

**Altice VII S.à r.l.**  
**(Société à responsabilité limitée)**  
**Annual Report 2013**



L-2449 Luxembourg, 3, boulevard royal  
R.C.S. Luxembourg B 143.725  
Share capital EUR 7,430,115.10

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To the Sole Partner of  
Altice VII S.à r.l.  
3, boulevard Royal  
L-2449 Luxembourg  
Grand-Duchy of Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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

### *Responsibility of the Board of Managers for the consolidated financial statements*

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

### *Responsibility of the réviseur d'entreprises agréé*

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

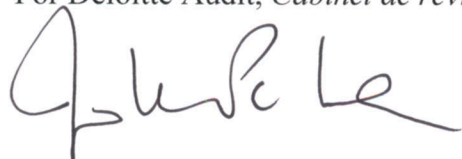
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement including the assessment of the risks of material misstatement of the consolidated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

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

### *Opinion*

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

For Deloitte Audit, *Cabinet de révision agréé*



John Psaila, *Réviseur d'entreprises agréé*  
Partner

March 14, 2014

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

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
(in millions of euros)			
Revenues.....	24	1,286.8	1,092.4
Purchases and subcontracting services .....	24	(367.8)	(302.1)
Other operating expenses.....	25	(185.5)	(162.5)
Staff costs and employee benefits expenses <sup>(1)</sup> .....		(134.7)	(145.3)
General and administrative expenses .....		(36.2)	(33.3)
Other sales and marketing expenses .....		(43.9)	(45.9)
<b>Operating profit before depreciation, amortization and non-recurring costs(*) .....</b>		<b>518.8</b>	<b>403.2</b>
Depreciation and amortization.....	26	(399.6)	(266.3)
Goodwill impairment.....		-	(121.9)
Other expenses, net.....	27	(15.1)	(29.8)
Management fees .....		(0.6)	(6.2)
Restructuring and other non-recurring costs.....	27	(61.2)	(20.8)
<b>Operating profit/(loss) .....</b>		<b>42.3</b>	<b>(41.7)</b>
Finance income .....	28	93.6	26.1
Finance costs.....	28	(336.9)	(200.0)
<b>Loss before income tax expenses .....</b>		<b>(201.0)</b>	<b>(215.8)</b>
Income tax (expenses)/benefit .....	23	(7.4)	26.0
<b>Loss for the year .....</b>		<b>(208.4)</b>	<b>(189.8)</b>
<i>Attributable to equity holders of the parent .....</i>		<i>(186.2)</i>	<i>(148.9)</i>
<i>Attributable to non-controlling interests .....</i>		<i>(22.2)</i>	<i>(40.9)</i>

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

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

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

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

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
<b>Loss for the year</b> .....		<b>(208.4)</b>	<b>(189.8)</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations .....		0.3	(5.1)
Net fair value gain on available-for-sale financial assets .....		1.7	-
Employee benefits .....		0.6	-
<b>Total comprehensive loss for the year</b> .....		<b>(205.9)</b>	<b>(194.9)</b>
<i>Attributable to equity holders of the parent</i> .....		<i>(183.8)</i>	<i>(152.6)</i>
<i>Attributable to non-controlling interests</i> .....		<i>(22.1)</i>	<i>(42.2)</i>

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

**Consolidated statement of financial position**  
**December 31, 2013**

	Notes	December 31, 2013	December 31, 2012
(in millions of euros)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	11	61.3	129.7
Restricted cash .....	11	1,242.8	-
Trade and other receivables .....	10	230.9	183.1
Inventories .....	9	11.0	6.1
Current tax assets .....	23	14.6	5.5
<b>Total Current assets</b> .....		<b>1,560.6</b>	<b>324.5</b>
<b>Non-current assets</b>			
Deferred tax assets .....	23	47.4	19.3
Financial assets .....	7	50.6	34.4
Trade and other receivables .....	8	22.8	24.6
Property, Plant & Equipment .....	6	1,134.2	1,067.8
Intangible assets .....	5	579.6	458.5
Goodwill .....	4	1,100.7	790.9
<b>Total non-current assets</b> .....		<b>2,935.4</b>	<b>2,395.5</b>
<b>Total assets</b> .....		<b>4,496.0</b>	<b>2,720.0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Debentures .....	17	57.6	28.1
Borrowings from financial institutions .....	17	-	86.5
Deferred revenue .....	21	55.9	34.1
Trade and other payables .....	20	516.6	385.2
Other current liabilities .....	17	15.9	7.8
Provisions .....	14	2.1	-
Current tax liabilities .....	23	57.1	10.7
<b>Total current liabilities</b> .....		<b>704.9</b>	<b>552.5</b>
<b>Non-current liabilities</b>			
Debentures .....	17	2,527.0	1,108.5
Borrowings from financial institutions .....	17	894.3	257.2
Loans from related parties .....	17	99.2	109.0
Other financial liabilities .....	17	271.6	174.5
Provisions .....	14	29.0	25.6
Deferred revenue .....	21	10.6	10.8
Trade and other payables .....	20	29.0	38.8
Retirement benefit obligations .....	15	8.2	9.1
Deferred tax liabilities .....	23	183.1	148.2
<b>Total non-current liabilities</b> .....		<b>4,052.0</b>	<b>1,881.8</b>
<b>Equity</b>			
Issued capital .....	12	7.4	7.4
Share premium .....	12	5.4	-
Other reserves .....	13	(82.9)	277.5
(Accumulated losses)/Retained earnings .....		(4.5)	144.5
Net loss-attributable to the equity holders .....		(186.2)	(148.9)
<b>Equity attributable to equity holders of the parent</b> .....		<b>(260.7)</b>	<b>280.5</b>
Non-controlling interests .....	16	(0.5)	5.2
<b>Total equity</b> .....		<b>(261.2)</b>	<b>285.7</b>
<b>Total equity and liabilities</b> .....		<b>4,496.0</b>	<b>2,720.0</b>

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

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

	Issued capital	Share Premium	Other reserves	Retained earnings	Net income	Total equity attributable to equity holders of the parent	Non- controlling interests	Total equity
	(in millions of euros)							
<b>Equity at January 1, 2012</b>	<b>7.4</b>	<b>-</b>	<b>232.9</b>	<b>25.8</b>	<b>118.4</b>	<b>384.5</b>	<b>349.2</b>	<b>733.6</b>
Allocation to retained earnings	-	-	-	118.4	(118.4)	-	-	-
Loss for the year .....	-	-	-	-	(148.9)	(148.9)	(40.9)	(189.8)
Employee benefits.....	-	-	0.1	-	-	0.1	0.4	0.5
Variation in Currency Translation Reserve .....	-	-	(3.7)	-	-	(3.7)	(1.3)	(5.0)
Increase or decrease of ownership interest .....	-	-	(16.2)	-	-	(16.2)	21.6	5.4
Dividends paid .....	-	-	-	-	-	-	(26.0)	(26.0)
Option warrants	-	-	(3.9)	-	-	(3.9)	-	(3.9)
Purchase of non-controlling interests .....	-	-	68.3	-	-	68.3	(298.4)	(230.1)
Other variations .....	-	-	-	0.3	-	0.3	0.8	1.1
<b>Equity at December 31, 2012</b>	<b>7.4</b>	<b>-</b>	<b>277.5</b>	<b>144.5</b>	<b>(148.9)</b>	<b>280.5</b>	<b>5.2</b>	<b>285.7</b>
Allocation to retained earning	-	-	-	(148.9)	148.9	-	-	-
Loss for the year .....	-	-	-	-	(186.2)	(186.2)	(22.1)	(208.3)
Employee benefits.....	-	-	0.6	-	-	0.5	0.1	0.6
Variation in CPEC ....	-	-	(203.9)	-	-	(203.9)	-	(203.9)
Variation on Discounting Reserve	-	-	2.6	-	-	2.6	-	2.6
Variation in Currency Translation Reserve .....	-	-	0.1	-	-	0.1	0.2	0.3
Decrease/(increase) in ownership interest .....	-	-	(132.8)	-	-	(132.8)	16.0	(116.7)
Increase in equity .....	-	5.4	-	-	-	5.4	-	5.4
Integration of entities under common control....	-	-	(31.2)	-	-	(31.2)	-	(31.2)
Other variations .....	-	-	4.2	-	-	4.2	0.1	4.3
<b>Equity at December 31, 2013</b>	<b>7.4</b>	<b>5.4</b>	<b>(82.9)</b>	<b>(4.4)</b>	<b>(186.2)</b>	<b>(260.7)</b>	<b>(0.5)</b>	<b>(261.2)</b>

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

## Consolidated statement of cash flows

For the year ended December 31, 2013

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
<b>Net loss, including non-controlling interests</b>		<b>(208.3)</b>	<b>(189.8)</b>
Adjustments for:			
Depreciation and amortization		399.6	388.2
Gains and losses on disposals	27	(1.0)	4.8
Other non-cash operating gains and losses		(13.0)	59.9
<b>Net cash provided by operating activities before changes in working capital, finance costs and income tax</b>		<b>177.3</b>	<b>259.9</b>
Finance costs recognized in profit and loss		232.1	174.0
Income tax (benefit)/expense recognized in the statement of income	23	7.4	(26.0)
Income tax (paid)/received		(2.3)	1.6
Changes in working capital		24.6	51.8
<b>Net cash provided by operating activities</b>		<b>439.2</b>	<b>464.5</b>
Purchases of tangible and intangible assets	5,6	(288.8)	(347.0)
Acquisitions of financial assets		(18.1)	(35.8)
Proceeds from disposal of tangible, intangible and financial assets		1.5	0.1
Increase/(decrease) in non-current financial assets		0.8	(16.1)
(Increase)/ use of restricted cash	11	(1,234.9)	32.6
Net cash (outflow)/inflow on acquisition of subsidiaries	3.3	(253.1)	(35.1)
Transactions with non-controlling interests	28	(120.9)	(172.9)
<b>Net cash provided used by investing activities</b>		<b>(1,913.6)</b>	<b>(574.2)</b>
Proceeds from issue of equity instruments	12	1.8	-
Dividends paid to non-controlling-interests	28	-	(26.0)
Proceeds from issuance of debts (*)	18	2452.0	891.5
Repayment of debt	17	(657.1)	(528.3)
Distribution to CPEC holders	13	(212.5)	-
Interest paid		(178.6)	(117.8)
<b>Net cash provided in financing activities</b>		<b>1,405.6</b>	<b>219.3</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1	0.2
<b>Net increase in cash and cash equivalents</b>		<b>(68.7)</b>	<b>109.9</b>
Cash and cash equivalents at beginning of year	11	129.7	19.8
Net (decrease) / increase in cash and cash equivalents		(68.7)	109.9
<b>Cash and cash equivalents at end of year</b>	11	<b>61.3</b>	<b>129.7</b>

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

## **1 Notes to the consolidated financial statements**

### **1.1 General description of the Group and its activities**

Altice VII (the “Company”) is a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg on December 15, 2008, and registered under the number B 143.725 in Luxembourg. The Group refers to the Company and its subsidiaries. The Company was initially established as a public limited company (*société anonyme*) and then converted to a private limited liability company on October 7, 2009.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at December 31, 2013 its sole equity holder is NEXT LP. The ultimate controlling party is considered to be Patrick Drahi.

On January 31, 2014, Next LP contributed all its economic interests in Altice VII S.à r.l. (“The Group”) to Altice S.A. (“Altice”) in exchange for shares in Altice S.A.

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

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

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

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

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

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

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

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

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

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

#### **Impact of the application of IFRS 10**

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

The Managers of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) and have not identified any impact in the scope of consolidation linked to application of IFRS 10.

#### **Impact of the application of IFRS 11**

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

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

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

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

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

#### **Impact of the application of IFRS 12**

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

### **IFRS 13 Fair Value Measurement**

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

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

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

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

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

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

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

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

Amendments to IAS 16 Property Plant and Equipment; and

Amendments to IAS 32 Financial Instruments: Presentation.

#### **Amendments to IAS 16**

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

#### **Amendments to IAS 32**

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

## **Standards issued but not yet effective**

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

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

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

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

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

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

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

## **2 Significant accounting policies**

### **2.1 Significant accounting policies**

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

### **2.2 Basis of preparation**

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

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

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

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

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

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

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

The principal accounting policies are set out below.

### **2.3 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

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

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

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

### **2.4 Functional currency**

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

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

## **2.5 Foreign currency translation**

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

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

## **2.6 Subsidiaries and associates**

### **2.6.1 Subsidiaries**

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

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

### **2.6.2 Associates**

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

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

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

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

The Group has included the subtotal "Operating profit before depreciation, amortization and non-recurring costs" on the face of the consolidated statements of income. The Group believes that this subtotal is useful to users of the Group's financial statements as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization as well as non-recurring transactions and management fees, enhancing the predictive value of the Group's financial statements and providing information regarding the results of the Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Group's financial performance.

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

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

## 2.8 *Revenue recognition*

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

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

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

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

- Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony (fixed and mobile) are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered ;
- When a promotion not related to a customer's past consumption and purchases (such as subscription's rate discount, service free period) is offered to customer in relation to a subscription, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract ;
- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship. Service access fees for business clients, when they are only allowed access to the services that are sold associated to an equipment or a service, are deferred and the corresponding revenue is recognized along the statistical client lifetime duration and generally spread over the contractual engagement period ; and
- The revenue related to transmission capacity on terrestrial cables under indefeasible rights of use: Indefeasible Rights of Use ("IRU") arrangements are recognized on a straight-line basis over the life of the contract.

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

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

#### Income from credit arrangements

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

### 2.9 *Finance costs*

Finance costs primarily comprise:

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

### 2.10 *Income taxes*

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

#### 2.10.1 *Current taxes*

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

#### 2.10.2 *Deferred taxes*

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

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

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

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

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

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

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

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

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

## 2.11 *Goodwill and business combinations*

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

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

### *a) The aggregate of:*

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

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

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

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

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

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

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

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

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

## **2.12 Other intangible assets**

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

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

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

The useful lives of the intangible assets are as follows:

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

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

### **2.13 Impairment of tangible and intangible assets**

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

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

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

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

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

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

### **2.14 Property, plant and equipment**

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

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

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

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

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

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

## **2.15 Leasing**

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

### **2.15.1 The Group as lessor**

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

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

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

### **2.15.2 The Group as lessee**

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

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

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

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

## **2.16 Borrowing costs**

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

## **2.17 Government grants**

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

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

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

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

## **2.18 Financial assets**

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

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

### **2.18.1 Available-for-sale financial assets**

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

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

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

### **2.18.2 Loans and receivables**

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

This category mainly includes trade receivables.

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

### **2.18.3 Held-to-maturity financial assets**

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

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

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

### **2.18.4 Financial assets measured at fair value through profit or loss**

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

This category mainly includes:

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

## **2.19 Inventories**

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

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

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

## **2.20 Cash and cash equivalents**

Cash consists of cash in banks and deposits.

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

## **2.21 Restricted cash**

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

Restricted cash can also consist of cash held in escrow to finance certain acquisitions (in the period between the agreement to acquire and the actual closing of the acquisition and the transfer of shares and cash and other considerations). Restricted cash may also consist of guarantees provided by different Group companies to financial institutions related to financing or other activities.

## **2.22 Derivatives**

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

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

## **2.23 Share based payment arrangements**

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

## **2.24 Financial liabilities**

Financial liabilities other than derivative instruments include:

### **2.24.1 Financial liabilities at amortized cost**

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

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

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

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

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

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

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

#### **2.24.3 Classification as debt or equity**

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

#### **2.24.4 Equity instruments**

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

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

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

### **2.25 Other liabilities**

#### **2.25.1 Provisions**

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

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

#### **2.25.2 Legal claims**

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

#### **2.25.3 Warranty**

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

#### **2.25.4 Onerous contracts**

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

#### **2.25.5 Restructuring**

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

#### **2.26 *Liabilities for employment benefits***

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

##### **2.26.1 Short-term benefits for employees**

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

##### **2.26.2 Post-retirement benefits**

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

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

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

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

### **2.26.3 Other long-term employee benefits**

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

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

### **2.26.4 Benefits in respect of the termination of employment**

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

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

### **2.27.1 Judgments**

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

### **2.27.2 Estimates and assumptions**

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

### **2.27.3 Impairment of goodwill**

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

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

#### **2.27.4 Legal claims**

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

#### **2.27.5 Post-employment benefits**

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

#### **2.27.6 Deferred tax asset**

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

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

The Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4.76% has been used for YFPECs and a discount rate of 6.79% for the Interest Free Loans (IFLs) issued by the Group.

### 3-Scope of consolidation

#### 3.1 The entities included in the scope of consolidation

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

Altice Caribbean S.à r.l.	Luxembourg	FC <sup>(*)</sup>	FC <sup>(*)</sup>	100%	100%
Altice Portugal S.A.	Portugal	FC <sup>(*)</sup>	FC <sup>(*)</sup>	100%	60%
Cabovisao S.A.	Portugal	FC <sup>(*)</sup>	FC <sup>(*)</sup>	100%	60%
Altice Finco S.A.	Luxembourg	FC <sup>(*)</sup>	FC <sup>(*)</sup>	100%	100%
Altice Financing S.A.	Luxembourg	FC <sup>(*)</sup>	FC <sup>(*)</sup>	100%	100%
Altice West Europe S.à r.l.	Luxembourg	FC <sup>(*)</sup>	-	100%	-
OMT Invest S.A.S	France	FC <sup>(*)</sup>	-	76.97%	-
Groupe Outremer Telecom S.A.	France	FC <sup>(*)</sup>	-	76.97%	-
Outremer Télécom S.A.S	France	FC <sup>(*)</sup>	-	76.97%	-
Outremer Télécom Océan Indien S.A.S	France	FC <sup>(*)</sup>	-	76.97%	-
Altice Blue Two S.A.S	France	FC <sup>(*)</sup>	-	76.97%	-
City Call Ltd	Mauritius	FC <sup>(*)</sup>	-	76.97%	-
Outremer Telecom Ltee	Mauritius	FC <sup>(*)</sup>	-	76.97%	-
Telecom Reunion SNC	France	FC <sup>(*)</sup>	-	76.97%	-
Telecom 2004 SNC	France	FC <sup>(*)</sup>	-	76.97%	-
OPS S.A.S	France	FC <sup>(*)</sup>	-	76.97%	-
WLL Antilles-Guyane S.A.S	France	FC <sup>(*)</sup>	-	76.97%	-
WLL Réunion SAS	France	FC <sup>(*)</sup>	-	76.97%	-
ONI S.G.P.S., S.A.	Portugal	FC <sup>(*)</sup>	-	100%	-
Winreason S.A.	Portugal	FC <sup>(*)</sup>	-	100%	-
Onitelecom-Infomunicações, S.A.,	Portugal	FC <sup>(*)</sup>	-	100%	-
Knewon S.A.	Portugal	FC <sup>(*)</sup>	-	100%	-
Onitelecom Açores S.A.	Portugal	FC <sup>(*)</sup>	-	100%	-
Onitelecom Madeira S.A.	Portugal	FC <sup>(*)</sup>	-	100%	-
Altice Content S.à r.l.	Luxembourg	FC <sup>(*)</sup>	-	100%	-
Ma Chaîne Sport S.A.S.	France	FC <sup>(*)</sup>	-	100%	-
Sport Lux S.à r.l.	Luxembourg	FC <sup>(*)</sup>	-	100%	-
Sportv S.A.	Luxembourg	FC <sup>(*)</sup>	-	100%	-
CPA Lux S.à r.l.	Luxembourg	FC <sup>(*)</sup>	-	100%	-
Altice Bahamas S.à r.l.	Luxembourg	FC <sup>(*)</sup>	-	100%	-

(\*) FC stands for "Full Consolidation"

### 3.1.1 Composition of the Group

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

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

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

### **3.2 Modification of the scope of consolidation**

#### **3.2.1 Main acquisitions in 2013**

##### **3.2.1.1 Acquisition of OMT**

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

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

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

#### **Brand:**

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

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

#### **Clients:**

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

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

##### **3.2.1.2 Acquisition of ONI Communication**

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

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

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

#### **Brand:**

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

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

### **Clients:**

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

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

#### *3.2.1.3 Integration of content channels*

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

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

#### *3.2.2 Change in the Group’s ownership interest in 2013*

##### *3.2.2.1 Acquisition of minority interests in Cabovisao*

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

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

##### *3.2.2.2 Disposal of Valvision*

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

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

##### *3.2.2.3 Acquisition of minority interests in Coditel*

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

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

### 3.3 Acquisitions of businesses

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

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

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

(1) No goodwill is attributed to neither MCS nor SportV as these were deemed by the Board of Managers to be integrations under common control and thus any difference in the net asset value and the purchase price is recorded directly in the reserves of the group attributable to the shareholders. See note 13 for more details.

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

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

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

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

#### 4-Goodwill

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

	December 31, 2012	Business combinations	Impairment losses	Changes in foreign currency translation	Disposals	December 31, 2013
	(in millions of euros)					
WSG.....	4.6	-	-	-	-	4.6
Valvision.....	1.4	-	-	-	(1.4)	(0.0)
Green ch.....	17.8	-	-	-	-	17.8
Coditel.....	295.5	-	-	-	-	295.5
Hot Telecom.....	601.8	-	-	18.4	-	620.2
OMT Invest.....	-	293.9	-	-	-	293.9
ONI .....	-	1.3	-	-	-	1.3
<b>Total Gross Value.....</b>	<b>921.1</b>	<b>295.2</b>	<b>-</b>	<b>18.5</b>	<b>(1.4)</b>	<b>1,233.3</b>
WSG.....	(4.6)	-	-	-	-	(4.6)
Valvision.....	(1.4)	-	-	-	1.4	-
Green ch.....	-	-	-	-	-	-
Coditel.....	-	-	-	-	-	-
Hot Telecom.....	(124.2)	-	-	(3.8)	-	(128.0)
OMT Invest.....	-	-	-	-	-	-
ONI .....	-	-	-	-	-	-
<b>Total Cumulative impairment .....</b>	<b>(130.1)</b>	<b>-</b>	<b>-</b>	<b>(3.8)</b>	<b>1.4</b>	<b>(132.6)</b>
WSG.....	(0.0)	-	-	-	-	(0.0)
Valvision.....	(0.0)	-	-	-	-	(0.0)
Green ch.....	17.8	-	-	-	-	17.8
Coditel.....	295.4	-	-	-	-	295.5
Hot Telecom.....	477.6	-	-	14.7	-	492.2
OMT Invest.....	-	293.9	-	-	-	293.9
ONI .....	-	1.3	-	-	-	1.3
<b>Total Net book value .....</b>	<b>790.9</b>	<b>295.2</b>	<b>-</b>	<b>14.6</b>	<b>-</b>	<b>1,100.7</b>

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

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

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

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

Beyond the specifically forecasted period of five years, the Company extrapolated cash flows for the remaining years based on an estimated constant growth rate between 1% and 2%. These rates did not exceed the average long-term growth rate for the relevant markets.

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

	<b>Green. ch</b>	<b>Coditel</b>	<b>Hot Telecom</b>
Average long term growth rate in 2012 (in %). .....	2.0	2.0	1.5-2
Average long term growth rate in 2103 (in %). .....	2.0	2.0	2.0

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

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

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

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

In validating the value in use determined for the CGU for the year ended December 31, 2013, key assumptions used in the discounted cash-flow model were sensitized to test the resilience of value in use and no impairments were noted in these sensitivity analysis.

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

The following changes in key assumptions in projected cash flows in every year of the initial five-year period, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value;

In addition, the Company analyzed the sensitivity of the estimated recoverable amounts to the reasonable expected changes in assumptions, assuming unchanged values for the other assumptions:

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

- Green.ch: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 90.2 million and therefore no impairment is required.
- Coditel: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 103.9 million and therefore no impairment would be required.
- HOT Mobile: an increase of 50 bps in the WACC decreases the recoverable amount to EUR

807.2 million and therefore no impairment would be required.

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

- Green.ch: an increase of 50 bps in the perpetuity growth rate decreases the excess of recoverable amount to EUR 93 million and therefore no impairment would be required.
- Coditel: an increase of 50 bps in the perpetuity growth rate decreases the excess of recoverable amount to EUR 66.1 million and therefore no impairment would be required.
- HOT Mobile: an increase of 50 bps in the perpetuity growth rate decreases the recoverable amount to EUR 825.1 million and therefore no impairment would be required.

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

## 5-Intangible assets

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
	(in millions of euros)						
Software.....	64.9	23.5	-	-	3.0	0.1	91.2
Brand name.....	79.8	0.3	-	49.1	0.7	-	129.9
Customer relations <sup>(1)</sup> .....	325.6	-	-	52.9	8.2	-	386.7
Licenses .....	31.9	6.2	-	14.7	0.5	3.6	56.8
R&D costs acquisitions.....	-	-	-	1.8	-	2.1	3.8
Subscriber purchase costs <sup>(2)</sup> .....	173.9	20.2	-	-	6.2	-	200.3
Intangible assets under construction.....	-	5.2	(0.5)	7.7	-	(5.9)	6.5
Other intangible assets .....	118.9	37.1	(0.7)	28.0	2.5	0.5	186.3
<b>Total Gross Value .....</b>	<b>795.0</b>	<b>92.5</b>	<b>(1.2)</b>	<b>154.1</b>	<b>21.1</b>	<b>0.5</b>	<b>1,061.9</b>
Software.....	(28.1)	(25.4)	-	-	(1.9)	(0.1)	(55.5)
Brand name.....	(2.6)	(2.2)	-	-	(0.2)	-	(5.0)
Customer relations <sup>(1)</sup> .....	(52.9)	(36.1)	-	-	(2.5)	-	(91.5)
Licenses .....	(9.9)	(7.3)	-	-	(0.1)	0.1	(17.2)
R&D costs.....	-	(0.7)	-	-	-	-	(0.7)
Subscriber purchase costs <sup>(2)</sup> .....	(166.3)	(21.8)	-	-	(6.0)	-	(194.1)
Intangible assets under construction.....	-	-	-	-	-	-	-
Other intangible assets .....	(76.7)	(40.7)	0.7	-	(1.6)	-	(118.3)
<b>Total Cumulative amortization and depreciation .....</b>	<b>(336.5)</b>	<b>(134.1)</b>	<b>0.7</b>	<b>-</b>	<b>(12.3)</b>	<b>-</b>	<b>(482.3)</b>
Software.....	36.8	(1.9)	-	-	1.1	-	36
Brand name.....	77.2	(1.9)	-	49.1	0.5	-	124.9
Customer relations <sup>(1)</sup> .....	272.7	(36.1)	-	52.9	5.8	-	295.3
Licenses .....	22.0	(1.1)	-	14.7	0.4	3.8	39.7
R&D costs.....	-	(0.7)	-	1.8	-	2.1	3.1
Subscriber purchase costs <sup>(2)</sup> .....	7.6	(1.6)	-	-	0.2	-	6.2
Intangible assets under construction.....	-	5.2	(0.5)	7.7	-	(5.9)	6.5
Other intangible assets .....	42.2	(3.6)	-	28.0	0.9	0.5	68.0
<b>Total Net book value.....</b>	<b>458.5</b>	<b>(41.7)</b>	<b>(0.5)</b>	<b>154.1</b>	<b>8.7</b>	<b>0.5</b>	<b>579.6</b>

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

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

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

## 6-Property, Plant & Equipment

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations (in millions of euros)	Changes in foreign currency translation adjustment	Other	December 31, 2013
Land .....	2.9	0.2	-	0.2	-	-	3.3
Buildings .....	68.6	8.7	-	5.6	1.4	2.5	86.8
Cable networks <sup>(1)</sup> .....	661.8	58.8	(0.2)	0.7	31.8	1.1	754.0
Call center (primarily electronic equipment) <sup>(2)</sup> .....	94.8	16.1	(0.4)	1.0	7.5	0.1	119.1
Converters and modems .....	230.5	26.3	(1.0)	2.9	14.8	2.0	275.5
Computers and ancillary equipment .....	39.5	3.1	(0.1)	0.8	2.0	-	45.3
Office furniture and equipment <sup>(3)</sup> .....	110.7	17.1	(19.2)	1.0	(0.5)	1.3	110.4
Communication network infrastructure <sup>(4)</sup> .....	361.7	41.5	(3.6)	89.2	9.7	25.0	523.5
Other data center equipment...	2.0	0.7	-	-	(0.0)	0.6	3.3
Tangible assets under construction .....	17.0	19.9	-	19.9	0.0	(31.6)	25.2
Prepayments on tangible assets .....	3.1	0.3	-	0.7	(0.0)	(4.1)	-
Other tangible assets .....	9.5	4.0	(0.1)	1.0	0.5	0.6	15.5
<b>Total Gross Value .....</b>	<b>1,602.1</b>	<b>196.7</b>	<b>(24.6)</b>	<b>123.0</b>	<b>67.2</b>	<b>(2.5)</b>	<b>1,961.9</b>
Buildings .....	(12.9)	(9.0)	-	-	(0.7)	-	(22.6)
Cable networks <sup>(1)</sup> .....	(136.4)	(112.1)	0.2	-	(18.5)	-	(266.8)
Call center (primarily electronic equipment) <sup>(2)</sup> .....	(26.7)	(25.6)	-	-	(5.5)	-	(57.8)
Converters and modems .....	(50.5)	(50.3)	0.6	-	(9.3)	0.2	(109.3)
Computers and ancillary equipment .....	(27.6)	(5.4)	0.1	-	(1.8)	-	(34.7)
Office furniture and equipment <sup>(3)</sup> .....	(37.0)	(14.1)	15.2	-	0.1	-	(35.8)
Communication network infrastructure <sup>(4)</sup> .....	(235.0)	(46.2)	3.6	-	(5.9)	(0.5)	(284.0)
Other data center equipment...	(1.4)	(0.4)	-	-	-	-	(1.8)
Tangible assets under construction .....	(0.3)	-	-	-	-	0.3	(0.1)
Prepayments on tangible assets .....	-	-	-	-	-	-	-
Other tangible assets .....	(6.4)	(8.0)	-	-	(0.5)	0.1	(14.8)
<b>Total Cumulative amortization and depreciation .....</b>	<b>(534.3)</b>	<b>(271.1)</b>	<b>19.7</b>	<b>-</b>	<b>(42.1)</b>	<b>0.1</b>	<b>(827.7)</b>
Land .....	2.9	0.2	-	0.2	-	-	3.3
Buildings .....	55.7	(0.3)	-	5.6	0.7	2.5	64.2
Cable networks <sup>(1)</sup> .....	525.4	(53.3)	-	0.7	13.3	1.1	487.2
Call center (primarily electronic equipment) <sup>(2)</sup> .....	68.1	(9.5)	(0.4)	1.0	2.0	0.1	61.3
Converters and modems .....	180.0	(24.0)	(0.4)	2.9	5.5	2.2	166.2
Computers and ancillary equipment .....	11.9	(2.3)	-	0.8	0.2	-	10.6
Office furniture and equipment <sup>(3)</sup> .....	73.7	3.0	(4.0)	1.0	(0.4)	1.3	74.6
Communication network infrastructure <sup>(4)</sup> .....	126.7	(4.7)	-	89.2	3.8	24.5	239.5
Other data center equipment	0.6	0.3	-	-	-	0.6	1.5
Tangible assets under construction .....	16.6	19.9	-	19.9	-	(31.3)	25.1
Prepayments on tangible assets .....	3.1	0.3	-	0.7	-	(4.1)	0.0
Other tangible assets .....	3.1	(4.0)	(0.1)	1.0	-	0.7	(0.7)
<b>Total Net book value .....</b>	<b>1,067.8</b>	<b>(74.4)</b>	<b>(4.9)</b>	<b>123.0</b>	<b>25.1</b>	<b>(2.4)</b>	<b>1,134.2</b>

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
	(in millions of euros)						
Land .....	2.6	-	-	0.3	-	-	2.9
Buildings .....	55.5	12.3	-	0.5	0.3	-	68.6
Cable networks <sup>(1)</sup> .....	480.3	58.3	(0.9)	110.4	3.0	10.7	661.8
Call center (primarily electronic equipment) <sup>(2)</sup> .....	68.3	25.8	-	-	0.7	-	94.8
Converters and modems .....	161.8	70.4	(3.2)	-	1.5	-	230.5
Computers and ancillary equipment .....	29.1	6.4	-	0.1	0.2	3.7	39.5
Office furniture and equipment <sup>(3)</sup> .	97.7	12.2	(0.5)	0.7	0.2	0.4	110.7
Communication network infrastructure <sup>(4)</sup> .....	301.9	58	(2.3)	3.1	1	-	361.7
Other data center equipment .....	3.0	-	(2.8)	-	-	1.8	2.0
Tangible assets under construction	7.2	19.8	(1.8)	8.4	-	(16.6)	17.0
Prepayments on tangible assets ....	0.1	3.0	-	-	-	-	3.1
Other tangible assets .....	6.2	3.2	-	0.1	-	-	9.5
<b>Total Gross Value .....</b>	<b>1,213.7</b>	<b>269.4</b>	<b>(11.5)</b>	<b>123.6</b>	<b>6.9</b>	<b>0.0</b>	<b>1,602.1</b>
Buildings .....	(8.7)	(4.0)	-	-	(0.2)	-	(12.9)
Cable networks <sup>(1)</sup> .....	(24.7)	(110.6)	0.8	-	(1.9)	-	(136.4)
Call center (primarily electronic equipment) <sup>(2)</sup> .....	(5.8)	(19.6)	(0.8)	-	(0.5)	-	(26.7)
Converters and modems .....	(11)	(44.9)	6.3	-	(0.9)	-	(50.5)
Computers and ancillary equipment .....	(20.4)	(5.0)	(2.0)	-	(0.2)	-	(27.6)
Office furniture and equipment <sup>(3)</sup> .	(23.7)	(15.2)	1.9	-	-	-	(37.0)
Communication network infrastructure <sup>(4)</sup> .....	(212.3)	(28.2)	6.0	-	(0.5)	-	(235.0)
Other data center equipment .....	(1.1)	(0.3)	-	-	-	-	(1.4)
Tangible assets under construction	(0.1)	(0.3)	-	-	-	-	(0.3)
Prepayments on tangible assets ....	-	-	-	-	-	-	-
Other tangible assets .....	(4.1)	(2.9)	0.6	-	-	-	(6.4)
<b>Total Cumulative amortization and depreciation .....</b>	<b>(311.9)</b>	<b>(231.0)</b>	<b>12.8</b>	<b>-</b>	<b>(4.2)</b>	<b>-</b>	<b>(534.3)</b>
Land .....	2.6	-	-	0.3	-	-	2.9
Buildings .....	46.8	8.3	-	0.5	0.1	-	55.7
Cable networks <sup>(1)</sup> .....	455.6	(52.3)	(0.1)	110.4	1.1	10.7	525.4
Call center (primarily electronic equipment) <sup>(2)</sup> .....	62.6	6.2	(0.8)	-	0.2	-	68.1
Converters and modems .....	150.8	25.5	3.1	-	0.6	-	180.0
Computers and ancillary equipment .....	8.7	1.4	(2.0)	0.1	-	3.7	11.9
Office furniture and equipment <sup>(3)</sup> .	74	(3.0)	1.4	0.7	0.2	0.4	73.7
Communication network infrastructure <sup>(4)</sup> .....	89.6	29.8	3.7	3.1	0.5	-	126.7
Other data center equipment .....	1.9	(0.3)	(2.8)	-	-	1.8	0.6
Tangible assets under construction	7.1	19.5	(1.8)	8.4	-	(16.6)	16.6
Prepayments on tangible assets ....	0.1	3.0	-	-	-	-	3.1
Other tangible assets .....	2.0	0.3	0.6	0.1	-	-	3.1
<b>Total Net book value .....</b>	<b>901.8</b>	<b>38.4</b>	<b>1.3</b>	<b>123.6</b>	<b>2.7</b>	<b>0.0</b>	<b>1,067.8</b>

- (1) Cable network: the Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.
- (2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.
- (3) Office furniture and equipment refers to furnishings and IT equipment.
- (4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

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

## 7-Financial assets

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Investments held as available for sale <sup>(1)</sup> .....	40.3	6.1
Loans and receivables <sup>(2)</sup> .....	3.0	18.7
Other financial assets .....	5.5	-
Restricted cash <sup>(3)</sup> .....	1.8	9.6
<b>Total</b> .....	<b>50.6</b>	<b>34.4</b>

- (1) Investment in available for sale financial assets are composed of:  
Partner Communications LTD: A subsidiary company, operating through Hot Net Internet Services LTD. (formerly Hot Properties) and Finance LTD. (hereinafter-Hot Net) holds 1 454 663 regular shares in Partner Communications LTD, (hereinafter-Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.
- Wananchi Group Holdings Ltd. In February 2013, the Company exercised its right to convert loans and receivables held against Wananchi Group Holdings Ltd. into shares. These notes were initially recorded as a long term trade receivable for the year ended December 31, 2012 and subsequently converted into equity in February 2013. The Board of Managers considers the investment in Wananchi to be available for sale investment and has injected further funds in Wananchi during the course of the year ended December 31, 2013. Wananchi operates in the fast developing East-African market and given the evolving nature of the business in this region, the Board of Managers considers that the nominal value of its investment in Wananchi represents the fair value of the investment. As of December 31, 2013, Altice VII held 17.05% of the capital of Wananchi and the Board of Managers is of the opinion that it has no significant influence on the Board of Wananchi.
- (2) As of December 31, 2013, this caption includes an additional investment made by the company in Wananchi, in return for which it was issued convertible notes, convertible at the discretion of the holder. The investment amounted to € 3.0 million (\$4 million equivalent). The decrease compared to December 31, 2012 is explained by the partial conversion of the notes from Wananchi to equity.
- (3) Restricted cash (see Note 2.21)  
As of December 31, 2013 the restricted cash caption contained cash accounts pledged at Cabovisao, HOT and Green.ch held as guarantees to various financial institutions. The decrease in the amount of restricted cash compared to the year ended December 31, 2012, was mainly due to substitution of a guarantee given to Banco Espirito Santo by Cabovisao by an amount of EUR 8.4 million drawn from the Company's guarantee facility.

## 8-Non current Trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Prepaid expenses.....	0.6	0.8
Other receivables <sup>(1)</sup> .....	22.2	23.7
<b>Total</b> .....	<b>22.8</b>	<b>24.6</b>

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

## 9-Inventories

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

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

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

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

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

The cost of inventories recognised as an expense during the year in respect of continuing operations was EUR 0.4 million (31 December 2012: EUR 0.1 million).

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

## 10-Trade and other receivables

### 10.1 Trade receivables

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

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

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

### 10.2 Age of trade receivables

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

### 10.3 Other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Loans to related party .....	0.1	3.8
Bank guarantee <sup>(1)</sup> .....	-	14.0
Prepaid expenses <sup>(2)</sup> .....	20.9	6.3
Other current receivables .....	15.9	8.2
<b>Total</b> .....	<b>36.9</b>	<b>32.3</b>

- (1) Bank guarantees were provided to the Israeli regulator by HOT mobile in relation with the acquisition of the UMTS mobile license and then subsequently released after the occurrence of certain events. Please see note 22 for details on guarantees given by HOT and HOT mobile.
- (2) The increase in prepaid expenses is mainly explained by the acquisition of ONI and the entry of MCS in the Group scope during the year ended December 31, 2013. The new entities contributed EUR 4.7 million and EUR 2.6 million to prepaid expenses and mainly concerned prepayments made on long term contracts.

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

### 11-Cash and cash equivalents and current restricted cash

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Term deposits.....	1.4	5.2
Bank overdraft .....	(0.3)	-
Bank balances .....	60.1	124.5
<b>Cash and cash equivalents presented in the consolidated statement of cash flows</b>	<b>61.3</b>	<b>129.7</b>
Restricted cash <sup>(1)</sup> .....	1,242.7	-
<b>Restricted cash</b> .....	<b>1,242.7</b>	<b>-</b>

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

## 12-Issued capital and share premium

On December 31, 2013, the share capital amounts to EUR 7.4 million and is divided into 743,011,510 fully paid shares with a nominal value of EUR 0.01.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Share capital .....	7.4	7.4
Share premium.....	5.4	-
<b>Total .....</b>	<b>12.8</b>	<b>7.4</b>

In June 2013, all the classes of shares were converted into one single class of shares with a nominal value of EUR 0.01 per share and equal voting rights. A capital increase amounting to EUR 4,500 took place on May 30, 2013 together with a share premium of EUR 1.8 million.

Share premium was also issued through the capitalization of a debt instrument for an amount of EUR 3.6 million.

Different classes of shares are summarized below:

December 31, 2013	
Class of corporate units	Number
Common shares .....	743,011,510

December 31, 2012	
Class of corporate units	Number
Class A.....	14,832,900
Class B.....	71,747,100
Class C.....	98,886,400
Class D.....	64,226,800
Class E.....	98,886,400
Class F.....	98,886,400
Class G.....	1,058,610
Class 1A.....	1,113,600
Class 1B.....	5,386,000
Class 1C.....	202,108,900
Class 1D.....	4,603,900
Class 1E.....	19,337,000
Class 1F.....	25,657,900
Class 1O.....	44,600
Class 1G.....	79,600
Class M.....	31,000,000
Class H.....	742,868
Class 1H.....	7,132
Ordinary.....	3,955,400

	December 31, 2013	December 31, 2012
	Number of shares	
<b>Opening balance.....</b>	<b>742,561,510</b>	<b>741,811,510</b>
Issuance .....	450,000	750,000
Redemption.....	0	0
<b>Closing balance .....</b>	<b>743,011,510</b>	<b>742,561,510</b>

### 13-Other reserves

	December 31, 2013	December 31, 2012
	(in millions of euros)	
CPEC reserve.....	(2.2)	201.7
Discounting reserve .....	25.3	22.7
Employee Benefits Reserve .....	0.8	0.3
Currency Translation Reserve .....	(6.7)	(6.7)
Impact of changes in ownership interests .....	(71.5)	61.3
Integration of entities under common control .....	(31.2)	-
Other reserves .....	2.6	(1.6)
<b>Group reserves .....</b>	<b>(82.9)</b>	<b>277.7</b>

#### 13.1 CPEC Reserves

CPECs (Convertible preferred equity certificates) issued by the group and subscribed by the direct shareholder Next L.P., whose maturity comprises between 2058 and 2061, increased from EUR 219.1 million in 2012 to EUR 290.5 that million in 2013, due to new issuances and subscriptions. In substance, CPECs are subordinated financial instruments have been considered as equity instruments as the issuer can avoid settling these in cash and the CPECs instruments does not bear interest.

Name	Maturity date	Interest rate	Convertible	Principal amount as at December 31, 2012	Principal amount as at December 31, 2013
CPECs A.....	14/05/2058	-	Yes (at the option of the issuer)	0.84	-
CPECs B .....	01/12/2058	-	Yes (at the option of the issuer)	3.61	-
CPECs B .....	14/05/2058	-	Yes (at the option of the issuer)	0.46	-
CPECs B .....	14/05/2058	-	Yes (at the option of the issuer)	15.42	-
CPECs C .....	03/12/2058	-	Yes (at the option of the issuer)	23.48	-
CPECs C .....	03/12/2058	-	Yes (at the option of the issuer)	22.67	-
CPECs C .....	14/05/2058	-	Yes (at the option of the issuer)	132.30	-
CPECs D.....	03/12/2058	-	Yes (at the option of the issuer)	3.45	-
CPECs E .....	01/12/2058	-	Yes (at the option of the issuer)	16.18	-
CPECs G.....	18/03/2058	-	Yes (at the option of the issuer)	0.06	-
CPECs H.....	29/06/2058	-	Yes (at the option of the issuer)	0.45	-
CPECs H.....	16/11/2060	-	Yes (at the option of the issuer)	0.01	-
CPECs H.....	01/12/2060	-	Yes (at the option of the issuer)	0.15	-
CPECs I .....	29/02/2061	-	Yes (at the option of the issuer)	0.03	-
Master CPECs....	06/06/2062	-	Yes (at the option of the issuer)	-	290.5
<b>Total .....</b>				<b>219.1</b>	<b>290.5</b>

### 13.2 Discounting Reserves

The Master Yield Free Preferred Equity Certificates (“YFPEC”) have been valued using a discount rate of 4.76% given their preferred interest rate which therefore values these certificates at €4.8 million as of December 31, 2013. This value is recorded as a loan from related parties in the accounts of Altice VII.

The nominal amount of outstanding YFPECs issued by Altice VII as of December 31, 2013 is given below. The initial discounting effect is recorded in the Group’s reserves and includes the impact of deferred taxes arising as a result of the discounting for EUR 22.7 million as of December 31, 2013.

Details of YFPECS (before impact of discounting) are presented as follows:

Name	Maturity date	Interest rate	Convertible	Principal amount as at the end 2012	Principal amount as at the end 2013
<b>in millions of euros</b>					
YFPECs C.....	14/05/2058	-	No	22.07	-
YFPECs C.....	03/12/2058	-	No	4.51	-
YFPECs C.....	15/06/2060	-	No	0.10	-
YFPECs C.....	26/08/2011	-	No	0.11	-
YFPECs C.....	28/11/2011	-	No	2.51	-
YFPECs C.....	03/12/2058	-	No	4.00	-
YFPECs E.....	01/12/2058	-	No	1.88	-
YFPECs K .....	31/12/2061	-	No	1.16	-
Master YFPECs ..	06/06/2062	-	No	-	38.3
<b>Total .....</b>				<b>36.34</b>	<b>38.3</b>

Details of the interest free loan registered as equity are given below.

<b>IFL .....</b>	26/04/2061	-	-	<b>2.6</b>
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### 13.3 Employee benefits reserve

This reserve contains variations related to employee benefit plans in place at different group entities that apply IAS 19R. More information is provided in note 15.

### 13.4 Currency translation reserve

Exchange rate differences relating to the translation of the results and net assets of the Group’s foreign operations from their functional currencies to the Group’s presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

### 13.5 Impact of changes in ownership structure

This reserves records the impact of the changes in ownership interests held by the Group in its different subsidiaries. As described in note 3.2., the Group acquired non-controlling interests held in Altice Portugal, Cabovisao and Coditel from non-controlling interests, leading to a net decrease of EUR 120.7 million in the Group’s reserves, offset by a EUR 3.3 million gain realized on the sale of Valvision. In addition to these transfers of non-controlling interests, an adjustment of EUR 14.2 million, relating to the share of non-controlling interests was recorded in the reserves.

### 13.6 Integration of entities under common control

As described in note 3.2.1.3, the entry of Ma Chaine Sport S.A.S. and SportV S.A. in the scope of the Group's consolidation had an impact on the reserves equal to the difference between the acquisition price and the net asset position of the companies acquired. The total consideration paid for 100% of the shares MCS amounted to EUR 23.0 million, of which EUR 10.0 million was paid in cash with the remainder generating a vendor note of EUR 13.0 million. The net equity acquired amounted to EUR 2.1 million, thus generating an adjustment of the reserves accounts of EUR 20.9 million.

The total consideration paid for 100% of the shares of SportV was EUR 12.0 million, of which EUR 5.0 million was paid in cash with the rest generating a vendor note. The net equity acquired amounted to EUR 1.7 million, thus generating an adjustment of the reserves accounts of EUR 10.3 million.

### 13.7 Legal reserve

According to the Luxemburg legal provisions, 5% of net profit must be obligatorily credited to a legal reserve account. The obligation to make this contribution ends when the legal reserve equal 10% or more of the share capital of the Group.

### 14-Provisions

	December 31, 2012	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)			
Litigations <sup>(1)</sup> .....	15.8	3.2	3.7	(6.9)	2.2	18.0
Other risks.....	8.0	0.2	1.3	(0.1)	(1.6)	7.9
Provisions for other expenses...	1.8	4.7	0.5	(0.7)	(1.0)	5.3
<b>TOTAL .....</b>	<b>25.6</b>	<b>8.2</b>	<b>5.5</b>	<b>(7.7)</b>	<b>(0.4)</b>	<b>31.2</b>

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Litigations <sup>(1)</sup> .....	38.8	-	1.9	(24.0)	(0.9)	15.8
Other risks.....	1.7	5.0	1.4	(0.1)	(0.1)	8.0
Provisions for other expenses...	-	-	1.8	-	-	1.8
<b>TOTAL .....</b>	<b>40.5</b>	<b>5.0</b>	<b>5.1</b>	<b>(24.1)</b>	<b>(1.0)</b>	<b>25.6</b>

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

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

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

## 15-Employee benefits

Breakdown of the employee benefits by entity :

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
Coditel Brabant.....		0.5	0.7
Hot Telecom .....	15.1	3.8	6.5
Green.ch.....	15.1	1.8	1.9
OMT Invest.....	15.1	2.2	-
<b>Total .....</b>		<b>8.2</b>	<b>9.1</b>

### 15.1 Description of employee benefits by entity

#### 15.1.1 HOT Telecom

##### (a) Defined Benefit Plans

##### Employee benefit liabilities

HOT Telecom has several employee benefit plans:

##### - Short-term employee benefits

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

##### - Post-employment benefits

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

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

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

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

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

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

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

Actuarial gains and losses are reflected in other comprehensive income.

- Other long-term employee benefits

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

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

- Termination benefits:

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

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

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

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

(b) *Expenses reflected in the statement of comprehensive income*

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

(c) *The plan assets (liabilities)*

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

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

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

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

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

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

(f) *The principal assumptions:*

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

### 15.1.2 Green.ch

(a) *Defined Benefit Plans*

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

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

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

(b) *Expenses reflected in the statement of comprehensive income*

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

(c) *The plan assets (liabilities)*

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

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

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

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

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

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

(f) *The principal assumptions:*

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

### 15.1.3 OMT Invest

#### (a) Defined Benefit Plans

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

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

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

#### (b) Expenses reflected in the statement of comprehensive income

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

#### (c) The plan assets (liabilities)

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

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

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

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

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

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

( ) *The principal assumptions:*

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

**16-Variations in non-controlling interests**

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

## 17-Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Bonds .....	2,527.0	1,108.5
Related party bonds <sup>(5)</sup> .....	99.2	109.0
Borrowings from financial institutions <sup>(1)</sup> .....	894.3	257.2
Finance leases <sup>(2)</sup> .....	23.4	27.1
Other financial liabilities .....	105.9	84.9
Financial instruments .....	142.3	62.5
<b>Non-current liabilities<sup>(3)</sup> .....</b>	<b>3,792.1</b>	<b>1,649.5</b>
Bonds .....	26.4	25.4
Borrowings from financial institutions .....	-	86.5
Finance leases <sup>(2)</sup> .....	11.4	7.8
Other financial liabilities .....	4.5	-
Accrued interest .....	31.2	2.7
<b>Current liabilities<sup>(4)</sup> .....</b>	<b>73.5</b>	<b>122.4</b>
<b>Total .....</b>	<b>3,865.6</b>	<b>1,771.9</b>

- (1) Borrowings from financial institutions mainly comprised of (i) EUR 764.8 million corresponding to the Altice Financing term loan facility, (ii) the Coditel Mezzanine facility for EUR 104.0 million and (iii) Green data center debt for a total of EUR 23.7 million
- (2) Liabilities related to finance leases were included in the line item 'other financial liabilities' for the year ended December 31, 2012 and have been reclassified for comparative purposes for the year ended December 31, 2013.
- (3) Non-current liabilities shown here correspond to the total of the line items, 'borrowings from banking corporations and debentures', 'long term loans from related parties' and 'other financial liabilities' as presented in the consolidated statement of financial position.
- (4) Current liabilities shown above correspond to the total of the line items, 'borrowings from banking corporations and debentures', 'other current liabilities' and 'related party bonds', as presented in the consolidated statement of financial position.
- (5) As part of the proposed initial public offering of the newly incorporated Altice S.A., it was decided to redeem the related party preferred equity certificates issued by Altice VII. The redemption proceeds will be contributed by Altice S.A. to Altice VII against shares in Altice VII and related premium.

## 17.1 Bonds

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

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

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

### **The Hot Telecom Debentures:**

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

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

**Altice Financing Senior Secured Notes:**

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

- \$ 460.0 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7.875% and maturing on December 15, 2019.
- € 210.0 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8.0% and maturing on June 15, 2023.
- \$ 900.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.
- € 300.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

**Altice Finco Senior Notes:**

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

- \$ 425.0 million senior notes issued in December 2012, bearing a semi-annual coupon of 9.875% and maturing on December 15, 2020.
- € 250.0 million senior notes, issued in June 2013, bearing a semi-annual coupon of 9.0% and maturing on June 15, 2023.
- \$ 400.0 million senior notes issued in December 2013, bearing a semi-annual coupon of 8.125% and maturing in 2024. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

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

**17.2 Covenants**

**17.2.1 Hot Telecom**

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

- A debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;
- No distribution of a dividend when Hot Telecom exceeds a debt to EBITDA ratio of 5.5.

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

**17.2.2 Altice Blue One**

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

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

### *17.2.3 Coditel Holding*

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

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

### *17.2.4 Altice Finco and Altice Financing*

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

- Secured net debt to EBITDA ratio: < 3:1
- Unsecured net debt to EBITDA ratio: <4:1

The Group is allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined under the indenture. In addition, the Group is allowed to use a general debt basket adjustment amounting to 4% of the total assets of the group, against the net debt of the Group.

In case the Group exceeds any of the two conditions mentioned above, it cannot incur any new debt, till such time as the ratios are met again. No other penalties are applicable in case of a breach of covenant. The Group also has access to two super senior revolvers provided under the indenture, in case of any financing needs the Group may face (for a total EUR equivalent amount of EUR 118.0 million).

## **17.3 Borrowings from financial institutions**

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

- A mezzanine debt issued by Coditel Holding S.A. in 2011 with a principal amount of €100.0 million, bearing cash interest at 8.5% and a PIK interest at 5.25% which is capitalized annually. This debt matures in 2016.
- A covenant lite term loan issued by Altice Financing S.A for a total amount of \$ 1,034 million (€ 795 million), bearing interest at Prime FFER, Libor + 4.5%) and maturing in June 2019.

#### 17.4 Related party bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
<b>Related party bonds</b>						
Altice VII						
-Alpecs.....	94.3	Variable	2057 to 2061	94.3	94.3	104.6
-Yfpecs.....	4.8	4.76%	2058 to 2061	4.8	4.8	4.4
-IFL.....	0.2	6.79%	2061	0.2	0.2	-
<b>Nominal value of bonds .....</b>	<b>99.2</b>			<b>99.2</b>	<b>99.2</b>	<b>109.0</b>
Of which due within one year ....	-			-	-	-
Of which due after one year .....	<b>99.2</b>			<b>99.2</b>	<b>99.2</b>	<b>109.0</b>

Subordinated financial instruments have been issued by Altice VII and Coditel Holding.

##### (a) Altice VII

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

YFPECs: Yield Free Preferred Equity Certificates;

ALPECs: Asset Linked Preferred Equity Certificate;

IFL: Interest Free Loans.

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

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

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

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

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

#### 17.5 Other financial liabilities

Other financial liabilities mainly consist of:

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

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

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

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

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

### 17.5 Maturity of financial liabilities

	December 31, 2013	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds .....	2,554.0	26.8	253.7	2,273.3
Related party bonds .....	99.2	-	-	99.2
Borrowings from financial institutions .....	893.4	-	-	893.4
Finance leases .....	34.8	11.4	23.4	-
Accrued interest .....	31.2	31.2	-	-
Other financial liabilities .....	110.4	2.0	59.3	49.1
Financial instruments .....	142.3	-	142.3	-
<b>Nominal value of borrowings .....</b>	<b>3,865.2</b>	<b>71.4</b>	<b>478.7</b>	<b>3,315.9</b>

	December 31, 2012	< 1 year	Between 1 and 5 years	> 5 years
		(in millions of euros)		
Bonds .....	1,133.9	25.4	77.3	1,031.2
Related party bonds .....	109.0	-	-	109.0
Borrowings from financial institutions .....	343.7	86.5	27.5	229.7
Finance leases .....	34.9	12.3	15.0	7.6
Accrued interest .....	3.0	3.0	-	-
Other financial liabilities .....	84.9	-	7.8	77.1
Financial instruments .....	62.5	-	-	62.5
<b>Nominal value of borrowings .....</b>	<b>1,771.9</b>	<b>116.3</b>	<b>116.0</b>	<b>1,539.6</b>

### 17.6 Currency of borrowings

	December 31, 2013	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds .....	2,554.0	739.4	1,534.0	280.6	-
Related party bonds .....	99.2	99.2	-	-	-
Borrowings from financial institutions .....	893.4	870.0	-	-	23.4
Finance leases .....	34.8	5.8	-	26.5	2.5
Accrued interest .....	31.2	25.8	5.4	-	-
Other financial liabilities .....	110.4	107.1	-	3.0	0.2
Financial instruments .....	142.3	142.3	-	-	-
<b>TOTAL .....</b>	<b>3,865.2</b>	<b>1,989.6</b>	<b>1,539.4</b>	<b>310.1</b>	<b>26.4</b>

	December 31, 2012	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
		(in millions of euros)			
Bonds .....	1,133.9	-	839.3	294.6	-
Related party bonds .....	109	109	-	-	-
Borrowings from financial institutions .....	343.7	319.7	-	-	24
Finance leases .....	34.9	6.2	-	26.1	2.6
Accrued interest .....	3	1.2	1.6	-	0.2
Other financial liabilities .....	84.9	82.0	-	2.7	0.2
Financial instruments .....	62.5	-	62.5	-	-
<b>TOTAL .....</b>	<b>1,771.9</b>	<b>544.2</b>	<b>903.4</b>	<b>297.3</b>	<b>27</b>

### 17.7 Nature of interest rate

	December 31, 2013	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds .....	2,554.0	2,554.0	-
Related party bonds .....	99.2	5.0	94.2
Borrowings from financial institutions .....	892.4	129.1	764.3
Finance leases .....	34.8	34.8	-
Accrued interest .....	31.2	15.4	15.8
Other financial liabilities .....	110.4	103.3	7.1
Financial instruments .....	142.3	-	142.3
<b>TOTAL .....</b>	<b>3,865.2</b>	<b>2,841.6</b>	<b>1,023.7</b>

	December 31, 2012	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds .....	1,133.9	969.7	164.2
Related party bonds .....	109.0	109.0	-
Borrowings from financial institutions .....	343.7	229.9	113.8
Finance leases .....	34.9	2.6	32.3
Accrued interest .....	3.0	3.0	-
Other financial liabilities .....	84.9	82.0	2.9
Financial instruments .....	62.5	62.5	-
<b>TOTAL .....</b>	<b>1,771.9</b>	<b>1,484.8</b>	<b>287.1</b>

### 17.8 Derivatives

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

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 400 million principal of Altice Finco's Senior Notes (of which USD 25 million is unhedged), based on which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of 145 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate and a fixed spread of between 8.0% and 8.25%
- A coupon only cross-currency swap transaction covering USD 225 million of the USD 450 million principal of Altice Financing's Senior Secured USD Notes (of which USD 10 million is unhedged), on the basis of which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of EUR 163 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of between 5.9% and 6.2%
- A coupon only cross-currency swap transaction covering EUR 100 million of the EUR 200 million principal of Altice Financing's Senior Secured Euro Notes (of which EUR 10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to EUR 100 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of 5.775%
- A coupon only cross-currency swap transaction covering a part of the USD 1,034 million Term loan notional (USD 292.8 million), in which Altice pays Israeli Shekels and receives US Dollars, amounting to USD 212 million with a maturity date on October 31, 2018 and an interest rate composed of an ILS TELBOR 3M floating rate of between 1.18 and 1.2% and a fixed spread of between 5.0% and 5.6%

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

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

- A forward transaction covering USD 500 million of the total USD nominal due at maturity of the Altice Finco USD Senior Notes and Altice Financing USD Senior Secured Notes (USD 885 million) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate ranging from 4.28-4.33 ILS/USD.
- A forward transaction to cover the repayment of a part of the nominal of the USD 1,034 million Term loan at maturity, in which Altice pays Israeli Shekels and Euros to receive US Dollars. As part of the transaction, Altice will pay ILS 1,076 million and receive USD 293 million at a hedged rate of 3.678 ILS/USD and will pay EUR 415 million and receive USD 541 million at a hedged rate of 1.301.
- A coupon only forward transaction covering USD 200 million of the USD 400 million Senior Notes issued by Altice Finco (of which USD 25 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering USD 225 million of the USD 450 million Senior Secured Notes issued by Altice Financing (of which USD 10 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering EUR 200 million of the EUR 200 million Senior Secured Notes issued by Altice Financing (of which EUR 10 million are unhedged), in which Altice pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5.036 ILS/EUR.

### 17.9 Non-cash transactions

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

The details of non-cash transactions are given below:

	<b>December 31, 2013</b>
(in millions of euros)	
Transaction costs related to acquisitions .....	(35.8)
Transaction with non-controlling interests .....	(120.9)
Net payments on acquisition of subsidiaries.....	(240.1)
Repayment of external debts .....	(641.7)
<b>TOTAL .....</b>	<b><u>(1,038.5)</u></b>

**18 – Obligations under finance leases***18.1 Leasing arrangements*

The Group leased certain of its office facilities under financial leases. The average lease term is 5 years (2012: 5 years). The Group has options to purchase the equipment for a nominal amount at the end of the lease terms. Obligations under finance leases are secured by the lessors' title to the leased assets. Entities with major lease contracts are, (i) HOT and HOT Mobile, (ii) Outremer Telecom and (iii) Auberimmo.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2012: 3.75% to 6%) per annum.

*18.1.1. Leasing arrangements*

	Minimum lease payments	
	31 December 2013	31 December 2012
Less than one year	12.6	12.3
Between one and two years	7.3	7.2
Between two and three years	5.0	4.9
Between three and five years	2.8	2.9
More than five years	7.6	7.6
Less: future finance expenses	(2.9)	(2.6)
Present value of minimum lease payments	<b>35.3</b>	<b>34.9</b>
	31 December 2013	31 December 2012
Included in the consolidated financial statements as:		
Current borrowings (note 17)	23.4	27.1
Non-current borrowings (note 17)	11.4	7.8
<b>Total</b>	<b>34.8</b>	<b>34.9</b>

Current leasing obligations for HOT are listed below:

The HOT group (HOT Telecom and HOT Mobile) leases equipment under finance leasing agreements. An arrangement exists within the framework of the leases, which does not meet the legal definition of leasing, but which is treated as a leasing agreement, based upon its terms. The leased equipment serves as collateral for the liabilities under the lease contract. As of December 31, 2013 the net carrying value of the leased facilities and equipment is EUR 38.1 million (NIS 182 million) (2012 – EUR 41.7 million/NIS 205 million).

HOT Mobile has finance leasing in an amount of EUR 2.9 million in accordance with its rental contract with the company "Airport City" Ltd., which is for a period of 10 years ending in 2019. As of December 31, 2013, there is no balance recorded in the accounting records in respect of leasehold improvements (as of December 31, 2012, the net carrying value of leasehold improvements was EUR 3.0 million).

The Group has recorded finance leasing in respect of the Bezeq agreement. As of December 31, 2013, the finance leasing commitment in respect of the long-term Bezeq rental fees was updated by an amount of EUR 0.4 million (NIS 2 million), as a result of additional payments made in respect of the leasing in the reporting period (as of December 31, 2012 – EUR 0.4 million/NIS 2 million).

Other leasing contracts exist at Auberimmo, a datacenter owned by the Group and operating in France. The facility was purchased under a finance lease agreement for an initial amount of EUR 5.6 million. A second tranche was issued to carry out renovations and leasehold improvements, amounting to a total of EUR 3.0 million.

## **19-Financial risk factors**

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

Financial risk management is an integral part of the way the Group is managed. The Board of Managers establishes the Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies.

The Group is not subject to any externally imposed capital requirements.

### **19.1 Credit risk**

The Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body or as the result of commitments with a number of Groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Group does not have significant concentration of credit risk, as a result of the Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

### **19.2 Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Managers, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### 19.3 *Market risks*

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

#### 19.3.1 *Interest rate risk*

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Group has an exposure to changes of interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

Interest structure of non-current financial debt (including interest effects of derivatives):

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Financial debt at fixed rates .....	2,841.6	1,484.8
Financial debt at variable rates .....	1,023.7	287.1
<b>TOTAL .....</b>	<b>3,865.2</b>	<b>1,771.9</b>

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
<u>31 December 2013</u>						
Non- interest bearing	-	-	-	4.9	4.9	4.9
Variable interest rate instruments <sup>(1)</sup>	5.9%	58.7	989.89	481.1	1,529.7	1,023.7
Fixed interest rate instruments	7.7%	272.62	1,942.42	1,712.64	3,927.68	2,841.6
	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
<u>31 December 2012</u>						
Non- interest bearing	-	-	-	4.4	4.4	4.4
Variable interest rate instruments	5.1%	-	5.6	326.3	842.2	287.1
Fixed interest rate instruments	7.4%	-	-	839.4	839.4	1,484.8

(1) The carrying amount of variable interest rate instruments excludes the following items included in note 17.6: 'Accrued interest, Other financial liabilities and financial instruments'.

### 19.3.2 Israeli CPI risk

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounted to approximately EUR 187.0 million (NIS 895 million) as of December 31, 2013.

### 19.3.3 Foreign currency management

#### 1. Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk from transactions and translation. Transactional exposures are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs. Translation exposure arises from the consolidation of the financial statements of foreign operations in euros, which is, in principle, not hedged. The Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures and swaps.

	December 31, 2013		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
<b>Profit for the year</b>			
Increase of 10% in exchange rate .....	(12.8)	(0.2)	(12.9)
Decrease of 10% in exchange rate .....	12.8	0.2	12.9
<b>Equity</b>			
Increase of 10% in exchange rate .....	5.6	2.1	7.6
Decrease of 10% in exchange rate .....	(5.6)	(2.1)	(7.6)

	December 31, 2012		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
<b>Profit for the year</b>			
Increase of 10% in exchange rate .....	(12.9)	(0.1)	(13.1)
Decrease of 10% in exchange rate .....	12.9	0.1	13.1
<b>Equity</b>			
Increase of 10% in exchange rate .....	23.3	3.0	26.3
Decrease of 10% in exchange rate .....	(23.3)	(3.0)	(26.3)

Exchange differences recorded in the income statement represented a profit of EUR 66.4 million in 2013 (2012: loss of EUR 22.5 million). They are allocated to the appropriate headings of expenses by nature.

The Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the presented above allows to assess the impact of a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

## 2. Foreign currency hedging

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

The following table details the hedging contracts outstanding at the end of the financial year :

Outstanding  
swap contracts

	31/12/13	31/12/13	31/12/13	31/12/13
	Average exchange rate	Foreign currency	Notional Value	Fair Value of assets <sup>(1)</sup>
Outstanding swap contracts (ILS coupons only)	4.34	3,201.8	620.6	(25.0)
Outstanding swap contracts (EUR coupons only)	0.79	415.5	392.0	(12.9)
Outstanding forward contracts (ILS coupons only)	4.31	2,154.3	426.7	(22.7)
Outstanding forward contracts (ILS nominal only)	5.07	2,125.0	362.6	(81.7)

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(1) Fair value of swap and forward contracts as of December 31, 2012 amounted to EUR 62.5 million

### 19.3.4 Price risk

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2013, the carrying amount of these investments was EUR 9.4 million (6.1 million as of December 31, 2012).

#### 19.4 Gearing computation

For the year ended December 31, 2013, the Altice VII Group had a negative net equity position of EUR 261.2 million, thus resulting in a negative gearing ratio.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
<b>Net Debt</b> .....	<b>3,865.6</b>	<b>1,771.5</b>
Cash and cash equivalents .....	(61.3)	(129.7)
<b>Total equity</b> .....	<b>(261.2)</b>	<b>285.7</b>
<b>Gearing</b> .....	<b>(1,456%)</b>	<b>575%</b>

#### 19.5 Fair value of financial assets and liabilities

##### 19.5.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable differences	Relationship of unobservable differences
	31/12/2013	31/12/2012				
Foreign currency forward contracts (see notes 17.8)	(104.9)	(52.6)	Level 2	Zero curve	N/A	N/A
Interest rate swaps (see note 17.8)	(37.9)	(9.8)	Level 2	Zero curve	N/A	N/A
AFS					N/A	N/A
- Wananchi <sup>(1)</sup>	31.9	-	Level 3	Internal approach using business plans	N/A	N/A
- Partner and Co.	8.4	6.1	Level 1	Quoted price in an active market	N/A	N/A

- (1) In April 2012, the Group made an investment in the East-African cable operator Wananchi, to gain a foothold in the strategic and fast developing African cable and telecom market. To date the Group has invested a total of EUR 34.9 million (\$ 48.4million, of which EUR 31.9 million in equity and EUR 3.0 as a convertible note, as of the year ended December 31, 2013) in this venture, alongside other industry peers, and has acquired a total stake of 17.5% in Wananchi. Given the specific geo-economic context of the zone that Wananchi operates in, the high growth rate, infrastructure development needs and volatilities associated with the region, the Board of Managers considers that the carrying amount of its investment reflects the fair value of the investment as of December 31, 2013.

19.5.2 Reconciliation of Level 3 fair value measurements

	Available for sale (unlisted shares)	Others	Total
<b>31 December 2013</b>			
Opening balance	0.0	–	0.0
Total gains or losses:			
– in profit or loss	0.0	–	0.0
– in other comprehensive income		–	
Purchases (*)	31.9		31.9
Issues	–	–	–
Disposals/settlements	-	–	-
Transfers in level 3	-	-	-
Transfers out of level 3	-	-	-
<b>Closing balance</b>	<b>31.9</b>	<b>–</b>	<b>31.9</b>

There were no available for sale instruments classified as level 3 for the year ended December 31, 2012.

(\*) As at December 31, 2012 and during the year 2013, the Group invested into convertible bonds issued by Wanachi. Such bonds have been converted during the year in exchange for shares of Wananchi.

20-Trade and other payables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade payables .....	392.2	314.2
Corporate and social security contributions .....	29.8	24.5
Other payables .....	94.3	46.3
Amounts due to related parties .....	0.1	0.2
Deposit and guarantee received	0.4	-
<b>Total current payables.....</b>	<b>516.6</b>	<b>385.2</b>
Trade payables-acquisition of assets .....	13.0	5.9
Other payables .....	16.0	32.9
<b>Total non-current payables.....</b>	<b>29.0</b>	<b>38.8</b>

The increase in trade payables can mainly be attributed to the acquisitions of Outremer, ONI and integration of MCS and SportV in the scope of consolidation of the Group in 2013.

The increase in income tax payables can be attributed to an improvement in the profit before tax at HOT and a concomitant increase in the income tax rate in Israel from 25.0% to 26.5% as compared to FY2012.

## 21-Deferred revenues

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current deferred revenue .....	55.9	34.1
Non-current deferred revenue .....	10.6	10.8
<b>Total deferred revenues.....</b>	<b>66.5</b>	<b>44.9</b>

Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off. Non-current deferred revenues result from multi-year contracts with business customers.

The increase in deferred revenues for the year ended December 31, 2013 was mainly due to an increase in price of certain products for the year ended December 31, 2013 and the subsequent billing and revenue collection of these subscriptions before the year end.

## 22-Classification and fair value of financial assets and liabilities

On December 31, 2013 and 2012, the principles for measuring financial instruments and their market value break down as follows:

December 31, 2013				
	Book value	Amortized cost	Fair Value	
			Fair value through profit/loss	Assets available for sale
(in millions of euros)				
<b>Current assets</b>				
Cash and cash equivalents .....	61.3	61.3	-	-
Restricted cash .....	1,242.7	1,242.7	-	-
Trade receivables .....	194.0	194.0	-	-
Other receivables .....	37.1	37.1	-	-
<b>Non-current assets</b>				
Restricted cash .....	1.8	1.8	-	-
Loans and receivables .....	3.0	3.0	-	-
Available for Sale .....	40.3	-	-	40.3
Long term trade receivables .....	5.5	5.5	-	-
Other long-term trade receivables .....	22.8	22.8	-	-
	<b>1,608.5</b>	<b>1,568.3</b>	<b>0.0</b>	<b>40.3</b>
	<b>Book value</b>	<b>Amortized cost</b>	<b>Fair value</b>	
<b>Current liabilities</b>				
Credit from banking corporations and debentures ..	57.6	57.6	-	
Loans from related parties .....	-	-	-	
Trade payables .....	383.4	383.4	-	
Others payables .....	246.0	246.0	-	
Other current liabilities .....	15.9	15.9	-	
<b>Non-current liabilities .....</b>				
Loans from banking corporations and debentures ..	3,520.5	3,520.5	-	
Other financial liabilities .....	271.6	129.3	142.3	
Other non-current liabilities .....	39.6	39.6	-	
	<b>4,534.6</b>	<b>4,392.3</b>	<b>142.3</b>	

	December 31, 2012			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
<b>Current assets</b>				
Cash and cash equivalents .....	129.7	129.7	-	-
Trade receivables .....	150.8	150.8	-	-
Other receivables .....	37.9	37.9	-	-
<b>Non-current assets</b>				
Restricted cash .....	9.6	9.6	-	-
Investments in financial assets available for sale .....	-	-	-	-
Available for Sale .....	6.1	-	-	6.1
Long term trade receivables .....	18.7	18.7	-	-
Other long-term trade receivables .....	24.6	24.6	-	-
	<b>377.4</b>	<b>371.3</b>	<b>-</b>	<b>6.1</b>
	<b>Book value</b>	<b>Amortized cost</b>	<b>Fair value</b>	
<b>Current liabilities</b>				
Credit from banking corporations and debentures ..	113.2	113.2	-	
Trade payables .....	311.3	311.3	-	
Others payables .....	118.8	118.8	-	
Short-term loans from related parties .....	2.7	2.7	-	
<b>Non-current liabilities .....</b>				
Loans from banking corporations and debentures ..	1,365.7	1,365.7	-	
Long-term loans from related parties .....	109.0	109.0	-	
Other financial liabilities .....	174.5	112.0	62.5	
Other non-current liabilities .....	49.5	49.5	-	
	<b>2,244.7</b>	<b>2,182.2</b>	<b>-</b>	

## 23-Taxes on income

### 23.1 Income tax (expense)/benefit

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current income tax .....	(38.0)	4.2
Deferred taxes on deductible temporary differences .....	30.6	21.8
<b>TOTAL .....</b>	<b>(7.4)</b>	<b>26.0</b>

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current tax assets .....	14.6	5.5
Current tax liabilities .....	(57.1)	(10.7)
<b>TOTAL .....</b>	<b>(42.5)</b>	<b>(5.2)</b>

### 23.2 Deferred tax assets and liabilities

	December 31, 2012	Reclassifications	Business combination	From equity	From profit and loss	December 31, 2013
	(in millions of euros)					
Other.....	0.4		0.2	-	-	0/4
IAS 19R .....						
Employee Benefits .....	-	(0.2)	-	0.7	0.3	0.8
IAS 36, Depreciable fixed assets .....	(0.6)	0.6	-	-	-	-
IAS 38, Intangible assets ...	-	-	1.3	-	0.1	1.4
IAS 39, Financial Instruments	19.0	-	-	(1.5)	26.2	43.7
Compensation DTA/DTL..	-	(6.6)	-	-	-	(6.6)
Other.....	0.4	0.4	-	4.9	2.1	7.7
<b>Total deferred taxes assets</b>	<b>19.3</b>	<b>(6.1)</b>	<b>1.3</b>	<b>4.1</b>	<b>28.7</b>	<b>47.4</b>

	December 31, 2012	Reclassi- fication	Business combination	From equity	From profit and loss	December 31, 2013
	(in millions of euros)					
Customer relationships.....	51.3	(.3)	15.1	-	(4.1)	62.0
Brand .....	16.7	.3	13.7	-	-	30.8
Other Intangible assets .....	21.3	14.1	2.0	2.3	17.6	57.3
Reevaluation of Tangible assets .....	30.1	(8.8)	.2	.0	(4.1)	17.4
IAS 23, Borrowing Costs .....	3.1	-	-	-	-	3.1
IAS 36, Depreciable fixed assets .....	(8.8)	(4.9)	-	(.4)	32.0	17.8
Present value of YFPECS financial instrument.....	9.3	-	-	-	.4	9.7
Present value of IFL financial instrument ..	-	-	-	1.1	-	1.1
Capitalisation of transaction costs.....	-	-	-	-	7.8	7.8
Temporary differences .....	22.3	(22.3)	-	-	-	-
Other.....	3.1	22.5	-	6.6	(49.4)	(17.2)
Compensation DTA/DTL .....	-	(6.6)	-	-	-	(6.6)
<b>Total deferred taxes liabilities.....</b>	<b>148.4</b>	<b>(6.0)</b>	<b>31.0</b>	<b>9.6</b>	<b>.2</b>	<b>183.3</b>

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
	(in millions of euros)				
Other.....	0.2	-	-	0.2	0.4
IAS 16, Property, Plant and Equipment .....	0.1	-	-	0.3	0.4
IAS 36, Depreciable fixed assets .....	-	-	(0.6)	-	(0.6)
IAS 38, Intangible assets ...	-	-	-	-	-
IAS 39, Financial Instruments .....	-	-	-	19.0	19.0
<b>Total deferred taxes assets.....</b>	<b>0.3</b>	<b>-</b>	<b>(0.6)</b>	<b>19.5</b>	<b>19.3</b>

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
	(in millions of euros)				
Customer relationships .....	52.0	3.6	-	(2.8)	51.3
Brand .....	9.3	7.4	-	-	16.7
Other Intangible assets .....	23.9	-	(4.7)	2.1	21.3
Reevaluation of Tangible assets.....	11.0	23.2	-	(4.1)	30.1
IAS 23, Borrowing Costs.....	3.6	-	-	(0.4)	3.1
IAS 36, Depreciable fixed assets .....	(11.1)	-	(1.4)	3.6	(8.8)
Present value of YFPECS financial instrument	9.0	-	-	0.2	9.3
Temporary differences .....	22.8	-	-	(0.5)	22.3
Other.....	3.1	-	0.1	(0.1)	3.1
<b>Total deferred taxes liabilities.....</b>	<b>123.7</b>	<b>32.7</b>	<b>(6.0)</b>	<b>(2.0)</b>	<b>148.4</b>

### 23.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in millions of euros)	
<b>Net income</b> .....	<b>(208.3)</b>	<b>(189.8)</b>
<b>Share of net income-associates</b> .....	-	-
<b>Share of net income-equity holders</b> .....	<b>(208.3)</b>	<b>(189.8)</b>
Tax charge [(-) expenses/(+) income] .....	(7.4)	(26.0)
<b>Earnings/(Loss) before tax</b> .....	<b>(200.9)</b>	<b>(215.8)</b>
Theoretical tax rate .....	29.22%	28.80%
Income tax calculated on theoretical tax .....	58.7	62.1
<b>Impact of:</b>		
Effect of different tax rates of subsidiaries depending in other jurisdictions .....	(6.5)	(5.8)
Permanent differences .....	(9.5)	(57.0)
Restatements without tax impact .....	(2.9)	18.7
Utilization of previously non capitalized tax credit .....	13.9	20.0
Carry-back .....	0.0	0.1
Tax loss carry forwards of the periods non activated .....	(61.2)	(13.2)
Effect of unused tax losses not recognized as Deferred tax asset .....	-	1.0
<b>Effective Tax</b> .....	<b>(7.4)</b>	<b>25.9</b>
<b>Effective tax rate</b> .....	4%	(12%)

Permanent differences present in different Group companies are summarized below:

	Altice VII	ABO	Altice Financing	Cool Holding	Hot Mobile	Others	December 31, 2013
Permanent differences	(1.5)	(3.9)	22.7	(0.5)	(2.5)	(0.6)	<b>13.6</b>
Tax adjustments	-	-	-	0.4	1.0	-	<b>1.4</b>
Regularization of deferred tax from prior periods	-	-	-	(8.3)	-	-	<b>(8.3)</b>
Regularization of local tax from prior periods	-	-	-	3.5	-	-	<b>3.5</b>
Earnout adjustment	-	-	(13.4)	-	-	(0.1)	<b>(13.5)</b>
Tax provisions	-	-	(6.8)	-	-	-	<b>(6.8)</b>
Others	-	0.3	-	-	-	0.3	<b>0.6</b>
<b>Total</b>	<b>(1.5)</b>	<b>(3.6)</b>	<b>2.4</b>	<b>(4.9)</b>	<b>(1.5)</b>	<b>(0.4)</b>	<b>(9.5)</b>

### 23.4 Tax assessments

#### 23.4.1 Hot Telecom

On December 22, 2013, an agreement was signed between Cool Holdings Ltd and all of its subsidiary companies (except for HOT Mobile Ltd.) (hereinafter in this section – the companies) and the Israeli Income Tax Authority for the closure of disputes that had arisen in the assessment discussions for the years 2006 – 2011 and in continuation of the tax assessments that had been received in December 2009 and during the course of 2010 for the 2006 – 2008 tax years. Pursuant to the compromise agreements the companies will be required to pay an additional amount of tax in respect of the said tax years, primarily in respect of timing differences in respect of the depreciation of the infrastructure and the cables network and the amortization of intangible assets. The implementation of the compromise agreements will result in the Company having chargeable income in 2012 and 2013 as well.

HOT Telecom's management has recorded the provision relating to the assessments in its financial statements in the past.

The impact of such assessment agreement in HOT's financial statements, including in respect of the updating of the HOT's deferred tax balances, is a net income of EUR 5.0 million.

Most of the companies have been issued with final tax assessments up to and including the 2011 tax year. HOT Mobile has been issued with tax assessments up to and including the 2009 tax year, which are deemed to be final.

#### *23.4.2 Cabovisao*

For the years 2012 and 2013, Cabovisao is subject to corporate income tax (“IRC – Imposto sobre o Rendimento das Pessoas Colectivas”) at a rate of 25%, increased (i) up to a maximum of 1.5% of taxable income through a municipal tax (“Derrama”); and (ii) by a 3% and 5% state tax (“Derrama Estadual”) applicable on taxable income between 1,5 million Euros and EUR 10 million (EUR 7.5 million as from January 1, 2013, following a change in Portuguese tax legislation occurred in December 2012) and on taxable income in excess of EUR 10 million (EUR 7.5 million as from January 1, 2013), respectively, in accordance with the article 87- A of the Portuguese Corporate Income Tax code, resulting in a maximum aggregate tax rate of approximately 31.5%.

In accordance with article 88° of the Portuguese Corporate Income Tax code, the Company is subject to an autonomous taxation over some expenses at the rates defined in that article.

As at December 31, 2013, the Company’s tax returns, for the fiscal periods of 2006 until 2010, are being reviewed by Portuguese tax authorities. During the year ended December 31, 2013, the Company already received a tax notification, adjusting the Company’s tax losses obtained in the fiscal year ended 2006, in the amount of approximately EUR 16.5 million. However, as of December 31, 2013, any carrying forward tax losses obtained in the fiscal year ended 2006 already expired, and therefore cannot be used to reduce future taxable profits.

The Company was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

- An assessment of the Portuguese Tax Authorities related to 2005, requested an adjustment of tax losses in the amount of EUR 17.2 million, as well as an additional tax payment in the amount of EUR 4.1 million for withholding tax and stamp tax. The Company paid EUR 2.9 million and contested this decision through an appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1.0 million (excluding related late payment interests) was contested on appeal. In the year ended August 31, 2012, the Corporate Tax Authority accepted the claim. As of today, there were not any subsequent deliberations after that decision. The Board of Managers understands that the final outcome of this matter will be favorable to the Company.
- An assessment of the tax payable concluded that there was withholding tax due in the amount of approximately EUR 5.2 million (excluding related late payment interests). Cabovisao doesn’t agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6.8 million. As of December 31, 2013, the administrative and tax court of Almada didn’t pronounce itself on that claim. The Board of Managers understands that the final outcome of this matter will be favorable to the Company.

#### *23.4.3 Other entities*

The Board of Managers has not identified any other material tax assessments in other Group entities.

### 23.5 *Unrecognized deferred tax assets*

As at December 31, 2013, unrecognized deferred tax assets amount to EUR 253.0 million and are mainly split as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<b>(in million Euros)</b>	
Cool Holding and HOT Telecom	(13.9)	-
HOT Mobile	(118.9)	(10.8)
Altice Financing	(3.9)	-
Cabovisao	(56.0)	(51.3)
Altice Finco	(1.8)	-
Altice Holdings	(36.9)	-
Altice Caribbean	(1.5)	-
Altice Blue Two	(6.4)	-
ONI	(11.8)	-
Others	(2.0)	-
<b>Total</b>	<b><u>(253.0)</u></b>	<b><u>(62.2)</u></b>

## 24-Segment analysis

### 24.1 *Definitions of segments*

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

- Israel,
- Belgium and Luxembourg (Western Europe),
- Portugal (Western Europe),
- French Overseas Territories (Antilles and Indian Ocean),
- Others (Switzerland, Africa, France etc.).

Activities have been split as follows:

- Cable,
- Mobile,
- B2B and Others (Content/etc.).

Following the signature of agreements to acquire Tricom and Orange Dominicana in the Dominican Republic in October and November 2013 respectively, a new segment, "Dominican Republic", will be defined. Given the nature of the activities of the two firms, there will be no changes to the activities segment.

#### *24.1.1 Operational KPIs*

It has also been decided by Management that operating subsidiaries shall report operational KPIs every week together with financial KPIs every month, using a standard reporting format.

The main operational KPIs include:

The main operational KPIs that will be tracked will be:

Subscriber base evolution (both cable and mobile),

ARPU (Average Revenue per Unit) (cable and mobile),

Other relevant cost drivers.

These KPIs are benchmark indicators followed throughout the industry and allow for a thorough and accurate analysis of the business and strategic decision making.

#### *24.1.2 Financial KPIs*

Each local operational company will also report on a monthly basis the following financial KPIs by segment:

Revenues (Cable/Mobile/B2B and Others),

Cost of Sales (Cable/Mobile/B2B and Others),

Capex (Cable/Mobile/B2B and Others).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

The cable business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable Capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).

Mobile Capex are mainly driven by investment in new mobile sites, upgrade to new mobile technology and licences to operate. Once Capex are engaged and operational, there are limited Capex requirement.

Management believes that operations in Switzerland are currently not substantial enough to require a separate reporting segment, and will be reported under 'B2B and Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity.

## ***24.2 Regional specificities***

### ***24.2.1 Israel***

Israel is currently an important contributor to the Group revenues and EBITDA and has particularities that differentiate it. For this reason, it is classified as a separate region.

It is characterized by a high broadband and cable penetration and a very technology-savvy population. Segments within the Israeli telecom market show different level of maturity and competition, with relatively frequent interventions from the regulator. Management is factoring expectations for price pressure and increasing competition in its strategic plan.

Triple play penetration is low and represents a valuable growth driver.

The regulatory environment does not yet allow for quadruple play packages (coupling fixed and mobile services), which Management need to consider when setting up integration plans and operational synergies. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

### ***24.2.2 Belgium and Luxembourg***

Even though Belgium/Luxembourg and Portugal can be considered to be the same sub-region, the challenges posed by these two regions are quite different.

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration. Customers are willing to pay more for premium services and hence price pressure appears limited.

These regions are marked by the presence of many well established local cable operators with no overlap thou. Customer retention is a key factor in maintaining strong profit margins.

Given the density and presence of mobile operators, the mobile strategy has been driven by Mobile Virtual Network operations, through the deployment of quadruple play packages.

### ***24.2.3 Portugal***

The Portuguese market is marked by a high concentration of double play subscribers and a mature telecommunications market, which, when coupled with slow economic recovery, makes it difficult to achieve revenue growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

The challenge in Portugal is to maintain a subscriber base and migrate the customer base from double play to triple play offers.

### ***24.2.4 French Overseas Territories***

The French Overseas Territories present growth opportunities with relatively limited competition and room to attract more subscribers on our cable infrastructure. Additional growth potential exists notably through the deployment of multiple-play services and efficiency gains in distribution network, , as multiple-play packages penetration remains low. Price pressure is low in these regions and customers are willing to pay more for value added services.

Additional opportunities have been identified and pursued in the e-banking sector.

### 24.3 Segment information

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

	December 31, 2013				
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal Others
(in millions of euros)					
<b>Cable</b>					
Revenue .....	891,9	61.8	694.2	27.1	108.7 -
Costs of sales .....	(179,5)	(10.6)	(129.6)	(5.0)	(34.1) -
<b>Gross Profit .....</b>	<b>712,3</b>	<b>51.0</b>	<b>564.6</b>	<b>22.1</b>	<b>74.6 -</b>
<b>Mobile</b>					
Revenue .....	256.2	1.2	187.6	67.3	- -
Costs of sales .....	(129.9)	(0.9)	(107.8)	(21.2)	- -
<b>Gross Profit .....</b>	<b>126.4</b>	<b>0.3</b>	<b>79.8</b>	<b>46.1</b>	<b>- -</b>
<b>B2B and others</b>					
Revenue .....	138,6	8.9	-	32.5	41.8 55,3
Costs of sales .....	(58.4)	(1.0)	-	(10.9)	(24.3) (22.1)
<b>Gross Profit .....</b>	<b>80.2</b>	<b>7.8</b>	<b>-</b>	<b>21.6</b>	<b>17.5 33.2</b>
<b>Total</b>					
Total Revenue .....	<b>1,286.7</b>	<b>72.0</b>	<b>881.8</b>	<b>126.9</b>	<b>150.5 55.3</b>
Total Costs of sales .....	<b>(367.8)</b>	<b>(12.9)</b>	<b>(237.4)</b>	<b>(36.9)</b>	<b>(58.4) (22.1)</b>
<b>Total Gross Profit .....</b>	<b>918.9</b>	<b>59.1</b>	<b>644.4</b>	<b>89.8</b>	<b>92.1 33.2</b>
Operating expenses .....	<b>(400.2)</b>	<b>(12.9)</b>	<b>(281.7)</b>	<b>(40.5)</b>	<b>(43.0) (22.0)</b>
Depreciation and amortisation .....	<b>(399.6)</b>	<b>(18.1)</b>	<b>(274.9)</b>	<b>(26.6)</b>	<b>(65.1) (14.8)</b>
Other operating income & expenses	<b>(76.8)</b>	<b>(4.2)</b>	<b>(57.4)</b>	<b>(9.5)</b>	<b>(10.7) 5.0</b>
<b>Operating income.....</b>	<b>42.3</b>	<b>23.8</b>	<b>30.4</b>	<b>13.3</b>	<b>(26.8) 1.5</b>

	December 31, 2012				
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal Others
	(in millions of euros)				
<b>Cable</b>					
Revenue .....	873.3	70.3	677.9	24.4	98.2 2.5
Costs of sales .....	(212.9)	(10.3)	(159.0)	(4.1)	(39.1) (0.5)
<b>Gross Profit</b> .....	<b>660.4</b>	<b>60.0</b>	<b>518.9</b>	<b>20.4</b>	<b>59.1 2.0</b>
<b>Mobile</b>					
Revenue .....	172.7	0.2	172.5	-	- -
Costs of sales .....	(69.9)	(0.1)	(69.8)	-	- -
<b>Gross Profit</b> .....	<b>102.8</b>	<b>0.1</b>	<b>102.7</b>	<b>-</b>	<b>- -</b>
<b>B2B and others</b>					
Revenue .....	46.4	0.8	-	-	- 45.6
Costs of sales .....	(19.3)	(0.6)	-	-	- (18.7)
<b>Gross Profit</b> .....	<b>27.1</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>- 26.9</b>
<b>Total</b>					
<b>Total Revenue</b> .....	<b>1,092.4</b>	<b>71.3</b>	<b>850.4</b>	<b>24.4</b>	<b>98.2 48.1</b>
<b>Total Costs of sales</b> .....	<b>(302.1)</b>	<b>(11.0)</b>	<b>(228.8)</b>	<b>(4.1)</b>	<b>(39.1) (19.2)</b>
<b>Total Gross Profit</b> .....	<b>790.3</b>	<b>60.3</b>	<b>621.7</b>	<b>20.4</b>	<b>59.1 28.9</b>

## 25-Operating expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Technical and maintenance costs .....	(149.0)	(141.9)
Customer services .....	(32.9)	(18.3)
Taxes.....	(3.6)	(2.4)
<b>Total</b> .....	<b>(185.4)</b>	<b>(162.5)</b>

## 26-Depreciation, amortization and goodwill impairment

It consists in (i) amortization of intangible assets for a total of EUR 133.4 million (2012: EUR 245.7 million including EUR 121.9 million of goodwill impairment), (ii) depreciation of tangible assets for a total of EUR 251.4 (2012: EUR: 219.6 million) and (iii) other additions and reversals for a total of EUR 14.8 million (mainly representing additional depreciation on inventories and receivables) (2012: EUR 77.10 million, representing a net reversal for the year).

## 27-Other operating incomes and expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Other incomes and expenses .....	(17,0)	(24.9)
Other revenues .....	0.9	-
Disposal of tangible assets .....	1.0	(4.8)
<b>Other expenses, net .....</b>	<b>(15.1)</b>	<b>(29.8)</b>
Non-recurring costs <sup>(1)</sup> .....	(58.3)	(22.4)
Restructuring costs <sup>(2)</sup> .....	(2.9)	(6.7)
<b>Restructuring and other non-recurring costs.....</b>	<b>(61.2)</b>	<b>(20.8)</b>
<b>Total .....</b>	<b>(76.3)</b>	<b>(50.5)</b>

- (1) The increase of non-recurring costs is mainly explained by a one-off EUR 31.6 million charge booked at HOT Mobile concerning the entering into a new network sharing agreement with Partner Telecommunication and the termination of the existing agreement with Pelephone. The provision relates to any cost overlap resulting from the use of Pelephone's network during the transition phase. In addition, Altice financing incurred costs related to consultants' fees and other outlays related to the acquisition of OMT Invest S.A.S and Winreason S.A.
- (2) Restructuring costs decreased in the year ended December 31, 2013 as a result of the completion of restructuring at Cabovisao. The charge of EUR 2.9 million refers to the restructuring costs engaged at ONI telecom since its acquisition in august 2012.

## 28-Net finance costs

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Gain arising on fair value of financial instruments <sup>(1)</sup> .....	0.1	0.5
Foreign exchange gains.....	91.0	24.7
Gain arising from fair value of subordinated financial instruments <sup>(1)</sup> .....	2.5	0.9
<b>Finance income.....</b>	<b>93.6</b>	<b>26.1</b>
Interest charges on borrowings and overdrafts <sup>(2)</sup> .....	(199.2)	(118.5)
Loss arising on fair value of financial instruments .....	(99.4)	(62.8)
Foreign exchange losses .....	(24.5)	(2.8)
Net book-value of disposal/financial assets .....	(13.6)	(16.7)
<b>Finance costs.....</b>	<b>(336.8)</b>	<b>(200.0)</b>
<b>Total .....</b>	<b>(243.2)</b>	<b>(174.1)</b>

- (1) Gains arising on fair value variations of financial and subordinated financial instruments issued by the Company for a total amount of EUR 1.4 million and a gain on interest rate swaps recorded at Altice financing for a total amount of EUR 1.3 million.
- (2) The increase in interest expense for the year ended December 31, 2013 was primarily due to (i) the issuance of new debt to finance the Outremer Telecom and ONI transactions (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013).

## 29-Transactions with non-controlling interests

On April 23, 2013, the company repurchased the 40% minority interests held by Apax in its Portuguese subsidiary, Cabovisao for a total consideration of EUR 105.0 million, of which EUR 90.0 million was paid as consideration for equity acquired and EUR 15.0 million used in the repayment of a shareholder loan. The total amount of equity acquired was valued at EUR 13.1 million and the impact on the net equity of the Group was EUR 77.0 million following the consummation of the deal.

On November 29, 2013, the company repurchased the 40% minority interests held by Apax through its holding company Codilink S.à r.l. in Coditel Holding Lux and Coditel Management. The total consideration paid was EUR 82.5 million, of which EUR 30.6 million was paid to acquire shares in Coditel Holding Lux II and EUR 51.9 paid to reimburse subordinated debt instruments (CPECs) held by the minority shareholder. The amount of equity acquired by the Group was valued at EUR 1.7 million, with a total impact of EUR 28.9 on the Group net equity following the consummation of the deal.

## 30-Average workforce

	December 31, 2013	December 31, 2012
Managers .....	352	268
Technicians .....	857	660
Employees .....	3,011	4,719
	<b>4,220</b>	<b>5,647</b>

## 31-Transaction with related parties

### 31.1 Trading and financial transaction

Transactions with related parties mainly related to transactions with Numericable Group, Next L.P. or Altice Six S.A.. Such transactions are limited to (i) re-invoicing of certain operational services granted by Numericable Group to certain subsidiaries of Altice VII, or (ii) shareholder preferred equity certificates or loan issued by Altice VII and held by Next L.P.

Transaction with related parties that directly impact the reserves of the Group are summarized in note 13.

Other related parties include consulting firms specialized in the management and operations of telecom companies and executive managers of Altice VII. The fees paid to the consulting companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII. Transactions with executive managers include loans provided to them by the Company.

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
	(In millions of euros)					
Equity holders .....	0.2	0.1	12.1	0.2	-	0.6
Executive managers .....	-	-	-	-	-	-
Remuneration and benefits in kind .....	-	-	2.5	-	-	-
Associate companies .....	-	0.1	-	0.7	-	6.2
<b>TOTAL .....</b>	<b>0.2</b>	<b>0.2</b>	<b>14.6</b>	<b>0.9</b>	<b>-</b>	<b>6.8</b>

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
	(In millions of euros)					
Equity holders .....	-	-	-	0.2	-	-
Executive managers .....	2.7	-	-	-	-	-
Associate companies .....	-	-	-	0.8	-	-
<b>TOTAL .....</b>	<b>2.7</b>	<b>0.0</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>-</b>

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
	(In millions of euros)					
Equity holders .....	109.0	99.2	1.6	-	0.6	-
Executive managers .....	-	-	-	-	-	-
Associate companies .....	-	-	-	6.6	-	-
<b>TOTAL .....</b>	<b>109.0</b>	<b>99.2</b>	<b>1.6</b>	<b>6.6</b>	<b>0.6</b>	<b>-</b>

### 31.2 Compensation of key management personnel

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice S.A. for the financial year 2013, is EUR 2.3 million compared to EUR 1.7 million for the financial year 2012.

The remuneration of directors and other members of key management personnel during the year was as follows:

	December 31, 2013	December 31, 2012
Short-term benefits .....	2.3	1.7
Post-employment benefits .....	-	-
Other long-term benefits .....	-	-
Share-based payments .....	-	-
Termination benefits .....	-	-
<b>TOTAL .....</b>	<b>2.3</b>	<b>1.7</b>

### 32-Contractual obligations and commercial commitments

The Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below.

Unrecognised contractual commitments	December 31, 2013					Total
	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Five years or more	
Good and service purchase commitments	103.4	70.0	36.0	1.4	21.9	232.7
Investment commitments	38.9	1.2	.6	-	-	40.7
Guarantees given to suppliers/customers	5.8	2.7	2.3	2.3	1.2	14.3
Guarantees given to government agencies	14.1	7.5	.5	4.0	22.3	48.3
Other commitments	(2.1)	51.5	-	-	-	49.4
<b>Total</b>	<b>160.1</b>	<b>132.9</b>	<b>39.3</b>	<b>7.7</b>	<b>45.4</b>	<b>385.3</b>

### **32.1 Hot Telecom Commitments**

#### **32.1.1 Commitments**

##### **A. Contingent liabilities**

1. Within the framework of the merger of the cable companies on December 31, 2006, HOT Telecom (or “HOT”) assumed responsibility for the existing claims in the field of activity of the acquired companies (the cable companies in their former format), furthermore, it was determined that the company would assume responsibility for any claim that might be filed in the interim period by any of the acquired companies after the time of the completion of the merger of the cable companies.

In addition, HOT has entered into a commitment under an indemnification agreement with each of the three previous holders of the rights in the HOT Gold Partnership (the Tevel Group, the Yedioth Communications and the Fishman Group) in accordance with which the company has undertaken to fully indemnify the partners in the HOT Gold Partnership, prior to the completion of the merger transaction, so that they will be released from all responsibility, commitment or debt of any sort whatsoever that HOT Gold had on December 31, 2006 or that HOT Gold might have had after that date, and which relate to the period prior to the completion of the merger, including in respect of claims and legal proceedings.

2. Lawsuits have been filed and are pending against companies in the Group in the routine course of business and various legal proceedings are outstanding against it (hereinafter - Lawsuits).

In the opinion of the managements of the Group companies, based, inter alia, on legal opinions in respect of the chances of the lawsuits, appropriate provisions have been recorded in the financial statements as of December 31, 2013 in an amount of EUR 11.1 million, were provisions are required, to cover the exposure in respect of the said lawsuits.

In the opinion of the management of the Group companies the additional exposure in an amount of approximately EUR 565 million (over and above the provisions that have been recorded in these financial statements), as of December 31, 2013 in respect of lawsuits that have been filed against companies in the Group on various issues is as follows:

- a) An amount of approximately EUR 377 Million in respect of claims, the chances of which, in the assessment of the company's management, in reliance on opinions from its legal advisors, do not exceed 50%.
- b) An amount of approximately EUR 105 Million in respect of claims, which it is not possible to evaluate at this stage, and which consist primarily of applications for approval as class actions that were filed shortly before the date of the financial statements.
- c) An amount of approximately EUR 84 Million in respect of claims, where the chances of there being accepted in the assessment of the HOT's management, in reliance on the opinion of its legal advisers, exceed 50%.

The following table is an abbreviated summary of the Group's contingent liabilities, which are outstanding as of December 31, 2013, according to groupings having similar characteristics:

The subject matter of the lawsuit	Amount of the additional exposure over and above the provision as of December 31, 2013	Amount of the lawsuits that it is not possible to assess, which were presented shortly before the date of the financial statements (primarily applications for approval as class actions)	Provision recorded in the financial statements as of December 31, 2013	Provision recorded in the financial statements as of December 31, 2012	Updating of the expense (income) in the reporting period
EUR in Million					
Customers <sup>(1)</sup>	490.0	82.0	4.2	2.1	2.1
Copyright	-	-	6.3	11.3	0.4
Suppliers <sup>(2)</sup>	22.6	11.3	0.4	0.6	-
Employees	1.0	-	0.2	0.2	-
The merger transaction	50.2	-	-	-	-
<b>Total</b>	<b>563.8</b>	<b>93.3</b>	<b>11.1</b>	<b>14.2</b>	<b>2.5</b>

<sup>(1)</sup> The amount includes EUR 10.5 Million in respect of claims after the balance sheet date.

<sup>(2)</sup> The amount includes EUR 9.4 Million in respect of claims after the balance sheet date.

B. Commitments

1. Royalties to the Ministry of Communications and other payments to the government

a) HOT Telecom used to be committed to pay annual royalties in accordance with the Telecommunications Regulations (Concessions) - 1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) - 2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalties rates that HOT Telecom and HOT Mobile have each been charged to pay stood at 1.75% in 2012 and decreased to 0% from 2013 onwards.

b) In July 2001, the cables companies, including HOT Telecom, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure for a period of 12 years. It was also stipulated in the agreement that in so far as HOT has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to HOT as a merged company.

c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies) -1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of EUR 6.1 million and EUR 5.4 million in respect of the years 2013 and 2012 respectively.

2. Other royalties

a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group within this context in the years 2013 and 2012 amounted to EUR 9.4 million and EUR 8.8 million respectively.

b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 (hereinafter, in this section - "The draft law") was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, HOT is unable to assess what the impact of the said legislation will be on its business results, if it is passed.

3. A commitment to invest in original productions

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, HOT is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2012 and 2013 HOT complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In this connection, in October 2011 the Council informed HOT that as from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to receive broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to them regarding the inclusion of income from terminal equipment for the purpose of the calculation of the requirement for original productions was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that HOT will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

4. Agreement to deploy and maintain a cables network

On January 1, 1990 and on May 1, 1989, Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together - The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with the Bezeq company (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called - the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on the Bezeq company's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied the Bezeq company with the base equipment (as defined in the agreement) that comprises the cables network whereas the Bezeq company supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and the Bezeq company conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

It is determined in the agreement that it will remain in force for the length of the period of the concession, and that it will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. The Bezeq company is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing.

The total of the expenses recorded in HOT's accounting records for the network services payable to the Bezeq company in the years 2013 and 2012 amounted to EUR 9.8 million and EUR 10 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

## 5. Commitments to lease assets

The Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimal future rental fees in respect of the rental contracts as of December 31, 2013, exclusive of the option period, are as follows:

	EUR Million	EUR Million
	December 31, 2013	December 31, 2012
2014	37.3	37.8
2015	30.2	30.0
2016	19.7	24.4
2017	10.1	17.5
2018 and thereafter	7.3	61.7
	<b>104.6</b>	<b>171.3</b>

6. On July 19, 2011, HOT's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Group can offer to its subscribers, faster internet services and it will also enable HOT to deal with increased demand for traffic capacity on the network in the future, which is expected to arise as a result of increased uses and applications that require a considerable band width.

7. On May 27, 2010, a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter -the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that are required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network from Motorola alone during the period of the agreement.

8. As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.

In December 2011, the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

9. On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party, 60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

10. On June 16, 2011, HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter - the supplier) for the setting up of the infrastructure for HOT Mobile's new network.

In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which HOT Mobile is required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of 52 million Dollars, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement.

11. In 2013 and at the beginning of 2014, a number of additions to the agreement were signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with Hot acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

12. On October 27, 2011, an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter - Comverse), in accordance with which Comverse will supply HOT with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter - The system) and Comverse will also supply HOT with hardware, software and services, including the operation and maintenance of the system. The agreement is for a period of five years. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately 12.5 million US Dollars. In January 2012, the parties signed on an addendum to this agreement, in accordance with which Comverse is committed to allocate seven additional employees to be available for the project (instead of the manpower that HOT had to make available for the project), for a payment of 500,000 US Dollars.

13. On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter - HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter - The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

14. On November 11, 2013, HOT's Audit Committee approved HOT's commitment under a sub-leasing agreement with the Middle East Company Ltd. (hereinafter – the lessor) for the sub-leasing of a plot of land in the Jaffa Port, which HOT is leasing (hereinafter – the leased property), retroactively, as from July 2013.

The leased property will be used by the tenant, which is a company that produces broadcasts for a foreign news company, which is 85% owned by Mr. Patrick Drahi, the ultimate controlling interest in HOT.

The lease fees that will be paid to HOT in respect of the leased property have been set in accordance with the rental fees that HOT pays in respect of the property and under the same payment terms (back to back), with the addition of a monthly amount in respect of: (1) the tenant's relative share of the municipal taxes, electricity, water, security and cleaning expenses (back to back terms to those paid by HOT) and (2) adaptations to the leased property that HOT has executed at its own expense.

It is determined in the rental agreement that in any case in which the agreement ends before the end of the rental period, the tenant shall pay HOT the balance of the payments in respect of the adaptations that HOT made in the leased property, as discounted using a real annual interest rate that has been set in the agreement.

15. On November 8, 2013, HOT Mobile signed on agreements with Partner Communications Ltd. (hereinafter – Partner), which are subject to the receipt of all of the approvals that are required, as detailed below: HOT Mobile and Partner will set up a limited partnership, which will hold, develop and operate a single advanced cellular communications network, for both of the companies, each of which will hold half of the rights in it. In accordance with the agreement, each of the parties will continue to hold and to operate its core of the network separately and provide cellular communications services, including the marketing and the selling of such services, to its customers alone.

The agreement arranges the management of the joint network and its development, the manner of the management of the partnership, including a mechanism for the appointment of a board of directors, the resolution of disagreements, the bearing of the costs of upgrading the network and so on.

The agreement will be in force for a period up to December 31, 2028, and thereafter, the agreement will be extended automatically for additional periods of 5 years each, unless either of the parties gives notice of its desire to terminate the agreement by giving notice in advance of 24 months before each automatic renewal. Despite the aforesaid, as from the end of a period of 8 years from the entry of the agreement into force, it may be cancelled by either of the parties, in accordance with their own judgment and by giving two years notice in advance from that time. The agreement also sets a mechanism for the separating of the parties in the event of the termination of the agreement.

In consideration for the agreement, HOT Mobile will pay a non-recurring amount, which is to be paid by the beginning of 2017, and thereafter, each party will bear half of the capital investments that are required to set up and to upgrade the joint network and the bearing of the operating expenses for the joint network will be in accordance with a mechanism that is set in the agreement and which is based, inter alia, on the volume of the data traffic that each party consumes from the joint network.

As an interim stage and until the receipt of the approvals that are required under the law, Partner will extend to HOT Mobile the right to use its cellular communications network for the purposes of the provision of broad national cover to its customers. The services under the agreement will apply after the completion of the preparations and in accordance with any agreement or regulation.

In the light of the commitment with Partner in connection with the in-country roaming services, HOT Mobile and Pelephone Telecommunications Ltd. (with which HOT Mobile had entered into an exclusive agreement in the past for in-country roaming services up to December 31, 2014) reached agreement regarding the cancellation of the exclusivity clause.

16. In the reporting period, the management of HOT Mobile Ltd. (hereinafter – HOT Mobile), made a decision regarding the vacation of its offices at Airport City, in respect of which there is a long-term rental contract with Airport City, for the period up to and including 2019. As a result of this decision, HOT has recognized losses of EUR 7.1 million in the reporting period, which have been recorded under other expenses, reflecting the rental expenses, taxes and amortization of leasehold improvements, which in HOT Mobile's assessment are irrecoverable, and which meet the definition of an onerous contract.

17. Capitalized leasing rights on land from the Israel Lands Authority

Capitalized leasing rights on land from the Israel Lands Authority over an area of 20,713 square meters on which the Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. See also Note 2K. The lease periods end in the years 2021-2045.

C. Guarantees and liens

1. As collateral for HOT's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed

- a) A floating charge on HOT's assets.
- b) A fixed charge on the shares in the subsidiary companies.
- c) HOT Telecom has given a charge on some of its assets.

The said charges are in an unlimited amount, vis-à-vis HOT, the investee partnership - HOT Telecom and the subsidiary company - HOT Net, jointly and severally.

2. As collateral for the commitments of HOT, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the assets and the rights belonging to debtors of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group.

3. As collateral for HOT's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

4. As collateral for the Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:

a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.

b) Guarantees in an amount of EUR 7.1 million (index-linked) to the Council in respect of the broadcasting license, which are in force until May 2015.

5. HOT has given a number of bank guarantees to various bodies in an overall amount of EUR 6.7 million.

6. Guarantees for HOT Telecom and HOT Mobile

a) The Group has extended guarantees in a cumulative amount of 22 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

b) The Group has extended a guarantee in an amount of EUR 51.5 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

c) The Group has extended a guarantee in an amount of 36 million Dollars as collateral for HOT Mobile's commitments to Bank Crédit Agricole in connection with transactions with suppliers of equipment.

d) The Group has extended a guarantee in an amount of EUR 2.3 million as collateral for the commitments of HOT Telecom to various bodies.

7. On May 23, 2013, HOT signed on a credit agreement with Bank Discount Le'Israel Ltd., the First International Bank Le'Israel Ltd. and HSBC Bank PLC (hereinafter – the banks and the credit agreement, respectively).

The amounts of the credit are divided into a number of facilities: A working capital facility, which may be exploited by the drawing down of loans in an amount of up to EUR 41.9 million and a credit facility for guarantees in an amount of up to EUR 22 million.

The collateral that exists under the financing agreement that HOT signed with Altice Financing S.A., which is a related party of HOT, will serve as collateral, together with the creation of new, additional liens on HOT's holdings in subsidiary companies and partnerships, except for HOT Mobile. As of the balance sheet date, HOT has taken up a guarantee in an amount of EUR 17.6 million from these facilities, however it has not taken up credit for working capital from these facilities.

## 32.2 Cabovisao commitments

### 32.2.1 Contingent assets

During the year ended December 31, 2013 and the analysis of the Decree-Law n° 123/2009 of 21 May, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2013, Cabovisao had outstanding claims against several municipalities, totaling EUR 2.6 million. To present date, the Company received EUR 0.4 million from sixteen municipalities, and executed receivable plan of EUR 1.7 million for the next three years.

### 32.2.2 Contingent liabilities

#### a) Bank guarantees

	December 31, 2013
	In millions of euros
Tax Authority.....	9.6
City Council.....	0.9
Third Parties .....	0.1
<b>Total .....</b>	<b>10.6</b>

#### b) Commitments with third parties to add services to be provided in future years:

On December 31, 2013, the commitments with third parties to tangible assets and services to be provided in future years with an amount to approximately EUR 2.7 million Euros and EUR 65.7 million respectively.

#### c) Real guarantees:

During the year ended December 31, 2013, considering the refinancing and debt restructuring operations performed by Altice Group, headed by Altice VII S.à r.l., Cabovisao has signed a collateral agreement which involved the pledge of some Cabovisao's bank accounts, as well as a pledge on the Cabovisao's shares (representing 100% of Cabovisao's share capital and respective voting rights).

#### d) Other contingent liabilities:

As a result of the Cabovisao's decision to do not pay any taxes charged by municipalities (since September 2010), the municipality of Almada initiated a litigation process, regarding the municipality taxes charged for the period between 2006 and 2009, in the amount of EUR 595.000.. Until the present date, there are no subsequent deliberations. The Board of Managers understands that the final outcome will be favorable to Cabovisao, based on the legal counsels' opinion.

In addition, there are several legal proceedings, initiated by third parties, in particular claims by several suppliers, related to the supply of services and equipment, in the amount of approximately EUR 174.000. Until the present date, Cabovisao has not recognized any provision, since it is Board of Managers understanding that the final outcome will be favorable to the company, based on the legal counsels' opinion.

### **32.3 Coditel Holding commitments**

As of December 31, 2013, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged in the framework of the Coditel facility. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

### **32.4 Others**

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Portugal S.A., Altice Carribean S. à r.l., Cool Holdings LTD S.A., H.Hadaros 2012 LTD., HOT Telecommunications System LTD, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidiaries, Coditel Holding S.A., Winreason S.G.P.S and its subsidiaries have been pledged for the issued Senior Secured Notes and the Altice financing term loan. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Altice financing has access to two super senior secured revolving credit facilities amounting to a total of USD 80 million and EUR 60 million respectively. In addition to these facilities, it also has access to a guarantee facility of EUR 75 million. As of December 31, 2013 the revolving credit facilities remain undrawn. EUR 8.4 million were drawn down on the guarantee facility, and recorded in the accounts of Cabovisao. All pledges applicable for the senior secured notes and the term loan are also applicable to these facilities.

### **33-Statutory Auditors' fees**

In 2013, an amount of EUR 3.5 million was paid to various networks affiliates of the Group's auditors, split mainly between EUR 1.4 million for audit services, EUR 1.7 million for assurance services and EUR 0.4 million for non-audit services (tax and consultancy).

### **34-Going concern**

During the financial year ended December 31, 2013, the company had a net current asset position of EUR 855.7 million (mainly due to current restricted cash of EUR 1,242.7 million), a net loss of EUR 208.3 million (down from a net loss of EUR 189.8 million in FY12), positive cash flow from operations of EUR 439.2 million and negative working capital of EUR 198.3 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 198.3 million is mainly driven by trade receivables and payables. The net loss recorded in FY13 was mainly driven by increased non-recurring expenses as compared to FY12 (+EUR 40.4 million) and increased financial expense, directly related to the issuance of new debt to finance acquisitions and buy back of minority stakes. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 194.0 million vs. EUR 392.3 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2013, the company had few short term loan payments (< 1y), and long term debt was refinanced in June 2013.

Despite the net current liability position, Management is of the view that the company will continue to act as a going concern for 12 months from the date of approval of these financial statements based on the following:

The Group has a strong track record of generating positive operating income before amortisation and depreciation and generated strong positive operating cash flows in 2013 (EUR 439.2 million). Operating income before D&A amounted to EUR 518.8 million, an increase of 28.7% compared to FY12, thus reaffirming management's ability to drive profits in the different operating companies.

The Group had healthy unrestricted cash reserves at the end of 2013 (EUR 61.3 million vs. EUR 129.7 million in 2012), which would allow it to cover any urgent cash needs. Additionally, the Group had access to a revolving credit facility ("RCF") of up to USD 80.0 million and EUR 63.8 million (EUR 124 million equivalent), as well as access to a guarantee facility of up to EUR 75 million (of which EUR 8.4 million were drawn in FY2013 in order to unblock restricted cash at Cabovisao).

The Group had a negative net equity position of EUR 261.2 million as of December 31, 2013, resulting from accounting adjustments related to losses made on the acquisition of minority interests from non-controlling shareholders. It is management's view that these acquisitions have a strategic founding and will allow the Group to better integrate, absorb and utilize the cash generated by the concerned entities.

In addition to the points enumerated above, the Group has implemented a new budgeting exercise, with monthly account reviews with CFOs of operating companies to track budget accuracy. This exercise is complemented by a mid-year reforecast based on real first semester numbers.

Management also tracks operational key performance indicators (KPIs) on a weekly basis, thus closely tracking top line trends very closely. This allows management and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and ensure that the budgeted targets are met.

In the view of the initial public offering of the newly formed company Altice S.A., the new direct controlling shareholder of Altice VII S.à r.l., it was decided to convert all existing subordinated debt instruments issued by Altice VII and subscribed by Next L.P., into share capital, before the contribution of Altice VII to Altice S.A. Thus, YPFECs and ALPECs issued by Altice VII were converted into equity at their nominal value, totalling EUR 133.3 million.

### **35-Events after the reporting period**

#### ***Acquisition of the Mobius Group***

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the "Mobius Acquisition"). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the "Mobius Technology" brand and double and triple play services based on xDSL technology to residential customers under the "IZI" brand. The consummation of the Mobius Acquisition is expected to occur on January 15, 2014. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group (the "Mobius Managers") have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition (approximately EUR 4.6 million) in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two would be reduced to approximately 77%. However, Altice Blue Two and the Mobius Managers are in advanced discussions to amend the existing investment agreement in order to provide that the Mobius Managers' reinvestment will be made directly in Altice S.A., through the subscription by the Mobius Managers, at the Offer Price, of Ordinary Shares of Altice S.A..

The transaction was completed on January 15, 2014 and was financed via the super senior revolving credit facility that the company has access to. A total of EUR 20.5 million was drawn from the RCF to finance the acquisition.

#### ***Conversion of Altice VII subordinated debts***

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

#### ***Initial public offering***

On January 31, 2014, Altice S.A., a newly incorporated Luxembourg based entity and the new direct controlling shareholder of the Company, listed its shares in an initial public offering on Euronext Amsterdam.

#### ***Change in minority interests of Altice Blue Two***

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

As per the agreement, the OMT Managers will contribute all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management), for a base value of EUR 55.1 million and

two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

The OMT managers will receive Altice S.A. common shares at the listing price at IPO (EUR 28.25), except in case of the second earn out, for which the determining price will be the share price at closing on the day on which any proceeds from the pending lawsuits are perceived by Altice Blue Two.

### ***Acquisition of the Tricom Group***

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

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

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

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

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

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

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

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