

Altice S.A.

(Société anonyme)

**Condensed consolidated financial statements as of and
for the three and nine month periods ended September 30, 2014**



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Condensed consolidated statement of income

For the three and nine months ended September 30, 2014

	Notes	Nine months ended September, 2014	Nine months ended September, 2013 (restated)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated)
(in millions of euros)					
Revenues		2,247.4	928.4	832.3	355.8
Purchase and subcontracting services		(533.9)	(262.2)	(193.3)	(103.3)
Other operating expenses		(297.5)	(134.6)	(109.6)	(54.3)
Staff costs and employee benefit expenses.....	10	(183.3)	(101.1)	(65.2)	(35.5)
General and administrative expenses		(68.7)	(24.1)	(21.3)	(7.0)
Other sales and marketing expenses.....		(144.3)	(29.4)	(55.7)	(11.5)
Operating profit before depreciation, amortization, management fees, restructuring, non-recurring-costs and other expenses		1,019.8	376.9	387.1	144.2
Depreciation and amortization	2	(646.7)	(278.0)	(242.7)	(100.3)
Management fees.....		(0.6)	(0.7)	(0.1)	-
Restructuring, non-recurring costs and other expenses	12	(78.5)	(12.3)	(17.4)	3.3
Operating profit.....		294.0	85.9	127.0	47.2
Gain arising on step acquisition	11	256.3	-	-	-
Finance income		138.0	42.7	91.3	-
Finance costs		(983.1)	(196.6)	(441.0)	(105.7)
Share in income of associates.....		1.3	14.5	-	3.1
Loss before income tax expenses		(293.5)	(53.5)	(222.8)	(55.4)
Income tax expenses.....	15	(50.5)	(27.5)	(62.1)	(14.4)
Loss for the period.....		(344.1)	(81.0)	(284.9)	(69.8)
<i>Attributable to equity holders of the parent.....</i>		<i>(206.4)</i>	<i>(75.0)</i>	<i>(242.7)</i>	<i>(69.2)</i>
<i>Attributable to non-controlling interests</i>		<i>(137.6)</i>	<i>(6.0)</i>	<i>(42.2)</i>	<i>(0.6)</i>
<i>Earnings per share (expressed in €)</i>					
<i>Basic</i>		<i>(1.05)</i>	<i>(0.38)</i>	<i>(1.01)</i>	<i>(0.35)</i>
<i>Diluted</i>		<i>(1.00)</i>	<i>(0.36)</i>	<i>(0.96)</i>	<i>(0.34)</i>

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

Condensed consolidated statement of other comprehensive income

For the three and nine months ended September 30, 2014

	Notes	Nine months ended September, 2014	Nine months ended September, 2013 (restated)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated)
(in millions of euros)					
Loss for the period		(344.1)	(81.0)	(284.9)	(69.8)
Other comprehensive income					
Exchange differences on translating of foreign operations		27.2	0.6	37.1	(0.8)
Net fair value gain on available-for-sale financial assets		4.9	3.6	0.6	3.6
Cash flow hedge, net of taxes		(305.1)	-	(181.3)	-
Employee benefits		0.2	-	0.4	(0.2)
Total comprehensive income for the period		(616.9)	(76.8)	(428.1)	(67.2)
<i>Attributable to equity holders of the parent</i>		<i>(412.5)</i>	<i>(71.5)</i>	<i>(372.2)</i>	<i>(66.6)</i>
<i>Attributable to non-controlling interests</i>		<i>(204.4)</i>	<i>(5.3)</i>	<i>(55.9)</i>	<i>(0.6)</i>

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

Condensed consolidated statement of financial position

As of September 30, 2014

	Notes	September 30, 2014	December 31, 2013
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents		540.7	61.6
Restricted cash	4	13,880.4	1,242.8
Trade and other receivables		647.2	232.2
Inventories		64.2	11.0
Current tax assets		96.0	14.6
Total current assets		15,228.5	1,562.2
Non-current assets			
Deferred tax assets		416.0	47.4
Investment in associates	11	3.0	679.1
Financial assets		62.4	50.6
Trade and other receivables		26.3	22.8
Property, plant & equipment		3,105.5	1,134.2
Intangible assets		1,182.5	579.6
Goodwill	3	4,608.6	1,100.7
Total non-current assets		9,404.3	3,614.4
Total assets		24,632.8	5,176.6

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

Condensed consolidated statement of financial position**As of September 30, 2014**

	Notes	September 30, 2014	December 31, 2013
		(in millions of euros)	
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	8	282.8	59.7
Deferred revenue		158.3	55.9
Trade and other payables		1,288.8	517.4
Other current liabilities	8, 2.4	583.4	15.9
Provisions		2.4	31.1
Current tax liabilities		112.7	57.1
Total current liabilities		2,428.3	737.0
Non-current liabilities			
Borrowings	8	20,164.2	3,741.0
Loans from related parties	8	-	100.7
Other financial liabilities	8	648.0	271.6
Deferred revenue		110.8	10.6
Trade and other payables		17.2	29.0
Retirement benefit obligations		19.4	8.2
Provisions		100.6	-
Deferred tax liabilities		295.5	183.1
Total non-current liabilities		21,355.7	4,344.2
Equity			
Issued capital	5	2.5	-
Invested Equity		-	95.8
Additional Paid In Capital	5	1,827.9	-
Other reserves	7	(238.6)	-
Accumulated losses		(728.6)	-
Total equity attributable to the shareholders of the parent		863.2	95.8
Non-controlling interests		(14.4)	(0.5)
Total equity		848.8	95.3
Total liabilities and equity		24,632.8	5,176.6

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

Altice S.A.
Notes to the condensed consolidated financial statements

Condensed consolidated statement of changes in equity

For the nine months ended September 30, 2014

	Issued capital	Share Premium	Other Reserves	Net income	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
	(in millions of euros) (restated)						
Equity at January 1, 2013	-	-	272.8	-	272.8	5.2	278.0
Loss for the period	-	-	-	(75.0)	(75.0)	(6.0)	(81.0)
Other comprehensive income	-	-	3.6	-	3.6	0.6	4.2
Transaction with shareholders	-	-	(279.7)	-	(279.7)	(9.6)	(289.3)
Other movements	-	-	-	-	-	-	-
Equity at September 30, 2013	-	-	(3.3)	(75.0)	(78.3)	(9.8)	(88.1)

	Reserves											
	number of issued shares	Share capital	Invested equity	Additional paid in capital	Retained losses	Currency reserve	Cash Flow hedge reserve	Available for sale	Employee Benefits & Share based payments	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		€m		€m	€m	€m	€m	€m	€m	€m	€m	€m
Equity at January 1, 2014	-	-	95.8	-	-	-	-	-	-	95.8	(0.5)	95.3
Incorporation of Altice S.A.	3,100,000	-	(95.8)	624.2	(522.1)	(6.7)	-	(0.4)	0.8	-	-	-
Contribution of Altice France and Altice International	172,900,000	1.7	-	(66.8)	-	-	-	-	-	(65.1)	(0.5)	(65.6)
Issuance of new shares	46,970,617	0.5	-	1,701.5	-	-	-	-	-	1,702.0	-	1,702.0
Recognition of share based payment		-	-	-	-	-	-	-	9.0	9.0	-	9.0
Change in scope		-	-	-	-	-	-	-	-	-	373.0	373.0
Transaction with non-controlling interests	24,751,873	0.2	-	(431.0)	-	-	-	-	-	(430.8)	(217.9)	(648.7)
Cash-flow hedge net of taxes		-	-	-	-	-	(272.5)	-	-	(272.5)	(32.7)	(305.2)
Loss for the period		-	-	-	(206.4)	-	-	-	-	(206.4)	(137.6)	(344.0)
Other comprehensive income		-	-	-	0.1	27.2	-	4.9	0.2	32.2	1.9	34.1
Equity at September 30, 2014	247,722,490	2.5	-	1,827.9	(728.6)	20.5	(272.5)	4.5	10.0	863.2	(14.4)	848.8

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

Condensed consolidated statement of cash flows for the nine months ended September 30, 2014

	Notes	September 30, 2014	September 30, 2013
		(€ in millions)	
Loss for the period		(344.1)	(81.0)
Adjustments for :			
Depreciation and amortization		646.7	278.0
Share in income of associates		(1.3)	(14.5)
Gains and losses on disposals		-	(4.1)
Gain on step acquisition		(256.3)	-
Expense related to stock options	10	12.4	-
Other non-cash operating gains and losses		(4.4)	6.5
Net cash provided by operating activities before changes in working capital, finance costs and income tax		52.9	184.9
Finance costs, net		845.1	158.2
Income tax expense recognised in profit and loss		50.5	27.5
Income tax paid		(38.3)	(4.8)
Changes in working capital		51.4	(77.0)
Net cash provided by operating activities		961.6	288.8
Purchases of tangible and intangible assets		(533.9)	(184.1)
Proceeds from disposal of assets		4.7	1.9
Acquisitions of available for sale financial assets		-	(18.3)
Increase in loans and other non-current financial assets			7.4
Increase of restricted cash	4	(11,908.7)	(0.6)
Transactions with non-controlling interests	2	(133.7)	(105.0)
Net payments on acquisition of subsidiaries	2	(1,525.9)	(203.5)
Net cash used in investing activities		(14,097.5)	(502.2)
Net proceeds from issuance of shares	5	1,636.8	-
Shareholder contribution		-	1.8
Proceeds from debt issuance	8	15,928.6	1,021.9
Repayment of debt	8	(3,208.9)	(546.4)
Distribution to holders of hybrid instruments		(190.0)	(212.5)
Interest paid		(552.9)	(119.4)
Net cash provided by financing activities		13,613.7	145.4
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.7	-
Net increase in cash and cash equivalents		478.5	(67.9)
Cash and cash equivalents at the beginning of the period		61.6	129.8
Cash and cash equivalents at the end of the period		540.1	61.9
<i>Cash and cash equivalent</i>		540.7	61.9
<i>Bank overdraft</i>		(0.6)	-

The accompanying notes form an integral part of these financial statements

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

Nature of the business

Altice S.A. (the “Company”) is a public limited liability company (*Société Anonyme*) incorporated in the Grand Duchy of Luxembourg on January 3, 2014 and whose head office is in Luxembourg. Upon admission of the Company’s shares on Euronext Amsterdam on January 31, 2014, the Company received the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice France S.A. and Altice International S.à r.l.. Altice France S.A. is hereafter referred to as “Altice France” and Altice International S.à r.l. and its subsidiaries are hereafter referred to as “Altice International” or “Altice International Group”.

Altice France

Altice France holds shares in Numericable Group (“NG”), a French group listed on Euronext Paris. NG is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. It also provides French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

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

Altice International

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. Most of Altice International’s operating subsidiaries operate Docsis 3.1-enabled networks. Where possible, Altice International Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and create a common knowledge base for best practices. . In addition, the Altice International Group companies aim at sharing skills and best practices across their various operations.

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

Altice International’s operational entities operate in the following geographies listed below. When possible, Altice International tries to achieve convergence and integration between existing cable and mobile networks.

- Israel (Cable and mobile)
- Dominican Republic (Cable and mobile)
- French Overseas Territories (Cable and mobile)
- Portugal (Cable)
- Belgium and Luxembourg (Cable and mobile through MVNO)
- Others (mainly cable-based operations and datacenter in Switzerland, content companies and holding activities)

Basis of presentation

The condensed consolidated financial statements of the Company as of and for the three and nine months ended September 30, 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”).

As Altice France and Altice International, before being contributed to Altice S.A. on January 31, 2014, were and remained entities under common control (controlled by Patrick Drahi through Next L.P.), the contribution transactions do not constitute acquisitions within the meaning of IFRS 3 *Business Combinations*. The Group has opted to account for this transaction using the book values, and the condensed consolidated financial statements disclose the amounts as if the contribution of the equity securities of Altice France and Altice International had occurred before January 1, 2010. For this reason, the financial information presented for comparative purposes reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Altice France and Altice International, which formed two separate groups as of December 31, 2013.

Comparative information

The comparative information for the nine and three month periods ended September 30, 2013 has been restated to reflect the impact of the purchase price allocation of the assets of ONI S.G.P.S (“ONI”) acquired on August 8, 2013. As per the provisions of IFRS 3:49, the impact of the recognition of the identifiable tangible and intangible assets of ONI at their fair value was restated for the nine and three month period ended September 30, 2013. The total impact on depreciation and amortisation was €0.4 million (€0.3 million net of deferred tax impact). The loss for the period was impacted by the same amount.

In addition to the restatement described above, staff costs and employee benefits were reclassified to match the presentation adopted for the three and nine months ended September 30, 2014. Such costs amounted to €57.7million for technical and maintenance and customer service staff and €24.0 million for marketing staff costs and have been reclassified from the lines “other operating expenses” and “other sales and marketing expenses” to “staff costs and employee benefit expenses”.

Accounting policies

The condensed consolidated financial statements have been prepared on an historical cost basis, except for (i) available-for-sale financial assets, (ii) derivative financial instruments which are measured at market value and (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, except for the election of hedge accounting for certain derivatives.

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 September 30, 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.

- 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.

- IFRIC 21 – Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The impacts on the condensed consolidated financial statements of the Company are currently being assessed by the management of different operating companies of the Group and by the senior management of the Group.

- Draft position paper on IAS 19 on the subject of the existence of a deep market for corporate bonds in Israel

On September 1, 2014, the Securities Authority of Israel published a draft position paper (the “draft position”) in accordance with which a deep market exists in Israel for high quality Shekel denoted corporate bonds. In accordance with the said draft position, commitments in respect of post-employment employee benefits as well as commitments in respect of other long-term benefits are to be discounted using a discount rate that is derived from corporate bonds, instead of discounting them at a discount rate that is derived from government bonds, which will lead to the increasing of the discount rate and the reduction of the commitments. In accordance with the draft position, this change is to be reflected by way of a change in an estimate.

The Company is examining the possible impact of the standard on the annual financial statements for the year 2014.

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 Directors 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 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 assets

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.

Hedge accounting

As outlined in note 19 to the consolidated financial statements of the Company for the year ended December 31, 2013, the Company has implemented a policy for managing risks related to their investments, assets and liabilities. As part of its activities, the Company and its subsidiaries regularly issue debt in currencies other than their functional currencies. In order to manage the interest or foreign exchange rate risk associated with such instruments, the Company makes use of various derivative financial instruments designed to mitigate such risk.

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. Gains or losses arising from changes in the fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for cash flow hedge accounting.

The effective portion of changes in the fair value of a derivative that is designated and that qualifies as a cash flow hedge is recorded in other comprehensive income. Amounts deferred in other comprehensive income are recorded in the consolidated statement of income in the periods when the hedged item is recognized in the consolidated statement of income and within the same line item. Any ineffective portion of changes in the fair value of the derivative is recognized directly in the consolidated statement of income.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised. The cumulated unrealized gain or loss on the hedging instrument is maintained in equity until the forecasted transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss, which had been recognized in equity, is reported immediately in the consolidated statement of income.

For instruments not accounted for as cash flow hedges, gains or losses arising from changes in fair value of derivatives and gains or losses realized upon settlement of derivatives are recognized in the condensed consolidated statement of income.

Note 2 – Main changes in the scope of consolidation

2.1 France

Numericable Group S.A. ("NG")

On February 3, 2014, the Group, through its direct subsidiary, Altice France S.A., completed the acquisition of a 10% stake in Numericable Group S.A. (herein after referred to as "NG"), the leading cable operator in France. Prior to the acquisition of the 10% stake, the Group owned a 30% stake in NG (including 2.6% related to options provided by other shareholders). The acquisition of the additional 10% stake triggered a change in control of NG, with the Group becoming able to nominate 5 out of 10 board (the "Board") members of NG, as well as the Chairman of the Board, who casts a vote in the event of a tie.

Since February 3, 2014, NG contributed €880.6 million to the Group revenue and €157.8 million to the Group operating profit for the nine months ended September 30, 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 10% of the shares of the acquired entity amounted to €317.0 million on a cash-free, debt-free basis. Additionally, in accordance with the share purchase agreement, the Group paid an earnout to the vendors amounting to € 42.1 million, bringing the total consideration transferred to €359.1 million.

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The fair value of the asset acquired at the date of acquisition was provisionally determined as follows:

Book value of investment in associate (prior to change in control):	€679.1 million
Variation in investment in associates until February 3, 2014:	€1.3 million
Gain on step acquisition (resulting from change in control):	€256.3 million
Non-controlling interests	
(Post preliminary re-evaluation of tangible and intangible assets):	€372.8 million
Total consideration for acquisition of additional shares (including earnout):	€359.1 million
Fair value of NG at acquisition:	€1,668.4 million

The provisional value of assets transferred in consideration for the values mentioned above amounted to €2,933.8 million, comprised mainly of intangible assets for a net value of €559.8 million, property, plant and equipment for a total value of €1,468.7 million, financial assets for a total value of €11.3 million and trade and other receivables for a total amount of €519.1 million. Total liabilities amounted to €3,822.9 million, comprised of €2,983.6 million of non-current liabilities and €839.3 million of current liabilities.

The values of the assets and liabilities assumed were initially determined on a provisional basis as being equivalent to the book values in the accounting records of Numericable Group S.A.

As per the provisions of IFRS 3:19, the Company has allocated the proportional share of the acquiree's identifiable net assets to non-controlling interests.

For the period ended September 30, 2014, of the assets identified for re-evaluation at acquisition, the Company has completed a preliminary evaluation of the identifiable assets of the target. As per the requirements of IFRS 3:45 and 3:46, the Company has recognised the following tangible and intangible assets at their fair value:

Property, plant and equipment: a preliminary report prepared by an independent technical expert has determined that the fair value of the fixed cable and network infrastructure owned and operated by NG is greater than the book value at acquisition. The expert used the replacement cost method to calculate the fair value of NG's tangible assets, based on inputs from management and NG's own technical teams. As of September 30, 2014, an additional €150.0 million (before impact of deferred taxes) was allocated on a preliminary basis to the property, plant and equipment of NG. As the evaluation work has not yet been completed, this value is still subject to change.

Client relationships: €257.2 million (€168.7 million net of deferred tax), recognised on a preliminary basis and allocated amongst the operating segment of the target. The average useful life of the assets was determined based on specific reporting segments of the target and are summarised below. A total amortisation expense of €36.3 million was recognised for the nine month period ended September 30, 2014.

The preliminary fair value of client relationships was identified for each operating segment of the target, using the following parameters:

Parameters	B2C	B2B	Wholesale
EBIT margin rate	24.2%	10.9%	41.4%
Client attrition rate	19.1%	22.3%	28.5%
Discount rate	6.7%	6.7%	6.7%
Customer acquisition growth rate	2%	2%	2%
Average useful life (years)	5.25	4.50	3.50

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All parameters used above were determined by the Board of Directors. As the purchase price allocation work is still on-going, these assumptions are subject to change.

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

Fair value at acquisition	€1,668.4 million
Fair value of identifiable assets, liabilities and contingent liabilities	€ (889.0) million
Goodwill	€2,557.4 million

The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within the measurement period as defined by IFRS 3:45 and IFRS 3:46.

2.2 Dominican Republic**Tricom S.A. and Global Interlinks Limited (“Tricom” and “GLX”, respectively)**

On March 12, 2014, the Group, through its indirect subsidiary, Altice Dominican Republic, completed the acquisition of an approximately 97.2% stake in Tricom, a cable and mobile operator with a 4G license based in the Dominican Republic, and of GLX, the owner of a submarine cable, which it uses to sell data and voice transmission services to other operators based in the region (including Tricom). 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 other operations in the region.

Since March 12, 2014, Tricom and GLX contributed €82.0 million in revenue and €14.1 million in operating profit to the Group's result for the nine months ended September 30, 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 entities 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 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 €40.8 million 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 €134.9 million. 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 and GLX. 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.

Altice Hispaniola (“ODO” or “Orange Dominicana S.A.”)

On April 9, 2014, the Group, through its direct subsidiary Altice International S.à r.l., completed the acquisition of a 97.2% stake in ODO, the leading mobile operator in the Dominican Republic. ODO operates a high end, 4G-enabled mobile network in the Dominican Republic covering up to 86% of the territory of the Dominican Republic.

Through this acquisition, the Group expects to further consolidate and expand its operations in the Caribbean Islands. This transaction complements the acquisition of Tricom and GLX mentioned above and completes the formation of an integrated telecom group in the Dominican Republic.

Since April 9, 2014, ODO contributed €218.6 million to the Group revenue and €62.7 million to the Group operating profit for the nine months ended September 30, 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 €1,034.0 million on a cash free, debt free basis.

The total value of assets transferred in consideration for the values mentioned above amounted to €437.9 million, comprising mainly intangible assets for a net value of €34.8 million, property, plant and equipment for a total value of €229.0 million and trade and other receivables for a total amount of €113.5 million. Total liabilities amounted to €103.7 million, comprising €8.7 million of non-current liabilities and €94.1 million of current liabilities.

In addition to the assets transferred and as part of the provisionally purchase price allocation, two additional assets were identified being the capitalisation of subscriber acquisition costs and the intangible asset corresponding to the value of the Orange brand. Subscriber acquisition costs were capitalised as part of the alignment of accounting principles of ODO with Altice Group policies. The net book value of such assets was ascertained to be €2.7 million as at the date of acquisition. The right for the continued use of the Orange brand was valued on a preliminary basis at €19.9 million. This value is subject to revision, following the finalisation of the purchase price allocation for ODO.

As part of the purchase agreement, the vendor agreed to finance the acquisition of a spectrum license to provide 3G services in the Dominican Republic using ODO's existing network. The price of this license was adjusted when calculating the purchase price. The total amount due for the license amounted to €20.8 million (\$ 28.5 million). This investment is recorded as capital investment in the accounts of Orange Dominicana as of September 30, 2014, however, it relates to an investment that was not paid for by the Group.

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 ODO. 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 provisionally recognised as a result of the acquisitions (including Tricom and GLX) as follows:

Total consideration transferred	€1,333.2 million
Fair value of identifiable assets, liabilities and contingent liabilities	€491.7 million
Goodwill	€841.5 million

2.3 French Overseas Territories ("FOT")

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 (specifically, La Reunion), by acquiring 99.9% 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 €13.2 million to revenue and €1.0 million to the Group operating profit for the nine months ended September 30, 2014.

Altice S.A.**Notes to the condensed consolidated financial statements**

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 €14.8 million, comprising mainly 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 €5.1 million of non-current liabilities and €8.7 million of current liabilities. The residual value of €17.8 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
Fair value of identifiable assets and liabilities	€1.0 million
Goodwill	€17.8 million

Profit and loss before acquisition by the Group

The profit and loss of those new subsidiaries not consolidated from January 1, 2014, for the period from January 1, 2014 to the date of their entry into the Group's accounts is given below:

	NG	Tricom	ODO
	<i>(in € millions)</i>		
Revenues	108.5	38.7	108.8
Purchases and subcontracting services	(51.7)	(11.1)	(27.4)
Gross Profit	56.8	27.6	81.4
Other operating expenses	1.5	(4.2)	(10.3)
General and administrative expenses	-	(1.7)	(6.7)
Other sales and marketing expenses	-	(2.2)	(19.0)
Staff costs and employee benefits	(14.0)	(5.3)	-
Operating profit before depreciation and amortization	44.3	14.1	45.5
Depreciation and amortization	(25.6)	(5.1)	(15.3)
Management fees	-	(0.8)	(2.9)
Operating profit	18.8	8.2	27.4
Profit for the period	4.6	5.4	19.3

2.4 Acquisition of additional non-controlling interests in Numericable Group S.A.

On June 6, 2014, the Group, through its wholly-owned subsidiary, Altice France S.A., exercised a call option it held on shares in NG. These shares represented 2.6% of the share capital of NG, totalling 3,247,612 shares.

The shares were repurchased at an agreed price of €37.39 per share, thus bringing the total consideration paid to €121.7 million. The acquisition was financed through an increase in the existing margin loan facility at Altice France S.A. (which was fully repaid on July 4, 2014). Subsequent to this transaction, the Group held a 40% stake in NG.

On July 24, 2014, Altice S.A. completed the acquisition of an additional 34.6% stake in NG from its two largest minority shareholders in NG, Cinven and Carlyle. As part of this acquisition, the purchase of 20.6% of the shares was financed via a share swap, in which Cinven and Carlyle received 24,751,873 new shares in Altice S.A. in exchange for 25,517,396 shares in NG. The remainder of the acquisition price will be settled in cash (raised during the capital increase of June 24, 2014) upon the closing of the SFR acquisition but before January 31, 2015. As of September 30, 2014, a liability of €529.0 million has been recorded in the condensed consolidated statement of financial position, under the caption, “other current liabilities” (See note 8.3). Subsequently, Altice S.A. transferred these shares to its fully owned subsidiary, Altice France S.A. As a result of this operation, Altice France S.A. now owns 74.6% of the share capital of NG, with the rest of the capital representing the free float portion of NG’s share capital.

2.5 Acquisition of non-controlling interests – Altice Blue Two S.A.S. (“ABT”)

As per the agreement signed on March 13, 2014, the managers of Outremer Telecom (“OMT”) 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, against new shares issued by Altice representing 0.1% of Altice shares. Note that the consideration for the contributed stake is subject to adjustment from two separate earn-out clauses applicable upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

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 were at the time determined to coincide with subsidiaries of the Company.

For the nine months period ended September 30, 2014, the Management has decided to reorganize the way the cash generating units (CGUs) are presented, in order to be consistent with the structuring process that the Group has undergone in its different jurisdictions and that is aligning to the way management operates the different segments of the Group (see note 9). To this end, CGUs will now reflect specific geographic areas in which one or several legal structures can be found (eg. Cabovisao and ONI will form Portugal, Tricom/GLX and ODO, Dominican Republic). Historically, each CGU was presented as a standalone legal entity, as the Group had only one operating entity per geography. The rapid expansion of the Group and the push to achieve synergies between fixed, cable and mobile networks in its relevant operating geographies prompted Management to acquire new structures in the regions where it was already operating. Management believes that combining individual acquired entities is the most economic method of capturing synergies between new, complementary businesses in each operational region. This is underlined by the technical synergies between the different networks, the fact that the teams are now integrated and as a result of the bundle offers to the client. An illustrative example is the integration of support functions in the French Overseas Territories (between OMT and Le Cable; together “FOT”), in Portugal with Cabovisao and ONI and the on-going restructuring of the Dominican entities, in order to have a single, functional support team in the finance, marketing and technical departments. In addition to this, contracts with service providers are negotiated by one entity for the relevant geographies thus providing better purchasing power for the CGU as a whole. Moreover, internal tracking and monthly financial and operation reviews performed by Management are based on specific geographies and not on individual companies, thus the new presentation provides an accurate vision of how Management tracks and runs its businesses internally.

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.

Notes to the condensed consolidated financial statements

The Management 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 September 30, 2014.

	December 31, 2013	Business combinations	Variations	Impairment losses	Changes in foreign currency translation	Disposals	September 30, 2014
(in millions of euros)							
France	-	2,557.4	1.3	-	-	-	2,558.7
Dominican Republic	-	841.5	-	-	75.9	-	917.4
Israel	620.3	-	-	-	17.1	-	637.4
FOT	293.9	17.8	-	-	-	-	311.7
Belux	295.4	-	-	-	-	-	295.4
Switzerland	17.8	0.5	-	-	-	-	18.3
Portugal	1.3	-	-	-	-	-	1.3
Total Gross Value	1,228.7	3,417.2	1.3	-	93.0	-	4,740.1
France	-	-	-	-	-	-	-
Dominican Republic	-	-	-	-	-	-	-
Israel	(128.0)	-	-	-	(3.5)	-	(131.5)
FOT	-	-	-	-	-	-	-
Belux	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-
Portugal	-	-	-	-	-	-	-
Total Cumulative impairment	(128.0)	-	-	-	(3.5)	-	(131.5)
France	-	2,557.4	1.3	-	-	-	2,558.7
Dominican Republic	-	841.5	-	-	75.9	-	917.4
Israel	492.3	-	-	-	13.6	-	505.9
FOT	293.9	17.8	-	-	-	-	311.7
Belux	295.4	-	-	-	-	-	295.4
Switzerland	17.8	0.5	-	-	-	-	18.3
Portugal	1.3	-	-	-	-	-	1.3
Total Net book value	1,100.7	3,417.2	1.3	-	89.5	-	4,608.6

Altice S.A.
Notes to the condensed consolidated financial statements

Note 4 – Restricted cash

The main changes in restricted cash for the period are shown below:

	December 31, 2013	Additions (cash in escrow)	Use of restricted cash	September 30, 2014
	(in million of euros)			
Altice S.A.	-	4,371.3	-	4,371.3
Altice Finco S.A.	290.1	-	(290.1)	-
Altice Financing S.A.	952.7	-	(952.7)	-
Numericable Group S.A.	-	9,509.1	-	9,509.1
Total Value	1,242.8	13,880.4	(1,242.8)	13,880.4

The restricted cash at period end is composed of the proceeds of the issuance of borrowings described in note 8. In order to finance the acquisition of SFR, the Company and NG issued debt in the form of Senior Secured Notes and term loans. The issuance of these borrowings was completed on May 8, 2014 and the proceeds from such issuance were deposited in an escrow account awaiting approval of the SFR transaction by the regulatory authorities. As mentioned in note 2, the cash consideration due to Vivendi for the sale and transfer is set at € 13,500 million (not taking into account certain contractual adjustments).

The Company has entered into a FX forward trade with a financial institution in order to secure future cash flows from the dollar portion of the bond, currently held on an escrow account. As per the terms of the contract, at a given execution date, the Company will receive € 2,052.3 million (net of the swap credit charge) in exchange for the \$ 2,834.7 million (net of OID and transaction fees) held in escrow (at a forward rate of 1.38097).

The acquisition of SFR (see note 18) will be financed using cash currently held in escrow at NG level and the Company level as follows:

- Cash held in escrow at NG - € 8,770 million;
- Rights issue subscribed by Altice France- € 3,528 million; and
- Rights issue subscribed by public/free float - € 1,202 million.

The remaining cash will be used to pay transaction fees associated with the debt issuance and acquisition amounting to € 285.3 million.

The restricted cash held at December 31, 2013 has been used to fund acquisitions in the Dominican Republic, as described in note 2.

Note 5 – Issued capital and share premium

5.1 Issued capital

As of September 30, 2014, the authorised share capital is € 5 million of ordinary shares and a maximum of € 20,000,000 of Class B shares.

As of September 30, 2014, total issued capital of the Company amounts to € 2.5 million, and is composed of 247,722,490 outstanding ordinary shares, with a nominal value of € 0.01 each.

The share capital at incorporation amounted to € 0.03 million and was increased through successive capital increases.

On January 31, 2014, the Group successfully completed its initial public offering (“IPO”) on the Euronext Stock Exchange based in Amsterdam. As part of this offering, the Group raised € 750 million through the issuance of 26,548,673 new shares to investors at a price of €28.25 per share.

The fees incurred in connection with the issuance of additional equity instruments have been recognized in equity for a total of €29.7 million, while the fees linked to the placement of existing shares have been recognized in profit and loss under “Restructuring, non-recurring costs and other expenses” (See note 12).

On June 27, 2014, the Company issued an additional 17,935,575 shares in a private placement at a nominal value of € 0.01 for an amount of € 910.9 million. Part of this share issuance will be used to finance the acquisition of an additional stake of 14.0% shares in the NG (See note 2.4).

On July 24, 2014, the Company issued an additional 24,751,873 ordinary shares as part of the acquisition of an additional stake in the NG. The Company acquired 20.6% of NG from the two largest minority shareholders via its fully owned subsidiary, Altice France S.A., in exchange for 25,517,396 shares in NG (See note 2.4).

5.2 Additional Paid in Capital

Total paid-in capital of the Group amounted to € 1,827.9 million and results from:

	September 30, 2014 <u>(in millions of euros)</u>
Contribution in kind - shareholders debt	557.4
Proceeds from primary offering	720.0
Contribution in kind - Valemi vendor note	6.7
Contribution in kind - Mobius	4.6
Contribution in kind - FOT Minorities	55.2
Transactions with non-controlling shareholders of NG	(430.8)
Share issuance under management investment plan	4.2
Proceeds from private placement	910.9
Total	1,827.9

A restructuring of the shareholder debts held by Next L.P. against Altice International and Altice France was carried out before the IPO. 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.

The remaining increase in the additional paid in capital is mainly due to proceeds of the IPO in January 2014 and the issuance of new shares in June and July 2014 described in note 5.1 for which the proceeds will be mainly used for purchase of additional shares in NG.

Note 6 – Earnings per share

	Nine months ended September 30, 2014	Nine months ended September 30, 2013 (restated) (*)	Three months ended September 30, 2014	Three months ended September 30, 2013 (restated) (*)
(in € millions except as stated otherwise)				
Earnings				
Earnings for the period	(206.4)	(75.0)	(242.7)	(69.2)
<i>Basic earnings per share (in €)</i>	<i>(1.05)</i>	<i>(0.38)</i>	<i>(1.01)</i>	<i>(0.35)</i>
Number of shares				
Weighted average number of ordinary shares for basic EPS	196.3	196.3	241.5	196.3
Effect of dilutive potential ordinary shares: Stock options and management investment plan	10.0	10.0	10.0	10.0
Weighted average number of ordinary shares for the purposes of diluted EPS	206.3	206.3	251.5	206.3
<i>Diluted earnings per share (in €)</i>	<i>(1.00)</i>	<i>(0.36)</i>	<i>(0.96)</i>	<i>(0.34)</i>

(*) The number of shares for the three and nine month periods ended September 30, 2013 corresponds to the weighted average number of ordinary shares for the nine months ended September 30, 2014 given the Company didn't exist in the prior year to enable comparatives between the different periods.

Note 7 – Other reserves

As for the nine month period ended September 30, 2014, other reserves were mainly comprised of the fair value of the cash flow hedges that were put in place by the Company in the second quarter of 2014. See note 8.3 for more details.

Note 8 – Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	September 30, 2014	December 31, 2013
(in millions of euros)		
Borrowings	20,164.2	3,741.0
Loans from related parties	-	100.7
Finance leases	31.0	23.4
Other financial liabilities	134.2	105.9
Financial instruments	482.8	142.3
Non-current liabilities	20,812.1	4,113.3
Borrowings:	282.8	59.7
- Loans from financial institutions and bonds	89.6	26.4
- Bank overdraft	0.6	-
- Accrued interest	192.6	33.3
Other current liabilities:	583.4	15.9
- Other financial liabilities	548.1	4.5
- Finance leases	35.3	11.4
Current liabilities	866.2	75.6
Total	21,678.3	4,188.9

8.1 Borrowings

Borrowings are composed of loans from financial institutions and bonds. As at September 30, 2014, the details of the loans from financial institutions and bonds are given in the sections that follow.

The maturities of borrowings are given below:

	September 30, 2014	< 1 year	One year or more	December 31, 2013
(in millions of euros)				
Bonds	15,381.2	27.1	15,354.1	2,554.0
Loans from financial institutions	4,872.6	62.5	4,810.1	1,213.4
Total	20,253.8	89.6	20,164.2	3,767.4

As at September 30, 2014 the Group is not in breach of any of its financial covenants.

8.1.1 Bonds

During the period, the Group issued several bonds at the Altice S.A. and NG level in connection with the acquisition of SFR, the closing of which being expected to occur by the end of year 2104. The proceeds are held on escrow accounts until approval of the transaction, see note 4.

Issuer	Fair value in millions of euros September 30, 2014	Coupon	Year of maturity	Carrying amount September 30, 2014	Carrying amount December 31, 2013
- Debentures	289.9	Between 3.9% and 6.9% + Consumer Price Index	2018	261.3	280.1
- Senior Secured Notes USD 2,900 M	2,368.2	7.75%	2022	2,249.7	-
- Senior Secured Notes EUR 2,075M	2,147.6	7.25%	2022	2,029.1	-
- Senior Secured Notes USD 460 M	389.3	7.875%	2019	350.8	305.1
- Senior Secured Notes EUR 210M	227.9	8.00%	2019	202.9	201.8
- Senior Secured Notes EUR 300M	316.5	6.5%	2022	290.9	292.8
- Senior Secured Notes USD 900M	726.9	6.5%	2022	698.4	637.3
- Senior Notes USD 425M	378.6	9.875%	2020	337.4	309.1
- Senior Notes EUR 250M	282.8	9.00%	2023	245.6	245.3
- Senior Notes USD 400M	335.7	8.125%	2024	309.0	282.5
- Senior Secured Notes USD 2,400M	1,867.1	4.875%	2019	1,900.0	-
- Senior Secured Notes USD 4,000M	3,175.2	6.000%	2022	3,167.0	-
- Senior Secured Notes USD 1,375M	1,083.3	6.250%	2024	1,089.0	-
- Senior Secured Notes EUR 1,000M	1,033.8	5.375%	2022	1,000.0	-
- Senior Secured Notes EUR 1,250M	1,289.1	5.625%	2024	1,250.0	-
Total value of bonds	15,912.0			15,381.2	2,554.0
<i>Of which due within one year</i>	<i>27.1</i>			<i>27.1</i>	<i>26.8</i>
<i>Of which due after one year</i>	<i>15,884.9</i>			<i>15,354.1</i>	<i>2,527.2</i>

8.1.2 Loans

The increase in the borrowings from financial institutions is mainly explained by the issuance of new term loans for NG, as part of the financing package raised to consummate the SFR transaction and also to refinance existing debt at NG.

- The total amount of debt issued as of September 30, 2014 amounted to € 3,799 million, and was composed of three tranches:
 - o A EUR tranche of 1,900 million, with a maturity in May 2020 and bearing interest at Euribor+3.75% (excluding an interest rate floor at 0.75% and interest rate hedging);
 - o A first USD tranche of 1,394 million (€ 1,018 million equivalent as of September 30, 2014) with a maturity in May 2020 and bearing interest at LIBOR+3.75% (excluding an interest rate floor at 0.75% and interest rate hedging);
 - o A second USD tranche of 1,206 million (€ 881 million equivalent as of September 30, 2014) with a maturity in May 2020 and bearing interest at LIBOR+3.75% (excluding an interest rate floor at 0.75% and interest rate hedging).
- On May 21, 2014, NG used this term loan facility to refinance its existing debt for a total amount of € 2,750 million, of which € 2,638 million related to the principal amount refinanced and € 88 million related to breakage fees and € 77.0 million related to transaction costs on the new issued debt.
- On July 4, 2014, Altice France fully repaid the margin loan it had issued to acquire a controlling stake in NG in November 2013 and the subsequent purchase of a 2.6% stake from other minority shareholders in NG. The total amount issued in two phases amounted to € 456.6 million, of which € 323.9 million were issued in November 2013 and an additional tranche of €121.7 issued in June 2014. The total amount reimbursed included accrued interests of €11 million.

8.2 Other financial liabilities

This corresponds mainly to:

- o A vendor loan of €529.0 million due to the former minority shareholders of NG, corresponding to the acquisition of an additional 14.6% stake in NG, which was completed on July 24, 2014.
- o Deposits provided by clients for customer premises equipment leased for the duration of their subscription period for € 45.8 million; and
- o Preferred Equity Certificates (“PECs”) for €30 million at the level of Deficom Telecom S.à r.l..

The following movements occurred during the period:

- o 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 € 53.2 million;
- o Repayment and conversion of vendor notes: Vendor notes held by Altice IV and Valemi Corp were respectively reimbursed and exchanged against common shares of Altice S.A. as part of the IPO, leading to a total decrease in other financial liabilities of € 20.7 million;

8.3 Derivative instruments and hedge accounting

On May 8, 2014, the Company and its subsidiary, NG, issued debt to finance the acquisition of the SFR group. A part of this debt was issued in USD, which is different from the functional currency of the entities. In order to mitigate risks arising from the variations in foreign exchange rates (the benefiting operating entities generate cash flows in euros which will be used to service this debt), the Group has entered into cross currency swaps for interest and principal payments in order to secure future cash flows in its functional currency.

As part of this operation, a hedging transaction was implemented to swap the entire amount of the USD tranche into EUR at a fixed exchange rate. Additionally, the fixed coupon on the USD tranche was swapped into a fixed rate to match the swap into EUR. As per the provisions of IAS 39, the Company has decided to apply hedge accounting for the first time to record this hedging transaction.

The Company has decided to designate the instrument as a cash flow hedge. The features of the hedge are given below:

- Hedged item: \$ 2,900 million USD bonds bearing interest at a coupon of 7.75%
- Hedging instruments: Cross currency swaps, swapping fixed USD coupon payments into fixed euro payments. The fixed EUR/USD rate was fixed at 1.3827.

The table below summarizes the details of the swap and its novation:

Nominal USD	Nominal EUR	Effective date	Termination date (*)	USD coupon	EUR coupon
Fixed/Fixed cross currency swap					
2,900,000,000	2,097,345,773	08/05/2014	15/05/2019-15/05/2022	7.75%	7.07% to 7.43%
7,775,000,000	5,623,000,000	08/05/2014	15/05/2019	From 4.875% to 6.25%	From 4.354% to 5.383%
LIBOR/EURIBOR Interest rate swap					
2,600,000,000	1,880,000,000	08/05/2014	15/05/2019	L+3.75%	E+4.2135% and E+4.2085%

*The swap with one of the counterparties was extended for three years as the counterparty offered favorable conditions for booking an extension. The Company has the option to extend the swaps with other counterparties and may choose to do so in the future.

As part of the SFR debt issuance, NG also entered into hedge transactions with the same counterparties as the Company. The hedges at NG cover both the fixed income debt, which are hedged using cross currency swaps (USD/Fixed to EUR/Fixed) with the same general conditions as that of the Company's transactions. In addition to the cross currency swaps mentioned above, NG has also entered into an interest rate swap that swaps LIBOR indexed debts into Euribor indexed debts. However these debts are not completely covered as the LIBOR indexed debt includes a floor of 0.75% which is not included in the Euribor swap.

Thus, the fair value of the derivative instrument was recorded in other comprehensive income for the nine month and three month periods ended September 30, 2014. Before the impact of taxes, an expense of €456.8 million was recorded as OCI (€305.2 million net of taxes).

8.4 Classification and fair value of financial assets and liabilities

The Group 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 September 30, 2014, the classification of financial instruments is summarized below:

		Level 1	Level 2	Level 3
For the nine month period ended September 30, 2014	Recorded Value in Condensed Consolidated Statement of Financial Position	Quoted Prices in active markets for identical assets/liabilities	Significant other observable inputs	Inputs that are not based on observable market data
<hr/>				
Recurring Fair Value Measurements		(€ in millions)		
Financial assets				
- Wananchi Group	31.9	-	-	31.9
- Partner Communications Co.	7.1	7.1	-	-
- Fiberman S.à r.l.	6.2	-	6.2	-
- Other financial assets at FVTPL	0.2	-	-	0.2
Financial liabilities				
- Other financial liabilities at FVTPL (derivative instruments)	482.8	-	480.8	2.0

For the year ended December 31, 2013	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>				
Recurring Fair Value Measurements				
<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 9 – Segmental analysis

9.1 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 senior management to analyse the business across geographies and then by activity. The following geographies have been identified:

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

Activities have been split as follows:

- Fixed
- Mobile
- Others (Content/others)

Following the acquisition and full integration of NG and the acquisitions of ODO, Tricom and GLX, two new geographic segments, France and Dominican Republic, corresponding to the sole geographic zones of operation of these new entities, were added to the segmental analysis.

In addition, in the context of the anticipated acquisition and integration of the French mobile operator SFR into the Group, the senior management has decided to amend the presentation of its operational segments, by regrouping Cable and B2B into a single line called ‘Fixed’, and by maintaining the mobile segment (a significant portion of SFR’s activity is mobile based). Other activities such as content, datacenters and holding company operations are classified under others. Such presentation is consistent with the presentation used by the Management of the Group. The presentation was amended for comparative purposes for the three months ended September 30, 2013 and the nine months ended September 30, 2013.

The businesses that the Group owns and operates do not show significant seasonality.

There are few operational transactions between the different segments defined by Management above. Intersegment revenues are considered to be non-material by Management and, hence, not in the scope of regular operational reviews. Intersegment revenues represented less than 0.5% of total revenues for the three and nine month periods ended September 30, 2014 and 2013, respectively.

9.2 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows. The reconciliation to Profit before income tax expenses is presented below in accordance with the requirements of IFRS 8 (operating segments).

	For the nine months ended September 30, 2014							
	France	Israel	Belux	Portugal	FOT	Dominican Republic	Others	Total
	<i>(in € millions)</i>							
Fixed								
Revenue	880.6	513.1	53.0	140.4	79.8	74.0	23.6	1,764.4
Purchase and subcontracting services	(212.1)	(86.5)	(7.1)	(60.2)	(16.5)	(17.3)	(11.1)	(410.8)
Gross Profit	668.5	426.5	45.8	80.2	63.3	56.8	12.6	1,353.6
Mobile								
Revenue	-	132.8	1.0	-	97.4	226.5	-	457.8
Purchase and subcontracting services	-	(42.1)	(1.2)	-	(24.4)	(49.2)	-	(116.9)
Gross Profit / (Loss)	-	90.7	(0.1)	-	73.0	177.3	-	340.9
Others								
Revenue	-	-	-	-	-	-	25.2	25.2
Purchase and subcontracting services	-	-	-	-	-	-	(6.2)	(6.2)
Gross Profit	-	-	-	-	-	-	19.0	19.0
Total Revenue	880.6	645.9	54.0	140.4	177.2	300.5	48.9	2,247.4
Total purchase and subcontracting services	(212.1)	(128.7)	(8.3)	(60.2)	(40.9)	(66.4)	(17.3)	(533.9)
Total Gross Profit	668.5	517.2	45.7	80.2	136.3	234.1	31.6	1,713.5
(Loss)/profit before income tax expenses	(262.6)	31.9	1.0	(18.0)	24.9	76.8	(147.5)	(293.5)

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	For the three months ended September 30, 2014							
	France	Israel	Belux	Portugal	FOT	Dominican Republic	Others	Total
	<i>(in € millions)</i>							
Fixed								
Revenue	328.6	172.5	17.5	46.6	27.5	30.4	7.9	630.6
Purchase and subcontracting services	(81.2)	(28.1)	(2.4)	(20.8)	(4.0)	(3.9)	(3.4)	(143.8)
Gross Profit	247.4	144.3	15.1	25.7	23.5	26.5	4.3	486.8
Mobile								
Revenue	-	46.4	0.3	-	32.0	115.6	-	194.4
Purchase and subcontracting services	-	(16.4)	(0.4)	-	(8.5)	(23.2)	-	(48.5)
Gross Profit / (Loss)	-	30.1	(0.1)	-	23.5	92.4	-	146.0
Others								
Revenue	-	-	-	-	-	-	7.3	7.3
Purchase and subcontracting services	-	-	-	-	-	-	(1.0)	(1.0)
Gross Profit	-	-	-	-	-	-	6.3	6.3
Total Revenue	328.6	218.9	17.8	46.6	59.5	146.0	14.9	832.3
Total purchase and subcontracting services	(81.2)	(44.5)	(2.8)	(20.8)	(12.5)	(27.1)	(4.5)	(193.3)
Total Gross Profit	247.4	174.4	15.0	25.7	47.0	118.9	10.6	639.0
(Loss)/profit before income tax expenses	(93.2)	10.6	1.8	(5.6)	7.2	42.1	(185.7)	(222.8)

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For the nine months ended September 30, 2013						
(restated)						
	Israel	Portugal	Belux	FOT	Others	Total
	<i>(In € millions)</i>					
Fixed						
Revenue	527.0	100.9	52.4	37.1	25.5	743.2
Purchase and subcontracting services	(101.6)	(36.4)	(8.5)	(8.7)	(12.5)	(167.7)
Gross Profit	425.4	64.5	43.9	28.4	13.0	575.5
Mobile						
Revenue	142.4	-	0.8	32.7	-	175.9
Purchase and subcontracting services	(82.8)		(0.7)	(10.3)		(93.8)
Gross Profit	59.6	-	0.1	22.4	-	82.1
Others						
Revenue	-	-	-	-	9.3	9.3
Purchase and subcontracting services	-	-	-	-	(0.7)	(0.7)
Gross Profit	-	-	-	-	8.6	8.6
Total Revenue	669.4	100.9	53.2	69.8	35.1	928.4
Total Purchase and subcontracting services	(184.4)	(36.4)	(9.2)	(19.0)	(13.2)	(262.2)
Total Gross Profit	485.0	64.5	44.0	50.8	21.9	666.2
(Loss)/profit before income tax expenses	26.9	(19.1)	8.4	1.2	(70.9)	(53.5)

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For the three months ended September 30, 2013 (restated)						
	<u>Israel</u>	<u>Portugal</u>	<u>Belux</u>	<u>FOT</u>	<u>Others</u>	<u>Total</u>
<i>(In € millions)</i>						
Fixed						
Revenue	177.7	44.0	17.3	24.6	8.3	271.9
Purchase and subcontracting services	<u>(32.6)</u>	<u>(18.7)</u>	<u>(3.2)</u>	<u>(6.9)</u>	<u>(3.7)</u>	<u>(65.1)</u>
Gross Profit	145.1	25.3	14.0	17.7	4.6	206.8
Mobile						
Revenue	47.9	-	0.3	32.7	-	80.9
Purchase and subcontracting services	<u>(27.4)</u>	<u>-</u>	<u>(0.2)</u>	<u>(10.3)</u>	<u>-</u>	<u>(37.9)</u>
Gross Profit	20.5	-	0.1	22.4	-	43.0
Others						
Revenue	-	-	-	-	3.0	3.0
Purchase and subcontracting services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.3)</u>	<u>(0.3)</u>
Gross Profit	-	-	-	-	2.7	2.7
Total Revenue	225.6	44.0	17.6	57.3	11.3	355.8
Total Purchase and subcontracting services	<u>(60.0)</u>	<u>(18.7)</u>	<u>(3.4)</u>	<u>(17.2)</u>	<u>(4.0)</u>	<u>(103.3)</u>
Total Gross Profit	165.6	25.3	14.1	40.1	7.4	252.6
(Loss)/profit before income tax expenses	7.3	(11.5)	1.4	0.9	(53.6)	(55.4)

9.3 Definition of EBITDA

In view of the future integration of SFR, 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. 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 Directors considers to be non-relevant to its regular operating activities. A reconciliation between operating profit before depreciation and amortization is presented below in this note.

Reconciliation between operating profit before depreciation and amortisation, management fees, restructuring non-recurring costs and other expenses and EBITDA (In € millions) for the nine months ended September 30, 2014

	France	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories	Dominican Republic	Others	Total
Operating profit before depreciation, amortization, management fees, restructuring non-recurring costs and other expenses	407.8	315.0	36.7	44.3	73.9	145.0	(2.9)	1,019.8
Expenses related to stock option plan	3.4	-	-	-	-	-	9.0	12.4
French value added tax	7.9	-	-	-	-	-	-	7.9
Other adjustments	3.4	-	-	-	-	-	-	3.4
EBITDA	422.5	315.0	36.7	44.3	73.9	145.0	6.1	1,043.5

Note 10 – Equity based compensation

As part of the listing process, the Group adopted a new remuneration policy and company stock options were issued to executive directors and some senior management of the Group. The expenses associated with the issuance of these stock options were calculated and recorded in accordance with 'IFRS 2 – Share Based Payments' for the first time during the period ended September 30, 2014.

The options were valued using the Black and Scholes model, considering the modalities of the options as described in the articles and bylaws of the Company. The Company reserved the right to grant options of up to € 250 million upon admission, of which € 220.85 million were granted at IPO under the conditions listed below, as well as further options for an aggregate amount of €100 million for new hires and to promote employees and officers. Additional options worth € 20 million were granted to a member of the management team with conditions at admission different to those described below.

These options will vest in two tranche as follows, a € 10 million tranche of ordinary shares on the first anniversary following the settlement date of the Offering and a second tranche of € 10 million of ordinary shares on the second anniversary following the settlement date of the Offering and each time at the then prevailing market price.

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The conditions considered for the valuation of the options are given as follows:

- Options can only be issued on the issue date, defined as (i) the date of admission of Altice S.A.'s shares on Euronext Amsterdam (January 31, 2014) or (ii) the date on which an employee or another person designated by Altice S.A. becomes eligible to participate in the plan. Participants who will be granted options upon admission will not be eligible to receive more options until the fourth anniversary after the issue date (except in connection with promotions);
- Each option granted entitle the holder to acquire one ordinary share of the Company;
- Options vest on a non-linear basis as per the following schedule:
 - A first tranche of 50% vests two years after the allocation of the options;
 - A second tranche of 25% vests three years after the allocation of the options ; and
 - The final tranche of 25% will vest four years after the allocation of the options.
- Vested options can be exercised at any time until the 10th anniversary of the issue date, after which they will be considered to have lapsed;
- The exercise price for the options is either (i) if issued on admission, the offer price of the Company's shares upon admission (€ 28.25) or, (ii) the weighted average price at which the shares are traded on Euronext Amsterdam for a period of six months preceding the issue date.

During the course of the three month period ended September 30, 2014, new options were granted to new members of the Management team, while an existing member of the team was allotted additional options (as part of his promotion within the structure). The details of the new options allotted are given below:

- One tranche of € 10.0 million allocated at a strike price of € 29.1, allocated on July 1, 2014;
- One tranche of € 0.25 million allocated at a strike price of € 31.2, allocated on September 1, 2014; and
- An additional tranche of € 10.0 million allocated at a strike price of € 29.3, allocated on September 30, 2014.

The terms and conditions of these newly allocated options are the same as those listed above for the options allotted at admission.

As of September 30, 2014, options totalling a combined nominal value worth €242.1 million had been allotted to different managers of the Company (representing 8.56 million ordinary shares of Altice S.A. at an average price of € 28.3). As of the date of this report, no options have been exercised or lapsed.

Based on these conditions, for the nine month period ended September 30, 2014, Altice S.A. recorded € 9.0 million as expenses related to stock options in the line item, 'staff costs and employee benefits expenses' (€ 3.5 million for the three months ended September 30, 2014). A stock option plan has also been established by NG for its employees and key management personnel, and an expense amounting to € 3.4 million has been recognized for the nine month period ended September 30, 2014 (€1.2 million for the three months ended September 30, 2014).

Note 11 – Gain on step acquisition / Investments in associates

On February 3, 2014, Altice France, a direct subsidiary of the Company, completed the acquisition of an additional 10% stake in NG. This acquisition triggered a change in control of NG, with Altice France becoming the largest shareholder in NG, with 5 out of 10 seats on the Board and the ability to name the Chairman, who casts a vote in event of a tie. Thus, from February 3, 2014, NG has been fully consolidated into the financial statements of Altice S.A.

As a result of this change, the investment in associates recorded in the accounts of the Company was reversed and the fair value of the investment in NG was recorded in the accounts of Altice S.A. as investments in subsidiaries. The difference between the value previously recorded in the financial statements of Altice S.A. and the fair value of the investment (€ 936.6 million) was recorded as a gain on step acquisition in the condensed consolidated statement of income of Altice S.A. for the nine months ended September 30, 2014 (nil for the three months ended September 30, 2014).

Calculation of carrying amount of investment in associates as of February 3, 2014

(in € million)

Balance as of December 31, 2013	679.1
Increase	1.3
Balance as of February 3, 2014 (a)	680.4

Calculation of fair value of investment in associates as of February 3, 2014

(in € million except when stated otherwise)

No. of shares held at change of control	33.9
Observed share price at February 3, 2014 (expressed in €)	27.6
Fair value of investment on February 3, 2014 (b)	936.6

Gain on step acquisition (b) – (a) = 256.3

The remaining amount of €3.0 million correspond to Alsace Connexia Participation, an associate of NG consolidated using the equity method.

Note 12 –Restructuring, non-recurring costs and other expenses

Restructuring, non-recurring costs and other expenses incurred in the nine and three month period ended September 30, 2014 pertain mainly to one-off payments and transaction costs relating to acquisitions or other similar operations. Details are given below:

	9 months ended September 30, 2014	9months ended September 30, 2013 (restated)	3 months ended September 30, 2014	3 months ended September 30, 2013 (restated)
	(in millions of euros)			
HOT Mobile restructuring costs (related to network sharing deal)	15.1	-	0.6	-
Restructuring costs (employee provisions, contract negotiations)	26.1	9.0	10.2	2.3
Restructuring costs.....	41.2	9.0	10.8	2.3
Fees related to the IPO of Altice S.A.	11.9	-	0.6	-
Fees related to the closing of the ODO transaction	7.0	-	0.3	-
Fees related to the SFR transaction	11.4	-	4.9	-
Other deal fees/other income*.....	7.1	3.3	0.9	(5.5)
Deal fees and other non-recurring costs/(income)	37.3	3.3	6.6	(5.5)
Total Restructuring, non-recurring costs and other expenses.....	78.5	12.3	17.4	(3.3)

*Deal fees incurred in the three and nine month period ended September 30, 2013 mainly relate to fees paid for the HOT take private transaction (December 2012) and the Cabovisao minority stake buyout (April 2013). The other income recorded in the three months ended September 30, 2013 arose mainly due to the write back of provisions.

Note 13 – Related party transactions

13.1 Trading and financial transactions

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
			September 30,			
	2013	2014	2013	2014	2013	2014
	<i>(€ in millions)</i>					
Shareholders	-	-	-	-	-	(1.0)
Executive directors	-	-	(2.4)	(2.2)	-	-
Associated companies	-	0.1	-	(2.2)	(6.4)	(0.2)
TOTAL	-	0.1	(2.4)	(4.4)	(6.4)	(1.2)

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	September		September		September	
	Dec 31, 2013	30, 2014	Dec 31, 2013	30, 2014	Dec 31, 2013	30, 2014
	<i>(€ in millions)</i>					
Shareholders	-	0.2	0.2	-	-	-
Executive directors	-	-	-	-	-	-
Associated companies	-	-	0.8	0.8	-	0.3
TOTAL	-	0.2	1.0	0.8	-	0.3

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	September		September		September	
	Dec 31, 2013	30, 2014	Dec 31, 2013	30, 2014	Dec 31, 2013	30, 2014
	<i>(€ in millions)</i>					
Shareholders	100.7	-	-	-	-	-
Executive directors	-	-	-	-	-	-
Associated companies	-	2.3	6.6	5.4	-	-
TOTAL	100.7	2.3	6.6	5.4	-	-

13.2 Transaction with SFR

Since the acquisition of NG by the Company, NG invoiced various services to SFR and its subsidiaries for a total amount of € 22.2 million. During the same period, SFR and its subsidiaries invoiced an overall amount of € 29.3 million to the subsidiaries of NG.

Note 14 – Compensation of key management personnel

The compensation given to the ten members of the senior management of Altice S.A. (including those managers who are also board members of Altice S.A.), for the 9 month period ended September 30, 2014, was € 3.6 million and € 1.7 million for the 9 month period ended September 30, 2013 (€ 1.9 million and € 0.3 million for the three months ended September 30, 2014 and 2013 respectively).

Equity based compensation is not included in this note and is described in Note 10.

Note 15 – Income tax

The Group registered an income tax expense of € 50.5 million for the nine month period ended September 30, 2014 compared to income tax expenses of € 27.5 million for the nine month period ended September 30, 2013. The variation between the two periods mainly pertains to deferred taxes resulting from value adjustments of derivatives instruments and resulting from the Purchase Price Allocation adjustments of NG.

Note 16 – Commitments and contingent liabilities

16.1.1 Provisions and contingent liabilities

16.1.1.A France

The NG is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

A provision is recorded by the NG Group when there is a sufficient probability that such disputes will lead to costs that the NG Group will bear and when the amount of these costs can be reasonably estimated. Certain companies of the NG Group are involved in a certain number of disputes related to the ordinary activities of the NG. Only the most significant disputes and proceedings in which the NG is involved are described below.

The NG is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the NG Group is aware, which are pending or threatened) other than those mentioned below in this section that may have or have had in the last 12 months significant effects on the financial position or profitability of the Company or the NG.

16.1.1.A.1 Tax audits

The French tax authorities have conducted audits of various companies of the NG since 2005 with respect to the VAT rates applicable to our multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, while Internet and telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the NG allocates a price reduction compared with the price the NG would charge for its services on a stand-alone basis. This price reduction is primarily applied to its Internet and telephony services, because such services are newer products. As a result, the VAT charged to the subscribers was lower than the VAT that would have been charged if the NG had deemed the price reduction to apply primarily to the television portion of its packages.

The French tax authorities assert that these price reductions should have been calculated pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed and/or mobile telephony) included in the multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The NG has formally challenged the tax assessments for the fiscal years from 2006 to 2009. The NG also referred the matter to the Ministry of Finance in December 2011 and sought a comprehensive settlement of the adjustments made by the tax administration in respect of the various NG companies for the period 2006-2009. Following this request, the tax administration lowered the amounts of adjustments for 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on composite VAT, which was in force from 2008 to 2010. The new amounts of adjustments, totaling €17.1 million (excluding penalties of 40%) for the period 2006-2009, were communicated to the NG end of August 2012.

Furthermore, in 2012, the tax authorities also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, calculated in the same manner as for fiscal years 2007 to 2009, in a total amount of €6.1 million (excluding penalties of 40%). NG replied on August 21, 2013 challenging the proposed adjustments. The tax administration sent replies to the NG's observations in late October 2013, pursuant to which it maintains its adjustments. To date, the 2011 and subsequent years have not been subject to VAT audits on the Numericable scope. The tax administration has also demanded payment for the 2006 adjustment on NC Numericable (approximately € 2 million of the € 17.1 million mentioned above for the 2006-2009 period). The Group asked for a payment deferral and filed a complaint in September 2012, which was rejected by the tax administration on June 27, 2013. The NG filed an additional request on August 20, 2013.

VAT rules applicable to multiple-play packages changed starting January 1, 2011.

As of December 31, 2013, a tax contingency provision of €24.9 million (compared with €25.1 million as of December 31, 2012) was recognized to cover all the risks related to VAT (excluding penalties of 40%, which would amount to €7.1 million) related to the adjustments notified for fiscal years 2006 to 2010 (i.e. €23.5 million). The NG replied on August 21, 2013, challenging the proposed adjustments.

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission on December 19, 2013 of proposed adjustments. The adjustments focus on the challenge of charges for services provided to the companies in 2009, 2010 and 2011. A tax contingency provision covering all adjustments considered (income tax, VAT, withholding tax, penalties, surcharges and default interest) in the amount of € 11.4 million was set aside December 31, 2013. In addition, the proposed adjustment results in a reduction of tax loss carry forwards in the amount of € 28.5 million. The NG challenged all adjustments on February 17, 2014.

As of September 30, 2014, a tax contingency provision of €34.9 million was recognized to cover all the risks related to VAT (excluding penalties of 40%, which would amount to € 7.1 million) related to the adjustments notified for fiscal years 2006-2010 (i.e. €24.9 million) and the risks associated with the challenging of charges for services under the adjustments notified for fiscal years 2009-2011 (€ 10.0 million).

Finally, the Group received tax assessments notifications dated June 6, 2014 for fiscal years 2010 (income tax), 2011 and 2012 for the entities NC Numericable, Numericable and Est Videocommunication.

No provision has been recorded in the Condensed Consolidated Financial Statements for the nine months ended September 30, 2014 with respect to these latest tax audits.

16.1.1.A.2 Commercial disputes

A.) In-depth inquiry of the European Commission into the transfer of cable infrastructures by certain local authorities

On July 17, 2013 the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to NG was consistent with European Union State aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives it an economic advantage not enjoyed by its competitors, and that it therefore constitutes state aid within the meaning of the rules of the European Union. It argues that the transfer free of charge of the cable networks and ducts by 33 French municipalities in favor of NG confers a benefit of this type and, as such, state aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union.

NG firmly denies the existence of any state aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (200,000), the majority of which have not been migrated to EuroDocs 3.0 and accordingly only allow access to a limited number of the NG's television services. The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of the procedure in respect of observations of third parties as well as those of the parties to the proceedings as to the allegation of the existence of aid and its extent, with NG firmly challenging the existence of any state aid.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

B.) Litigation with Orange relating to Indefeasible Right of Uses ("IRUs")

The NG entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition by NG of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years.

Following ARCEP's decision 2008-0835 of July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such operators can roll out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that NG enjoys under the Orange IRUs. As a result, Orange asked NG to comply with the general rules regarding access to Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated, and both ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011 respectively. NG appealed the decision before the French Supreme Court (*Cour de Cassation*), which upheld, for the most part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated penalty proceedings against NG, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, NG and Orange signed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange generic technical and commercial offer.

In the meantime, the penalty proceedings initiated by ARCEP were not stopped by the execution of the amendments to the IRUs, and NG was fined € 5.0 million on December 20, 2011 for noncompliance with ARCEP's November 4, 2010 decision. The fine was paid in full during fiscal 2012. Numericable filed an appeal against the decision before the Council of State. Within the framework of this appeal, NG having raised a question of Constitutional law, referred to the Constitutional Court, on the compliance with the Constitution of Article L. 36-11 of the CPCE, which sets out ARCEP's powers. On July 5, 2013, the Constitutional Court found in NG's favor and invalidated paragraphs 1 to 12 of Article L. 36-11 of the CPCE, on the basis of which ARCEP's December 20, 2011 decision to impose the aforementioned penalty was made. NG asked the Council of State to take the conclusions of this decision into consideration and accordingly to cancel ARCEP's December 20, 2011 decision. On October 21, 2013, the Council of State annulled the penalty imposed by ARCEP on December 20, 2011, which had condemned NG and NC Numericable to a fine of € 5 million for non-compliance with ARCEP's November 4, 2010 ruling.

Lastly, NG initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of € 2.7 billion for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed NG's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. NG appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image, and claims damages of € 50 million. On June 20, 2014 the Paris Court of Appeal rejected the appeal of NG.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

C.) Litigation with Free relating to an advertising campaign

A claim was filed against NC Numericable before the Commercial Court of Paris by telecommunication operator Free on August 3, 2011 in relation to the launch of the mobile offer by NG in spring 2011 through an advertising campaign entitled “*La révolution du mobile continue.*”

Free, which used the term “revolution” to refer to its launch of mobile phone services and whose latest offering was named the “Freebox Revolution,” argues that NG’s campaign led to customer confusion and damaged its brand and image. The case is currently pending before the Paris Commercial Court. Free is claiming damages of € 10 million. After the hearing, the Court asked for an opinion from the French competition authority (“*Direction générale de la concurrence, de la consommation et de la répression des fraudes*” – DGCCRF) related to the reality of the assertions of Free with regard to the laws governing advertising. The DGCCRF returned an opinion in which it indicated that the questions raised by Free did not constitute a fault under the applicable law. However, on December 13, 2013, the Commercial Court of Paris condemned NC Numericable to pay Free the sum of € 6.4 million. NC Numericable appealed this decision. As the decision is enforceable and the amount was paid in early 2014, the risk was fully provisioned as of December 31, 2013.

This provision booked in relation to the litigation with Free concerning an advertising campaign was fully utilized as of September 30, 2014. NC Numericable has appealed this decision.

D.) Litigation with several editors of value-added services (VAS)

On February 19, 2013, five companies editing value-added telephone services offering their services to the public through premium numbers (0899), jointly assigned Completel before the Commercial Court of Nanterre. The plaintiffs asked for the condemnation of Completel to pay € 0.4 million in repayment of sums corresponding to deductions made by Completel from the sums collected on their behalf. Completel made these deductions in response to practices by these companies that it considers contrary to the agreements between these companies and Completel, as well as ethical standards in the industry. They also sought payment of damages in a total amount of € 12 million in compensation for the prejudice allegedly suffered as a result of the withholding of money by Completel.

Furthermore, in November 2012, Completel, having decided in November 2012 to put an end to this activity, suspended certain repayments and applied various contractual penalties on companies selling this type of value-added telephony services. Some of these companies assigned Completel before various Commercial Courts and sought an order for the payment of the amounts withheld by Completel or the cancellation of penalties applied by Completel. The overall claim amounts to approximately €0.4 million, mainly representing sums collected for these companies.

A provision of €0.1 million is booked in the condensed consolidated financial statements as of September 30, 2014 (booked in 2013).

E.) Dispute with the Ligue de Football Professionnel

In a submission to the Commercial Court of Nanterre dated April 26 2013, the Professional Football League (“*Ligue de Football Professionnel*” – LFP) argued that NG had abused its dominant position in breach of its obligation of non-discrimination against the LFP when it was in charge of the production of the CFoot channel. The LFP requested €4.1 million in damages in compensation for the prejudice. More particularly, the LFP criticized NG for the low level of remuneration for the marketing of the CFoot channel compared with the remuneration of certain sports channels sold in packages. A hearing on the matter is expected during the second half of 2014.

A provision of €0.2 million is booked in the condensed consolidated financial statements as at September 30, 2014 (booked in 2013).

F.) Action by Colt, Free and Orange before the General Court of the European Union concerning the DSP 92 project

Colt, Free, and Orange, in three separate proceedings against the European Commission, filed a request with the General Court of the European Union for the cancellation of the final decision of the European Commission dated September 30, 2009 (Decision No. C (2009) 7426), which held that the compensation of € 59 million granted within the framework of the public service concession for the establishment and operation of a high-capacity electronic communications network in the department of Hauts de Seine does not constitute state aid within the meaning of the rules of the European Union. NG is not party to this proceeding. Its subsidiary Sequalum is acting as the civil party, as well as the French state and the department of Hauts de Seine. In three rulings dated September 16, 2013, the General Court of the European Union rejected the requests of the three applicants and confirmed the aforementioned decision of the European Commission. Free and Orange have appealed to the Court of Justice of the European Union.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

G.) Complaint of Bouygues Telecom

In late October 2013, NG received a claim from Bouygues Telecom on the “white label” contract concluded between the two companies on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play broadband offers. In its letter, Bouygues Telecom claimed damages totaling € 53 million as a result of this contract. Bouygues Telecom alleges a prejudice that justifies, according to Bouygues Telecom, damages including (i) an amount of € 17.3 million due to an alleged pre-contractual fraud (provision of incorrect information prior to the conclusion of the contract), (ii) an amount of € 33.3 million as a result of alleged failure by NG companies in the execution of the contract and (iii) an amount of € 2.4 million to repair the alleged damage to Bouygues Telecom’s image. The NG considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed. It nevertheless intends to continue regular discussions between the parties regarding the implementation of this contract, for which Bouygues Telecom is requesting modifications in the context of its claim. Notwithstanding this claim, which has not been brought before the courts, the parties have continued their day-to-day cooperation in conditions identical to those prevailing before October 2013.

No provision is booked in the condensed consolidated financial statements as at September 30, 2014 with respect to this litigation.

H.) Investigation of DSP 92 by the Regional Auditor of Ile-de-France

A disagreement arose between the department of Hauts-de-Seine (“CG 92”) and Sequalum on the conditions of execution of the Service Concession agreement “THD Seine” entered into on March 13, 2006 between Sequalum, a subsidiary of NG, and the department of Hauts-de-Seine. This public service concession arrangement is aimed at building a high-capacity fiber network throughout the department of the Hauts-de-Seine. As of September 30, 2014 the net book value of the network build by Sequalum represents approximately €123.0 million and the Group received €25 million of subsidies from the department of Hauts-de-Seine.

Within the framework of the Service Concession Agreement, the department of Hauts-de-Seine also asked the financial institution involved to implement the guarantee granted by Sequalum for €10 million, this amount corresponding to the maximum amount that could be guaranteed with respect to the Service Concession Agreement. So far, the bank did not respond favorably to this request, considering that the request was not sufficient, in terms of form and documentation, to allow the implementation of the guarantee.

The penalties were contested through a request recorded by the administrative court on September 3, 2014. The execution and the payment of the penalties are suspended until a decision is made on this litigation.

The decision of the department of Hauts-de-Seine to terminate the agreement has not yet been notified to Sequalum who intends to contest the resiliation before the competent courts. Looking forward to the reception of this notification, Sequalum continues to perform the contract, subject to potential requests the delegator may impose. Should the courts confirm the arguments of the department of Hauts-de-Seine, Sequalum could be obliged to reimburse the grants received (the portion of grants not yet amortized). The department of Hauts-de-Seine, for its part, would receive all the assets built within the framework of the DSP 92 on July 1, 2015. The department of Hauts-de-Seine would have to indemnify Sequalum at a level corresponding to the net book value of the assets.

On October 16, 2014 Sequalum deposited a request before the administrative court of Cergy Pontoise which aims at ending the Service Concession agreement due to “force majeure” in the context of irreversible changes in the contractual economy.

The Board of Directors of NG examined the risk related to these procedures and noted that at this stage there are too many uncertainties to measure the possible risk for NG. Under these conditions, the criteria allowing the booking of a provision were not met.

I.) Litigation with employees

The NG is involved in litigation with a certain number of employees, a large part of which is due to the last merger period in 2006-2007, involving UPC-Noos, which gave rise to adjustments and harmonization in practices leading to disputes until 2009. The overall risk for this litigation is approximately € 4 million. Most of this litigation consists of the challenge by an employee of the grounds for or the form of his or her dismissal.

16.1.1.B Israel

During the routine course of business, lawsuits have been filed against the companies that comprise the HOT group and various legal proceedings are outstanding against it.

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 €11.8 million (NIS 55 million) has been recorded in the condensed consolidated financial statements as of September 30, 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 € 537.6 million (NIS 2.5 billion) (over and above the provisions that have been recorded in these Condensed Consolidated financial statements), as of September 30, 2014, as a result of lawsuits that have been filed against companies in the HOT group on various matters, is as follows:

- An amount of approximately €258.0 million (NIS 1.2 billion) to cover claims which HOT’s management and legal team estimate to have less than a 50% chance of succeeding.
- An amount of approximately €172.0 million (NIS 0.8 billion) towards claims for which no assessment is possible, or towards those class action lawsuits that were presented very close to the date of the financial statements.

- An amount of approximately €150.5 million (NIS 0.7 billion) to cover claims which HOT's management and legal team estimate to have more than a 50% chance of succeeding.

The following is an abbreviated summary of the Hot group's contingent liabilities effective as of September 30, 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 September 30, 2014	The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions)	Provisions recorded in the financial statements as of September 30, 2014	Provisions recorded in the financial statements as of December 31, 2013	Updating of the expense (income), net in the reporting period
	(€ millions)				
Customers	522.5	162.4	2.6	4.3	(1.7)
Copyrights	1.1	0.6	3.7	6.5	(0.6)
Suppliers	14.2	-	0.9	0.4	0.4
Employees	1.3	-	0.2	0.2	0.2
The merger transaction	47.5	-	4.5	-	4.5
Total	586.6	163.0	11.8	11.4	2.8

16.1.1.C Dominican Republic

As of September 30, 2014, Altice Hispaniola had recorded provisions to account for litigations with commercial customers and with employees. As assessed by the legal department, the total amount of claims amounted to € 63.0 million (DOP 3.7 billion) and the amount provided for, which is determined based on the probability of cash outflows, was assessed at €4.3 million (DOP 255.6 million), of which €4.0 million (DOP 240.6 million) related to commercial litigation and €0.3 million (DOP 14.9 million) related to employee litigation.

16.1.1.D Portugal

As of September 30, 2014, the Oni Group and Cabovisao had 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 €5.3 million and €8.9 million.

As of September 30, 2014, Cabovisao recorded provisions for approximately €5.2 million for fiscal contingencies for withholding taxes. In addition, 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.

16.1.2 Commitments and contractual liabilities

16.1.2.A France

Operating leases

	< 1 year	Maturity 1-5 years	> 5 years	Total September 30, 2014
Operating leases	9.9	31.4	9.0	50.4
Total	9.9	31.4	9.0	50.4

NG also has property and vehicle lease commitments under operating leases. The lease term for property under operating leases is generally 3, 6 or 9 years, a standard lease term for commercial real estate in France. The lease term for vehicles under operating lease is 3 years.

As part of the networks business, leases involving equipment and network IRUs (rights of use of the local loop, backbone) or other rental contracts (rights of way) were not considered material.

In connection with its entertainment business activities, the Group has also entered into operating leases and agreements to purchase TV programs.

The maturities of operating leases are provided above.

Finance leases

In addition to the operating leases, the NG also has various finance lease contracts, mainly related to the leasing of buildings, office material and other IT equipment. For buildings, the duration of the lease runs from 20-30 years and for office and IT equipment, it is for 4 years on average.

A summary of finance leases at NG is provided below:

<i>(In € million)</i>	Minimum lease payments	Present value of minimum lease payments
	September 30, 2014	September 30, 2014
1 year or less	25.5	24.6
Between 1 and 5 years	20.7	18.9
More than 5 years	1.1	0.9
	47.3	44.4
Future finance costs	(2.9)	-
Present value of minimum lease payments	44.4	44.4
Finance leasing-Current		24.6
Finance leasing-Non current		19.9

The annual effective interest rate was 3.97% as of September 30, 2014.

16.1.2.B Dominican Republic

Altice Hispaniola also has operating leases mainly for the rental of mobile tower sites and office property.

		Maturity		Total
	< 1 year	1-5 years	> 5 years	September 30, 2014
Operating leases	3.5	40.9	5.4	49.8
Total	3.5	40.9	5.4	49.8

16.2 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 17 – Going concern

As of September 30, 2014, the Group had a net current asset position of €12,800.1 million (mainly due to restricted cash of €13,880.4 million related to the future acquisition of SFR). During the nine month period ended September 30, 2014, the Group recorded a net loss of €344.1 million (€81.0 million as of September 30, 2013), positive cash flow from operations of €962.3 million (€ 288.8 million for the nine months ended September 30, 2013), and negative working capital of €577.4 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net loss recorded in the nine month period ended September 30, 2014 resulted mainly from the interests on the debt issued to finance the SFR acquisition, the cost relating to the refinancing of NG debt and impact of the derivatives entered into by the Group. Net income for the three and nine month period ended September 30, 2014 was strongly impacted by the recognition of interest expense for the SFR debt, for which no corresponding income was recognized (as SFR has not yet been consolidated yet). Management expects to close the acquisition before the end of year 2014 and hence improve its net income position.

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). Suppliers are generally paid from the beginning of the following month and after, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (€647.0 million receivables compared to €1,288.8 million payable as of September 30, 2014). Payables due the following month are covered by revenues and operating cash (if needed). As of September 30, 2014, the Group had few short term current liabilities with amortization of debts limited to the local bonds in Israel (€ 13.4 million per half year) and on the Altice Financing term loan facility (€ 1.8 million per quarter), as well as an amortization of €15.6 million per quarter on new loans at NG.

As of September 30, 2014, the Company had a positive equity position of € 848.8 million, of which €863.2 million attributable to the equity holders. This positive position results from the initial public offering of shares of Altice S.A. on Euronext Amsterdam, as well as the conversion and contribution of various vendor debts and minority interests stakes into the equity of Altice S.A. The Group also issued new shares in a private placement for a total amount of €911.1 million in June 2014, thus demonstrating the Group's ability to raise equity financing if required to fund its activities.

In view of the current financial situation of the Company, Management is confident that the Group will continue to act as a going concern for the next twelve months, given its earnings and cash flow generating ability.

In addition, the Group had cash reserves of €540.7 million as of September 30, 2014, considered sufficient to cover its operational needs. The Group also had access to revolving credit facilities ("RCF") of up to € 1,093.5 million (including up to € 750 million at NG, of which € 450 million will be available upon closing of the SFR acquisition).

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Notes to the condensed consolidated financial statements

As at September 30, 2014, the Group has a total of € 593 million of undrawn credit facilities and NG has drawn € 50.0 million on its RCF.

Note 18–Significant events affecting the scope of consolidation subsequent to September 30, 2014

Acquisition of SFR

On April 5, 2014, the Board of Vivendi S.A. (“Vivendi”) announced that it had unanimously accepted an offer from Altice, via NG, to acquire Société Française du Radiotéléphone (“SFR”), the second largest mobile operator in France.

On June 23, 2014, Vivendi, Altice and NG signed the final sale and purchase agreement for the purchase of SFR by NG, after successfully concluding talks with different works councils involved.

As per the terms of the agreement, Vivendi will receive € 13,500 million in cash (not taking into account certain contractual adjustments), along with a 20% share in the new NG/SFR group, with the possibility to sell its stake to Altice after a lock-up period of one year. Altice has call options at market value on Vivendi's stake in several tranches (7%, 7%, 6%) over a period comprised between the 19th and the 43rd month following the acquisition of SFR. Vivendi is also eligible to receive an earn-out of up to €750 million, depending on the financial performance of the new NG/SFR group.

The closing of this acquisition is expected to occur before the end of the year 2014, following the approval of the French anti-trust authority, which was obtained on October 27, 2014, after completion of a phase-2 investigation. See note 19 for more details.

Acquisition of Virgin Mobile

On May 16, 2014, NG announced that it had entered into exclusive talks with Omer Telecom to acquire Virgin Mobile, the largest MVNO operator in France.

NG's offer was based on an enterprise value of € 325 million, of which € 200 million will be financed by Vivendi. On June 27, 2014, all parties announced that a share and purchase agreement had been signed between NG and the owners of Omer Telecom to acquire 100% of the company. This acquisition is also subject to certain conditions, notably obtaining approval from French anti-trust authorities.

Note 19– Subsequent events

Additional investment in Wananchi

On October 2, 2014, Altice Africa S.à r.l., a 100% subsidiary of the Company, invested an additional \$ 10.8 million into Wananchi, a cable company with operations in Kenya and other east African countries. This investment was part of a \$ 130 million subordinated notes being issued by Wananchi and open to subscription by current and new shareholders. Altice Africa has pledged to fund up to \$ 40 million in three tranches, with the next tranche of \$ 20 million due within six months from the date of the payment of the first tranche (April 2, 2015). The notes bear cash interest at a rate of 11% or PIK interest at a rate of 13%. Before this additional investment, Altice Africa already held a 17.4% equity interest in Wananchi (valued at € 31.9 million) and convertible notes for a total of € 2.9 million. The Group also obtained a new board seat as part of the funding.

The new notes are also convertible at a strike price of \$ 1.15/ note issued. If fully converted, the new tranche, when fully funded, will give Altice Africa an approximate 21 % shareholding in Wananchi.

Subscription to NG rights issue

On October 29, 2014, NG announced the launch of the previously planned rights offering for a total amount of €4,732 million, which will partly be used to finance the SFR acquisition, planned to close in November 2014. Altice France has subscribed to this offering in proportion to its holding in NG (74.6%), for a total amount of €3,530 million, and received an additional 198,099,585 shares, priced at a subscription price of €17.82 share (which represents a 35.1% discount to the closing price of NG shares on October 27, 2014). The rights offering closed on November 12, 2014.

This additional share purchase will be financed by Altice France through a capital increase which will be fully subscribed by the Company, using a part of the proceeds from bonds issued earlier in the year (see note 8.1.1).

Litigation concerning the DSP 92

During its assembly dated October 17, 2014, the department of Hauts-de-Seine decided to terminate the Service Concession agreement signed with Sequalum for “fault and full responsibility of the delegatee”. The department of Hauts-de-Seine also asked Sequalum to pay penalties for an approximate total amount of €45 million, arguing that there were delays in the construction of the network, which is contested by Sequalum. (See note 16.1.1.A.2.H for more details).

Approval of the NG/SFR deal by the French anti-trust authority (along with remedies)

NG’s contemplated acquisition of exclusive control of SFR was approved by the French Competition Authority on October 27, 2014 (the “Transaction”). This authorization is subject to certain commitments that have been accepted by the parties to the transaction (the “Commitments”). These Commitments, which are summarized below, are for a period of five years, which may be renewed once. Following the notification of the decision, a trustee in charge of monitoring compliance and the respect and implementation of the Commitments will be appointed. In the event of a significant change in the market environment, the Group may request the termination of some or all of these Commitments.

Commitment to sell Outremer Telecom’s (“OMT”) mobile telephony business and owned stores in Reunion Island and Mayotte

The Group has undertaken to sell OMT’s mobile telephony business in Reunion Island and Mayotte and OMT’s owned stores. In particular, the sale will include the 2G and 3G licenses and frequencies in Reunion Island and Mayotte, the customer base and the relevant personnel.

Commitments Regarding Access to the NG’s Cable Network

NG has undertaken to provide access to plugs on its cable network with a peak download speed of at least 30 MBps.

- Access offer No. 1: this offer will target MVNO operators not deploying FTTH networks and that have no direct or indirect shareholder links with the Vivendi group.

NG will propose a very-high-speed white label wholesale offer on its cable network. A reference offer will be published within 3 months.

This wholesale offer will include access to the cable network, telephony, Internet and related services, television services and the provision of the box for the end-user.

- Access offer No. 2: this offer will target MVNOs and electronic communications operators deploying FTTH networks and that have no direct or indirect shareholder links with the Vivendi group.

NG will propose a very-high-speed wholesale offer on its cable network.

This wholesale offer will include access to the cable network, collection and transportation of the operator's flows and distribution of television services.

In both cases, NG may propose additional services to customers as part of the two offers.

Commitments Regarding the Sale of Completel's DSL Network

NG has undertaken to sell the essential components of Completel's DSL network. The scope of coverage corresponds to approximately 745 subscriber access nodes of Orange.

Commitments Regarding the Relationship between NG and Vivendi

NG and Vivendi have made several commitments designed to ensure that Vivendi does not have access to certain strategic information of NG as a result of its representation on the board of directors and other committees of NG.

NG has undertaken not to provide to Vivendi any strategic commercial information regarding the markets on which both groups are competitors or may become competitors for the duration of the commitments.

This confidentiality obligation applies in particular to (i) pay television intermediary markets (transfers of channels by producers to telecommunications operators for the creation of bundles of channels), (ii) downstream markets for the distribution of pay television services and (iii) ultramarine telecommunications markets. This obligation will be monitored by an agreed third party who will participate in the meetings of the board of directors and audit committee of NG to ensure that no commercially sensitive information is communicated.

Disposal of assets (Completel and OMT)

As mentioned in the note above, following the French Competition Authority's conditional approval to the purchase of SFR by NG and the Company, NG and the Company have agreed to dispose Completel's copper network and OMT's mobile business in the Reunion Islands and Mayotte. Completel's and the OMT's Indian Ocean assets are included respectively in the reporting segments France and French Overseas Territories (FOT) in note 9 - Segment analysis.

As these assets were not considered as assets held for sale as per the requirements of IFRS 5, Non-current assets held for sale and discontinued operations, as at September 30, 2014, no significant accounting impact has been recorded in the condensed consolidated financial statements of the Group for the period ended September 30, 2014.

Buyout of shares held in Fiberman

In October 2014, the Company, via its direct subsidiary, reached an agreement with the shareholders of Fiberman S.à r.l. and Fiberman S.C.A (together, “Fiberman”), to purchase all their shares in these two companies. Fiberman S.à r.l., owned by two ex-minority shareholders of NG and certain managers of NG, in turn held 0.92% of the share capital of NG. Prior to the transaction, Altice France held 12.8% of Fiberman (recorded as an AFS asset, see note 8.4). Following the transaction, Altice France holds 100% of the share capital of Fiberman. The total consideration paid to all shareholders of Fiberman amounted to €33.5 million. Post transaction, as Altice France became the sole shareholder, an additional €43.4 million was committed in order to finance Fiberman’s share of the NG capital increase launched on October 29, 2014.

Following this transaction and the closing of the SFR deal, Altice France will hold 60.3% of the share capital of the NG-SFR ensemble, as compared to 59.7% that was previously disclosed.

Offer for Portugal Telecom

On November 3, 2014, the Company announced that it had made a fully funded offer to Oi Telecom, to acquire the assets of its Portuguese subsidiary, Portugal Telecom, for an offer price of €7.0 billion, including two earnout clauses of €400 million each based on the achievement of certain operational targets. If this offer is accepted, the transaction net of financial debt and other purchase price adjustments would be financed by new debt and existing cash from Altice.

Acquisition of non-controlling interests in ABT

On November 13, 2014 a manager of Outremer Telecom (“OMT”) contributed a 0.13% stake held directly in ABT for a base value € 6.4 million against 225.132 new shares issued by Altice S.A..

Note 19 – Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on November 14, 2014.

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

REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Altice S.A. as of September 30, 2014, the related condensed consolidated statements of income and other comprehensive income for the three month and nine month periods then ended, the related condensed consolidated statements of changes in equity and cash flows for the nine month period then ended and the other explanatory notes (collectively, the "Interim Financial Statements"). The Board of Directors is responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

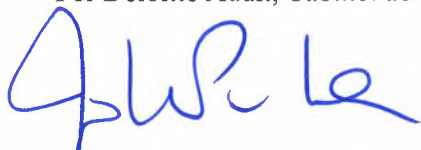
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*



John Psaila, *Réviser d'entreprises agréé*
Partner

November 14, 2014