice Finco's Senior Notes, based on which the Company 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 460 M million USD Senior Secured Notes, on the basis of which the Company 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 210 million Senior Secured Euro Notes, based on which the Company 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 the Company 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 the Company 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 Company 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 the Company 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, the Company 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 425 million Senior Notes with Altice Finco, in which the Company 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 460 million Senior Secured Notes issued by Altice Financing, in which the Company 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 210 million Senior Secured Notes issued by Altice Financing, in which the Company pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5,036 ILS/EUR.

(Expressed in EUR)

	31/12/2013 Liabilities	31/12/2012 Liabilities
Forward foreign exchange contracts	104.385.330	52.631.251
Cross currency swaps	37.909.326	9.819.658
Total	**142.294.656**	**62.450.909**

The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

15 - Financial risk factors

Introduction

Risk is inherent to the Company's activities. It is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk, foreign currency risk and market risk, the latter being subdivided into trading and non–trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

Impairment assessment

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- A breach of contract such as a default of payment;
- It becomes probable that the counterparty will enter bankruptcy or other financial reorganisation; and
- Other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

<u>15.1 - Foreign currency risk management</u>

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in note 9 and 14.

15.1.1 Foreign currency sensitivity analysis

The Company is mainly exposed to the currency of Israeli shekel ("ILS") and the currency of US Dollar ("USD").

The following table details the Company's sensitivity to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents director's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

		December 31, 2013
	Currency USD impact	**Currency NIS impact**
Profit or loss	(139.035.919)	79.691.433
Equity	-	-

		December 31, 2012
	Currency USD impact	**Currency NIS impact**
Profit or loss	(5.596.246)	70.277.811
Equity	(1.747.908)	-

15.2 Interest rate risk management

The Company is exposed to interest rate risk as some borrowings bear interests at a variable rate.

	December 31, 2013	**December 31, 2012**
	(in millions of euros)	
Financial debt at fixed rates	2.069,1	876.7
Financial debt at variable rates........	753.3	-
TOTAL........	**2,822,4**	**876,7**

15.2.1 Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates non-derivative instruments at the end of the reporting period.

If the interest rates had been 50 basis points higher and all other variables were held constant, the Company's profit for the year ended December 31, 2013 would have decreased by EUR 1,7 million.

(Expressed in EUR)

15.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors, which has established an appropriate liquidity risk management framework for the directors of the Company's short-, medium-, and long-term funding and liquidity management requirements. The Company manages 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.

15.3.1 Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayments periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

December 31, 2013

	Less than 1 month	1 month to 1 year	1-5 years	5+ years	Total
Assets					
Loans and other receivables	-	36.809.679	-	1.957.724.701	1.994.534.380
Trade and other receivables	-	46.697.437	-	-	46.697.437
Cash and cash equivalents	2.298.813	-	-	-	2.298.813
Restricted cash		952.694.177	-	-	952.694.177
Total Assets	**2.298.813**	**1.036.201.293**	**-**	**1.957.724.701**	**2.996.224.807**
Liabilities					
Bonds	-	-	-	1.451.080.239	1.451.080.239
Accrued interest payable	-	15.195.650	-	-	15.195.650
Loans from financial institutions	-	7.498.731	29.994.923	708.149.307	745.642.961
Related parties loan		24.980.525		617.963.763	642.944.288
Trade and other payables	-	25.432.750	-	-	25.432.750
Current tax liabilities	-	6.987.591	-	-	6.987.591
Total Liabilities	**-**	**80.095.247**	**29.994.923**	**2.777.193.309**	**2.887.283.479**

December 31, 2012

	Less than 1 month	1 month to 1 year	1-5 years	5+ years	Total
Assets					
Loans and other receivables	-	925.907	-	770.476.989	771.402.896
Trade and other receivables	-	17.513.254	-	-	17.513.254
Cash and cash equivalents	83.773.673	-	-	-	83.773.673
Total Assets	**83.773.673**	**18.439.161**	**-**	**770.476.989**	**872.689.823**
Liabilities					
Bonds	-	-	-	532.185.702	532.185.702
Accrued interest payable	-	2.302.059	-	-	2.302.059
Related parties loan		414.090	-	344.471.622	344.885.712
Trade and other payables	-	120.580	-	-	120.580
Current tax liabilities	-	1.575	-	-	1.575
Total Liabilities	**-**	**2.838.304**	**-**	**876.657.324**	**879.495.628**

(Expressed in EUR)

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	December 31, 2013			
	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Net settled:				
- cross currency swaps	-	-	-	104.385.330
- foreign exchange forward contracts	-	-	-	37.909.326
	-	**-**	**-**	**142.294.655**

	December 31, 2012			
	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Net settled:				
- cross currency swaps	-	-	-	9.819.658
- foreign exchange forward contracts	-	-	-	52.631.251
	-	**-**	**-**	**62.450.909**

15.4 Fair value of financial instruments

15.4.1 Fair value of financial instruments carried at amortised cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

15.4.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values 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 values 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.

15.4.3 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

				December 31, 2013
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Other derivatives financial liabilities	-	142.294.656	-	142.294.656
Total	**-**	**142.294.656**	**-**	**142.294.656**

				December 31, 2012
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Other derivatives financial liabilities	-	62.450.909	-	62.450.909
Total	**-**	**62.450.909**	**-**	**62.450.909**

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
	EUR million					
Foreign currency forward contracts	(104.9)	(52.6)	Level 2	Zero curve	N/A	N/A
Interest rate swaps	(37.9)	(9.8)	Level 2	Zero curve	N/A	N/A

(Expressed in EUR)

15.5 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Altice International Group to which all loans receivables are linked has been assigned the following rating:

- B1 by Moody's Investors Service Inc
- BB- by Standard & Poor's Ratings Service

The Company has been granted the same rating by Moody's and S&P.

	31/12/2013	31/12/2012
Cash at bank and short-term deposit bank deposits		
AAA - Cash at bank	2.298.813	83.773.673
Restricted cash		
AAA - Restricted cash	952.694.177	-

The counterparties are the following: CPB Quilvest (cash at bank) and Citibank (restricted cash).

	31/12/2013	31/12/2012
Derivative financial liabilities		
B1 (by Moody's Investors Service Inc)	142.294.656	62.450.909
BB- (by Standard & Poor's Rating Service)	142.294.656	62.450.909

The counterparties are the following: HSBC, Morgan Stanley, Deutsche Bank, Crédit Suisse, Crédit Agricole, BNP Paribas, ING and Goldman Sachs.

16 - Classification and fair value of financial assets and liabilities

	December 31, 2013		
	Financial assets at amortised cost	other	Total
Assets as per balance sheet			
Intragroup Bonds with Cool Holdings Ltd	256.331.823	-	256.331.823
Intragroup Bonds with H.Hadaros 2012 Ltd	232.641.581	-	232.641.581
Intragroup Bonds with HOT Telecommunications System Ltd	398.751.594	-	398.751.594
Intragroup Proceed with Loan Altice Holdings S.à r.l.	930.827.185	-	930.827.185
Intragroup Loan with Altice International S.à r.l.	174.482.198	-	174.482.198
Intragroup Interest free with Loan Altice International S.à r.l.	1.500.000	-	1.500.000
Total	**1.994.534.381**	**-**	**1.994.534.381**

(Expressed in EUR)

	December 31, 2012		
	Liabilities at fair value through profit or loss	**Other financial liabilities at amortised cost**	**Total**
Liabilities as per balance sheet			
Senior Secured Notes 12/19 7.875% USD	-	321.919.017	321.919.017
Senior Secured Notes 12/19 8% EUR	-	203.532.343	203.532.343
Senior Secured Notes 13/22 6.50% USD	-	639.507.596	639.507.596
Senior Secured Notes 13/22 6.50% EUR	-	293.861.838	293.861.838
Notes Proceed Loan 12/20 9.875% USD	-	295.557.437	295.557.437
Notes Proceed Loan 13/23 9% EUR	-	256.943.750	256.943.750
Term Loan B	-	753.098.055	753.098.055
Intercompany loan Cool Holdings Ltd	-	44.253.117	44.253.117
Loan Hot Telecom System Ltd	-	8.012.644	8.012.644
Other debts towards to related parties	-	3.427.961	3.427.961
Interest Free Loan - Altice Securities	-	34.749.378	34.749.378
Derivatives financial instruments	142.294.656	-	142.294.656
Total	**142.294.656**	**2.854.863.138**	**2.997.157.794**

	December 31, 2013		
	Financial assets at amortised cost	**Others**	**Total**
Assets as per balance sheet			
Intragroup Bonds with Cool Holdings Ltd	207.763.348	-	207.763.348
Intragroup Bonds with H.Hadaros 2012 Ltd	188.707.611	-	188.707.611
Intragroup Bonds with HOT Telecommunications System Ltd	374.931.937	-	374.931.937
Total	**771.402.896**	**-**	**771.402.896**

	December 31, 2012		
	Liabilities at fair value through profit or loss	**Other financial liabilities at amortised cost**	**Total**
Liabilities as per balance sheet			
Senior Secured Notes 12/19 7.875% USD	-	333.065.701	333.065.701
Senior Secured Notes 12/19 8% EUR	-	201.422.060	201.422.060
Notes Proceed Loan 12/20 9.875% USD	-	307.536.346	307.536.346
Intercompany loan Cool Holdings Ltd	-	37.349.366	37.349.366
Derivatives financial instruments	62.450.909	-	62.450.909
Total	**62.450.909**	**879.373.473**	**941.824.382**

(Expressed in EUR)

17 – Deferred tax assets and current tax liabilities

a) Deferred tax

The analysis of deferred tax assets is as follows:

	31/12/2013	31/12/2012
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	42.316.225	19.017.746
Deferred tax assets to be recovered within 12 months	-	-
Net deferred tax assets	**42.316.225**	**19.017.746**

Deferred tax assets have been recognized in connection with the fair value adjustment of the derivatives financial instruments described in note 14.5.

b) Current tax liabilities

	31/12/2013	31/12/2012
Income tax provision	4.785	1.575
Net wealth tax provision	62	-
Foreign withholding tax payable	6.982.744	-
Total	**6.987.591**	**1.575**

18 – Contingencies

The Company had no material contingencies at December 31, 2013 (2012: none).

19 – Commitments

The Company had no material capital commitments at December 31, 2013 (2012: none).

20 - Assets pledged as security

The shares, bank accounts and receivables of the Company and other companies of Altice International group: Altice International and its direct or indirect 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., Green.Ch AG, Winreason S.G.P.S and its subsidiaries have been pledged for the issued Senior Secured Notes and the Altice Term Loan Credit Agreement. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

All pledges applicable for the Senior Secured Notes and the Term Loan Credit Agreement are also applicable to the Revolving Credit Facilities.

(Expressed in EUR)

21 - Related party transactions

a) Loans to related parties

	Amounts owed by related parties	
	31/12/2013	**31/12/2012**
Bonds Cool Holding Ltd	254.648.915	207.763.349
Interest on bonds Cool Holding Ltd	1.682.908	343.768
Bonds H.Hadaros 2012 Ltd	231.114.208	188.707.611
Interest on bonds Hadaros	1.527.373	311.997
Bonds HOT Ltd	397.638.207	374.931.937
Interest on bonds HOT	1.113.387	270.142
Trade Receivable HOT	-	14.071.644
Other receivable Altice International S.à r.l.	13.906.127	3.766.838
Other receivable Altice Finco S.A.	2.307.865	-
Loan to Altice Holdings S.à r.l.	906.828.293	-
Interest on Loan to Altice Holdings S.à r.l.	23.998.892	-
Loan to Altice International S.à r.l.	167.495.079	-
Interest on loan to Altice International S.à r.l.	6.987.119	-
Interest Free Loan to Altice International S.à r.l.	1.500.000	-
TOTAL	**2.010.748.373**	**790.167.285**

The details are disclosed in note 9.

b) Loans from related parties

	Amounts owed to related parties	
	31/12/2013	**31/12/2012**
Senior Notes Proceeds Loan - Altice Finco S.A.	578.376.680	323.393.437
Intercompany loan Cool Holdings Ltd	44.253.117	37.349.365
Advance Hot Telecommunications System Ltd	8.012.644	-
Interest Free Loan Altice Securities S.à r.l.	34.749.378	-
Other payables	3.427.961	
Total	**668.819.780**	**360.742.802**

The details are disclosed in the note 14.

(Expressed in EUR)

c) Profit and loss transactions with related parties

	For the year ended December 31, 2013	For the period from August 17, 2012 to December
Interest income Bonds Cool Holdings Ltd	35.833.030	342.765
Interest income Bonds H.Hadaros 2012 Ltd	32.519.828	311.087
Interest income Bonds HOT Ltd	25.267.015	269.353
Interest income Altice Holding S.à r.l.	38.436.440	-
Interest income Altice International S.à r.l.	6.992.815	-
Interest income RCF - HOT	211.154	-
Interest expense Senior Notes Proceed Loan Altice Finco S.A.	(44.825.506)	(353.976)
Interest expense Intercompany Loan Cool Holdings Ltd	(5.636.115)	(59.938)
Interest expense Intercompany Loan HOT	(367.510)	-

22 – Events after the reporting period

On January 15, 2014, the Company borrowed EUR 20.500.000 under a revolving facility agreement dated July 1, 2013 between, among others, Goldman Sachs Bank USA, Morgan Stanley Bank, N.A., Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch and Credit Agricole Corporate and Investment Bank (as “Original Lenders”), Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Credit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch and Deutsche Bank AG, London Branch (as “Mandated Lead Arrangers”), Citibank International PLC (as “Facility Agent”) and Citibank, N.A., London Branch (as “Security Agent”). The proceeds of this loan were credited to Altice Blue Two on behalf of Altice Holdings S.à r.l., resulting in a receivable with the latter. The amount has been reimbursed in June and July 2014.

On March 12, 2014, in relation to the acquisition of Tricom, Altice Finco S.A. released the escrow amount of USD 400.000.000 to the Company, which in turn granted a proceed loan for an amount of USD 421.777.525.84 to Altice Holdings S.à r.l. and an amount of USD 42.500.000 has been repaid in June 2014.

On April 8, 2014, the Company borrowed USD 42.500.000 under a revolving facility agreement dated December 12, 2012 between, among others, 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 Securities Plc and Morgan Stanley Bank, N.A. (as “Original Lenders”), 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 amount has been reimbursed in June 2014.

On April 9, 2014, in relation to the acquisition of Orange Dominicana, the Company released the remaining escrow amounts of USD 900,000,000 and EUR 300,000,000 and the Company granted a loan amounting to USD 1.330.857.750 to Altice Holdings S.à r.l..

On December 2, 2014, the Company borrowed for a total amount of USD 80,000,000 from its Credit Facility dated November 27, 2012 as amended on December 12, 2012. The proceeds have been loaned to Altice Holdings S.à r.l. which lent the proceeds to Coditel Holding S.A. in order to repay its Mezzanine Facility Agreement.

On December 10, 2014, the Company entered as borrower and guarantor into a revolving facility agreement with a principal aggregate amount of EUR 450.000.000 (the "RCF") initially designated to finance the acquisition by the subsidiaries of the Company's parent, Altice International S.à r.l.. The Company also entered into an amendment and restatement agreement to the RCF in order to among other amend the use of the facilities which will be made available to the Company pursuant to the RCF as amended and restated as well as increase the principal aggregate amount of the RCF up to approximately EUR 501.000.000.

23 – Approval of the financial statements

The financial statements were approved by the Board of Directors and authorized for issue on January 9, 2015.

Deloitte.

Deloitte Audit
Société à responsabilité limitée

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To the Sole shareholder of

Altice Financing S.A.

3, Boulevard Royal

L-2449 **Luxembourg**

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the General Meeting of the Shareholders dated March 21, 2013, we have audited the accompanying financial statements of Altice Financing S.A., which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the financial position of Altice Financing S.A. as of December 31, 2013, and of its financial performance and its 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

January 9, 2015