

**ALTICE INTERNATIONAL S.A.R.L**  
**(PREVIOUSLY KNOWN AS ALTICE VII S.A.R.L)**

**QUARTERLY REPORT**  
**FOR THE PERIOD ENDED MARCH 31, 2014**

**Altice International S.a.R.L**  
3, boulevard royal,  
L-2449 Luxembourg  
Grand Duchy of Luxembourg

**TABLE OF CONTENTS**

<b>DEFINITIONS.....</b>	<b>2</b>
<b>PRESENTATION OF FINANCAL INFORMATION.....</b>	<b>10</b>
<b>ALTICE INTERNATIONAL AUDITED CONDENSED CONSOLIDATED ACCOUNTS.....</b>	<b>11</b>
<b>ALTICE INTERNATIONAL UN-AUDITED PRO-FORMA CONSOLIDATED ACCOUNTS.....</b>	<b>39</b>
<b>MANAGEMENT DISCUSSION AND ANALYSIS.....</b>	<b>43</b>
<b>LIQUIDITY AND CAPITAL RESOURCES.....</b>	<b>46</b>
<b>POST BALANCE SHEET DATE EVENTS.....</b>	<b>49</b>

## **DEFINITIONS**

Definitions of certain terms used in this quarterly report and certain financial and operating data can be found below.

“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*, Altice Financing, 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” refers to the \$425 million aggregate principal amount of 9<sup>7</sup>/<sub>8</sub>% senior notes due 2020 issued by Altice Finco under the 2012 Senior Notes Indenture.

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

“2012 Senior Notes Proceeds Loan” refers to the proceeds loan agreement dated the 2012 Transaction Completion Date between Altice Finco and Altice Financing pursuant to which the proceeds of the 2012 Senior Notes were on-lent by Altice Finco to Altice Financing.

“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<sup>7</sup>/<sub>8</sub>% senior secured notes due 2019 issued by Altice Financing under the 2012 Senior Secured Notes Indenture.

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

“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.

“2012 Transaction Completion Date” refers to December 27, 2012 and is the date on which the 2012 Transaction completed.

“2013 Coditel Acquisition” refers to the acquisition by Altice International of all remaining shares in Coditel Holding from certain minority shareholders which was consummated in November 2013.

“2013 December Transactions” refers to the acquisition of ODO which closed on April 9, 2014, the acquisition of Tricom which closed on March 12, 2014, and the related issuance of the 2013 Dollar Senior Notes, 2013 Dollar Senior Secured Notes, and 2013 Euro Senior Secured Notes.

“2013 Dollar Senior Notes” refers to the € 250 million aggregate principal amount of 9% Notes due 2023 Issued by Altice Finco on June 14, 2013.

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

“2013 Dollar Senior Notes Proceeds Loan” refers to the proceeds loan agreement between Altice Finco and Altice Financing pursuant to which the proceeds of the 2013 Dollar Senior Notes were on-lent by Altice Finco to Altice Financing.

“2013 Dollar Senior Secured Notes” refers to the \$900 million aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2022 issued by Altice Financing on December 12, 2013.

“2013 Euro Senior Secured Notes” refers to the €300 million aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2022 issued by Altice Financing on December 12, 2013.

## **ALTICE International S.à r.l.**

“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 Altice Financing 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 June 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.

“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 Altice Financing 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 Notes” refers to the €250 million aggregate principal amount of 9% senior notes due 2023 issued by Altice Finco under the 2013 Senior Notes Indenture.

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

“2013 Senior Notes Proceeds Loan” refers to the intercompany loan made with the proceeds of the offering of the 2013 Senior Notes by Altice Finco as lender to Altice Financing as borrower in connection with the 2013 June Transactions.

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

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

“2013 Term Loan” refers to the term loan credit agreement on or prior to June 19, 2013 between Altice Financing 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” refers to Altice Blue One S.A.S., a *société par actions simplifiée*, incorporated under the laws of France.

“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 2013 June 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 Senior Notes on July 2, 2013.

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

“Acquisition of Content Subsidiaries” refers to the acquisition by Altice International of Ma Chaîne Sport S.A. and its subsidiary, Sportv S.A., in November 2013.

“AH Proceeds Loan” refers to the intercompany loan made by Altice Financing as lender to Altice Holdings as borrower in connection with the 2013 June 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 International S.à r.l.**

“Altice Financing” refers to Altice Financing S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg.

“Altice Financing Pledged Proceeds Notes” collectively refers to the AH Proceeds Loan, the 2013 December AH Proceeds Loans, the Cool Proceeds Note, the Acquisition Note and the HOT Refinancing Notes.

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

“Altice Group” refers to, collectively, the Group and the Numericable Group, unless the context otherwise requires.

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

“Altice International Group” refers to Altice International and its subsidiaries.

“Altice Portugal” refers to Altice Portugal 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.

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

“Cabovisão Bridge Facility” refers to the facility agreement, dated March 6, 2013 (as amended and restated on April 18, 2013), among, *inter alios*, Altice Holdings, as the borrower, Altice International, as the parent, Altice Portugal and Cabovisão, as original guarantors, Goldman Sachs International, Morgan Stanley Bank International Limited and Crédit Agricole Corporate and Investment Bank, as the arrangers, and Wilmington Trust (London) Limited as agent and security agent, which was refinanced pursuant to the Cabovisão Refinancing and the 2013 June Transactions.

“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 (“New Cabovisão Proceeds Notes”).

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

“Clearstream” refers to Clearstream Banking, *société anonyme*.

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

“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.

## **ALTICE International S.à r.l.**

“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 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 collateral securing the 2014 Senior Notes.

“Company” refers to Altice S.a.R.L, a private limited liability company (*société a responsabilité limitée*) incorporated under the laws of Luxembourg.

“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 Company 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 International and Cool Holding pursuant to which Altice International agreed to grant Cool Holding a loan in a maximum aggregate amount of NIS 1.5 billion.

“DTC” refers to The Depository Trust Company.

“Escrow Agent” refers to Deutsche Bank AG, London Branch, acting in its capacity as escrow agent under the Escrow Agreement.

“Existing Altice Financing Revolving Credit Facilities” collectively refers to the 2012 Revolving Credit Facility and the 2013 Revolving Credit Facility.

“Existing Coditel Intercreditor Agreement” refers to the intercreditor agreement, dated November 29, 2011 between, *inter alios*, Coditel Holding Lux S.à r.l., Coditel Holding, the companies listed therein as original debtors, ING Bank N.V. as senior agent, Wilmington Trust (London) Limited as mezzanine agent and ING Bank N.V. as security agent.

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

“Existing 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.

“Existing 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.

“Existing Indentures” collectively refers to the 2013 Senior Secured Notes Indenture, the 2013 Dollar Senior Notes Indenture, the 2013 Senior Notes Indenture, the 2012 Senior Notes Indenture and the 2012 Senior Secured Notes Indenture and “Existing Indenture” refers to the 2013 Senior Secured Notes Indenture, the 2013 Dollar Senior Notes Indenture, the 2013 Senior Notes Indenture, 2012 Senior Notes Indenture or the 2012 Senior Secured Notes Indenture, as the context requires.

“Existing Intercreditor Agreement” refers to the intercreditor agreement dated December 12, 2012, as amended from time to time, among, *inter alios*, Altice Finco, Altice Financing, Cool Holding, and Citibank, N.A., London Branch, as the security agent.

## **ALTICE International S.à r.l.**

“Existing Notes” collectively refers to the Existing Senior Notes and the Existing Senior Secured Notes.

“Existing Numericable Indebtedness” refers to all indebtedness outstanding under the Ypso France Senior Facility Agreement, including the Numericable February 2012 Notes and the Numericable October 2012 Notes, which is expected to be fully repaid and extinguished with the proceeds from certain financing transactions to be executed in connection with the Transactions.

“Existing Senior Notes” collectively refers to the 2013 Dollar Senior Notes, the 2013 Senior Notes and the 2012 Senior Notes.

“Existing Senior Notes Indentures” collectively refers to the 2013 Dollar Senior Notes Indenture, the 2013 Senior Notes Indenture and the 2012 Senior Notes Indenture and “Existing Senior Notes Indenture” refers to the 2013 Dollar Senior Notes Indenture, the 2013 Senior Notes Indenture or 2012 Senior Notes Indenture, as the context requires.

“Existing Senior Notes Collateral” refers to the collateral securing the Existing Senior Notes.

“Existing Senior Secured Notes” collectively refers to the 2012 Senior Secured Notes and the 2013 Senior Secured Notes.

“Existing Senior Secured Guarantors” collectively refers to Altice International, Cool Holding, H Hadaros 2012 Ltd, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom, Knewon and Altice Bahamas. ODO and Tricom are expected to become an Existing Senior Secured Guarantor in the first half of 2014.

“Existing Senior Secured Notes Guarantees” collectively refers to the guarantees issued by the Existing Senior Secured Notes Guarantors.

“Fold in” refers to the transfer by Altice International of all of the share capital of Altice Holdings and certain of its subsidiaries, including Altice Portugal, Cabovisão, Coditel Holding, ABO, Green and Le Cable into the Group in connection with the 2013 June 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” 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.

“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.

“Group” refers to the Company and its subsidiaries.

“Groupe 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.

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

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

“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 Altice Financing on the 2012 Transaction Completion Date subject to the terms of the revolving loan agreement dated December 27, 2012 among Altice Financing, HOT, the HOT Refinancing Note Guarantors and Citibank, N.A., London Branch as security agent.

## **ALTICE International S.à r.l.**

“HOT Proceeds Term Note” refers to HOT’s NIS 1,900 million aggregate principal amount of notes issued to Altice Financing 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 2014 Senior Notes will not benefit from the HOT Refinancing Note 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.

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

“Knewon” refers to Knewon, S.A., a public limited liability company (*societade anónima*) incorporated under the laws of Portugal.

“Le Cable” collectively refers to Le Cable Martinique and Le Cable Guadeloupe.

“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 refinancing of Le Cable and the 2013 June Transactions.

“Luxembourg” refers to the Grand Duchy of Luxembourg.

“Mobius Acquisition” refers to the acquisition by Altice Blue Two (a wholly-owned subsidiary of Altice International) of the Mobius Group in January 2014.

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

“Mobius Transaction” refers collectively to the following transactions: (i) the purchase by Altice Blue Two of all of the outstanding share capital of the Mobius Group and (ii) the reinvestment of certain managers of the Mobius Group in Altice Blue Two.

“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” refers to Numericable Group S.A.

“Numericable Group” refers to Numericable Group S.A. and its subsidiaries.

“ODO” refers to Orange Dominicana S.A.

“ODO Acquisition” refers to the acquisition by Altice Dominican Republic II SAS of ODO which was completed on April 9, 2014.



**ALTICE International S.à r.l.**

“ODO Acquisition Agreement” has the meaning ascribed to it in the section entitled “Post Balance Sheet Date Events - ODO Acquisition” of this quarterly report.

“OMT Invest” refers to OMT Invest S.A.S. (Société par actions simplifiée), incorporated under the laws of France.

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

“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.” refers to ONI S.G.P.S., S.A. a holding company (*sociedade gestora de participações sociais*) incorporated under the laws of Portugal.

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

“Onitelecom Proceeds Notes” refers to the outstanding bonds issued by ONI and subscribed for by Altice Holdings.

“ONI Transaction” refers to, collectively, the ONI Acquisition and the ONI Refinancing.

“Outremer” refers to Groupe Outremer Telecom and its subsidiaries.

“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 International 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.

“Pledged Proceeds Notes” collectively refers to the Covenant Party Pledged Proceeds Loans and the Senior Secured Notes Company Pledged Proceeds Notes.

“Security Agent” refers to Deutsche Bank AG, London Branch.

“Senior Notes” refers to the Existing Senior Notes.

**ALTICE International S.à r.l.**

“Senior Notes Proceeds Loans” collectively refers to the 2013 Dollar Senior Notes Proceeds Loan, the 2012 Senior Notes Proceeds Loan and the 2013 Senior Notes Proceeds Loan.

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

“Tricom Acquisition” refers to the acquisition by Altice Dominican Republic SAS of Tricom which occurred in March 2014.

“Trustee” refers to Deutsche Bank AG, London Branch, acting in its capacity as trustee under the Indenture.

“U.S. Exchange Act” refers to the U.S. Securities Exchange Act of 1934, as amended.

“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.

**PRESENTATION OF FINANCIAL INFORMATION**

All historical financial information presented in this report has been prepared on the basis of (i) the condensed consolidated financial statements of Altice S.A. as of, and for the three months ended, March 31, 2014 and (ii) the condensed combined financial statements of Altice France and Altice International as of, and for the three months ended, March 31, 2013, which has been presented for comparative purposes. This historical financial information has not been audited. See Note 1 to the Condensed Consolidated Financial Statements included herein for a discussion on how these accounts have been prepared.

Pro-forma and aggregated information presented in this report has been prepared assuming that any and all acquisitions made by Altice S.A. and its subsidiaries over the period presented herein had occurred on January 1, 2013.

This pro-forma information has not been audited. Persons reading this report should be aware that this information may be modified or adjusted, including if it were subject to a review or an audit by our external auditors.

The pro-forma information presented in this report does not include any financial information pertaining to the SFR acquisition, except in the sources of liquidity sections, where, solely for illustrative purposes, we present the debt incurred as part of this acquisition.

**ALTICE International S.à r.l.**

**ALTICE INTERNATIONAL S.A.R.L. AUDITED CONDENSED CONSOLIDATED ACCOUNTS**

**Altice International S.à r.l.**

**(formerly Altice VII S.à r.l.)**

**(Société à responsabilité limitée)**

**Condensed consolidated financial statements as of and  
for the three months ended March 31, 2014**



## INDEX

<b>Condensed consolidated statement of income</b>	<b>2</b>
<b>Condensed consolidated statement of other comprehensive income</b>	<b>3</b>
<b>Condensed consolidated statement of financial position</b>	<b>4</b>
<b>Condensed consolidated statement of changes in equity</b>	<b>6</b>
<b>Condensed consolidated statement of cash flows</b>	<b>7</b>
<b>Notes to the condensed consolidated financial statements</b>	<b>8</b>
<b>Review report of the <i>Réviseur d'Entreprises Agréé</i></b>	<b>28</b>

Condensed consolidated statement of income

For the three months ended March 31, 2014

	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
		(in millions of euros)	
Revenues.....	8	362.5	284.1
Cost of sales.....	8	(87.6)	(82.3)
Other operating expenses.....		(52.5)	(38.7)
Staff costs and employee benefits expenses .....	11	(33.9)	(34.3)
General and administrative expenses.....		(14.9)	(7.2)
Other sales and marketing expenses .....		(15.3)	(8.6)
<b>Operating profit before depreciation, amortization, management fees, restructuring, non-recurring-costs and other expenses .....</b>	<b>8</b>	<b>158.3</b>	<b>113.0</b>
Depreciation and amortization.....	8	(114.9)	(85.4)
Management fees.....		(0.5)	(0.2)
Restructuring, non-recurring costs and other expenses .....	9	(14.9)	(7.6)
<b>Operating profit.....</b>		<b>28.0</b>	<b>19.8</b>
Finance income.....		1.5	45.3
Finance costs .....		(124.5)	(39.4)
<b>(Loss)/profit before income tax benefits/(expenses) .....</b>		<b>(95.0)</b>	<b>25.6</b>
Income tax benefit/(expenses) .....	12	5.1	(9.2)
<b>(Loss)/profit for the period .....</b>		<b>(90.0)</b>	<b>16.4</b>
<i>Attributable to equity holders of the parent.....</i>		(88.2)	19.2
<i>Attributable to non-controlling interests .....</i>		(1.8)	(2.8)

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

Condensed consolidated statement of other comprehensive income

For the three months ended March 31, 2014

Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
	(in millions of euros)	
<b>(Loss)/profit for the period</b> .....	<b>(90.0)</b>	<b>16.4</b>
<b>Other comprehensive (loss)/income</b>		
Exchange differences on translating of foreign operations .....	-	2.7
Variation of the employee benefits reserves.....	(0.2)	0.2
<b>Total comprehensive (loss)/income for the period</b> .....	<b>(90.2)</b>	<b>19.3</b>
<i>Attributable to equity holders of the parent</i> .....	(88.4)	21.6
<i>Attributable to non-controlling interests</i> .....	(1.8)	(2.3)

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

Condensed consolidated statement of financial position

As of March 31, 2014

	Notes	March 31, 2014	December 31, 2013
(in millions of euros)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		50.4	61.3
Restricted cash	4	962.0	1,242.8
Trade and other receivables		287.0	230.9
Inventories		13.4	11.0
Current tax assets		13.2	14.6
<b>Total current assets</b>		<b>1,326.0</b>	<b>1,560.6</b>
<b>Non-current assets</b>			
Deferred tax assets		77.6	47.4
Financial assets		48.7	50.6
Trade and other receivables		22.4	22.8
Property, plant & equipment		1,252.0	1,134.2
Intangible assets		579.8	579.6
Goodwill	3	1,280.8	1,100.7
<b>Total non-current assets</b>		<b>3,261.3</b>	<b>2,935.4</b>
<b>Total assets</b>		<b>4,587.3</b>	<b>4,496.0</b>



Condensed consolidated statement of financial position (continued)

As of March 31, 2014

	Notes	March 31, 2014	December 31, 2013
(in millions of euros)			
<b><i>EQUITY AND LIABILITIES</i></b>			
<b>Current liabilities</b>			
Bonds	7	84.7	57.6
Deferred revenue		75.5	55.9
Trade and other payables		528.0	516.6
Other current liabilities	7	19.5	15.9
Provisions		2.3	2.1
Current tax liabilities		67.7	57.1
<b>Total current liabilities</b>		<b>777.7</b>	<b>704.5</b>
<b>Non-current liabilities</b>			
Bonds	7	2,517.5	2,527.0
Borrowings from financial institutions	7	925.3	894.3
Loans from related parties	7	-	99.2
Other financial liabilities	7	259.5	271.6
Deferred revenue		12.7	29.0
Trade and other payables		24.6	10.6
Retirement benefit obligations		8.8	29.0
Provisions		28.8	8.2
Deferred tax liabilities		172.8	183.1
<b>Total non-current liabilities</b>		<b>3,950.0</b>	<b>4,052.0</b>
<b>Equity</b>			
Issued capital	5	299.7	7.4
Share Premium	5	172.9	5.4
Other reserves	6	(564.7)	(87.3)
<b>Loss for the period/year</b>		<b>(88.2)</b>	<b>(186.2)</b>
<b>Total equity attributable to equity holders of the parent</b>		<b>(180.3)</b>	<b>(260.7)</b>
Non-controlling interests		39.9	(0.5)
<b>Total equity</b>		<b>(140.4)</b>	<b>(261.2)</b>
<b>Total equity and liabilities</b>		<b>4,587.3</b>	<b>4,496.0</b>

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

Condensed consolidated statement of changes in equity

For the three months ended March 31, 2014

	Issued capital	Share Premium	Other Reserves	Loss for the period/year	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	<i>(€ in millions)</i>						
<b>Equity at January 1, 2013</b>	7.4	-	422.0	(148.9)	280.5	5.2	285.7
Allocation of prior year losses	-	-	(148.9)	148.9	-	-	-
Profit of the period	-	-	-	19.2	19.2	(2.8)	16.4
Other comprehensive income	-	-	2.2	-	2.2	0.5	2.7
Transaction with equity holders of the parent	-	-	(162.8)	-	(162.8)	-	(162.8)
Other movements	-	-	0.2	-	0.2	-	0.2
<b>Equity at March 31, 2013</b>	<b>7.4</b>	<b>-</b>	<b>112.7</b>	<b>19.2</b>	<b>139.3</b>	<b>2.9</b>	<b>142.2</b>
<b>Equity at January 1, 2014</b>	7.4	5.4	(87.3)	(186.2)	(260.7)	(0.5)	(261.2)
Allocation of prior year losses	-	-	(186.2)	186.2	-	-	-
Dividends paid	-	-	-	-	-	-	-
Loss of the period	-	-	-	(88.2)	(88.2)	(1.8)	(90.0)
Total other comprehensive loss	-	-	(0.2)	-	(0.2)	-	(0.2)
Issuance of new shares	292.3	167.5	(317.0)	-	142.8	-	142.8
Transaction with equity holders of the parent	-	-	26.0	-	26.0	42.2	68.2
<b>Equity at March 31, 2014</b>	<b>299.7</b>	<b>172.9</b>	<b>(564.7)</b>	<b>(88.2)</b>	<b>(180.3)</b>	<b>39.9</b>	<b>(140.4)</b>

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

**Condensed consolidated statement of cash flows**

for the three months ended March 31, 2014

<u>Notes</u>	<u>March 31, 2014</u>	<u>March 31, 2013</u>
	<i>(€ in millions)</i>	
<b>(Loss)/profit for the period</b>	<b>(90.0)</b>	<b>16.4</b>
Adjustments for :		
Depreciation and amortization	114.9	85.4
Other non-cash operating gains and losses	(7.6)	(3.5)
<b>Net cash provided by operating activities before changes in working capital, finance costs and income tax</b>	<b>17.3</b>	<b>98.1</b>
Finance costs, net	123.0	(5.9)
Income tax (gain)/expense recognised in profit and loss	(5.1)	1.3
Income tax (received)/paid	(6.8)	0.1
Changes in working capital	(9.6)	(27.8)
<b>Net cash provided by operating activities</b>	<b>118.8</b>	<b>65.8</b>
Purchases of tangible and intangible assets	(76.1)	(53.5)
Acquisitions of available for sale financial assets	-	(3.9)
Increase in loans and other non-current financial assets	-	11.2
Increase/ (Decrease) in restricted cash	4      282.6	-
Net payments on acquisition of subsidiaries	2      (278.2)	-
<b>Net cash used in investing activities</b>	<b>(71.7)</b>	<b>(46.2)</b>
Proceeds from debt issuance	7      28.7	-
Repayment of debt	7      (44.9)	(14.9)
Distribution to CPEC's holders	6      -	(28.9)
Interest paid	(44.3)	(11.5)
<b>Net cash used in financing activities</b>	<b>(60.5)</b>	<b>(55.3)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(13.5)</b>	<b>(35.7)</b>
Cash and cash equivalents at the beginning of the period	61.3	129.7
Net decrease in cash and cash equivalents	(13.5)	(35.7)
<b>Cash and cash equivalents at the end of the period</b>	<b>47.8</b>	<b>94.0</b>
Cash and cash equivalent	50.4	94.0
Bank overdraft	(2.6)	-

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

## **Note 1 - Nature of the business, basis of preparation and accounting policies**

### **Nature of the business**

Altice International S.à r.l. (formerly Altice VII S.à r.l.) (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 its 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 March 31, 2014 its sole equity holder is Altice 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. (“The Group”) to Altice S.A. (“Altice”) in exchange for shares in Altice S.A.

Altice is listed on Euronext in Amsterdam. The condensed consolidated financial statements of Altice are available at the registered address of Altice: 3, boulevard Royal, L 2449 Luxembourg and on its website : [www.altice.net](http://www.altice.net).

Altice International 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 equipment across its footprints to generate economies of scale and common knowledge.

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 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.

### **Basis of presentation**

The condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2014 have been prepared in accordance with International Accounting Standard (“IAS”) No. 34 “Interim Financial Reporting”. They should be read in conjunction with the annual consolidated financial statements and the notes thereto as of and for the year ended December 31, 2013 which have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”).

### **Accounting policies**

The condensed consolidated financial statements have been prepared on a historical cost basis, except for (i) available for sale financial assets, (ii) derivative financial instruments and which are measured at fair value (iii) inventories which are measured at the lower of net realizable value or cost. The accounting policies used to prepare the condensed consolidated financial statements are similar to those described in Note 2 to the consolidated financial statements as of and for the year ended December 31, 2013.

There were no other significant effects on the condensed consolidated financial statements as a result of the adoption of any of the below mentioned standards or interpretations.

### **New standards applied for the first time in the current period**

For the period ended March 31, 2014, the Company has applied the following amendments to IAS standards, made compulsory for annual periods beginning on or after January 1, 2014.

- Amendments to IAS 39–Novation of Derivatives and Continuation of Hedge Accounting:

Under the revised standard, the novation of a hedging instrument should not be considered as an expiration or termination giving rise to the discontinuation of hedge accounting when a hedging derivative is novated.

This amendment has no impact on the condensed consolidated financial statements of the Company, as it does not practice hedge accounting.

- Amendments to IAS 36–Recoverable Amount Disclosures:

The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

This amendment has no impact on the condensed consolidated financial statements of the Company.

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

### **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 condensed consolidated financial statements.

### **Estimates and assumptions**

The preparation of the condensed 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.

### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (herein after referred to as “CGU” or “CGUs”) to which goodwill has been allocated. The value in use calculation requires the Board of Managers to estimate the future cash flows expected to arise from the CGUs 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.

### **Legal claims**

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

### **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.

### **Deferred tax asset**

Deferred tax assets relate primarily to tax losses carried forward and to deductible temporary differences between reported amounts and the tax basis of assets and liabilities. The assets relating to the tax losses carried forward are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be offset. Evaluation of the Group's capacity to utilize tax losses carried forward 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 losses carried forward.

*Note 2 – Main changes in the scope of consolidation*

**2.1 Tricom S.A. and Global Interlinks Limited (“Tricom” and “GLX”)**

On March 12, 2014, the Group, through its indirect subsidiary, Altice Dominican Republic, completed the acquisition of approximately 87.88% stake in Tricom S.A., a cable and mobile operator with a 4G license based in the Dominican Republic, and Global Interlinks limited the owner of a submarine cable, through which it sells data and voice transmission services to other operators based in the region (and including its sister concern, Tricom S.A.). Through this acquisition, the Group expects to consolidate and expand its cable operations in the Caribbean Islands and explore synergies through the vertical integration of its operations in the region and synergies with pre-existing operations in the region.

Since March 12, 2014 Tricom and Global Interlinks contributed €7.6 million in revenue and €1.1 million in operating income to the Group’s result for the three months ended March 31, 2014.

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 the acquired entity amounted to €299.2 million on a cash free, debt free basis.

The total value of assets transferred in consideration for the values mentioned above amounted to €214.8 million, comprising mainly of intangible assets for a net value of €4.4 million, property, plant and equipment for a total value of €133.2 million and trade and other receivables for a total amount of €67.3 million. Total liabilities amounted to €82.7 million, comprising of €40.8 of non-current liabilities and €41.9 million of current liabilities. Additionally, adjustments related to the conversion of the opening balance from US GAAP to IFRS standard led to an increase in fixed assets of €2.8 million, thus increasing the net value of assets transferred to €134.9million. The residual value of €164.3 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Tricom S.A. and Global Interlinks Limited. The Company is continuously assessing 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	€299.2 million
Preliminary fair value of identifiable assets, liabilities and contingent liabilities	€134.9 million
Goodwill	€164.3 million

In summary, the profit and loss of these new subsidiaries for the period from January 1, 2014 to the date of their consolidation into the Group’s accounts is given below:

	<u>Tricom</u> <i>(in € millions)</i>
<b>Revenues</b>	38.7
Purchases and subcontracting services	<u>(11.1)</u>
<b>Gross Profit</b>	<b>27.6</b>
Other operating expenses	(4.2)
General and administrative expenses	(1.7)
Other sales and marketing expenses	(2.2)
Staff costs and employee benefits	(5.3)
<b>Operating profit before depreciation and amortization</b>	<b>14.1</b>
Depreciation and amortization	(5.1)
Management fees	(0.8)
<b>Operating profit</b>	<b>8.2</b>
<b>Profit / (loss) for the period (including non-controlling interests)</b>	<b>5.4</b>

## **2.2 Mobius S.A.S. (“Mobius”)**

On January 15, 2014 the Company, through its subsidiary Altice Blue Two S.A.S., obtained control over Mobius, a telecommunications operator in the French Overseas Territories (La Reunion), by acquiring 76.97% of the shares and voting interests in the company. This acquisition enables the Group to further expand and consolidate its footprint in the French Overseas Territories.

Since January 1, 2014 Mobius contributed €4.6 million to revenue and €0.1 million to operating income to the Group’s results for the three months ended March 31, 2014.

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 the acquired entity amounted to €18.8 million on a cash free, debt free basis.

- The total value of assets transferred in consideration for the values mentioned above amounted to €15.2 million, comprising mainly of intangible assets for a net value of €7.1 million, property, plant and equipment for a total value of €1.2 million, financial assets for a total value of €3.2 million and trade and other receivables for a total amount of €2.9 million. Total liabilities amounted to €13.8 million, comprising of €5.1 million of non-current liabilities and €8.7 million of current liabilities. The residual value of €17.4 million was recognised provisionally as goodwill.

- The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Mobius. The Company is continuously assessing 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	€18.8 million
Preliminary fair value of identifiable assets, liabilities and contingent liabilities	€1.4 million
Goodwill	€17.4 million

## **2.5 Acquisition of non-controlling interests – Altice Blue Two S.A.S.**

In January 2014, Altice S.A., the sole partner of the Company entered into discussion with the management of Outremer Telecom (the “OMT Managers”), holders of a 23% stake in Altice Blue Two S.A.S. (“ABT”), the holding company controlling Outremer Telecom, Mobius, WSG and MTVC, to exchange part or all of their existing shares in ABT against new shares to be issued by Altice S.A..

As per the agreement, which was signed on March 13, 2014, the OMT Managers contributed a 17.5% stake held directly in ABT and all their shares held in OMT Ocean 3 S.A.S. (an investment vehicle held by certain members of OMT’s senior management and holding a 5.4% stake in ABT), for a base value of € 55.2 million plus 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.

These shares will subsequently be transferred to the sole shareholder of Altice Blue Two (Altice Caribbean), thus giving it 99.9% control over Altice Blue Two.



**Note 3 - Goodwill**

Goodwill is reviewed for impairment at each CGU level, annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2013, goodwill was tested for impairment at the CGU level as of December 31. CGUs are currently determined to coincide with subsidiaries of the Company. The recoverable amounts of the CGUs are determined based on their value in use. The Company determined value in use for the purpose of its impairment testing and, accordingly, did not determine the fair value of the CGUs as the carrying value of the CGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the EBIT margin, the terminal growth rate and the churn rate during the period.

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

The Board of Managers has determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable and therefore no updated impairment model analysis has been carried out nor any impairment recorded for the period ended March 31, 2014.

	December 31, 2013	Business combinations	Impairment losses	Changes in foreign currency translation	Disposals	March 31, 2014
	(in millions of euros)					
Tricom & GLX	-	164.3	-	0.2	-	164.5
Mobius	-	17.4	-	-	-	17.4
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	620.3	-	-	(2.4)	-	617.9
OMT Invest	293.9	-	-	-	-	293.9
ONI	1.3	-	-	-	-	1.3
<b>Total Gross Value</b>	<b>1,228.7</b>	<b>181.7</b>	<b>-</b>	<b>(2.2)</b>	<b>-</b>	<b>1,408.3</b>
Tricom & GLX	-	-	-	-	-	-
Mobius	-	-	-	-	-	-
Green.ch	-	-	-	-	-	-
Coditel	-	-	-	-	-	-
Hot Telecom	(128.0)	-	-	0.5	-	(127.5)
OMT Invest	-	-	-	-	-	-
ONI	-	-	-	-	-	-
<b>Total Cumulative impairment</b>	<b>(128.0)</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>-</b>	<b>(127.5)</b>
Tricom & GLX	-	164.3	-	0.2	-	164.5
Mobius	-	17.4	-	-	-	17.4
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	492.3	-	-	(1.9)	-	490.4
OMT Invest	293.9	-	-	-	-	293.9
ONI	1.3	-	-	-	-	1.3
<b>Total Net book value</b>	<b>1,100.7</b>	<b>181.7</b>	<b>-</b>	<b>(1.7)</b>	<b>-</b>	<b>1,280.8</b>

**Note 4 – Restricted cash**

The decrease in restricted cash is explained by the closing of the Tricom transaction on March 12, 2014. For more details, refer to note 2.

The restricted cash is composed of the proceeds of the December 2013 offering and has been used to finance the acquisition of Orange Dominicana in April 2014.

**Note 5 – Issued capital and share premium**

**Issued capital**

As of March 31, 2014, total issued capital of the Company amounted to € 299.7 million, and was composed of 29,972,213,363 outstanding ordinary shares, with a nominal value of € 0.01 each.

As part of its initial public offering, the Company’s sole partner, Altice S.A. performed a restructuring of the equity structure of the Company.

As part of this restructuring, all convertible preferred equity certificates (CPECs) and other shareholder debts held by Altice S.A. were contributed in exchange for shares in the Company. Details are given below:

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<i>(in € millions)</i>	
<b>Opening balance</b>	<b>7.4</b>	<b>7.4</b>
Conversion of convertible instruments (“CPECs”) into share capital	290.5	-
Conversion of Valemi Corp S.A. vendor note in shares	0.7	-
Capital increase relating to Tricom S.A. closing	1.1	-
<b>Closing balance</b>	<b>299.7</b>	<b>7.4</b>

Share capital at opening amounted to € 7.4 million and the increases were mainly related to the conversion of all CPECs (previously recognised in other reserves) into share capital of the Company (€ 290.5 million), the conversion of a vendor note held by Valemi Corp S.A. and related to the acquisition of Ma Chaîne Sport S.A.S. (“MCS”), into capital for an amount of € 0.7 million, and a capital increase subscribed wholly by Altice S.A. for an amount of € 1.1 million, related to the partial funding of the Tricom S.A. acquisition.

**Share premium**

Total share premium of the Group increased by € 167.5 million to reach € 172.9 million as of March 31, 2014 (€ 5.4 million as of December 31, 2013). This variation is explained below:

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<i>(in € millions)</i>	
<b>Opening balance</b>	<b>5.4</b>	-
Share premium issuance	-	5.4
Conversion of shareholder debts	137.3	-
Conversion of Altice IV S.A. vendor note	13.9	-
Conversion of Valemi Corp S.A. vendor note	6.1	-
Capital increase related to Tricom S.A. closing	10.2	-
<b>Closing balance</b>	<b>172.9</b>	<b>5.4</b>

## ALTICE International S.à r.l.

A restructuring of the shareholder debts held by Next L.P. against Altice International was carried out at the beginning of 2014. As a result of this restructuring, the shareholder debts were contributed by Next L.P. to Altice S.A., in exchange for new shares issued by the Company. All outstanding Yield free preferred equity certificates (€ 38.3 million), Asset linked preferred equity certificates (including accrued interests, € 95.0 million) and interest free loans (€ 3.9 million) were thus contributed at their nominal value by Altice S.A.

Altice IV S.A. and Valemi Corp S.A., the holders of vendor notes against Altice International (pertaining to the acquisition of MCS and SportV S.A. in Q4 2013), contributed these assets to Altice S.A. at their nominal values of € 13.9 million and € 6.1 million respectively, in exchange for new shares issued by Altice S.A., who further contributed these instruments to Altice International, in exchange for new shares issued by the Company.

### Note 6 – Reserves

A detailed description of the consolidated reserves of the Group is provided below:

	March 31, 2014	December 31, 2013
	(in millions of euros)	
CPEC reserve .....	-	290.5
Discounting reserve.....	-	25.3
Employee benefits reserve .....	0.6	0.8
Change of foreign exchange translation .....	(6.6)	(6.7)
Impact of changes in ownership interests .....	(45.5)	(71.5)
Other reserves .....	(322.5)	(321.3)
Accumulated losses .....	(190.7)	(4.4)
<b>Group reserves .....</b>	<b>(564.7)</b>	<b>(87.3)</b>

Variations in Group reserves as of March 31, 2014 resulted mainly from the impact of the conversion of various shareholder debts into equity of the Company.

### Note 7 – Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	March 31, 2014	December 31, 2013
	(in millions of euros)	
Bonds .....	2,517.5	2,527.0
Loans from related parties.....	-	99.2
Borrowings from financial institutions.....	925.3	894.3
Finance leases .....	15.4	23.4
Other financial liabilities.....	66.4	105.9
Financial instruments .....	177.7	142.3
<b>Non-current liabilities .....</b>	<b>3,702.3</b>	<b>3,792.1</b>
Bonds .....	26.3	26.8
Finance leases .....	11.0	11.4
Other financial liabilities.....	8.5	4.5
Accrued interest .....	58.4	30.8
<b>Current liabilities .....</b>	<b>104.2</b>	<b>73.5</b>
<b>Total .....</b>	<b>3,806.5</b>	<b>3,865.6</b>

#### 7.1 Borrowings from financial institutions

Variations in borrowings from financial institutions for the three month period ended March 31, 2014 were mainly explained by:

- The drawdown of € 20.5 million on the USD 80.0 million revolving credit facility to finance the acquisition of Mobius S.A.S..

## ALTICE International S.à r.l.

- The issuance of a new debt at Green Datacenter for a total amount of € 8.2 million in order to finance the construction of additional datacentre capacities to support commercial development.

### 7.2 Bonds

Issuer	Fair value in millions of euros March 31, 2014	Coupon	Year of maturity	Carrying amount March 31, 2014	Carrying amount December 31, 2013
<b>Hot Telecom</b>					
- Debentures	294.5	Between 3.9% and 6.9% + Consumer Price Index	2018	265.1	280.1
<b>Altice Financing</b>					
- Senior Secured Notes USD 460M	352.2	7.875%	2019	306.9	305.1
- Senior Secured Notes EUR 210M	231.6	8.00%	2019	203.0	201.8
- Senior Secured Notes EUR 300M	318.7	6.5%	2022	293.1	292.8
- Senior Secured Notes USD 900M	679.7	6.5%	2022	638.6	637.3
<b>Altice Finco</b>					
- Senior Notes USD 425M	349.2	9.875%	2020	309.5	309.1
- Senior Notes EUR 250M	280.5	9.00%	2023	245.4	245.3
- Senior Notes USD 400M	308.3	8.125%	2024	283.1	282.5
<b>Nominal value of bonds</b>	<b>2,814.7</b>			<b>2,543.8</b>	<b>2,554.0</b>
Of which due within one year	26.3			26.3	26.8
Of which due after one year	2,788.4			2,517.5	2,527.0

### 7.3 Loans from related parties

As part of the initial public offering of Altice S.A., a restructuring of loans from related parties was carried out, following which all existing related party bonds held by Next L.P. and issued by Altice International S.à r.l. were contributed to Altice S.A. by Next L.P., in exchange for shares of Altice S.A..

As per the accounting standards, such instruments, being interest free in nature, had been recorded at their fair value in the consolidated financial statements. In 2014, these instruments were contributed at their nominal value and converted into share capital and share premium of the Company thus, previous discounting reserves recorded in the accounts of Altice International were reversed, thus leading to an adjustment of € (1.1) million to the Group's consolidated reserves. See note 6.

As of March 31, 2014, no loans from related parties were outstanding at the Company level.

#### 7.4 Other financial liabilities

Variation in other financial liabilities is explained as follows:

- (i) Cancellation of Altice Blue Two put: The minority shareholders of Altice Blue Two exchanged their shares in Altice Blue Two against common shares in Altice S.A. As a result of this exchange, the put agreement in place at Altice Blue Two was cancelled (considered to be unexercised), leading to the reversal of a debt amounting to € 52.7 million.
- (ii) The variation in the fair value of financial instruments (Swap & Forwards contracts) for € 35.4 million from € 142.3 million to € 177.7 million.

#### 7.5 Classification and fair value of financial assets and liabilities

The Company has financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy. There have been no transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

The financial instruments that are presented in the condensed consolidated statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, 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).

As of March 31, 2014, the classification of financial instruments is summarized below:

For the three month period ended March 31, 2014	Recorded Value in Condensed Consolidated Statement of Financial Position	Level 1 Quoted Prices in active markets for identical assets/liabilities	Level 2 Significant other observable inputs	Level 3 Inputs that are not based on observable market data
<i>(€ in millions)</i>				
<b>Recurring Fair Value Measurements</b>				
<i>Financial assets</i>				
- Wananchi Group	31.9	-	-	31.9
- Partner Communications Co.	8.4	8.4	-	-
- Other financial assets at FVTPL	0.2	-	-	0.2
<i>Financial liabilities</i>				
- Other financial liabilities at FVTPL (derivative instruments)	177.7	-	175.8	1.9

**ALTICE International S.à r.l.**

As of December 31, 2013, the classification of financial instruments is summarized below:

<b>For the year ended December 31, 2013</b>	Recorded Value in Condensed Statement of Financial Position	<b>Level 1</b>  Quoted Prices in active markets for identical assets/liabilities	<b>Level 2</b>  Significant other observable inputs	<b>Level 3</b>  Inputs that are not based on observable market data
		<i>(€ in millions)</i>		
<b>Recurring Fair Value Measurements</b>				
<i>Financial assets</i>				
- Wananchi Group	31.9	-	-	31.9
- Partner Communication Co.	8.4	8.4	-	-
<i>Financial liabilities</i>				
- Other financial liabilities at FVTPL (derivative instruments)	142.3	-	142.3	-

## **Note 8 – Segmental analysis**

### **8.1 Definitions of segments**

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geographical areas is inalienable to Group strategy of managing its different businesses. It has thus been decided by the Board of Managers to analyse the business across geographies and then by activity. The following geographies have been identified:

- Israel
- Belgium and Luxembourg (“Belux”)
- Portugal
- French Overseas Territories (“FOT”)
- Dominican Republic
- Other (Switzerland, others)

Activities have been split as follows:

- Fixed
- Mobile
- Others (Content/others)

Following the acquisition and integration of Tricom S.A. and the subsequent acquisition of Orange Dominicana S.A. in Q2 2014, a new geographical segment, Dominican Republic S.A., corresponding to the sole geographic zone of operation of the two new entities, was added to the segmental analysis.

In addition, in context of the anticipated acquisition and integration of the French mobile operator Société Française de Radiotéléphone S.A. (“SFR”) into the Altice S.A. Group, the Board of Directors of this latter has decided to amend the presentation of its operational segments, by regrouping the cable and B2B into a single line called ‘Fixed’, and by maintaining the mobile segment (SFR mainly has a mobile based activity). Other activities such as content, datacenters and holding company operations are classified under others. Such presentation is coherent with the presentation used by the Management of the Group.

Though this acquisition does not directly impact the Company, Altice S.A. Management expects to track the operational performance of its international segments (operating companies that are part of the Altice International perimeter) on the same basis as its French businesses (Numericable Group S.A. and SFR in the future) and thus has decided to deploy the same activity split at Altice International as well.

The businesses that the Group owns and operates do not show significant seasonality. There are only few operational transactions between the different segments defined by Management. Intersegment revenues are considered to be non-material by the Board of Managers and, hence, not in the scope of regular operational reviews. Intersegment revenues represented less than 0.5% of total revenues for the three month periods ended March 31, 2014 and 2013 respectively. All corporate entities revenues and expenses have been allocated to the segment “Others”.

### **8.2 Segment information**

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows.

**ALTICE International S.à r.l.**

**For the three months ended March 31, 2014**

	<b>Israel</b>	<b>Belux</b>	<b>Portugal</b>	<b>FOT</b>	<b>Dominican Republic</b>	<b>Others</b>	<b>Total</b>
	<i>(in € millions)</i>						
<b>Fixed</b>							
Revenue	168.7	17.8	46.1	27.3	7.6	8.2	275.7
Cost of sales	(28.6)	(2.5)	(18.8)	(7.5)	(1.6)	(4.1)	(63.1)
<b>Gross Profit</b>	<b>140.1</b>	<b>15.3</b>	<b>27.3</b>	<b>19.8</b>	<b>6.0</b>	<b>4.1</b>	<b>212.6</b>
<b>Mobile</b>							
Revenue	44.5	0.4	-	32.4	-	-	77.3
Cost of sales	(13.2)	(0.4)	-	(8.6)	-	-	(22.2)
<b>Gross Profit</b>	<b>31.3</b>	<b>-</b>	<b>-</b>	<b>23.8</b>	<b>-</b>	<b>-</b>	<b>55.1</b>
<b>Other</b>							
Revenue	-	-	-	-	-	9.5	9.5
Cost of sales	-	-	-	-	-	(2.3)	(2.3)
<b>Gross Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.2</b>	<b>7.2</b>
<b>Total Revenue</b>	<b>213.2</b>	<b>18.2</b>	<b>46.1</b>	<b>59.7</b>	<b>7.6</b>	<b>17.7</b>	<b>362.5</b>
Total cost of sales	(41.8)	(2.9)	(18.8)	(16.1)	(1.6)	(6.4)	(87.6)
<b>Total Gross Profit</b>	<b>171.4</b>	<b>15.3</b>	<b>27.3</b>	<b>43.6</b>	<b>6.0</b>	<b>11.3</b>	<b>274.9</b>
Operating expenses	(69.4)	(2.7)	(12.5)	(21.4)	(3.3)	(7.3)	(116.6)
<b>Operating profit before depreciation, amortization and net other expenses</b>	<b>102.0</b>	<b>12.6</b>	<b>14.8</b>	<b>22.2</b>	<b>2.7</b>	<b>4.0</b>	<b>158.3</b>
Depreciation and Amortisation	(68.0)	(9.4)	(17.9)	(11.9)	(1.3)	(6.4)	(114.9)
Other expenses, net	(9.4)	(2.2)	(2.7)	(2.2)	(0.3)	1.4	(15.4)
<b>Operating income</b>	<b>24.6</b>	<b>1.0</b>	<b>(5.8)</b>	<b>8.1</b>	<b>1.1</b>	<b>(1.0)</b>	<b>28.0</b>
Net Financial income/(costs)	(7.6)	(3.5)	-	-	(0.3)	(111.6)	(123.0)
<b>(Loss)/profit before income tax expenses</b>	<b>17.0</b>	<b>(2.5)</b>	<b>(5.8)</b>	<b>8.1</b>	<b>0.8</b>	<b>(112.6)</b>	<b>(95.0)</b>

**For the three months ended March 31, 2013**



ALTICE International S.à r.l.

	<u>Israel</u>	<u>Portugal</u>	<u>Belux</u>	<u>FOT</u>	<u>Others</u>	<u>Total</u>
	<i>(In € millions)</i>					
<b>Fixed</b>						
Revenue	171.7	28.9	17.9	6.1	7.9	232.5
Cost of sales	<u>(36.9)</u>	<u>(8.9)</u>	<u>(3.1)</u>	<u>(0.9)</u>	<u>(4.0)</u>	<u>(53.8)</u>
<b>Gross Profit</b>	<b>134.8</b>	<b>20.0</b>	<b>14.7</b>	<b>5.2</b>	<b>3.9</b>	<b>178.7</b>
<b>Mobile</b>						-
Revenue	47.6	-	0.2	-	-	47.8
Cost of sales	<u>(27.8)</u>	<u>-</u>	<u>(0.1)</u>	<u>-</u>	<u>-</u>	<u>(27.9)</u>
<b>Gross Profit</b>	<b>19.8</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>19.9</b>
<b>Other</b>						
Revenue	-	-	0.1	-	3.7	3.8
Cost of sales	<u>-</u>	<u>-</u>	<u>(0.1)</u>	<u>-</u>	<u>(0.5)</u>	<u>(0.6)</u>
<b>Gross Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.2</b>	<b>3.2</b>
<b>Total Revenue</b>	<b><u>219.3</u></b>	<b><u>28.9</u></b>	<b><u>18.2</u></b>	<b><u>6.1</u></b>	<b><u>11.6</u></b>	<b><u>284.1</u></b>
Total cost of sales	<u>(64.7)</u>	<u>(8.9)</u>	<u>(3.3)</u>	<u>(0.9)</u>	<u>(4.5)</u>	<u>(82.3)</u>
<b>Total Gross Profit</b>	<b><u>154.6</u></b>	<b><u>20.0</u></b>	<b><u>14.9</u></b>	<b><u>5.2</u></b>	<b><u>7.1</u></b>	<b><u>201.8</u></b>
Operating expenses	<u>(71.6)</u>	<u>(7.5)</u>	<u>(2.4)</u>	<u>(2.2)</u>	<u>(5.1)</u>	<u>(88.8)</u>
<b>Operating profit before depreciation, amortization and net other expenses</b>	<b>83.0</b>	<b>12.5</b>	<b>12.5</b>	<b>3.0</b>	<b>2.0</b>	<b>113.0</b>
Depreciation and Amortisation	(63.8)	(13.8)	(4.0)	(1.6)	(2.2)	(85.4)
Other expenses, net	<u>(5.4)</u>	<u>(0.6)</u>	<u>(1.4)</u>	<u>(0.4)</u>	<u>0.0</u>	<u>(7.8)</u>
<b>Operating income</b>	<b>13.8</b>	<b>(1.9)</b>	<b>7.1</b>	<b>1.0</b>	<b>(0.2)</b>	<b>19.8</b>
Net Financial income/(costs)	(5.9)	(0.7)	(3.5)	(0.2)	16.1	5.8
<b>(Loss)/profit before income tax expenses</b>	<b>7.9</b>	<b>(2.6)</b>	<b>3.6</b>	<b>0.8</b>	<b>15.9</b>	<b>25.6</b>

### **8.3 Definition of EBITDA**

In accordance with the decision taken at Altice S.A., the Company has decided to define the ‘Earnings before interest, taxes, depreciation and amortization, or EBITDA’ metric, which is a non-GAAP measure that the Company considers to be an important indicator of its cash generating ability and overall profitability. The EBITDA also excludes non-recurring costs related to restructuring, non-recurring costs, management fees and other expenses of a non-cash nature or that the Board of Managers considers to be non-relevant to its regular operating activities.

#### **Note 9 – Restructuring and non-recurring costs and other expenses**

Restructuring and non-recurring costs incurred in the three month period ended March 31, 2014 pertain mainly to one-off payments and transaction costs relating to acquisitions or other similar operations. Details are given below:

- Restructuring costs at HOT Telecom (related to deal with Partner Telecom) - € 5.8 million.
- Other deal fees and restructuring costs - € 9.1 million.

**Note 10 – Related party transactions**

**Trading and financial transactions**

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	March 31,					
	2014	2013	2014	2013	2014	2013
	<i>(€ in millions)</i>					
Shareholders	-	-	-	(0.2)	(0.8)	-
Executive directors	-	-	(1.4)	(1.2)	-	-
Associated companies	1.3	-	(2.7)	(0.5)	(0.2)	-
<b>TOTAL</b>	<b>1.3</b>	<b>-</b>	<b>(4.1)</b>	<b>(1.9)</b>	<b>(1.0)</b>	<b>-</b>

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014
	<i>(€ in millions)</i>					
Shareholders	-	-	0.2	-	-	-
Executive directors	-	-	-	-	-	-
Associated companies	-	-	0.8	4.0	-	0.4
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>1.0</b>	<b>4.0</b>	<b>-</b>	<b>0.4</b>

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014
	<i>(€ in millions)</i>					
Shareholders	99.2	-	-	-	-	-
Executive directors	-	-	-	-	-	-
Associated companies	-	-	6.6	9.3	-	-
<b>TOTAL</b>	<b>99.2</b>	<b>-</b>	<b>6.6</b>	<b>9.3</b>	<b>-</b>	<b>-</b>

**Note 11 – Compensation of key management personnel**

The compensation given to the key management personnel of the Company for the 3 months period ended March 31, 2014, was €0.6 million and €1.0 million for the 3 month period ended March 31, 2013.

**Note 12 – Income tax**

The company registered an income tax credit of € 5.1 million for the three month period ended March 31, 2014 compared to income tax expenses of €9.2 million for the three month period ended March 31, 2013. The variation between the two periods mainly pertains to variations on deferred taxes due to value adjustments on derivatives instruments.

**Note 13 – Commitments and contingent liabilities**

**13.1 Israel**

**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).

In the opinion of the management of the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of €10.6 million (NIS 51 million) has been recorded in the condensed consolidated financial statements as of March 31, 2014, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the management of the Group, the amount of the additional exposure, in an amount of approximately € 562.8 million (NIS 2.7 billion) (over and above the provisions that have been recorded in these condensed consolidated financial statements), as of March 31, 2014, as a result of lawsuits that have been filed against companies in the Group on various matters, is as follows:

- An amount of approximately €375.2 million (NIS 1.8 billion) 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%.
- An amount of approximately €83.4 million (NIS 0.4 billion) in respect of claims, in respect of which it is not yet possible, at this stage, to make an assessment, the main ones being in connection to applications for the approval of class actions that were presented close to the date of the financial statements.
- An amount of approximately €104.2 million (NIS 0.5 billion) 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 assessment of the managements of the companies in the Group.

## ALTICE International S.à r.l.

The following is an abbreviated summary of the Group's contingent liabilities effective as of March 31, 2014, in accordance with groupings having similar characteristics:

The nature of the lawsuit	The amount of the additional exposure in excess of the provision recorded as of March 31, 2014	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the condensed consolidated financial statements (primarily applications for approval as class actions)	Provisions recorded in the condensed consolidated financial statements as of March 31, 2014	Provisions recorded in the consolidated financial statements as of December 31, 2013	Updating of the expense (income), net in the reporting period
	(€ millions)				
Customers <sup>(1)</sup>	478.8	82.1	4.2	4.2	-
Copyrights	0.6	-	5.6	6.3	(0.2)
Suppliers	22.3	11.0	0.6	0.4	0.2
Employees <sup>(2)</sup>	1.5	-	0.2	0.2	-
The merger transaction	49.8	-	-	-	-
<b>Total</b>	<b>553.0</b>	<b>93.2</b>	<b>10.6</b>	<b>11.0</b>	<b>-</b>

(1) The amount includes €0.9 million (NIS 4.5 million) in respect of claims after the balance sheet date.

(2) The amount includes €0.3 million (NIS 1.5 million) in respect of claims after the balance sheet date.

### **13.2 Portugal**

As at March 31, 2014, the Oni Group and Cabovisao have bank guarantees given to third parties in order to secure the fulfilment of their obligations under some of their agreements for, respectively, a total amount of €5.6 million and €10.6 million.

As at March 31, 2014, Cabovisao recorded provisions for approximately €5.2 million for fiscal contingencies for withholding taxes. During first quarter 2014, the Instituto do Cinema e do Audiovisual ("ICA") rendered an unfavourable decision regarding the Audiovisual and Cinema taxation for which an amount of €0.9 million was already recorded in the consolidated financial statements as at December 31, 2013.

### **13.3 Other subsidiaries of the group**

Management has not identified any significant changes to the commitments of the other subsidiaries of the group as compared to the period ended December 31, 2013.

**Note 14 – Going concern**

As of March 31, 2014, the Group had a net current asset position of €548.3 million (mainly due to restricted cash of €962.0 million). During the three month period ended March 31, 2014, the Group recorded a net loss of €90.0 million (as compared to a net profit of €16.4 million as of March 31, 2013), positive cash flow from operations of €118.8 million (€ 65.8 million for the three months ended March 31, 2013), and negative working capital of €227.6 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net loss recorded resulted mainly from higher interest payment on Group debts as compared to the three month period ended March 31, 2013.

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 (€287.0 million as of March 31, 2014 compared to €528.0 million as of December 31, 2013). Payables due the following month are covered by revenues and operating cash (if needed). As of 31 March 2014, the Group had few short term current liabilities with amortization of debts limited to the local bonds in Israel (€ 13.0 million per semester) and on the Altice Financing term loan facility (€ 1.8 million per quarter).

As at March 31, 2014, the Company had a negative equity position of € 140.4 million, of which €180.3 million attributable to the equity holders. The net equity position of the Company improved by € 80.4 million compared to the year ended December 31, 2013 (€ 260.7 million), mainly driven by the conversion of loans from related parties granted by Altice S.A. into share capital and share premium of the Company. Going forward, the Company will have access to capital markets through its unique shareholder, Altice S.A., and this is expected to further improve the equity position of the Company.

In view of the current financial situation of the Company, the Board of managers believes that the Group will continue to act as a going concern for the next twelve months, given its strong earnings before interests, depreciation and amortization and cash flow generating ability.

The Group had sufficient cash reserves as of March 31, 2014 (€50.4 million) to cover its operational needs. Additionally, the Group had access to revolving credit facilities (“RCF”) of up to € 66.7 million.

**Note 15– Subsequent events**

**Orange Dominicana Acquisition**

On April 9, 2014, the Company, through its indirect subsidiary Altice Bahamas, completed the acquisition of Orange Dominicana (“ODO”), a mobile and ADSL operator in the Dominican Republic, for approximately \$1.4 billion (€1 billion).

ODO has approximately 3.3 million mobile subscribers. In 2013, it had revenue of €446 million and EBITDA of €173 million.

The acquisition of ODO, following the acquisition of cable operator Tricom in March, fits perfectly with Altice's strategy of combining both fixed and mobile assets in order to offer quadruple-play services over state-of-the-art communication networks.

This also strengthens Altice's presence in the Caribbean where it already offers pay-TV, broadband, fixed and mobile telephony services in Martinique, Guadeloupe and French Guyana.

For the three months ended March 31, 2014, Orange Dominicana would have contributed €108.8 million to revenues and € 27.4 million to operating income of the Group had it been acquired on January 1, 2014.

The total consideration paid to the owners of ODO amounted to € 1,033.9 million, which was paid using the proceeds raised in December 2013.

## **ALTICE International S.à r.l.**

The total value of assets transferred in consideration for the values mentioned above amounted to € 437.6 million, comprising mainly of intangible assets for a net value of € 35.0 million, property, plant and equipment for a total value of € 229.7 million and trade receivables for a total amount of € 31.5 million. Total liabilities amounted to € 103.5 million, comprising of € 10.9 of non-current liabilities and € 92.7 million of current liabilities, the residual value of € 700.0 million was recognised provisionally as goodwill.

Goodwill will be recognised as a result of the acquisition as follows:

Total consideration transferred	€ 1,033.9 million
Fair value of identifiable assets and liabilities	€ 333.9 million
Goodwill	€ 700.0 million

### **Additional RCF (€20 million)**

On May 21, 2014, the Group obtained an additional commitment from two new lenders to extend its existing euro revolving credit facility from €60 million to €80 million.

### **Approval of network sharing agreement between HOT and Partner**

On May 22, 2014, Altice S.A. announced that the Israeli Antitrust Authority has approved the previously announced network sharing agreement signed on November 8, 2013, between Altice's subsidiary, HOT Mobile Ltd, and Partner Communications Company Ltd. As expected by the Company, the approval is subject to certain minor changes.

This agreement is still subject to approval from the Israeli Ministry of Communication.

### **Note 16 – Approval of the condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Managers and authorized for issue on June 2, 2014.

**ALTICE INTERNATIONAL S.A.R.L. UNAUDITED PRO-FORMA AND AGGREGATED  
FINANCIAL INFORMATION**

	<u>Pro-forma Consolidated</u>	<u>Aggregated Basis</u>
<b>Altice International S.a.R.L Unaudited Condensed Consolidated Income Statement</b>		
For the three months ended March 31, <i>(In € millions)</i>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Revenues</b>	<b>502.2</b>	<b>520.3</b>
Cost of sales	(124.5)	(155.5)
Other operating expenses	(162.8)	(171.1)
<b>Operating profit before depreciation, amortization and non-recurring-costs(*)</b>	<b>215.2</b>	<b>193.9</b>
Depreciation and amortization	(128.9)	(117.2)
Management fees	(3.3)	(4.0)
Restructuring and other non-recurring costs & other expenses	(14.6)	(22.6)
<b>Operating profit/(loss)</b>	<b>68.5</b>	<b>49.9</b>
Net finance income/ (costs)	(120.5)	(45.7)
<b>Profit/(loss) before income tax expenses</b>	<b>(52.0)</b>	<b>4.2</b>
Income tax (expenses)/benefit	(3.1)	(19.4)
<b>Profit/(loss) for the year</b>	<b>(55.1)</b>	<b>(15.1)</b>



**MANAGEMENT DISCUSSION OF OPERATIONAL PERFORMANCE AND RESULTS  
(ON A PRO-FORMA CONSOLIDATED AND AGGREGATED BASIS)**

**1. SUMMARY FINANCIALS**

**Q1-14 (€m)**

	Israel <sup>1</sup>	Dominican Republic	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>2</sup>	Others <sup>3</sup>	Total International
<b>Revenue</b>							
Cable	170.6	22.1	15.3	25.8	25.6	-	259.3
Mobile	45.1	112.8	0.4	-	34.2	-	192.5
B2B and others	-	12.6	2.5	20.3	-	17.6	52.9
Adjustments <sup>4</sup>	(2.5)	-	-	-	-	-	(2.5)
<b>Total Revenue</b>	<b>213.1</b>	<b>147.5</b>	<b>18.2</b>	<b>46.1</b>	<b>59.8</b>	<b>17.6</b>	<b>502.2</b>
<b>EBITDA<sup>5</sup></b>	<b>101.9</b>	<b>59.5</b>	<b>12.4</b>	<b>14.7</b>	<b>22.4</b>	<b>4.3</b>	<b>215.2</b>
<i>EBITDA margin</i>	47.8%	40.3%	68.2%	31.9%	37.5%	24.4%	42.8%
<b>Capex</b>	<b>45.6</b>	<b>12.2</b>	<b>4.4</b>	<b>5.2</b>	<b>11.2</b>	<b>12.2</b>	<b>90.8</b>
<i>Capex / Revenue</i>	21.4%	8.3%	24.3%	11.3%	18.7%	69.3%	18.1%
<b>Operating FCF</b>	<b>56.3</b>	<b>47.3</b>	<b>8.0</b>	<b>9.5</b>	<b>11.2</b>	<b>(7.9)</b>	<b>124.4</b>
<i>OpFCF / Revenue</i>	26.4%	32.1%	44.0%	20.6%	18.7%	-44.9%	24.8%

**Q1-13 (€m)**

	Israel <sup>1</sup>	Dominican Republic	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>2</sup>	Others <sup>3</sup>	Total International
<b>Revenue</b>							
Cable	171.7	23.3	15.7	28.9	25.4	0.7	265.6
Mobile	47.6	114.6	0.2	-	33.4	-	195.8
B2B and others	-	14.8	2.3	24.7	-	17.1	58.9
Adjustments <sup>4</sup>	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>219.3</b>	<b>152.7</b>	<b>18.2</b>	<b>53.6</b>	<b>58.8</b>	<b>17.8</b>	<b>520.3</b>
<b>EBITDA<sup>5</sup></b>	<b>83.1</b>	<b>55.6</b>	<b>12.4</b>	<b>16.7</b>	<b>20.7</b>	<b>5.4</b>	<b>193.9</b>
<i>EBITDA margin</i>	37.9%	36.4%	68.3%	31.1%	35.2%	30.3%	37.3%
<b>Capex</b>	<b>40.4</b>	<b>14.9</b>	<b>4.3</b>	<b>6.9</b>	<b>8.4</b>	<b>4.0</b>	<b>78.9</b>
<i>Capex / Revenue</i>	18.4%	9.8%	23.7%	12.9%	14.3%	22.5%	15.2%
<b>Operating FCF</b>	<b>42.7</b>	<b>40.7</b>	<b>8.1</b>	<b>9.8</b>	<b>12.3</b>	<b>1.4</b>	<b>115.0</b>
<i>OpFCF / Revenue</i>	19.5%	26.6%	44.6%	18.2%	20.9%	7.9%	22.1%

- (1) In Israel, costs relating to the purchase of exclusive third party content have only been capitalized with effect from April 1, 2013.
- (2) For the French Overseas Territories, cable revenue includes revenues from cable services we provide in Guadeloupe and Martinique as well as xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.
- (3) Comprises 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 business in France (Ma Chaîne Sport and Sportv.) Also includes Corporate costs which includes holding company salaries, administration, accounting, legal, professional and other costs.
- (4) Adjustments are related to the elimination of intercompany transactions between HOT Telecom and HOT Mobile in Israel and in Numericable. The Israel intercompany transactions were considered to be non-significant for Q1-13 (<€1m) and hence segment information was presented net of intercompany transactions. Given the significant nature of such transactions in Q1-14, management considers that presentation of HOT's cable and mobile segments on a pre-intercompany basis presents a more accurate version of the economic reality of the two business units.
- (5) EBITDA is defined as operating profit before depreciation and amortization, other expenses, net, management fees, reorganization and extraordinary costs, share of profit of associates and equity based compensation.
- (a) Differences in intercompany eliminations between the Altice S.A. and Altice International perimeter (mainly related to intercompany transactions with Numericable Group S.A.) may result in slight differences in revenues, EBITDA and capex aggregates as presented under the 'International' caption in the Altice S.A. report.

2. **KEY PERFORMANCE INDICATORS**

As and for the quarter ended March 31, 2014

In Thousands except percentages and as otherwise indicated

<b>Q1-14</b>	Israel <sup>(6)</sup>	Dominican Republic	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(7)</sup>	<b>Total <sup>(8)</sup></b>
<b>CABLE-BASED SERVICES</b>						
<b>Market and Network</b>						
Homes Passed	2,262	469	233	909	154	<b>4,027</b>
Docsis 3.0 Upgraded (%)	100%	100%	100%	99%	82%	
<b>Unique Customers</b>						
Cable Customer Relationships <sup>(1)</sup>	1,116	113.0	113	233	40	<b>1,615</b>
Triple-Play Cable Customers	463	10.0	50	134	18	<b>675</b>
Triple-Play Cable Penetration	41%	9%	44%	58%	45%	42%
<b>RGUs &amp; Penetration <sup>(2)(3)</sup></b>						
Total RGUs	2,291	177	239	594	76	<b>3,377</b>
Pay Television RGUs	872	111	127	220	40	<b>1,370</b>
Pay Television Penetration (%)	39%	<b>24%</b>	55%	24%	26%	<b>34%</b>
Broadband Internet RGUs	739	35	58	154	18	<b>1,004</b>
Broadband Internet Penetration (%)	33%	<b>7%</b>	25%	17%	12%	<b>25%</b>
Fixed-Line Telephony RGUs	680	32	53	219	18	<b>1,002</b>
Fixed-Line Telephony Penetration (%)	30%	<b>7%</b>	23%	24%	12%	<b>25%</b>
RGUs Per Cable Customer Relationship <sup>(4)</sup>	2.05x	1.57x	2.12x	2.55x	1.93x	<b>2.1x</b>
<b>ARPU <sup>(5)</sup></b>						
Cable ARPU (€)	€ 48.00	€ 22.23	€ 43.00	€ 34.93	€ 51.40	
<b>xDSL/NON-CABLE</b>						
<b>RGUs</b>						
Total RGUs		345			209	<b>554</b>
Broadband Internet RGUs		98			78	<b>176</b>
Fixed-Line Telephony RGUs		247			116	<b>363</b>
<b>MOBILE</b>						
<b>Market and Network</b>						
UMTS Mobile Coverage of Territory	58%	86%			90% <sup>(9)</sup>	
<b>Subscribers</b>						
Total Mobile Subscribers <sup>(6)</sup>	848	3,707	3		374	<b>4,932</b>
Postpaid	841	667	3		201	<b>1,712</b>
Prepaid	7	3,039			173	<b>3,219</b>
<b>ARPU <sup>(5)</sup></b>						
Mobile ARPU (€)	€ 15.40	€ 9.00	€ 40.20		€ 28.20	

**ALTICE International S.à r.l.**

As and for the quarter ended March 31, 2013

In Thousands except percentages and as otherwise indicated

<b>Q1-13</b>	Israel <sup>(6)</sup>	Dominican Republic	Belgium and Luxembourg	Portugal	French Overseas Territories <sup>(7)</sup>	<b>Total <sup>(8)</sup></b>
<b>CABLE-BASED SERVICES</b>						
<b>Market and Network</b>						
Homes Passed	2,252	413	233	906	154	<b>3,958</b>
Docsis 3.0 Upgraded (%)	100%	50%	100%	93%	41%	-
<b>Unique Customers</b>						
Cable Customer Relationships <sup>(1)</sup>	1,188	106.0	118	249	40	<b>1,701</b>
Triple-Play Cable Customer Relationships	429	9.0	50	143	13	<b>644</b>
Triple-play penetration	36%	8%	42%	57%	33%	38%
<b>RGUs &amp; Penetration <sup>(2)(3)</sup></b>						
Total RGUs	2,356	144	241	631	66	<b>3,438</b>
Pay Television RGUs	898	105	133	238	39	<b>1,413</b>
Pay Television Penetration (%)	40%	26%	57%	26%	25%	<b>36%</b>
Broadband Internet RGUs	774	24	55	157	13	<b>1,023</b>
Broadband Internet Penetration (%)	34%	6%	24%	17%	9%	<b>26%</b>
Fixed-Line Telephony RGUs	684	15	53	236	16	<b>1,004</b>
Fixed-Line Telephony Penetration (%)	30%	4%	23%	26%	9%	<b>25%</b>
RGUs Per Cable Customer Relationship <sup>(4)</sup>	1.98x	1.36x	2.04x	2.54x	1.65x	<b>2.0x</b>
<b>ARPU <sup>(5)</sup></b>						
Cable ARPU excluding Mobile (€)	€ 45.70	€ 22.62	€ 41.50	€ 36.05	€ 50.50	
<b>xDSL/NON-CABLE BASED SERVICES</b>						
<b>RGUs</b>						
Total RGUs		352			213	<b>565</b>
Broadband Internet RGUs		97			79	<b>176</b>
Fixed-Line Telephony RGUs		255			123	<b>378</b>
<b>MOBILE-BASED SERVICES</b>						
<b>Market and Network</b>						
UMTS Mobile Coverage of Territory (%)	46%	86%			89%	
<b>Subscribers</b>						
Total Mobile Subscribers <sup>(6)</sup>	758	3,475	3		380	<b>4,616</b>
Postpaid	735	610	3		183	<b>1,531</b>
Prepaid	23	2,865			197	<b>3,085</b>
<b>ARPU <sup>(5)</sup></b>						
Mobile ARPU (€)	€ 16.60	€ 9.80	€ 31.50		€ 26.30	

**Notes to Group KPIs**

- (1) Cable Customers represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customers does not include subscribers to either our mobile or ISP services. Cable Customers for France excludes white-label subscribers.
- (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 are counted on a per service basis and RGUs for telephony are counted on a per line basis.
- (3) Penetration rates for our pay television, broadband and 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 and Dominican Republic, ARPU has been calculated by using the following exchange rates: (i) average rate for Q1-13, €0.204 = ILS 1.00, €0.019 = 1 DOP and (ii) average rate for Q1-14, €0.209 = ILS 1.00, €0.017 = 1 DOP.
- (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:

## ALTICE International S.à r.l.

	As of March 31,	
	2013	2014
	in thousands	
<b>Mobile Subscribers</b>		
iDEN .....	276	207
UMTS.....	482	641
<b>Total.....</b>	<b>758</b>	<b>848</b>

- (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) Cable-based information 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.
- (9) Excludes French Guiana.
- (10) Orange Dominicana only. Excludes Tricom

### 3. MANAGEMENT DISCUSSION AND ANALYSIS

#### *HISTORICAL CONSOLIDATED BASIS*

Revenue for the quarter was €362.5m, up from €284.1m in Q1-13. Operating profit before depreciation, amortization and non-recurring costs was €158.3m, up from €113.0m. Growth in both these figures was mainly due to the several acquisitions that we have made in the last twelve months as well as organic growth in our existing and acquired businesses.

- In July 2013, we acquired Outremer Telecom in the French Overseas Territories.
- In August 2013, we acquired ONI in Portugal
- In October 2013, we acquired Ma Chaine Sport and Sportv
- In January 2014, we acquired Mobius in the French Overseas Territories
- In March 2014, we acquired Tricom in the Dominican Republic

Operating profit increased from €19.8m to €28.0m as the increased operating profit before depreciation, amortization and non-recurring costs was partially offset by increased depreciation and amortization which resulted from the acquisitions.

Profit for the quarter decreased from €16.4m to a loss of €90.0m, mainly due to increased finance costs. Finance costs increased due to debt issued to finance some of our acquisitions.

#### *PROFORMA AND AGGREGATED BASIS*

##### **Group**

Total group revenue of €502.2m, decreased 3.4% mainly due to declines in Portugal, Israel and the Dominican Republic, partially offset by growth elsewhere. On a constant currency basis, revenue declined by 1.9%.

Group EBITDA increased by 11.1% to €215.2m mainly due to growth in Israel. Growth on a constant currency basis was 12.7%. EBITDA margin expanded by 5.6% points to 42.8%.

Group Capex was up 15.1% at €90.8m. Group OpFCF increased by 8.2% to €124.4m mainly due to growth in the Dominican Republic and Israel, partially offset by a decrease in Others.

**Israel**

Total revenue in Israel was €213.1m, down 2.8% reflecting a 0.7% decline in cable revenue to €170.6m, and a 5.3% decline in mobile revenue to €45.1m. The Israeli shekel strengthened over the last twelve months versus the Euro by 2.2% on average. Accordingly, at a constant exchange rate, total revenue decreased by 4.9%, cable revenue decreased 2.8% and mobile revenue decreased 7.4%.

Cable revenue was down as a 2.7% constant currency increase in ARPU was offset by a 6.1% decline in cable customers.

Our cable customer base declined by 11,000 in the quarter and by 72,000 or 6.1% in the last twelve months to 1,116,000, mainly due to natural evolution towards triple-play. Also in the second half of 2013, 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.

ARPU increased mainly due to our successful focus on growing triple-play penetration and increasing the take-up of higher-value superfast broadband services. Triple play penetration grew from 36% to 41% and we now have 60% of our broadband customer base on speeds of at least 30Mb, compared to 31% a year ago.

We began a phased price increase across our customer base on February 1<sup>st</sup> 2014. Approximately 220,000 customers had received a price increase by the end of the quarter. We also increased the price of our VOD service on February 1<sup>st</sup>.

Mobile revenue decreased mainly due to a 8.6% constant currency decrease in ARPU, lower handset sales and a 25% decrease in the iDEN subscriber base to 207,000, partially offset by the 33% growth in the UMTS subscriber base to 641,000.

ARPU declined on a constant currency basis due to the shift in mix from higher ARPU iDEN to lower ARPU UMTS, and continued price competition.

The iDEN subscriber base declined as a result of reduced demand for this older technology.

Total EBITDA in Israel was €102.0m, up 23% compared to Q1-13. At a constant exchange rate, EBITDA increased by 20%. EBITDA margin expanded from 37.9% to 47.9%.

EBITDA margin increased mainly due to lower operating expenses as a result of our cost restructuring programme and our new mobile roaming agreement.

Capex in Israel was €45.6m, up 13% on Q1-13, mainly due to investment in upgrading our network to support even higher speeds. On a constant currency basis, capex increased by 10%. Capex was down on the previous quarter, due to lower spend on our mobile network reflecting our new network sharing agreement, lower network upgrade spend and reduced spend on set-top boxes. Fourth-quarter capex had included an inventory build-up of set-top boxes ahead of our launch of the new HOT Fibre box.

## **Dominican Republic**

Total revenue in the Dominican Republic of €147.5m decreased by 3.4% as adverse currency movements outweighed strong underlying growth. The Dominican Peso weakened over the last twelve months versus the Euro by 8.6% on average. Accordingly, at a constant exchange rate, total revenue actually increased by 5.7%. The Peso weakened by 4.6% versus the dollar, which is a more relevant comparison as it is a dollar-linked economy and we financed our acquisitions with dollar debt.

Mobile revenue increased by 7.8%, on a constant currency basis to €112.8m, mainly due to the strong growth in the mobile subscriber base, which grew 6.6% to 3.7m. We attribute this to favourable market dynamics in the Dominican Republic, increased market share due to the positive perception of the Orange brand and the quality of our service, on-going network improvements and Orange Dominicana's ("ODO") competitive offers. ODO's mobile ARPU was relatively flat on a constant currency basis at DOP 527 (€8.80 at average Q1-14 exchange rate.)

On a constant currency basis, cable revenue increased by 3.7% to €22.1m. We are growing the cable customer base as we increased network coverage and upgraded broadband speeds.

EBITDA in the Dominican Republic was €59.5m. On a constant currency basis, EBITDA increased by 17%. EBITDA margin expanded from 36.4% to 40.3% mainly due to the improving revenue trend and indirect cost savings.

Capex reduced by 10% on a constant currency basis to €12.2m, primarily due to projects being cancelled or postponed ahead of the acquisitions' closing. We would expect the normalized run-rate to be higher in future quarters as we invest in expanding cable and 4G network coverage.

## **Portugal**

Total revenue in Portugal of €46.1m decreased by 14% reflecting a 11% decline in cable revenue to €25.8m and a 18% decline in B2B and other revenue to €20.3m.

Cable revenue declined mainly due to customer losses during the year. The cable customer base fell by 4,000 in the quarter and by 16,000 or 6.4% in the last twelve months to 233,000. This was the result of intense competition, with aggressive promotions and pricing policies adopted by competitors, combined with adverse economic conditions and austerity measures in Portugal. Cable ARPU fell by 3.1% to €34.93 due to more aggressive discounting and promotional offers.

The decrease in B2B and other revenue in Portugal was primarily due to the loss of and reduced activity at certain business clients, some contract renewals at lower prices and the impact of lower regulated termination rate cuts.

EBITDA in Portugal was €14.7m, down 12% on Q1-13 due to the revenue decline. EBITDA margin expanded from 31.1% to 31.9% mainly due to improved margins at our recently acquired B2B business, ONI, which expanded from 17.2% to 22.9%. This margin is still low, offering a significant growth opportunity.

Capex in Portugal was €5.2m, down from €6.9m.

## **French Overseas Territories (FOT)**

Total revenue in the French Overseas Territories of €59.4m increased by 1.1% due to a 2.4% increase in mobile revenue and a 1.0% increase in cable revenue.

Mobile revenue increased by 2.4% mainly due to a shift mix from lower ARPU prepaid subscribers to postpaid subscribers, which drove a 7.2% increase in ARPU. Cable revenue increased 1.0% due to increased ARPU.

EBITDA in FOT was €22.9m, up 11% on Q1-13. EBITDA margin expanded from 35.2% to 38.6% mainly as a result of the cost optimization program at Outremer Telecom following its acquisition.

Capex was up from €8.4m to €11.2m mainly due to upgrading the network to Docsis 3.0. Coverage has increased from 41% to 82%.

### Belgium and Luxembourg (Benelux)

Total revenue in Benelux was flat at €18.2m. EBITDA was relatively flat at €12.5m. EBITDA margin remained strong at 68.9%. Capex was relatively flat at €4.4m.

### Others

Other revenue was relatively flat at €17.6m. EBITDA fell from €5.4m to €2.9m due to increased corporate costs. Corporate costs increased due to higher corporate headcount and salaries, and higher professional costs relating to increased corporate acquisition activity and becoming a public company.

Capex increased from €4.0m to €12.2m due to a new data centre being built in our Swiss subsidiary.

## 4. LIQUIDITY AND CAPITAL RESOURCES

### *Pro-forma cash and debt profile*

A description of our debt obligations on a pro-forma consolidated basis for the period ended March 31, 2014 is presented below.

Our material indebtedness (excluding the Existing Revolving Credit Facilities, the 2013 Guarantee Facility and finance leases and other long term and short term liabilities) and principal repayment obligations, giving effect to the Transactions but without giving effect to any hedging transaction and excluding accrued interest and debt issuance costs, with respect to such indebtedness are set forth below. 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.

	(€m equivalent)		Coupon / Margin	Maturity
	Amount (local currency)	Pro forma Orange Dom <sup>1</sup>		
HOT Unsecured Notes	NIS 1.3bn	261	3.90 - 6.90%	2018
Unsecured Coditel Mezzanine	€ 111m	111	8.50% / 5.25% PIK	2017
Green Data Center Debt	CHF 39m	32	L+1.700%	2022
Senior Secured Notes (USD)	USD 460m	334	7.875%	2019
Senior Secured Notes (EUR)	€ 210m	210	8.000%	2019
Term Loan <sup>3</sup>	USD 1,031m	793	L+4.500%	2019
Senior Secured Notes (USD) - DR	USD 900m	654	6.500%	2022
Senior Secured Notes (EUR) - DR	€300m	300	6.500%	2022
Drawn RCF - Mobius		21	E+3.500%	2018
<b>Altice International Senior Debt</b>		<b>2,715</b>		
Senior Notes (USD)	USD 425m	309	9.875%	2020
Senior Notes (EUR)	€ 250m	250	9.000%	2023
Senior Notes (USD) - DR	USD 400m	290	8.125%	2024
<b>Altice International Total Debt</b>		<b>3,564</b>		
Cash - Altice International		(50)		
<b>Altice International Net Total Debt</b>		<b>3,514</b>	<b>3,514</b>	

## **ALTICE International S.à r.l.**

- (1) Pro forma for Orange Dominicana acquisition
- (2) Pro forma for Orange Dominicana acquisition and debt related to SFR acquisition by Numericable
- (3) Term loan converted from US dollars to Euros at rate of 1.301USD per EUR

### *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 Existing Revolving Credit Facilities, €75 million under the 2013 Guarantee Facility. As of March 31, 2014, we had €164 million equivalent of borrowing capacity under the Existing Revolving Credit Facilities and the 2013 Guarantee Facility. On January 14, 2014, we drew €20.5 million 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 Existing Revolving Credit Facilities, the 2013 Guarantee Facility and the New Altice Financing Revolving Credit Facility Commitments will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

The Existing Revolving Credit Facilities, the 2013 Guarantee Facility, require, while there are any utilizations outstanding, us to maintain compliance with the leverage ratios specified therein, tested as of the end of each fiscal quarter. 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 NIS 300 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. 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.

The Company 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 March 31, 2014, we had a negative net working capital position of €227.6 million compared to a negative working capital position of €220.7 million as of March 31, 2013. 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 Existing Revolving Credit



**ALTICE International S.à r.l.**

Facilities, the 2013 Guarantee Facility and the New Altice Financing Revolving Credit Facility Commitment will be sufficient to meet our working capital requirements during the next 12 months.

**POST BALANCE SHEET DATE EVENTS**

***ODO Acquisition***

On November 26, 2013, Altice Bahamas (a wholly owned indirect subsidiary of Altice International) 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 agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the “ODO Sellers”), and the ODO Sellers 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 (including \$61 million for branding fees) less certain agreed adjustments and subject to final working capital and cash balances on the completion date of the ODO Acquisition. The ODO Acquisition was completed on April 9, 2014.

**Additional RCF (€20 million)**

On May 21, 2014, the Group obtained an additional commitment from two new lenders to extend its existing euro revolving credit facility from €60 million to €80 million.

**Approval of network sharing agreement between HOT and Partner**

On May 22, 2014, Altice S.A. announced that the Israeli Antitrust Authority has approved the previously announced network sharing agreement signed on November 8, 2013, between Altice's subsidiary, HOT Mobile Ltd, and Partner Communications Company Ltd. As expected by the Company, the approval is subject to certain minor changes.

This agreement is still subject to approval from the Israeli Ministry of Communication.