NOTICE TO THE HOLDERS OF ORDINARY SHARES OF

ALTICE S.A.

Altice S.A., a public limited liability company organized and existing under the laws of the Grand Duchy of Luxembourg ("**Altice**" or the ‘‘**Issuer’’**), announced today that it has proposed an issuance of €4,150 million equivalent in aggregate principal amount of senior notes (the "**Proposed Financing**") the proceeds of which will be used to, among other things, finance the SFR Acquisition (as defined herein).

The information contained in this Notice will, among other information, be disclosed in connection with the Proposed Financing.

This Notice may contain certain information that constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Altice disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

This Notice is for informational purposes only and does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or any other jurisdiction. The information contained in this Notice does not constitute a prospectus or any other offering document, nor does it constitute or form part of any invitation or offer to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any securities of the Issuer or any of its affiliates nor shall such information be relied on for the commencing of any actions in relation to the securities of the Issuer or any of its affiliates.

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DEFINITIONS

Unless otherwise stated or the context otherwise requires, (i) the terms "Group", "we", "us" and "our" as used in this Notice refers to the Issuer and its subsidiaries (including the Numericable Group and, following the Transactions, these terms will also include SFR and its subsidiaries and SIG 50) (ii) the terms "Numericable Group" and "Numericable" as used in this Notice refer to Numericable Group S.A. and its subsidiaries (without giving effect to the Transactions) and (iii) the term "Combined France Group" refers to Numericable Group S.A. and its subsidiaries after giving effect to the Transactions including SFR and its subsidiaries and SIG 50.

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

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

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

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

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

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

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

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

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

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

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

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

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

"2013 Dollar Senior Secured Notes" refers to the $900 million aggregate principal amount of $6^{1}/_{2}$% Senior Secured Notes due 2022 issued by Altice Financing on December 12, 2013.

"2013 Euro Senior Secured Notes" refers to the €300 million aggregate principal amount of $6^1/_2$% Senior Secured Notes due 2022 issued by Altice Financing on December 12, 2013.

"2013 Guarantee Facility" refers to the guarantee facility agreement dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among Altice Financing as borrower, the lenders from time to time party thereto, Wilmington Trust (London) Limited as facility agent and Citibank, N.A., London Branch as security agent.

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

"2013 Margin Loan" refers to the €324 million facility agreement dated November 7, 2013 and amended on January 16, 2014, between, among others, Altice France, as borrower, the lenders party thereto and ING Bank N.V as facility agent and as security agent, which is expected to be fully repaid and extinguished in connection with the Transactions.

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

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

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

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

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

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

"2013 Term Loan" refers to the term loan credit agreement on or prior to between Altice Financing as borrower and the persons listed in Schedule 2.01 thereto as lenders, an agent to be mutually agreed among the borrower and the lenders as the Administrative Agent and Citibank, N.A., London Branch as security agent.

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

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

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

"Acquisition Agreement" has the meaning ascribed to it in "*The Transactions*".

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

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

"AH Proceeds Loan" refers to the intercompany loan made by Altice Financing as lender to Altice Holdings as borrower in connection with the 2013 June Transactions.

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

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

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

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

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

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

"Altice S.A. Equity Financing" means the offering of €569 million in value of ordinary shares or equity-linked securities of the Issuer to be issued in connection with the Transactions.

"Altice France" refers to Altice France S.A., formerly named Altice Six S.A., a public limited liability company (*société anonyme*) existing under the laws of the Grand Duchy of Luxembourg.

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

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

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

"Altice International Group" refers to Altice International and its subsidiaries.

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

"Altice S.A. Intercreditor Agreement" refers to the intercreditor agreement to be dated on or about the Issue Date, as amended from time to time, among, *inter alios*, the Issuer, and Deutsche Bank AG, London Branch, as the security agent.

"Altice S.A. Revolving Credit Facility Agreement" refers to the €200 million revolving credit facility agreement to be entered into on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer as borrower, the lenders from time to time party thereto, Deutsche Bank as facility agent and Deutsche Bank as security agent.

"Altice Vivendi Shareholders' Agreement" has the meaning ascribed to it in "*The Transactions*".

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

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

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

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

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

“Carlyle” refers to Carlyle Cable Investment SC, an entity affiliated with Carlyle Group.

“Cinven” refers to CCI (F3) S.à r.l., a fund affiliated with Cinven Ltd.

“Cinven Carlyle Roll Over” has the meaning ascribed to it in “*The Transactions*”.

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

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

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

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

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

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

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

“Combined France Group” refers to Numericable Group S.A. and its subsidiaries after giving effect to the Transactions, including SFR and its subsidiaries.

“Completion Date” has the meaning ascribed to it in “*The Transactions*”.

“Contribution” has the meaning ascribed to it in “*The Transactions*”.

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

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

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

“Dollar Notes” refers to the $ million Senior Notes due 2022.

“DTC” refers to The Depository Trust Company.

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

"Euroclear" refers to Euroclear Bank SA/NV.

"Euro Notes" refers to the € million Senior Notes due 2022.

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

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

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

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

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

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

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

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

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

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

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

"Existing Senior Notes Collateral" refers to the collateral securing the Existing Senior Notes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"HOT Telecom" refers to HOT Telecom Limited Partnership.

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

"Indenture" refers to the indenture dated the Issue Date governing the Notes.

"Initial Purchasers" refers to, with respect to the Euro notes, J.P. Morgan Securities plc, with respect to the Dollar Notes, J.P. Morgan Securities LLC, with respect to the Notes, each of Goldman Sachs International, Deutsche Bank AG, London Branch, Barclays Bank plc, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc and ING Bank N.V., London Branch and with respect to the Euro Notes, Natixis.

"Issuer" refers to Altice S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of the Grand Duchy of Luxembourg.

"Issuer Transactions" has the meaning ascribed to it in "*The Transactions*".

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

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

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

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

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

"Luxembourg" refers to the Grand Duchy of Luxembourg.

"Master Agreement" has the meaning ascrided to it in "The Transactions".

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

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

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

"New Numericable Term Loan" refers to the term loan facility established under the facility agreement dated on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among, inter alios, Numericable, Ypso France and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto, and Deutsche Bank AG, London Branch as administrative agent and as security agent.

"New Numericable Senior Secured Notes" refers to the €6,040 million (equivalent) aggregate principal amount of Senior Secured Notes to be issued by Numericable on the Issue Date.

"New Revolving Credit Facilities" collectively refers to the facilities under the Altice S.A. Revolving Credit Facility Agreement and the Numericable Group Revolving Credit Facilities Agreement.

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

"Notes" collectively refers to the Euro Notes and the Dollar Notes.

"Notice" refers to this notice.

"Noteholder" refers to a holder of the Notes.

"Numericable" refers to Numericable Group S.A.

"Numericable Acquisition" refers to the acquisition by Altice France of additional shares in Numericable bringing Altice France's total shareholding in Numericable to 40%, which occurred in February 2014.

"Numericable February 2012 Notes" refers to the $12^{3}/_{8}$% senior secured notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on February 14, 2012 in an aggregate principal amount of €360.2 million.

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

"Numericable Group Intercreditor Agreement" refers to the intercreditor agreement to be dated on or about the Issue Date, as amended from time to time, among, *inter alios*, Numericable and Deutsche Bank AG, London Branch as the security agent.

"Numericable Group Revolving Credit Facilities Agreement" refers to the revolving facilities agreement, dated on or about the Issue Date, as amended, restated, supplemented or otherwise modified from time to time, among Numericable and certain of its subsidiaries as borrowers, the lenders from time to time party thereto, Deutsche Bank AG, London Branch as facility agent and Deutsche Bank AG, London Branch as security agent.

"Numericable Group Transactions" has the meaning ascribed to it in "*The Transactions*".

"Numericable October 2012 Notes" refers to the existing $8^{3}/_{4}$% Senior Secured Notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on October 25, 2012 in an aggregate principal amount of €225.0 million.

"Numericable Refinancing Transactions" has the meaning ascribed to it in "*The Transactions*".

"Numericable Rights Issue" has the meaning ascribed to it in "*The Transactions*".

"ODO" refers to Orange Dominicana S.A.

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

"OMT Invest" refers to OMT Invest S.A.S. (Société par actions simplifieé), incorporated under the laws of France.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Revolving Credit Facility Agreements" collectively refers to the Existing Altice Financing Revolving Credit Facilities, the Altice S.A. Revolving Credit Facility Agreement and the Numericable Group Revolving Credit Facilities Agreement.

"Security Agent" refers to Deutsche Bank AG, London Branch.

"Senior Notes" collectively refers to the Notes and the Existing Senior Notes.

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

"SFR" refers to SFR S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of France, SIG 50 and their subsidiaries (excluding SPT, a holding company of Maroc Telecom), unless the context otherwise requires.

"SFR Acquisition" has the meaning ascribed to it in "The Transactions."

"SFR Acquisition Agreements" has the meaning ascribed to it in "*The Transactions*."

"SIG 50" refers to SIG 50, a French corporation incorporated as a *société anonyme*, registered under identification number 421 345 026 Paris and its subsidiaries.

"SPV1" refers to H. Hadaros 2012 Ltd.

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

"Transactions" has the meaning ascribed to it in "*The Transactions*."

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

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

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

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

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

"Vivendi" refers to Vivendi S.A., a French corporation incorporated as a *société anonyme* registered under sole identification number 343 059 564 RLS Paris.

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

"Ypso France Senior Facility Agreement" refers to the senior facility agreement, dated June 6, 2006, as amended and restated on July 18, 2006, July 28, 2006 and March 2, 2007, as amended by a letter dated June 24, 2008, as amended and restated on December 9, 2009, as amended and restated on September 16, 2011, and as amended most recently on November 25, 2013 between, among others, Ypso Holding S.à r.l., as parent; Ypso France S.A.S., Altice France EST S.A.S., Coditel Debt S.à r.l., Est Videocommunication S.A.S., Numericable S.A.S. and NC Numericable S.A.S., as original borrowers and original guarantors; BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch and Morgan Stanley Bank International Limited, as mandated lead arrangers; BNP Paribas, as agent and security agent; and the Lenders named therein.

SUBSCRIBER, MARKET AND INDUSTRY DATA

Key Operating Measures

This Notice includes information relating to certain key operating measures of the Altice International Group, the Numericable Group, ODO, Tricom and SFR, including, among others, number of homes passed, Cable Customer Relationships, subscribers, RGUs, RGUs per Cable Customer Relationship, churn, ARPUs, penetration and mobile coverage of territory, as applicable, which our management uses or will use to track the financial and operating performance of our businesses. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from the internal operating systems of the individual members of the Altice International Group, the Numericable Group, ODO and Tricom, as the case may be. As defined by the Altice International Group, the Numericable Group, ODO and Tricom, respectively, these terms may not be directly comparable to corresponding or similar terms used by each other, their competitors or other companies. Please refer to the meanings of these terms as defined elsewhere in this Notice.

Market and Industry Data

We operate in industries in which it is difficult to obtain precise market and industry information. We have generally obtained the market and competitive position data in this Notice from our competitors' public filings, from industry publications and from surveys or studies conducted by third party sources that we believe to be reliable. Certain information in this Notice contains independent market research carried out by Euromonitor International Limited, HIS Screen Digest, IDC, ABI Research, Gartner, Cisco and Strategy Analytics.

With respect to Israel, we calculate market share for each of our services by dividing the number of RGUs for such service by the total number of subscribers in Israel to such service, which is calculated based on our competitors' public filings and reported subscriber base, other public information and our internal estimates. Under HOT's mobile license, it is required to calculate market share of its mobile operations, which is calculated using different parameters than as described above. In footprint market shares in the jurisdictions in which we operate are calculated from our penetration data by extrapolating overall market penetration from industry sources to our footprint.

However, neither we nor the Initial Purchasers or any of our or their respective advisors can verify the accuracy and completeness of such information and neither we nor the Initial Purchasers or any of our or their respective advisors has independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information and, as far as we are aware and are able to ascertain from information published, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, in many cases we have made statements in this Notice regarding our industries and our position in these industries based on our experience and our own investigation of market conditions. Neither we nor the Initial Purchasers or any of our or their respective advisors can assure you that any of these assumptions are accurate or correctly reflect our position in these industries, and none of our or their internal surveys or information has been verified by independent sources.

EXCHANGE RATE INFORMATION

We have set forth in the table below, for the periods and dates indicated, certain information regarding the exchange rates between U.S. dollars and euro based on the market rates at 6:00 p.m. London time. We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate.

	U.S.$ per euro			
	Period Average(1)(2)	High	Low	Period End(3)
Year				
2011	1.3924	1.4874	1.2925	1.2960
2012	1.2859	1.3463	1.2053	1.3197
2013	1.3300	1.3789	1.2819	1.3789
Month				
September 2013	1.3354	1.3531	1.3127	1.3531
October 2013	1.3639	1.3804	1.3498	1.3599
November 2013	1.3497	1.3367	1.3605	1.3591
December 2013	1.3706	1.3803	1.3551	1.3789
January 2014	1.3620	1.3789	1.3505	1.3505
February 2014	1.3662	1.3802	1.3505	1.3802
March 2014	1.3830	1.3721	1.3733	1.3772
April 2014 (through April 11, 2014)	1.3791	1.3897	1.3705	1.3897

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year.

(2) The average rate for each month presented is based on the average Bloomberg Composite Rate for each business day of such month.

(3) Represents the exchange rate on the last business day of the applicable period.

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

As of	EUR per NIS	
December 31, 2011	€0.2024	NIS1.00
December 31, 2012	€0.2030	NIS1.00
December 31, 2013	€0.2093	NIS1.00

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

As of	EUR per CHF	
December 31, 2011	€0.8226	CHF1.00
December 31, 2012	€0.8226	CHF1.00
December 31, 2013	€0.8161	CHF1.00

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

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

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

Year ended December 31, 2013..	€0.0183	DOP1.00

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash flow to service our debt and to control and finance our capital expenditures and operations;
- restrictions and limitations contained in the agreements governing our debt;
- our ability to raise additional financing or refinance our existing indebtedness;
- fluctuations in currency exchange rates, inflation and interest rates;
- negative changes to our credit rating;
- risks related to the Transactions and our ability to execute the Transactions in the manner and within the timetable currently envisaged;
- our ability to integrate acquired businesses and realize planned synergy benefits from the acquisitions (including, without limitation, SFR following the SFR Acquisition);
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to arise from the Tricom Acquisition, the Numericable Acquisition, the SFR Acquisition, Mobius Acquisition, the ODO Acquisition and the cost savings we expect to realize from our Network Sharing Agreement in Israel;
- the competitive environment and downward price pressure in the broadband Internet communications, television sector, fixed line telephony, mobile telephony and B2B sectors in the countries in which we operate;
- risks related to royalties payments and our licenses;

- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;

- changes in the political, judicial, economic or security environment in the countries in which we operate or will operate in the future;

- changes in consumer television viewing preferences and habits and our ability to maintain and increase the number of subscriptions to our digital television, telephony and broadband Internet services and the average revenue per household;

- capital spending for the acquisition and/or development of telecommunications networks and services and equipment and competitor responses to our products and services, and the products and services of the entities in which we have interests;

- increases in operating costs and inflation risks;

- consumer acceptance of existing service offerings, including our analog and digital video, fixed-line and mobile telephony and broadband Internet services and or multiple-play packages and consumer acceptance of new technology, programming alternatives and broadband Internet services that we may offer;

- deployment of fiber or VDSL2 networks by competitors;

- perceived or actual health risks and other environmental requirements relating to our mobile operations;

- our ability to achieve cost saving from network sharing arrangements for our mobile services in Israel;

- the availability of attractive programming for our analog and digital video services or necessary equipment at reasonable costs;

- technical failures, equipment defects, physical or electronic break- ins to the services, computer viruses and similar description problems;

- the ability of third party suppliers and vendors to timely deliver qualitative products, network infrastructure, equipment, software and services;

- our ability to protect our intellectual property rights and avoid any infringement of any third party's intellectual property rights;

- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we have recently acquired or may acquire in the future;

- any disruptions in the credit and equity markets which could affect our credit instruments and cash investments;

- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;

- changes in laws or treaties relating to taxation in the countries in which we operate, or the interpretation thereof;

- our ability to maintain subscriber data and comply with data privacy laws;

- our ability to manage our brands;

- changes in, or failure or inability to comply with, government regulations and adverse outcomes from regulatory proceedings;

- the application of law generally and government intervention that opens our fixed-line and mobile networks to competitors, which may have the effect of increasing competition and reducing our ability to reach the expected returns on investment;

- our ability to obtain building and environmental permits for the building and upgrading of our networks, including our mobile network in Israel, and to comply generally with city planning laws;
- our inability to completely control the prices we charge to customers or the programming we provide;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- our ability to integrate acquired businesses and realize planned synergy benefits from acquisitions (including without limitation the Tricom Acquisition and the ODO Acquisition);
- our ability to maintain adequate managerial controls and procedures as the business grows;
- our inability to provide high levels of customer service;
- the declining revenue from certain of our services;
- a reduction in the market price of the ordinary shares of Numericable;
- our ultimate parent’s interest may conflict with our interests;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events; and
- other factors discussed in this Notice.

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

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

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

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

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Notice is the property of its respective holder.

GENERAL DESCRIPTION OF OUR BUSINESS

This general description of our business highlights selected information contained in this Notice regarding the Group. You should read the entire Notice carefully including the "Risk Factors" and the financial statements and notes thereto included in this Notice.

In this section, unless the context otherwise requires, the terms "Altice Group", "Group", "we", "us" and "our" refers to the Issuer, its subsidiaries (including the Numericable Group and its subsidiaries, and following the Transactions these terms will also include SFR and its subsidiaries); references to "Numericable Group" are to Numericable Group S.A. and its subsidiaries as of the date of this Notice (without giving effect to the Transactions) and references to "Combined France Group" are to Numericable Group S.A. and its subsidiaries after giving effect to the Transactions, including the acquisition of SFR and its subsidiaries.

Altice Group

Overview

We are a multinational cable and telecommunications company. We conduct our activities (i) in France through the Numericable Group and (ii) in Israel, the Dominican Republic, Belgium, Luxembourg, Portugal, the French Overseas Territories and Switzerland through Altice International S.à r.l. ("Altice International"). We provide cable-based services (high quality pay television, fast broadband Internet and fixed line telephony) and (except in Luxembourg, Portugal and Switzerland) mobile telephony services to residential and corporate customers.

On April 5, 2014, Numericable Group submitted an offer to acquire SFR from Vivendi S.A. (which was selected by Vivendi's Supervisory Board and is subject to works council procedures and to certain conditions precedent, including antitrust approval) for a total consideration of € 13,500 million in cash and an approximate 20% stake in the Combined France Group which will result in the Issuer indirectly holding a 59.7% stake in the Combined France Group, after giving effect to the Transactions (see "*The Transactions*").

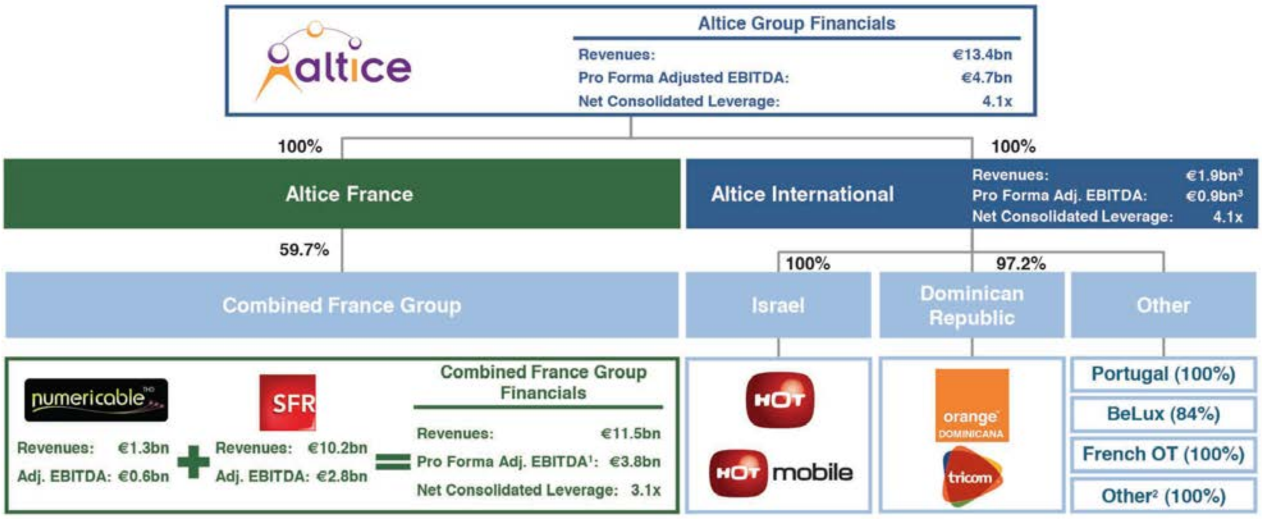
SFR is the second largest telecommunications operator in France and active in the broadband Internet, fixed and mobile telephony segments, serving the B2C, B2B and Wholesale markets in France. As of December 31, 2013, SFR had 5.2 million broadband Internet customers and approximately 21.4 million total mobile phone customers representing 28% of the total French mobile market. SFR generated combined revenues of €10,199 million and EBITDA of €2,766 million (without an add back for CVAE, a French business value-added levy) for the fiscal year ended December 31, 2013. SFR's B2C mobile business and B2C fixed line business contributed € 4,741 million and €2,132 million to revenues, respectively, in the year ended December 31, 2013 (constituting 35% and 16% of the Combined France Group's total pro forma revenue, respectively). The acquisition of SFR by the Numericable Group will result in the combination of the sole major cable operator in France with France's leading integrated fixed and mobile network operator.

Pro forma for the SFR Acquisition, the Altice Group generated consolidated revenues of €13,375 million and Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) of €4,679 million in the year ended December 31, 2013, comprised of the following:

(i) the Combined France Group generated pro forma consolidated revenues of €11,472 million and Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings) of €3,809 million and

(ii) Altice International generated pro forma consolidated revenues of €1,907 million and Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) of €868 million for the year ended December 31, 2013. See "*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA.*"

Following the Transactions, the Altice Group will own 59.7% of the Combined France Group and 100% of Altice International.



Notes:

– Financial information derived from the post-transaction pro forma financial information for the year ended December 31, 2013 and certain financial information of Tricom for such period.

– These results reflect the results of Altice Group, including Tricom, and pro forma for the acquisition of Orange Dominicana completed on April 9, 2014. Excludes €3 million EBITDA from Mobius

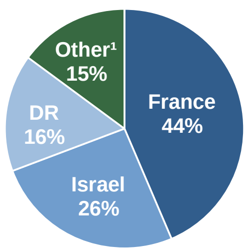
(1) Includes management estimate of €350 million of Pro Forma Synergies expected to result in the medium term from the Combination of the Numericable Group and SFR. This synergy estimate is based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

(2) Other includes the B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), the datacentre operations in France (Auberimmo) and the content production and distribution businesses in France (Ma Chaîne Sport and Sportv).

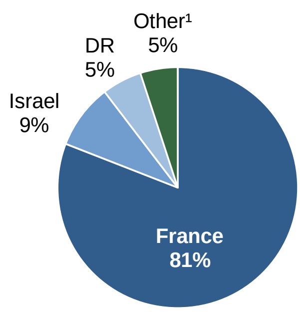
(3) Revenue excludes contribution of Tricom, which had €159 million of revenues in 2013. Pro Forma Adjusted EBITDA includes contribution of Tricom which had €51 million of EBITDA in 2013 and also includes certain synergies and HOT Mobile network sharing savings.

The table below shows our EBITDA both (i) before the SFR Acquisition and (ii) pro forma for the SFR Acquisition split by geography for the year ended December 31, 2013.

Altice SA 2013 EBITDA
Pre SFR Transaction



Altice SA 2013 EBITDA
Pro Forma for SFR Transaction



Note: Excluding synergies; including ODO and Tricom EBITDA of €173 million and €51 million, respectively.

(1) Other primarily includes Portugal, BeLux and French Overseas Territories.

We have a high quality cable and fiber based network infrastructure. In France, in the portion of Numericable's cable network that has been upgraded to Docsis 3.0 (approximately 5.2 million homes as of December 31, 2013) we are able to offer download speeds of up to 200 Mbps with the potential capacity to support download speeds of up to 400 Mbps with limited network and customer premises equipment upgrades. Following the SFR Acquisition, our cable footprint will be complemented by SFR's near national DSL presence and SFR's fiber network, which comprises 1.5 million households passed with FTTH technology and offers download speeds of up to 200 Mbps (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap). Outside France and the Overseas Territories, our cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint. Given the existing technological capability of our networks, in the short to medium term, we expect that the substantial majority of our cable networks outside the Overseas Territories will offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades.

Prior to the SFR Acquisition, we passed 14.0 million cable homes with 2.9 million Cable Customer Relationships, 6.6 million cable-based RGUs, an average of 2.3 RGUs per Cable Customer Relationship and had 5.0 million mobile telephony RGUs and 0.3 million xDSL Broadband RGUs, as at December 31, 2013. Pro forma for the SFR Acquisition, we expect our cable homes passed, Cable Customer Relationships, cable-based RGUs, and the average RGUs per Cable Customer Relationship to remain materially the same. In addition, pro forma for the SFR Acquisition, we passed 1.6 million FTTH homes with 0.2 million FTTH customer relationships and had 5.5 million xDSL Broadband RGUs and 26.3 million mobile telephony RGUs, as at December 31, 2013.

We are the largest cable television operator and the second largest broadband Internet services provider in our service areas. In France, through Numericable Group's one million digital multi-play subscribers, SFR's 197,000 FTTH subscribers and Numericable Group's 363,000 white label subscribers (through an agreement with Bouygues Telecom), the Combined France Group will be the market leader in the fixed very high speed broadband Internet market (which is defined by ARCEP as broadband Internet with above 30 Mbps speed capability) representing 60% of the total very high speed connections in France as of December 31, 2013 (78% including white label subscribers). Pro forma for the SFR Acquisition, we are the second largest mobile operator in France by number of subscribers. In a significant majority of our footprint, we are the sole major cable operator and are located in markets that we believe have a number of attractive economic and other trends for cable and mobile operators. In most of the markets in which we operate, we offer bundled triple-play services, and where possible, quadruple-play services, at attractive prices, and focus our marketing efforts on our multiple-play offerings. Our service portfolio in each of the regions in which we operate is set forth below.

The table below sets forth, on a pro forma basis for the SFR Acquisition, the services we offer in key countries in which we operate.

Key Countries of Operation	France	Israel	Dominican Republic
Bundling Strategy	4P	3P	4P
Cable Services Offered	■ Pay television ■ Broadband Internet access ■ Fixed line telephony ■ B2B services	■ Pay television ■ Broadband Internet access ■ Fixed line telephony	■ Pay television ■ Broadband Internet access ■ Fixed line telephony
Mobile Services	■ 3G/4G mobile services	■ 3G mobile services ■ iDEN mobile services[1]	■ 2G/3G/4G mobile services
xDSL Based Services/ Other Services	■ B2B services ■ Pay television ■ Internet access ■ Fixed line telephony	■ B2B services	■ B2B services ■ Pay television ■ Internet access ■ Fixed line telephony
Market Position			
Pay TV	#2	#1	#2
Broadband Internet	#1 In very high speed broadband	#2	#2
Mobile	#2	#4	#2

) We continue to provide our iDEN mobile services under the "MIRS" brand.

We enjoy strong market positions in our service area across our regions, including in the broadband Internet and pay television segments, where our cable technology enables us to offer premium digital services, attractive interactive features and local content to our subscribers. We have leveraged our unique network advantage to drive our multiple-play strategy and offer an attractive combination of content, speed and functionality at competitive prices. We experienced a significant increase in the percentage of triple-play subscribers reaching 699,000 triple-play customers outside France and the Dominican Republic as of December 31, 2013 compared to 622,000 triple-play customers as of December 31, 2012, translating into growth in RGU per unique cable customer relationship of 2.3x. Numericable also experienced a significant increase in the number of multiple-play subscribers (double-play and triple-play) in France, reaching 1.1 million as of December 31, 2013, compared to 972,000 as of December 31, 2012. In the Dominican Republic, Tricom has also experienced growth in triple-play customers. Through the SFR Acquisition, we expect to increase the number of SFR's 5.2 million DSL customers and 0.2 million FTTH customers to whom we expect to be able to upsell multiple-play products supported by the migration of part of SFR's DSL customers base to the Numericable Group's fiber network.

Cable-Based Services ARPU Growth and Multiple/Triple Play Penetration

	2011	2012	2013
France (Numericable)(1)			
ARPU (€)(2)	40.4	40.7	41.5
Growth (%)(3)	3.6	0.7	2.0
Multiple Play Penetration (%)(8)	68	73	77
Israel(4)			
Cable ARPU (€)	42.4	44.4	47.6
Growth (%)(3)	3.9	4.7	7.2
3P Penetration (%)	28	34	40
Dominican Republic(5)			
Cable ARPU (€)(6)	22.0	21.5	19.7
Growth (%)(3)	N/A	(2.3)	(8.4)
3P Penetration(%)(7)	9	13	16

(1) Represents operating measures of the Numericable Group (over which we acquired control as a result of the Numericable Acquisition in January 2014), including the cable services provided to customers under the Numericable brand and B2B services offered under the Completel brand. For France (Numericable), ARPU does not reflect ARPU from white label end users or bulk subscribers but includes ARPU from mobile services. France (Numericable) does not include operating measures of SFR, which provides xDSL based services and whose acquisition by us is currently subject to certain customary closing conditions including regulatory approval in France.

(2) Represents individual digital subscribers ARPU.

(3) Represents year-on-year growth.

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

(5) Dominican Republic represents Tricom (in which we acquired a controlling interest in March 2014).

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

(7) Blended 3P penetration in the Dominican Republic is shown for cable and xDSL/non cable based customers.

(8) Defined as multi-play subscribers/Digital individual subscribers and analog TV individual subscribers, as per Numericable's reporting.

We aim to maximize return on our investments by defining and implementing our investment strategy, IT and network planning as well as procurement initiatives at the Group level. We have implemented common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. We have also achieved substantial reductions in our operating expenses as we implemented the same best practice operational processes across our organization. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and improved pricing of the same television content. We believe sharing of best practices across our regions and implementation of group synergies is a key driver of our operational performance improvements, operating margin increases and organic cash-flow growth. The roll-out of LaBox, our most advanced set-top box, across Western Europe and Israel after a successful launch in France, is evidence of our focus on optimization and our ability to develop common areas to further drive the Group's efficiency. As a result of acquisitions and the operational improvements to existing and acquired businesses, we have grown our EBITDA and our profitability and operational cash flow substantially over the past three years. For the year ended December 31, 2013, our total Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) was € 4,679 million, our Pro Forma Adjusted EBITDA margin was 35%, and our Pro Forma

Adjusted EBITDA less capital expenditures amounted to €2,350 million. In addition, the growth in EBITDA, profitability and operating cash flow of businesses we have acquired reflects our expertise in turning around such businesses. In France, we have played a key role in consolidating the fragmented cable sector around the Numericable Group, and have successfully expanded into the B2B segment through the acquisition of Completel, driving further expansion of the combined EBITDA margin to 52.5% for the six months ended June 30, 2013. We believe that the SFR Acquisition will allow us to continue to drive expansion of the EBITDA margin. In our Israeli business, following the acquisition of control by the Group over HOT in 2011, HOT's cable EBITDA margin increased to 55.1% for the year ended December 31, 2013, compared to 41.8% in 2011. Additionally, in our Portuguese business, following the acquisition of control by the Group over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.9% for the year ended December 31, 2013 compared to 14.2% in 2011. With our proven integration and turnaround expertise, we believe we will realize synergies in the medium term through the SFR Acquisition.

Combined France Group

SFR Acquisition/Transaction Overview

The acquisition of SFR by the Numericable Group will result in the combination of the sole major cable operator in France with a leading integrated fixed and mobile network operator in France. We believe the Combined France Group will benefit from network, operating and other synergies which will allow the Combined France Group to reallocate capital expenditures to accelerate investments in fiber roll-out and thus foster products and services innovation to better address increasing customer demand for higher speeds and "next generation" services. This combination will create the leading alternative telecommunications operator in France in all key segments of the French telecommunications market: B2C Fixed, B2C Mobile, B2B services, and Wholesale services. The Combined France Group will also become the largest telecommunications company to an incumbent in Europe by revenues, with combined pro forma revenues of €11,472 million for the year ended December 31, 2013, generating Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings) of € 3,809 million in the year ended December 31, 2013.

Services Offered

Pro forma for the SFR Acquisition, we will be the leading alternative telecommunications operator in France in all key segments of the French telecommunications market: B2C Fixed, B2C Mobile, B2B services and Wholesale services.

B2C Fixed. The Combined France Group's B2C services will combine Numericable Group's cable and fiber footprint covering 9.9 million households, out of which 8.5 million are triple-play enabled and 5.2 million are fiber enabled, with SFR's DSL network covering 23 million households and SFR's fiber network covering 1.5 million households (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap). The Combined France Group will be a leading triple-play and mobile operator for residential customers and will operate what we believe will be the leading fiber network in France capable of delivering download speeds of up to 200 Mbps and allowing for the distribution of premium TV content (e.g. HDTV, 3D-TV) and services, generating higher value for its triple play offerings. Through Numericable Group's 1.0 million digital multi-play subscribers, SFR's 0.2 million FTTH subscribers and Numericable Group's 0.4 million white label subscribers (through an agreement with Bouygues Telecom), the Combined France Group will be the market leader in the fixed very high speed broadband Internet market (which is defined by ARCEP as broadband Internet with above 30 Mbps speed capability), representing 78% of the total very high speed connections in France as of December 31, 2013 (Source: ARCEP). We believe the extensive, high quality, fiber based network will provide the Combined France Group with the scale to offer triple-play services and very high speed services at competitive prices. Based on total broadband homes of 24.9 million as of December 31, 2013 (Source: ARCEP), SFR and the Numericable Group had a market share of the French broadband market of approximately 21% and 4% respectively, while Numericable's penetration of homes passed was 17%. We believe the Combined France Group will be well-positioned to migrate a portion of SFR's DSL customers and to attract new customers to the Numericable Group's high quality fiber services within its footprint and to reallocate capital expenditures planned by SFR to accelerate fiber roll-out. Furthermore, we expect the Combined France Group to continue to offer bundled packages, including pay television, broadband Internet and fixed-line telephony products currently offered by the Numericable Group, and will be able to provide competitive convergent packages by adding SFR's mobile services.

B2C Mobile. The Combined France Group will be the second largest mobile operator in France by number of subscribers, offering B2C mobile telephony and/or data services to SFR's 14.6 million B2C mobile customers as of December 31, 2013. We believe that SFR's strong market position in the mobile segment will allow the Combined France Group to be a leading convergent operator in France, with an attractive quadruple play offering based on innovation and leveraging best-in-class fixed and mobile networks to address the increasing demand for speed and bandwidth. We expect that the Combined France Group will also be able to cross sell

Numericable's best-in-class fixed products to SFR's subscribers. We also believe that the SFR brand, present in France for over 25 years, is well known for network reliability and high quality customer care. SFR is adapting to the changing French telecoms landscape, which has been marked by the arrival of a fourth player in 2012, by implementing a simplified business model and customer offering. As of December 31, 2013, SFR's network covered over 40% of the French population with 4G and over 99% with 3G. SFR generated B2C mobile revenues of €4,741 million for the year ended December 31, 2013.

B2B Services. In the B2B segment, the combination of the Completel and SFR Business Team brands will create the largest alternative operator to the incumbent in France. The Combined France Group will benefit from strong customer relationships with blue chip clients and public sector entities, and will have capacity to address the increasing demand from mid-sized companies for more sophisticated voice and data services. The Combined France Group will offer data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, mobile telephony and voice services, including voice, VoIP and Centrex. The Combined France Group will benefit from an extensive combined fiber and DSL network in France, with a market share of approximately 20% in the B2B segment as of December 31, 2013 according to our estimates.

Wholesale Services. In the Wholesale segment, the Combined France Group will be the leading alternative national wholesale player, offering fixed and mobile voice and data wholesale carrier services, fiber network infrastructure-based wholesale services and triple-play DSL white label packages. The Combined France Group will offer a wide product portfolio to a broad base of national and international operators. The Combined France Group will serve as the main competitive alternative to the incumbent, addressing the entire spectrum of the wholesale market in France, providing services to local, national and virtual operators, as well as international operators operating in France.

Complementary Networks and Industrial Logic

We believe the Combined France Group's two highly complementary premium networks will create the broadest and most advanced integrated convergent network among alternative players in Europe. The complementary nature of the two networks is evidenced by:

- *A comprehensive fixed backbone.* The Combined France Group will combine SFR's national long distance fiber infrastructure, including approximately 50,000 kilometers of fiber lines and more than 160 MANs with Numericable Group's 80 MANs, creating a dense and comprehensive fiber backbone in France.

- *The leading local access fiber network in France.* As of December 31, 2013 each of SFR and the Numericable Group served 1.5 million and 5.2 million households with FTTH or FTTB technology respectively (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap), reinforcing the Combined France Group's focus on very high speed access products and services. We believe that the Numericable Group has the most advanced fiber network for residential customers in France, with approximately 5.2 million households currently serviced by fiber. This will be combined with SFR's current 1.5 million homes passed by fiber and 6,200 ADSL broadband Internet customer access nodes, strengthening the reach of the Combined France Group's fiber network and providing the opportunity to migrate DSL customers to the combined fiber network. The Combined France Group will target to reach 12 million households served by fiber by 2017.

- *A state-of-the-art mobile network.* SFR's national mobile telephony network is comprised of more than 18,000 sites at the end of 2013, covering more than 99% of the French population with 3G services and more than 40% of the French population and 1,200 cities with 4G services. At the end of 2013, SFR operated 1,034 4G 800 Mhz antennas which offer enhanced indoor coverage and superior signal quality. It also has 790 4G antennas in 2.6 GHz frequency. On January 31, 2014, SFR and Bouygues signed a strategic network sharing agreement. The two operators are to roll out a new shared mobile network over an area covering 57% of the population. This agreement will enable both operators to improve their mobile coverage and generate significant savings. The agreement is effective upon signature with the creation of a joint venture, and the shared network is expected to be completed by the end of 2017.

We believe that synergies realized as a result of the combination of the Combined France Group's network assets will be an important contributor to the Combined France Group's future revenue growth and profitability.

Our Competitive Strengths

We believe that we benefit from the following key strengths:

We are one of the leading cable-based communications groups benefitting from significant scale. After giving effect to the SFR Acquisition, we had €13,375 million of revenues and €4,679 million of Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) in the year ended December 31, 2013 and are one of the largest cable groups in the world outside of North America. We have made Pro Forma capital expenditures of €2,329 million in the year ended December 31, 2013, resulting in a Pro Forma Adjusted EBITDA less Pro Forma capital expenditures balance of €2,350 million in the year ended December 31, 2013. We benefit from significant scale with 12.4 million cable/FTTH/DSL RGUs and 26.3 million mobile customers, after giving effect to the SFR Acquisition. Our scale allows us to realize operational performance improvements, operating margin increases and organic cash flow growth by sharing best practices across our regions and implementing group synergies.

We enjoy leading positions in the pay television and broadband Internet markets in our service areas which have favorable dynamics for cable operators, with over 80% of our EBITDA coming from Western Europe. We are the largest cable television operator and the second largest broadband Internet services provider in our service areas. In a significant majority of our footprint, we are the sole cable operator. We are located in markets that we believe have a number of attractive economic and other trends for cable and mobile operators. In France, we are also the leading provider of very-high-speed (defined as speeds over 30 Mbps) Internet services to residential customers, a nascent but growing market, as we leverage one of the most extensive last mile HFC and FTTH networks in Europe. In Israel, we benefit from nationwide cable network coverage, a unique feature in the cable sector, which we believe provides us with significant penetration upside potential. In a majority of our footprint we benefit from relatively high levels of GDP per capita, high population density and strong demographic and population growth trends. All of the countries in which we currently operate have historically had high consumption of television and high pay television penetration combined with a relatively weak free-to-air television proposition. Broadband Internet penetration in our footprint, and in particular in France, Israel, Belgium and Luxembourg, also compares favorably with most other West European markets. Following the ODO Acquisition, we now own the leading cable operator in the Dominican Republic and believe we are well-positioned to capture growth in that market from increased penetration of our cable-based services. After giving effect to the SFR Acquisition, our operations in Western Europe accounted for 69% of our Pro Forma revenues and 84% of our Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) for the year ended December 31, 2013.

We believe that we benefit from a fixed network advantage in each of our markets and following the Combination will have the broadest and most advanced mobile network among alternative players in France. We own our HFC networks that are Docsis 3.0 enabled for the majority of cable homes we pass, including 100% in Israel and 51% in France (before giving effect to the SFR Acquisition), our two largest markets, which allow us to offer attractive and competitive services in terms of picture quality, speed and connection reliability. Outside France and the Dominican Republic, where network upgrades are currently underway, we are able to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. Given the existing technological capability of our networks, in the short to medium term, we expect to offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades. We currently have a network advantage in terms of download speed across approximately 80% of our service area across geographies (excluding the Dominican Republic) and, specifically in Israel, where we expect to continue offering faster speeds than our competitor’s legacy technology and at par with it in areas where it has deployed FTTH. We believe the Combined France Group’s network will be the only alternative core end-to-end network with extensive local loop infrastructure within Numericable’s footprint in France, and will be complemented by SFR’s DSL presence and its leading long-distance fiber network. This highly advanced fiber-based network provides high download speeds and includes a powerful backbone. The Combined France Group will own a modern cable network and benefit from a first-mover advantage with respect to fiber in France. In the B2C segment, the Numericable Group’s FTTB/EuroDocsis 3.0-enabled network provides customers with a current download speed of up to 200 Mbps, passing approximately 5.2 million homes as of December 31, 2013, representing approximately 53% of Numericable’s total homes passed, while SFR’s fiber network passed 1.5 million homes (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap). The number of homes passed by the FTTH roll-out of Orange, Bouygues and Free has remained much lower (with Orange reporting 2.6 FTTH connectable homes as of December 31, 2013) and the Combined France Group will aim to increase its technological advantage by passing more than 12 million homes with fiber by 2017. We believe that the combination of Numericable Group and SFR will allow the Combined France Group to significantly increase the penetration of very high-speed fiber services within its footprint, in particular through the migration of SFR DSL customers to the Numericable Group’s cable network. We believe that with our HFC technology we are well positioned for future technological developments making it possible for us to increase broadband Internet download and upload speeds exceeding those offered by the current FTTH technologies, without making significant additional investments. In addition, through SFR’s mobile network, we believe the Combined France Group will have the broadest and most advanced mobile network among alternative players in France. At the end of 2013, SFR’s network was comprised of more than 16,500 3G active antennas with 3G coverage of 99% of the French population as of December 2013, the highest 3G coverage in France. At year-end 2012, SFR was the first French operator to make 4G very-high-speed mobile Internet available to both retail and business customers and as of December 2013. As of December 2013, SFR had a 4G coverage in France of over 40% of the population, and operated 1,034 4G antennas on its 800 Mhz band offering, which has enhanced indoor coverage and quality. SFR is also replacing a large number of its antennas by single-RAN technology (2G, 3G, 4G) with fiber transmission. We believe this replacement will reduce maintenance costs and ensure a long-term quality infrastructure.

The following table sets forth the key characteristics of our cable network:

	Altice Key Geographies			**European Peers**		
	France (Numericable)	**Israel**	**Dominican Republic**	**Ziggo**	**Telenet**	**KDG**
Cable Network Capacity	862MHz(1)	600 - 862 MHz	Primarily 750 - 1,000 MHz(2)	862 MHz	600 MHz	Mainly 641 MHz
Docsis 3.0 Upgrade (%)	51	100	78(3)	100	100	95
Homes Passed per node...............	~200	~1,250	~750	1,500	~650	>1,000
Advertised Speed (Mbits)	30 - 200	30 - 100	1 - 100	20 - 150	60 - 120	10 - 100

(1) 85% of the homes connected to the Numericable Group’s network benefit from an 862 MHz frequency.

(2) 80% of Tricom’s cable network as of June 30, 2013.

(3) As of September 30, 2013.

We are a leading multiple-play provider of cable-based services in our markets with substantial cross-sell and up-sell opportunities in fixed, mobile and B2B. Building on our technologically advanced networks and innovative offerings, we have developed leading positions in our markets in multiple-play offerings by selling our differentiated pay television, high speed broadband Internet, fixed line telephony and, except in Portugal, mobile telephony services as bundles which we offer to our customers at attractive prices. We believe the strength of our pay television, broadband Internet and fixed telephony businesses and our ability to offer advanced mobile telephony services makes us well positioned to increase penetration of multiple-play and premium packages. We believe that continued focus on our bundling strategy and increasing our triple-play or, where possible, quadruple-play penetration will enable us to grow our cable-based services ARPU. The demand for high speed Internet, fixed mobile convergence and high quality content together with opportunities provided by leveraging our networks as a result of the SFR Acquisition and ODO Acquisition are key drivers of our cross-sell and up-sell strategy.

We expect substantial growth in demand for high speed Internet. According to IDC, worldwide demand for high-speed broadband Internet is expected to increase by 2.6 times between 2013 and 2016. We believe that we are well positioned to capitalize on this trend as we offer download speeds of at least 100 Mbps to substantially all homes passed in our footprint (other than the portion of homes passed in France and the Overseas Territories that are currently not Docsis 3.0 enabled).

We are the leading multi-play provider of very-high-speed broadband Internet services in France, providing upsell opportunities in fixed and mobile. Building on our technologically advanced network and innovative offerings, we have developed leading positions in multiple-play offerings by selling differentiated pay television, very-high-speed broadband Internet, fixed line telephony and mobile telephony products as bundles which we offer to customers in France at attractive prices. We believe the strength of our pay-TV, broadband Internet and fixed telephony businesses and the enhanced ability to offer advanced mobile telephony services positions continue to increase the penetration of multiple-play and premium packages in France. We expect that a bundling strategy and increasing the triple-play and quadruple-play penetration the Combined France Group will be able to grow its cable/ FTTB-based services ARPU. The Combined France Group’s leading quadruple play offers will also target reducing churn, with churn levels of quadruple play customers typically being significantly lower than that of the overall customer base. In addition, the Numericable Group’s network will be complimented by SFR’s fiber network and will enable the Combined France Group to provide customers serviced by its cable network with very-high-speed broadband Internet, currently with speeds of up to 200 Mbps, the highest available on a large scale in the French market. The Numericable Group’s network has been built and upgraded specifically to address the increasing speed and bandwidth requirements of our customers. The targeted migration of a part of SFR’s 5.2 million fixed broadband Internet customers onto the Numericable Group’s network provides an opportunity to significantly grow penetration on the Numericable Group’s network, to reduce cost for renting of the last mile and create upselling opportunities.

Pro forma for the SFR transaction, we will have a fully integrated fixed mobile business in our three key geographies. We own and operate 3G and or 4G mobile networks in Israel and in the French Overseas Territories which, in each case, benefit from synergies with our cable networks, whereas in France and Belgium we currently complement our fixed-line products with mobile offerings through MVNO arrangements. Through SFR’s mobile network acquired as part of the SFR Acquisition, the Combined France Group will be able to provide its customers with access to one of the most advanced 4G mobile offers in the market, offering significant speed increase and benefits in terms of latency. Finally, having completed the ODO Acquisition, we now have significant mobile network operations in the Dominican Republic.

We have a premium, high quality content offering in all of our markets. In Israel, we co-develop and co-own high-quality original local content together with local producers and broadcast it on our proprietary channels. We believe that our high-quality proprietary local content, along with high-quality local content we purchase and our distinctive brand enable us to attract new and retain existing subscribers to our cable based services. We believe that the Combined France Group will be able to offer its customers significant advantages in terms of content. It has direct long-term relationships with the major content providers and television channel suppliers, and is currently the only broadband Internet provider contractually able to offer premium content in a single-bill bundle (shared exclusively with CanalSat). The Combined France Group's offerings will include an extensive array of HD channels as well as the largest VOD catalog in the market, with over 30,000 shows and movies available by aggregating all VOD packages available in France in a crisp, user friendly interface.

In the Dominican Republic, we expect to increase revenues by cross-selling Tricom's high-speed broadband Internet and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilize both companies' product sets and networks. We also have an opportunity to upsell ODO's DSL customers to Tricom's cable network.

We benefit from strong Adjusted EBITDA margin and scalable capital expenditures translating into strong organic cash flow growth. On a historical consolidated basis, our Adjusted EBITDA as a percentage of revenues increased from 28.7% in fiscal year ended December 31, 2010 to 40.3% in the fiscal year ended December 31, 2013, primarily as a result of operational efficiencies implemented by us across the organization in addition to acquisitions of higher margin businesses. The operational efficiencies have been complemented by efficient capital expenditure as the majority of our homes passed by cable are Docsis 3.0 enabled, including 100% in Israel and 51% in France (before giving effect to the SFR Acquisition), our two largest markets, making cable based business's capital expenditures largely success driven, including network upgrades and customer acquisition related investments. Following the SFR Acquisition we will control 59.7% of the Combined France Group and will be able to set its dividend policy and be entitled to receive dividends, if any, declared by the Combined France Group that reflect our proportionate ownership of the Combined France Group. For the year ended December 31, 2013, based on the Post-Transaction Pro Forma Financial Information, we generated Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) as a percentage of revenues of 35% and Pro Forma Adjusted EBITDA less capital expenditure, as a percentage of Pro Forma Adjusted EBITDA, of 50%. We will continue to invest in selected areas where we believe there are attractive opportunities to generate strong returns over time and further increase our cash conversion, including the upgrade of the portion of our cable network in France and our cable network in the French Overseas Territories of Guadeloupe and Martinique as well as in the Dominican Republic.

We have a proven track record of making attractive acquisitions and of unlocking value through operational excellence. Our entrepreneurial culture and efficient decision making processes allow us to quickly react to changes in our operating environments and to seize business opportunities as they arise. We have historically been able to acquire fixed networks operators in our existing footprint and in new attractive markets and create value through operational synergies. We have expertise in operating cable operators in numerous countries and business environments, with consistent focus on fostering cash-flow growth. In our acquired businesses, we have been successful at optimizing costs, capital expenditures, internal processes and outsourcing certain functions while preserving and enhancing the quality of service we provide to our subscribers. For example, in France, we have played a key role in consolidating the fragmented cable sector around the Numericable Group, and successfully expanded into the B2B segment through the acquisition of Completel, driving combined EBITDA margin to 46.8% in 2013 (up 3.0% from 2011). Similarly, in our Israeli business, following the acquisition of control by the Group over HOT in 2011, HOT's cable EBITDA margin increased to 55.1% for the year ended December 31, 2013 (up from 41.8% in 2011) and in our Portuguese business, following the acquisition of control by the Group over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.9% in the year ended December 31, 2013 compared to 14.2% in the year ended December 31, 2011. We believe the SFR Acquisition will provide us with significant scope to unlock value and realize synergies through operational excellence. We expect to realize operational synergies from the optimization of procurement, marketing spending, including the convergence to a unique brand, and IT through simplification of processes and offerings.

We have an experienced management team with a long term industry track record. We manage our business by combining the expertise of the Altice senior management team with the local expertise of the managers of our operating subsidiaries who have significant experience managing day-to-day operations at cable and telecommunications companies. We are supported by an entrepreneurial shareholder and executive chairman of our Board, Patrick Drahi, founder of Altice, with 20 years of experience owning and managing cable and telecommunications companies globally. Among Mr. Drahi's achievements is the roll-up of the French cable and telecom market into Numericable and Completel. The Altice senior management team has extensive experience in the cable and telecommunications sectors. Before joining Altice in 2009, Dexter Goei (CEO) worked for 15 years in investment banking, most recently as Co-Head of the Media & Telecommunications Group for Europe, Middle-East and Africa at Morgan Stanley. Before joining Altice in 2012, Dennis Okhuijsen (CFO) worked for 17 years in the cable sector with UPC, UGC and Liberty Global, most recently as Group Treasurer of Liberty Global. Before joining Altice in 2005, Jérémie Bonnin (General Secretary) worked for 7 years at KPMG in Transaction Services. Before joining Altice in 2013, Max Aaron (General Counsel) was a partner at Allen & Overy for over 14 years focusing on capital markets transactions.

Numericable Group's management has extensive experience in the cable and telecommunications industry and in the French market in particular. Eric Denoyer has been CEO of the Numericable Group since January 2011. Prior to this, he was general manager of Completel's wholesale division. Thierry Lemaitre has been the Numericable Group's CFO since May 2010. Prior to joining the Numericable Group, he acted as CFO of Rentabiliweb, Streamezzo and held various positions with the France Télécom Group.

Our Strategy

The key components of our strategy are to:

Organically grow operating margins and cash flow by leveraging our operational expertise and group synergies. We have a successful track record of improving the performance of cable and telecommunication operators across geographies. We expect to continue to grow our operating margins by focusing on cost optimization and increasing economies of scale and operational synergies as our group develops. In addition, we also aim to reduce churn by continuously improving our service quality, bundling and subscriber satisfaction, which we expect to drive growth in our operating margin. Furthermore, we expect to realize further economies of scale in capital expenditures as our Group expands and our bargaining power increases. In addition, we believe in-market consolidation opportunities and related synergies will continue to drive our profitability and cash-flow expansion.

The Combined France Group will aim to leverage operational efficiencies and economies of scale created by the combination. We believe that the Transactions have a strong industrial logic through the combination of two complementary companies. We also expect that the combination will create opportunities to realize both cost and capital expenditure synergies in various areas including network, B2C, B2B, and operations.

Network synergies. Network synergies include: (i) elimination of unbundling fees paid to Orange for access to the local loop in areas where the Numericable Group has fixed network coverage, (ii) closure of Completel's B2B DSL network, which we expect will be replaced by SFR's nationwide DSL network, and (iii) optimization of SFR's base station connectivity and backhaul on the Numericable Group's network.

B2C synergies. B2C synergies include: (i) the overall simplification of the Combined France Group's product offering, (ii) sales and distribution processes and (iii) the sale of the Numericable Group's premium pay television and other services to SFR's existing customer base.

B2B synergies. B2B synergies include: (i) improvements of the commercial and operational efficiency through strong economies of scale, (ii) redeployment of the B2B sales force in order to address new potential clients that are not currently covered by the Combined France Group and (iii) targeted churn reduction.

Other operational synergies. The Combined France Group expects to realize savings from the combination of the information systems, financial control and accounting, customer service, sales operations, marketing and branding costs and technical costs of the Numericable Group and SFR.

Management estimates that the total annual cost synergies impacting EBITDA which are expected to result in the medium term from the Transactions is in excess of €350 million. However, this synergy estimate is based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

In the Dominican Republic, in March 2014, we completed the acquisition of Tricom, a cable and fixed line as well as mobile services provider, and in April 2014 we completed the ODO Acquisition, a mobile and wireless broadband Internet services provider, which we believe will enable us to build an integrated fixed line and mobile infrastructure, provide us with substantial cross-sell and up-sell opportunities and we believe will allow us to grow operating margins by realizing operating expense and capital expenditure savings in the Dominican Republic.

Further increase of multiple-play penetration and ARPU by providing new and existing customers with additional products and services, including attractive mobile products wherever profitable. We believe that our state-of-the-art networks across our markets provide us with a strong technological infrastructure for delivering high-quality television, higher speed Internet and triple and, where permitted, quadruple-play services at attractive prices. We believe that fixed network leadership, operational excellence and multiple-play strategy are key success factors in our end markets. We have successfully increased triple-play penetration, as reflected by the growing number of RGUs per customer relationship across geographies (excluding France and the Dominican Republic) from 2.05x as of December 31, 2011 to 2.29x as of December 31, 2013. At Numericable, the number of our multiple-play subscribers has increased from 972,000 as of December 31, 2012 to 1 million as of December 31, 2013. Our strategy is to continue to increase our multiple-play customer bases by attracting new customers and cross-selling our existing cable-based services customer base with mobile services in all of the countries in which we operate except Portugal and Luxembourg. In France, following the SFR Acquisition we have an attractive opportunity to migrate part of SFR's 5.2 million fixed broadband customers onto the Numericable Group's network. This will allow us to leverage our network infrastructure, access to premium content and SFR's large customer base and premium brand name, to offer our existing and new B2C customers compelling bundled triple and quadruple play packages in the French market, where we will be the only player in our coverage area capable of bundling the highest broadband speeds in the market and premium pay-TV content into single-bill packages. We will also leverage up-selling opportunities to maximize ARPU by increasing penetration of certain services, such as higher speed broadband Internet, premium content or value added interactive services, such as VoD and PVR. We believe that we will be able to convert a significant part of SFR's existing xDSL customer relationships into cable-based customer relationships with additional services and potentially higher ARPU.

Leverage our networks to address new growth opportunities including B2B and mobility. We believe that our dense cable network infrastructures supported by fiber backbones ideally position us to service new demand arising from corporate customers and to benefit from the convergence of fixed-mobile usage without significant capital investment and at very competitive pricing. We aim to leverage our cost-efficient infrastructures to offer tailored data solutions and capture profitable growth in these markets, thereby maximizing the return on our network assets. As the B2B telecommunications market shifts to next generation services, including IP VPN, hosting or cloud services, which are more bandwidth-intensive and complex, we will look to expand opportunistically in the B2B businesses, which offer important economies of scale and synergies with our B2C operations. The significant opportunity stemming from such development is evidenced by the successful integration of Completel with the Numericable Group in France. We plan to continue to expand our presence in the B2B segment in France following the SFR Acquisition by providing next generation services which require high bandwidth, and offer higher margins. We believe our French fiber network is both powerful and flexible, with its high capacity bandwidth ready to offer these next generation services but we believe also fully adaptable to future services that will require even greater bandwidth capacity and reliability. We intend to capitalize on the combination of our powerful network and expertise in critical network architecture to grow our customer base and increase our offering of higher margin data products in France. We expect to continue to increase our market share in the B2B segment from approximately 20% (on a Combined France Group basis according to our internal estimates) by strategically redeploying our sales force in order to fully address all B2B market sub-segments.

In addition, as mobile Internet traffic is expected to grow at an average 68% growth rate between 2012 and 2017 (according to a Cisco VNI 2013 study) primarily driven by development of smart devices supporting multiple wireless technologies, we believe our high capacity backbone will be a differentiating factor as it enables us to offer a compelling backhaul offload offering at limited cost to MNOs. Following the SFR Acquisition, we will become the second leading mobile operator in France with 21 million subscribers as of December 31, 2013. We believe that this will enable the Combined France Group to drive growth by leading the French market in quadruple play, convergence and innovation, supported by the power of the SFR brand and the enhanced multi-channel presence.

Generate value through disciplined acquisition strategy and proven integration capabilities. We deploy capital opportunistically across our portfolio through value enhancing acquisitions with the aim of generating strong cash flow and operational synergies in the cable and telecommunication sector. We target operators with what we believe to be quality networks in attractive markets from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. Our capital structure and the terms of the agreements governing our debt enable us to execute our acquisition strategy by being agile and opportunistic in a fast evolving environment. We have strong integration capabilities. For example, in France, we acquired Completel in 2007 and have significantly improved its profitability while enabling it to grow substantially. In Israel, we improved our cable margin from 38.0% in 2010 to 45.0% in 2012. In our Portuguese business, following the acquisition of control by the Group over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.9% in the year ended December 31, 2013 compared to 14.2% in the year ended December 31, 2011. The SFR Acquisition represents a further meaningful extension of this strategy through an ability to realize value through network, B2C, B2B and operational synergies on a significant scale relative to our previous transactions.

Group Summary Financials

The table below summarizes the development in our revenues, Adjusted EBITDA and Adjusted EBITDA less capital expenditures in the periods indicated:

	Historical Consolidated Financial Information(1)			Illustrative Aggregated Selected Financial Information(2)		Post-Transaction Pro Forma Financial Information(3)
	For the year ended December 31,			For the year ended December 31,		For the year ended December 31,
	2011	2012	2013	2011	2012	2013
	€ in millions					
Revenue	784.2	1,092.4	1,286.8	1,426.2	1,441.8	13,375.3
Adjusted EBITDA(4)	303.8	406.9	518.8	503.2	497.9	4,204.2
Capital Expenditures(5)	189.8	347.0	295.5	293.8	397.8	2,302.5
Adjusted EBITDA less Capital Expenditures	114.1	59.9	223.3	209.4	100.2	1,901.7
Pro Forma Adjusted EBITDA (including Pro Forma Synergies, HOT Mobile Network Sharing Savings and Tricom EBITDA)(6)						4,678.7
of which Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)(7)						3,809.1
of which Pro Forma Adjusted EBITDA (International) (including Pro Forma Synergies, HOT Mobile Network Sharing Savings and Tricom EBITDA)						868.2
of which Intercompany Adjustments						1.4

(1) Prior to the Numericable Acquisition which was completed in February 2014, primarily reflects the operating results of Altice International excluding Tricom, Mobius and ODO.

(2) The Illustrative Aggregated Selected Financial Information does not aggregate or incorporate any financial information of Tricom, Mobius, ODO, the Numericable Group or SFR.

(3) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO, the Numericable Group and SFR. It does not give pro forma effect to the acquisition of Tricom or Mobius.

(4) Adjusted EBITDA is defined as operating income before depreciation and amortization, goodwill impairment, management fees, other expenses, net and reorganization and non-recurring costs (EBITDA) and before equity based compensation expenses. Adjusted EBITDA is unaudited. We believe that these measures are useful to readers of our financial as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group and SFR).

(5) For the Post-Transaction Pro Forma Financial Information, capital expenditures have been calculated by aggregating the Group's capital expenditures based on the Pre-Transaction Pro Forma Financial Information, the capital expenditures of ODO based on the historical financial statements of ODO, the capital expenditures of the Numericable Group (based on the historical combined financial statements of Numericable) and the capital expenditures of SFR (based on the historical standalone financial statements of SFR). For the years ended December 31, 2012 and 2013, ODO's total capital expenditures were €73.2 million and €58.5 million, respectively. For the years ended December 31, 2012 and 2013, the Numericable Group's total capital expenditures were €285.7 million and €319.8 million, respectively. For the years ended December 31, 2012 and 2013, SFR's total capital expenditures were €2,736 million and €1,610 million, respectively.

(6) For reconciliation of Pro Forma Adjusted EBITDA to Adjusted EBITDA, Total Finance EBITDA to Pro Forma Adjusted EBITDA (France) and Total International EBITDA to Pro Forma Adjusted EBITDA (International) see "*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*".

(7) We will own 59.7% of the Combined France Group following the Transactions.

Recent Developments

Initial Public Offering of the Issuer

On January 31, 2014, the Issuer, a newly incorporated Luxembourg entity and the new ultimate parent company of the Group, listed its shares in an initial public offering on Euronext Amsterdam. As part of the offering, the Issuer listed 203 million shares at an offering price of €28.25 per share. The primary offering consisted of the issuance and sale of a total amount of 26.5 million shares in the newly incorporated company and yielded proceeds of €750 million, and the secondary offering consisted of the sale of 19.6 million pre-existing shares by Next L.P. and yielded proceeds of €555 million. The proceeds were mainly used to finance the acquisition of a controlling stake in Numericable by Altice France, a wholly-owned subsidiary of the Issuer, for a total amount of €317.7 million (including acquisition tax), the buyout of limited partners who had invested in Next L.P for a total amount of €141.9 million (including accrued interest), the repayment of a vendor loan relating to MCS of €13.9 million, repayment of other debt relating to its holding companies, amounting to €34.3 million, with the remaining amount was kept as cash on balance sheet for an amount of approximately €221 million (excluding certain IPO fees) of which a portion was used for the Orange Dominicana acquisition. Initial listing occurred on January 31, 2014 and settlement of the proceeds occurred on February 5, 2014. On February 6, 2014, the underwriters in the initial public offering announced that they would fully exercise the over-allotment option, resulting in the sale of 6.9 million additional secondary shares and bringing the total proceeds to €1,501 million. As of April 10, 2014, the Issuer had a market capitalization of € 7.3 billion, excluding the intended equity issuance of up to approximately €569 million by the Issuer and an additional issuance of €778 million in value of shares to Cinven and Carlyle in exchange for certain of their shares held by them in Numericable.

Dominican Republic Acquisitions

ODO Acquisition

On November 26, 2013, Altice Bahamas (a wholly owned indirect subsidiary of Altice International) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), entered into a share purchase agreement (the "ODO Acquisition Agreement") pursuant to which Altice Bahamas agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the "ODO Sellers"), and the ODO Sellers agreed to sell to Altice Bahamas or one of its subsidiaries, on completion of the ODO Acquisition, substantially all of the outstanding share capital of ODO. The total consideration for the ODO Acquisition is $1,435 million (including $61 million for branding fees) less certain agreed adjustments and subject to final working capital and cash balances on the Completion date of the ODO Acquisition. The ODO Acquisition was completed on April 9, 2014.

Tricom Acquisition

Pursuant to an agreement dated October 31, 2013, between Altice Caribbean (a wholly-owned indirect subsidiary of Altice International) and Hispaniola Telecom Holdings, Ltd. (the "Tricom Sellers"), a company controlled by Amzak Capital Management and Inversiones Bahía, (the "Tricom Purchase Agreements"), on March 12, 2014 Altice Caribbean, through one of its subsidiaries (the "Tricom Purchaser") purchased all of the outstanding equity interests in each of Tricom S.A. and Global Interlinks Ltd. (together, "Tricom") from the Tricom Sellers (the "Tricom Acquisition"). The total consideration payable by Altice Caribbean for the Tricom Acquisition was $405 million. The Tricom Sellers agreed to reinvest approximately $20 million of proceeds of the Tricom Acquisition in Altice Bahamas, through the subscription of Class B Shares representing 2.8% of the outstanding shares of Altice Bahamas. Furthermore, the Tricom Sellers entered into a shareholders' agreement with Altice Caribbean which, among other things, included certain restrictions on the transfer of Class B Shares, as well as put and call options on all of the Class B Shares held by the Tricom Sellers, exercisable 3, 4 and 5 years after the execution of the shareholders' agreement.

Change in minority interests of Altice Blue Two

On March 13, 2014, the management of Outremer Telecom ("OMT Managers"), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and MTVC, exchanged their existing shares in Altice Blue Two S.A.S for shares in the Issuer with a base value of €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.

Our Principal Shareholders

Founded by telecom entrepreneur Patrick Drahi, Next L.P. is the principal shareholder of the Altice Group with a shareholding of 73% of the Issuer's share capital. Next L.P. and its shareholders have significant experience identifying acquisition opportunities, structuring, financing and managing investments in the telecommunications industry, advising cable operators worldwide and creating value through operational excellence. Through Altice International and its subsidiaries, the Group has developed a strong presence in Israel, Portugal, Belgium, Luxembourg, Switzerland and the Overseas Territories. In addition, the Altice Group has consolidated the cable and telecom market in France as a result of the roll up of the French cable and telecom market into Numericable and Completel and currently holds 40% of the share capital in Numericable and, pursuant to certain arrangements with Cinven and Carlyle, has the majority of votes on the board of directors of Numericable. Prior to the Completion Date, (i) Altice France will purchase approximately 14% of the shares of common stock of the Numericable Group from certain funds affiliated with Carlyle and Cinven for which payment will be made in cash at the earliest of (a) January 31, 2015 and (b) 6 months after Completion, and (ii) funds affiliated to Carlyle and Cinven will contribute all of their remaining shares in Numericable (representing approximately 20.6% of Numericable's shares of common stock) to Altice in exchange for shares of common stock of the Issuer. As a result, upon the consummation of the Transactions, the Altice Group will hold 59.7% of the share capital of the Combined France Group (including shares owned by certain minority shareholders for which it currently holds a call option), and assuming further that the Issuer will exercise the preferential subscription rights attached to such shares.

Following the consummation of the Transactions, Next L.P., Cinven and Carlyle will hold 60.8%, 3.3% and 6.8% of the share capital of the Issuer, respectively, with the remaining shares trading publicly on Euronext Amsterdam (based on an assumed share price of €35.5, which was the closing price on April 10, 2014).

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

Basis of Presentation

The Issuer is the holding company of the Group. Prior to the Numericable Acquisition, which was completed in February 2014 the primary assets of the Group consisted of Altice International, a wholly-owned subsidiary of the Issuer, and its subsidiaries and the equity interests held by Altice France, a wholly-owned subsidiary of the Issuer, in the Numericable Group prior to such date (which are accounted for in the Historical Consolidated Financial Information using the equity method).

The following tables set forth summary selected Historical Consolidated Financial Information derived from the audited consolidated financial statements of the Issuer as of and for the years ended December 31, 2013 and the audited combined financial statements of Altice International and Altice France as of and for the years ended December 31, 2010, 2011 and 2012, prepared in accordance with IFRS, which have been audited by Deloitte Audit S.à r.l. Each of Altice International and Altice France were historically separate legal and reporting entities, under common control and management. As a result, the above-mentioned combined financial statements for the years ended December 31, 2012, 2011 and 2010 have been prepared to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to the Altice International Group and Altice France and are based on a combination of the separate historical consolidated financial statements of the Altice International Group and annual accounts of Altice France.

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

In the year ended December 31, 2010, Altice International's most significant assets consisted of its ownership of (i) equity interests in HOT Telecommunication Systems Ltd. and its subsidiaries (when excluding HOT Mobile Ltd., the "HOT Telecom Group"), an Israeli cable telecommunications company (which amounted to approximately 44.8% of the equity interests in HOT Telecommunication Systems Ltd. at the end of 2010 and has been accounted for in the historical combined financial statements of the Issuer as of and for the year ended December 31, 2010 using the equity method); (ii) 100% of the equity interests in MIRS Communications Ltd., an Israeli mobile services provider that was subsequently renamed HOT Mobile Ltd.; (iii) substantially all of the equity interests in Martinique TV Câble S.A. ("Le Cable Martinique") a company with cable television operations in Martinique; (iv) substantially all of the equity interests in World Satellite Guadeloupe S.A. (Le Cable Guadeloupe), a company with cable television operations in Guadeloupe; (v) substantially all of the equity interests in green.ch AG ("Green"), a company providing B2B telecommunications solutions in Switzerland; (vi) substantially all of the equity interests in Green Datacenter AG ("Green Datacenter"), a company providing datacentre services in Switzerland; (vi) substantially all of the equity interests in Auberimmo S.A.S. ("Auberimmo"), a company providing datacentre services in Paris, France; and (vii) substantially all of the equity interests in Valvision S.A.S. ("Valvision"), a company with cable television operations in certain parts of France.

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

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

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

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

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

(ii) summary selected Pre-Transaction Pro Forma Financial Information derived from the Pro Forma Financial Information of the Issuer, giving effect to each such significant acquisition as described above as if such acquisitions had occurred on January 1, 2013 but excluding the ODO Acquisition, the Mobius Acquisition, the Tricom Acquisition, the Numericable Acquisition and the SFR Acquisition, as of and for the year ended December 31, 2013; and

(iii) summary selected Post-Transaction Pro Forma Financial Information derived from the Pro Forma Financial Information of the Issuer, giving effect to each such significant acquisition as well as the ODO Acquisition, the Numericable Acquisition and the SFR Acquisition (but not the Mobius Acquisition or the Tricom Acquisition) as if such acquisitions had occurred on January 1, 2013 as of and for the year ended December 31, 2013.

For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information and Note 2 to the Pro Forma Financial Information of the Issuer included elsewhere in this Notice.

The summary financial information presented below should be read together with the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information, including, in each case, the accompanying notes, included elsewhere in this Notice.

Income Statement Data

	Historical Consolidated Financial Information		
	For the year ended December 31,		
Statement of Income Items	**2011**	**2012**	**2013**
		€ in millions	
Revenue			
Cable based services	560.3	873.3	891.8
Mobile services	180.6	172.7	256.2
B2B and others	43.3	46.4	138.5
Total revenue	**784.2**	**1,092.4**	**1,286.8**
Purchasing and subcontracting services	(175.4)	(302.1)	(367.8)
Gross profit	**608.8**	**790.3**	**919.0**
Other operating expenses(1)	(195.4)	(307.9)	(320.9)
General and administrative expenses	(51.3)	(33.3)	(36.2)
Other sales and marketing expenses	(64.4)	(45.9)	(43.9)
Operating income before depreciation and amortization(2)	**297.7**	**403.1**	**518.0**
Depreciation and amortization	(176.0)	(266.4)	(399.6)
Goodwill impairment	—	(121.9)	—
Management fees	(3.6)	(6.2)	(0.6)
Other expenses, net	(5.6)	(29.8)	(15.1)
Restructuring and other non-recurring costs	(7.6)	(20.8)	(61.2)
Operating profit/(loss)	**104.9**	**(42.0)**	**41.5**
Gain on step acquisition	134.8	—	—
Gain on de-recognition of assets	—	—	255.7
Finance income	26.8	40.7	120.9
Finance costs	(130.6)	(225.4)	(376.6)
Share of profit of associates	58.6	20.4	15.5
Profit/(loss) before taxes on revenue	**194.5**	**(206.2)**	**57.0**
Income tax benefits/(expenses)	(32.5)	26.0	(7.4)
Profit/(loss) for the year	**162.0**	**(180.2)**	**49.6**

(1) Also includes "staff costs and employee benefits expenses" of €162.6 million and €186.2 million for the years ended December 31, 2012 and 2013, respectively which is presented as a separate line item on the Group's consolidated statement of income.

(2) Further referred to as EBITDA.

Statement of Income Items	Illustrative Aggregated Selected Financial Information[(1)] For the year ended December 31, 2011	2012	Pre-Transaction Pro-Forma Financial Information[(2)] For the year ended December 31, 2013
	€ in millions		
Revenue			
Cable based services	941.2	945.7	954.7
Mobile services	306.5	304.4	322.8
B2B and others	178.5	191.6	183.1
Total revenue	**1,426.2**	**1,441.8**	**1,460.7**
Purchasing and subcontracting services	(399.6)	(444.4)	(433.6)
Gross profit	**1,026.6**	**997.4**	**1,027.0**
Other operating expenses[(3)]	(319.5)	(315.3)	(293.2)
General and administrative expenses	(101.0)	(85.2)	(75.3)
Other sales and marketing expenses	(108.9)	(102.8)	(87.9)
Operating income before depreciation and amortization[(4)]	**497.2**	**494.1**	**570.7**
Depreciation and amortization	—	—	(426.7)
Goodwill impairment	—	—	—
Other expenses, net	—	—	(18.8)
Management fees	—	—	(1.5)
Restructuring and other non-recurring costs	—	—	(74.7)
Operating (loss)/profit	**—**	**—**	**49.1**
Gain on de-recognition of asset	**—**	**—**	**255.7**
Finance income	—	—	121.1
Finance costs	—	—	(427.2)
Share in profit of associates			15.5
Profit before taxes on revenue	**—**	**—**	**14.3**
Income tax expenses	—	—	(14.5)
Loss for the year	**—**	**—**	**(0.2)**

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

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO, Tricom, Mobius, the Numericable Group or SFR.

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

(4) Further referred to as EBITDA.

Statement of Income Items	Post-Transaction Pro Forma Financial Information[1] For the year ended December 31, 2013
	€ in millions
Revenue	
Total revenue	13,375.3
Purchasing and subcontracting services	(7,251.9)
Other operating income	88.3
Other operating expenses[2]	(2,038.0)
Operating income before depreciation and amortization[3]	4,173.7
Depreciation and amortization	(2,455.7)
Goodwill impairment	—
Management fees	(24.2)
Other expenses, net	(107.2)
Restructuring and other non-recurring costs	(180.8)
Operating profit	1,405.8
Gain on de-recognition of assets	255.7
Share of profit of associates	(12.5)
Finance income	136.3
Finance costs	(1,818.8)
Profit before taxes on revenue	(33.5)
Income tax expenses	(215.2)
Loss for the year	(249.5)

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the ODO Acquisition, the Numericable Acquisition and the SFR Acquisition. Following the Transactions, we will own 59.7% of the share capital of the Combined France Group and (indirectly through Numericable) SFR. It does not give pro forma effect to the acquisitions of Tricom or Mobius.

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

(3) Further referred to as EBITDA.

Revenue and EBITDA

Pre-Transaction

The following table sets forth the revenues and EBITDA by geography based on the Illustrative Aggregated Selected Financial Information and the Pre-Transaction Pro Forma Financial Information, which do not give effect to the ODO Acquisition, Tricom Acquisition, Mobius Acquisition, Numericable Acquisition or SFR Acquisition.

	Illustrative Aggregated Selected Financial Information(1)		Pre-Transaction Pro Forma Financial Information(2)
	For the year ended December 31,		For the year ended December 31,
	2011	2012	2013
	€ in millions		
Revenue			
Israel	845.5	850.4	881.9
Belgium and Luxembourg	67.3	71.3	70.5
Portugal	238.8	235.3	209.4
French Overseas Territories	217.9	219.6	223.5
Others(6)	56.7	65.2	75.2
Total revenue	**1,426.2**	**1,441.8**	**1,460.7**
EBITDA(3)			
Israel	327.2	305.2	363.0
Belgium and Luxembourg	41.0	45.6	45.0
Portugal	39.0	48.0	58.3
French Overseas Territories	72.4	75.1	84.6
Others(6)	17.7	20.2	19.9
Total EBITDA	**497.2**	**494.1**	**570.7**
Equity based compensation(4)	6.0	3.8	—
Adjusted EBITDA(5)	**503.2**	**497.9**	**570.7**

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

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO, Tricom, Mobius, the Numericable Group or SFR.

(3) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs. We believe that this measure is useful to readers of our financial information as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group and SFR).

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

(5) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses. Adjusted EBITDA is unaudited. We believe that these measures are useful to readers of our financial as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group and SFR).

(6) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv).

ODO

The following table sets forth the revenues and EBITDA based on historical financial statements of ODO.

	For the year ended December 31,		
	2011	2012	2013
	€ in millions		
Revenue			
Dominican Republic (ODO)	417.1	457.4	446.6
EBITDA			
Dominican Republic (ODO)	—	166.7	173.0

Numericable Group and SFR

The following table sets forth the revenues and Adjusted EBITDA based on historical financial statements of Numericable Group and SFR.

	For the year ended December 31,			Pro forma for the SFR Acquisition for the year ended December 31,
	2011	2012	2013	2013
	€ in millions			
Revenue				
France (Numericable Group)	1,307	1,302	1,314	
France (SFR)	12,183	11,288	10,199	
Total	13,490	12,590	11,513	11,472(4)
EBITDA(1)				
France (Numericable Group)(2)	572	621	612	
France (SFR)(3)	3,800	3,299	2,819	
Total	4,372	3,920	3,429	3,429(5)
Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)(6)				**3,809**

(1) EBITDA is defined by the Altice Group as operating income before depreciation and amortization, goodwill impairment, management fees, other expenses, net and reorganization and non-recurring costs. EBITDA does not include an add back for equity based compensation. We believe that these measures are useful to readers of our financial as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group and SFR).

(2) The Numericable Group has applied IAS 19 Employee benefits (revised) ("IAS 19R") from January 1, 2013, recognizing actuarial gains and losses in "other comprehensive income". The application of IAS 19R has resulted in a change in accounting policy that has been applied retrospectively thus resulting in adjusting the comparative financial information for the year ended December 31, 2012. The information presented in the tables above for the year ended December 31, 2011 does not reflect the application of IAS 19R. Please refer to Note 1.3 to the audited consolidated financial statements for the Numericable Group as of and for the year ended December 31, 2013 for a description of this change in accounting policy and the related impact.

(3) For 2011 and 2012, does not add back CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*), a French business value-added levy. In 2013, includes an add back for CVAE amounting to €53 million.

(4) Includes (€42 million) in intercompany adjustments.

(5) Includes (€3 million) in intercompany adjustments.

(6) For a reconciliation of Total France EBITDA to Pro Forma Adjusted EBITDA (France), see "*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*".

Pro Forma Adjusted EBITDA

	Illustrative Aggregated Selected Financial Information(1)		Post-Transaction Pro Forma Financial Information(2)
	For the year ended December 31,		
	2011	2012	For the year ended December 31, 2013
	€ in millions		
Revenue			
France (Numericable)	—	—	1,314.2

France (SFR)	—	—	10,199.0
Intercompany Adjustments	—	—	(41.6)
Total France Revenue	**—**	**—**	**11,471.6**
Israel	845.5	850.4	881.9
Belgium and Luxembourg	67.3	71.3	70.5
Portugal	238.8	235.3	209.6
French Overseas Territories	217.9	219.6	223.5
Dominican Republic(3)	—	—	446.3
Others(4)	56.7	65.2	75.2
Total International Revenue	**1,426.2**	**1,441.8**	**1,906.9**
Intercompany Adjustments	—	—	(3.2)
Total Revenue	**1,426.2**	**1,441.8**	**13,375.3**
EBITDA(5)			
France (Numericable)	—	—	612.3
France (SFR)	—	—	2,819.2
Intercompany Adjustments	—	—	(3.0)
Total France EBITDA	**—**	**—**	**3,428.5**
Equity based compensation(8)			30.6
Pro Forma Synergies for the Combination of the Numericable Group and SFR(6)			350.0
Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)(13)			**3,809.1**
Israel	327.2	305.2	363.0
Belgium and Luxembourg	41.0	45.6	45.0
Portugal	39.0	48.0	58.3
French Overseas Territories	72.4	75.1	84.6
Dominican Republic(3)	—	—	173.0
Others(4)	17.7	20.2	19.8
Total International EBITDA	**497.2**	**494.1**	**743.7**
Equity based compensation(8)	6.0	3.8	—
Total Adjusted EBITDA International	**503.2**	**497.9**	**743.7**
Pro Forma Synergies for 2013 June Transactions(9)			12.5
HOT Mobile Network Sharing Savings(10)			41.0
Tricom EBITDA(13)			51.0
Pro Forma Synergies for ODO/Tricom(12)			20.0
Pro Forma Adjusted EBITDA (International) (including Pro Forma Synergies, HOT Mobile Networking Savings and Tricom EBITDA)(13)			**868.2**
Intercompany adjustments (net)			1.4
Total Adjusted EBITDA(13)	**503.2**	**497.9**	**4,204.2**
Pro Forma Adjusted EBITDA (including Pro Forma Synergies, HOT Mobile Networking Savings and Tricom EBITDA)(13)	**—**	**—**	**4,678.7**
of which Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)(7)	—	—	3,809.1
of which Pro Forma Adjusted EBITDA (International) (including Pro Forma Synergies, HOT Mobile Networking Savings and Tricom EBITDA)	—	—	868.2
of which Intercompany Adjustments	—	—	1.4

(1) The Illustrative Aggregated Selected Financial Information does not aggregate or incorporate any financial information of ODO, Tricom, Mobius the Numericable Group or SFR.

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under "Dominican Republic"), the Numericable Group (which is included under France (Numericable)) and SFR (which is included under France (SFR)). Following the Transactions, we will own 59.7% of the share capital of the Combined France Group and (indirectly through Numericable) SFR. It does not give pro forma effect to the acquisitions of Tricom or Mobius.

(3) Includes ODO but excludes Tricom.

(4) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). Altice International disposed of its interests in Valvision in 2013 (which was included in Others) to the Numericable Group.

(5) EBITDA is defined as operating profit before depreciation and amortization, other expenses, net, management fees and restructuring and other non-recurring costs. We believe that this measure is useful to readers of our financial information as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group and SFR).

(6) Gives effect to certain synergies expected to result over time from the Transactions, including (i) network synergies, which include the elimination of unbundling fees paid to Orange for access to the local loop in areas where the Numericable Group has fixed network coverage, closure of Completel's B2B DSL network, replaced by SFR's nationwide DSL network and optimization of SFR's backhaul on the Numericable Group's network, (ii) B2C synergies, which includes the overall simplification of the Combined France Group's product offering, sales and distribution and the sale of premium pay television and other services to SFR's existing customer base, (iii) B2B synergies, which includes improvements of the commercial and operational efficiency through strong economies of scale, redeployment of the B2B sales force in order to address new potential clients that are not currently covered by the Combined France Group and targeted churn reduction and (iv) other operational synergies, which includes expected savings from the combination of the information systems, financial control and accounting, customer service, sales operations, marketing and branding costs and technical costs of the Numericable Group and SFR. We may not be able to achieve all such synergies for a number of reasons. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

(7) We will own 59.7% of the Combined France Group following the Transactions.

(8) Equity-based compensation consists of expenses pertaining to employee stock options provided to employees in Israel and by Numericable and SFR. The €30.6 million equity based compensation for France relates to €27.0 million for SFR and €3.6m for Numericable Group.

(9) Giving effect to certain synergies expected to result from the 2013 June Transactions (including the Outremer Transaction and the ONI Transaction which were consummated in the third quarter of 2013), which is expected to include, among others, cost reductions related to network operations, customer service, backbone network as well as general support functions. We may not be able to achieve all such synergies for a number of reasons and we may incur significant costs in realizing the reorganization of ODO and Tricom. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

(10) Annualized EBITDA impact (cost saving) of new network sharing agreement with Partner. See "Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel."

(11) Represents EBITDA of Tricom for the year ended December 31, 2013.

(12) Gives effect to certain synergies expected to result over time from the ODO Acquisition and the Tricom Acquisition in an amount of € 20.0 million. See "*General Description of our Business—Recent Developments—Dominican Republic Acquisitions*". We may not be able to achieve all such synergies for a number of reasons and we may incur significant costs in realizing the reorganization of ODO and Tricom. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

(13) Adjusted EBITDA is defined as EBITDA before equity based compensation expenses. Adjusted EBITDA is unaudited. We believe that these measures are useful to readers of our financials as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash items, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group and SFR).

Certain As Adjusted Information**

Summary of Certain Key Items Impacting Cash Flow

	For and as of the year ended December 31, 2013

Altice France	
Pro Forma Adjusted EBITDA (including Pro Forma Synergies)[1]	3,809.1
Pro Forma Capex[2]	(1,929.8)
Change in Working Capital (Numericable Group)	20.5
Change in Working Capital (SFR)[3]	(305.0)
Pro Forma Adjusted Cash Interest Expense[4]	(621.0)
Pro Forma Adjusted EBITDA—(Pro Forma Capex + Change in Working Capital + Pro Forma Adjusted Interest Expense)[10]	**973.8**
Altice S.A. Ownership Post Transactions	59.7%
Altice S.A. Proportionate Share Post Transactions[12]	581.4
Altice International	
Pro Forma Adjusted EBITDA (including Pro Forma Synergies, HOT Mobile Network Sharing Savings and Tricom EBITDA)[5]	**868.2**
Pro Forma Capex[6]	(399.1)
Pre-transaction Change in Working Capital (Altice International)[7]	44.1
Change in Working Capital (Dominican Republic)[8]	(44.1)
Pro Forma Cash Interest Expense[9]	(253.2)
Pro Forma Adjusted EBITDA—(Pro Forma Capex + Change in Working Capital + Pro Forma lnterest Expense)[10]	**215.9**
Altice S.A. Ownership	100.0%
Altice S.A. Proportionate Share[12]	215.9
Total Altice S.A. Proportionate Share[12]	**797.3**
Pro Forma Adjusted Cash Interest Expense at Altice S.A.[11]	325.0

** Assumes that the SFR Acquisition is consummated. The completion of the SFR Acquisition is subject to certain conditions, including regulatory clearances in France. For further details, see "*Capitalization*".

(1) For reconciliation of Pro Forma Adjusted EBITDA for Altice France, see "*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA.*"

(2) Represents the aggregation of the 2013 capital expenditures of €319.8 million and €1,610.0 million as reported by the Numericable Group and SFR, respectively.

(3) Represents change in working capital as reported by SFR. As we do not control SFR, we cannot assure you that change in working capital is reported in a manner that is fully comparable with change in working capital information presented by Altice.

(4) Represents the gross cash interest expense, which is calculated using the cash interest expense in connection with the outstanding pro forma indebtedness of the Numericable Group and SFR after the Transactions as if the Transactions occurred on January 1, 2013 (on an adjusted basis using an assumed interest rate for the New Numericable Senior Secure Notes and the New Numericable Term Loan). It is presented for illustrative purposes only and does not purport to represent what the interest expense of Altice France would actually have been had the Transactions occurred on such date nor does it purport to project the interest rate of Altice France for any future prior or financial condition at any future point in time. Cash interest expense excludes (among other items) (a) other financing costs relating to (i) foreign exchange transactions, collection costs and imbedded derivatives, (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs and (b) interest income.

(5) For reconciliation of Pro Forma Adjusted EBITDA for Altice International, see "*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*."

(6) Represents the aggregation of 2013 capital expenditures of Altice International on a pro forma basis before giving effect to the ODO Acquisition and Tricom Acquisition of €314.2 million and the 2013 capital expenditures as reported by ODO and Tricom of €58.5 million and €26 million, respectively. The ODO capital expenditures are reported in DOP and have been converted into euro at an average exchange rate of 0.0183 DOP/EUR for the period.

(7) Represents the difference between Altice International's negative consolidated working capital position of €198.4 million as of December 31, 2013 and negative €164.3 million as of December 31, 2012. The December 31, 2012 negative consolidated working capital is not pro forma for the 2013 June Transactions and the 2013 December Transactions.

(8) Represents change in working capital for 2013 as reported by ODO. The ODO change in working capital is reported in DOP and has been converted into euro at an average exchange rate of 0.0183 Dop/EUR for the period. Does not include change in working capital for Tricom.

(9) Represents the gross cash interest expense, which is calculated using the cash interest expense in connection with the outstanding combined indebtedness of Altice International, and giving pro forma effect on the gross interest expense of Altice International from the 2013 June Transactions and the 2013 December Transactions as if the 2013 June Transactions and the 2013 December Transactions occurred on January 1, 2013. It is presented for illustrative purposes only and does not purport to represent what the interest expense of Altice International would actually have been had the 2013 June Transactions and the 2013 December Transactions occurred on such date, nor does it purport to project the interest rate of Altice International for any future prior or financial condition at any future point in time. Cash interest expense excludes (amongst other items) (a) other financing costs relating to (i) foreign exchange transactions, collection costs and imbedded derivatives (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs and (b) interest income.

(10) We consider an aggregation of these line items as a meaningful proxy for certain cash flow characteristics by the relevant entities. It is not a measure recognized under IFRS and investors are urged to also review the cash flow information prepared under IFRS included in this Notice. Importantly, there are other factors that could significantly impact the cash flows of the relevant entities, including without limitation income tax and other tax payments, principal debt repayments, restructuring costs and other extraordinary cash costs. These could have a significant effect on the cash that may be available from the Combined Group to service indebtedness of Altice S.A, including the Notes. In addition, we expect that cash flows from the Combined France Group may be available to Altice S.A. from the Combined France Group in the form of dividends. Cash flow metrics such as the ones discussed herein should not be taken as an illustration of any funds that may be available for declaration and payment of dividends by the Combined France Group.

(11) Represents the gross interest expense, which is calculated using the cash interest expense in connection with the outstanding indebtedness of Altice S.A. on a standalone basis, and giving pro forma effect on the gross interest expense of the Notes (using an assumed interest rate) as if the offering of the Notes had occurred on January 1, 2013. It is presented for illustrative purposes only and does not purport to represent what the interest expense of Altice S.A. would actually have been had the offering of the Notes occurred on such date, nor does it purport to project the interest rate of Altice S.A. for any future prior or financial condition at any future point in time. Cash interest expense excludes (amongst other items) (a) other financing costs relating to (i) foreign exchange transactions, collection costs and imbedded derivatives (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs and (b) interest income.

(12) Represents a mathematical illustration of the relevant metric pro rata to anticipated Altice S.A. ownership post-Transactions. It is not, and should not be taken as, a measure of cash flows that may be available to service indebtedness of Altice S.A., including the Notes. In addition, Altice International does not wholly own all of its subsidiaries (see "*Simplified Corporate and Financing Structure*").

Key Subsidiary Restricted Payment Covenant Exceptions and Carve- outs

The debt instruments governing outstanding indebtedness of the Issuer's subsidiaries include, and the debt instruments to be entered into in connection with the Transactions will include, in the relevant "Restricted Payments" covenant general limitations on the ability of such subsidiaries to pay dividends or make other distributions directly or indirectly to the Issuer. However, these limitations include significant exceptions and carve-outs. These exceptions and limitations under the debt instruments of Altice International and its subsidiaries generally include, among other things, the ability to make dividends and distributions out of a "build-up" basket of cumulative consolidated EBITDA less 1.5x consolidated interest expense of Altice International and its restricted subsidiaries during the same period plus the net cash proceeds and the fair market value of assets received from the issuance of equity interests in Altice International plus certain other items less the amounts of certain other restricted payments and a general restricted payments basket. Dividends from the "build-up" basket may be paid if each of the consolidated leverage ratio and the consolidated senior secured leverage ratio of Altice International and its subsidiaries is equal to or less than 4x and 3x, respectively, *provided* that no default or event of default is outstanding (or would result therefrom) under the relevant debt instrument.

In addition, these Numericable Group debt instruments will also provide that, for so long as no payment block events (as defined in such instruments) have occurred and are continuing, Numericable may pay dividends or other distributions to its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by Altice S.A. for the payment of regularly scheduled interest as such amounts come due under the Notes and the Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalization of Numericable at the time of its initial public offering and 5% of market capitalization at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable 4.0x or less. Furthermore, Numericable is entitled to pay any amount of dividends or other distributions to its shareholders as long as its consolidated net leverage ratio is 4.0x or less (on a pro forma basis), provided that no default or event of default is outstanding under the relevant debt instrument. Although the debt instruments of the Issuer's subsidiaries are expected to provide for a significant amount of future dividend capacity, any such payments would be subject to, among other things, distributable reserves of the relevant subsidiaries at the time of such payments and available cash.

Summary Selected Credit Data and Ratios**

	As of and for the year end December 31, 2013
As adjusted Numericable Consolidated Net Debt(1)	11,695
As adjusted Altice International Consolidated Net Debt(1)	3,523
As adjusted Altice S.A. Standalone Net Debt(1)	3,799
As adjusted Altice S.A. Consolidated Net Debt(1)	19,017
Total Pro Forma Adjusted EBITDA (including Pro Forma Synergies, HOT Mobile Network Sharing Savings and Tricom EBITDA)	4,679
Pro Forma Adjusted Consolidated Altice S.A. Cash Interest Expense(2)	(1,199)
Ratio of as adjusted Numericable Consolidated Net Debt to Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)	3.1x
Ratio of as adjusted Altice International Consolidated Net Debt to Pro Forma Adjusted EBITDA (International) (including Pro Forma Synergies, HOT Mobile Network Sharing Savings and Tricom EBITDA)	4.1x
Ratio of as adjusted Altice S.A. Consolidated Net Debt to Total Pro Forma Adjusted EBITDA (including Pro Forma Synergies, HOT Mobile Network Sharing Savings and Tricom EBITDA)	4.1x
Ratio of Total Pro Forma Adjusted EBITDA (including Pro Forma Synergies, HOT Mobile Network Sharing Savings and Tricom EBITDA) to Pro Forma Adjusted Consolidated Altice S.A. Cash Interest Expense(2)	3.9x

** Assumes that the SFR Acquisition are consummated. The completion of the SFR Acquisition is subject to certain conditions, including regulatory clearances in France. For further details, see "*Capitalization*".

(1) Reflects the aggregate principal amount of debt of the Numericable Group, the Altice International Group or Altice S.A., as applicable, minus cash and cash equivalents of the Numericable Group, Altice International Group or Altice S.A., as applicable, in each case on an as adjusted basis after giving effect to the Transactions.

(2) Represents the gross interest expense, which is calculated using the cash interest expense in connection with our outstanding consolidated debt or the consolidated debt of the Numericable Group or the Altice International Group, as applicable (after giving effect to the Transactions as if they had occurred on January 1, 2013 and using an assumed interest rate for the New Numericable Senior Secured Notes, the New Numericable Term Loan and the Notes). As adjusted Consolidated Altice S.A. interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would actually have been had the Transactions occurred nor does it purport to project our interest rate for any future period or financial condition at any future. Interest expense excludes (a) other financing costs relating to (i) foreign exchange transactions, collection costs and embedded derivatives, (ii) bank charges and credit card commissions, and (iii) refinancing and reorganization costs and (b) interest income.

Capital Expenditures

Pre-Transaction

The following tables set forth capital expenditures by geography based on the Illustrative Aggregated Selected Financial Information and the Pre-Transaction Pro Forma Financial Information, which do not give effect to the ODO Acquisition, Tricom Acquisition, Mobius Acquisition, Numericable Acquisition or SFR Acquisition.

	Illustrative Aggregated Selected Financial Information[(1)]											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories**	**Others**	**Total**	**Israel**	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories**	**Others**	**Total**
	€ in millions											
Capital expenditures												
CPEs and installations	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
Cable based services	**126.8**	**10.6**	**19.4**	**28.1**	**—**	**185.0**	**211.6**	**17.0**	**18.1**	**16.1**	**—**	**262.8**
Mobile services	47.1	—	—	17.2	—	64.3	83.8	—	—	9.2	—	93.0
B2B and others	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
Total capital expenditures	**173.9**	**10.6**	**34.4**	**53.5**	**21.5**	**293.8**	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**
EBITDA—total capital expenditures	**153.3**	**30.4**	**4.6**	**18.9**	**(3.8)**	**203.4**	**9.8**	**28.6**	**17.2**	**39.4**	**1.5**	**96.3**

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of ODO, Tricom, Mobius, the Numericable Group or SFR.

	Pre-Transaction Pro Forma Financial Information[(1)]					
	For the year ended December 31, 2013					
	Israel	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories**	**Others**	**Total**
	€ in millions					
Capital expenditures						
Cable based services	155.3	21.5	18.3	9.5	0.3	204.8
Mobile services	53.6	—	—	8.3	—	61.9
B2B and others	—	1.4	5.7	18.5	21.8	47.5
Total capital expenditures	**208.9**	**23.0**	**24.0**	**36.2**	22.1	314.2
EBITDA—total capital expenditures	**154.1**	**22.1**	**34.3**	**48.3**	(1.5)	257.3

(1) Excludes Tricom, ODO, Mobius, the Numericable Group and SFR.

ODO

The following table sets forth the capital expenditures and EBITDA less capital expenditures based on historical financial statements of ODO.

	For the year ended December 31,		
	2011	**2012**	**2013**
	€ in millions		
Capital expenditures[(1)]	70.8	73.2	58.5
EBITDA—total capital expenditures	**—**	**93.5**	**114.5**

(1) In addition, for the years ended December 31, 2012 and 2013, Tricom's total capital expenditures were approximately $71 million (approximately €56 million) of which approximately $23 million (approximately €18 million) was spent on 4G/LTE technology upgrades, and approximately $35 million (approximately €27 million), respectively.

Numericable Group and SFR

The following table sets forth the capital expenditures and EBITDA less total capital expenditures based on historical financial statements of Numericable and SFR.

	For the year ended December 31,		
	2011	**2012**	**2013**
	€ in millions		
France (Numericable Group)	242.7	285.7	319.8
France (SFR)[(1)]	1,809.0	2,736.0	1,610.0
Total Capital Expenditures (France)	**2,051.7**	**3,021.7**	**1,929.8**

EBITDA—Total Capital Expenditures (France)[2]	**2,320.3**	**898.3**	**1,498.7**

(1) Includes €1,107 million and €150 million of acquisition of licenses and associated spectrums for the years ended December 31, 2012 and 2011, respectively.

(2) For 2011 and 2012, EBITDA does not include CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*), a French business value added levy. In 2013, includes the contribution of CVAE amounting to €53 million.

Cash Flow Data

	Historical Consolidated Financial Information**		
	For the year ended December 31,		
	2011	2012	2013
	€ in millions		
Cash and cash equivalents at beginning of year	26.9	24.2	129.7
Net cash provided by operating activities	306.1	464.5	439.1
Net cash used in investing activities	(576.6)	(574.2)	(2,157.5)
Net cash provided by financing activities	268.7	215.1	1,649.8
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	0.1
Cash and cash equivalents at end of year	**24.2**	**129.7**	**61.6**

Balance Sheet Data

	Historical Consolidated Financial Information**			Post-Transaction Pro Forma Financial Information[1]
	As of December 31,			As of December 31,
	2011	2012	2013	2013
	€ in millions			
Total current assets	165.1	334.7	1,562.2	4,282.9
Total non-current assets	2,531.7	2,602.9	3,614.4	28,037.1
Total assets	**2,696.8**	**2,937.6**	**5,176.6**	**32,320.0**
Total current liabilities	569.5	583.3	737.0	6,817.1
Total non-current liabilities	1,409.1	2,076.1	4,344.2	21,709.5
Total liabilities	**1,978.6**	**2,659.4**	**5,081.2**	**28,526.6**
Total equity	**718.3**	**278.1**	**95.3**	**3,793.5**

** Prior to the Numericable Acquisition which was completed in February 2014, primarily reflects the operating results of Altice International excluding Tricom, Mobius and ODO.

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the ODO Acquisition, Numericable Acquisition and SFR Acquisition. Following the Transactions, we will own 59.7% of the share capital of the Combined France Group and (indirectly through Numericable) SFR. It does not give pro forma effect to the acquisitions of Tricom or Mobius.

Combined Key Operating Measures

Pre-SFR Operating Data

The following key operating data gives effect to the ODO Acquisition, Tricom Acquisition, Mobius Acquisition, Numericable Acquisition, but does not give effect to the SFR Acquisition.

	As of and for the year ended December 31, 2013 in thousands except percentages and as otherwise indicated				
	Numericable	Israel	Dominican Republic[8]	Other[13]	Total[14]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	9,940	2,282[7]	456[9]	1,295	13,973
Docsis 3.0 Upgraded	53%	100%	100%	94%	66%
Unique Customers					
Cable Customer Relationships[1]	1,264	1,127	103	391	2,885
Triple-Play Cable Customer Relationships	1,041	452	45	202	1,740
RGUs & Penetration[2][3]					
Total RGUs	3,218	2,295	165	916	6,594
Pay Television RGUs	1,140	875	108[2]	393	2,516
Pay Television Penetration	11%	38%	24%	30%	18%
Broadband Internet RGUs	1,054	744	30	230	2,058
Broadband Internet Penetration	11%	33%	7%	18%	15%
Fixed-Line Telephony RGUs	1,024	676	26	293	2,019
Fixed-Line Telephony Penetration	10%	30%	6%	23%	14%
RGUs Per Cable Customer Relationship[4]	2.5x	2.0x	1.6x	2.3x	2.3x
ARPU[5]					
Cable ARPU(€)	41.5	47.6	19.7	—	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory	—	61%	—	—	—
Subscribers					
Total Mobile Subscribers[6]	186	810	3,615[10]	378	4,989
Postpaid	—	801	648[10][11]	200	—
Prepaid	—	9	2,968[10][12]	178	—
ARPU[5]					
Mobile ARPU(€)	12.5	16.8	—	—	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	484	133	617
Broadband Internet RGUs	—	—	236	56	292
Fixed-Line Telephony RGUs	—	—	248	78	326

	As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated				
	Numericable	Israel	Dominican Republic[8]	Other[13]	Total[14]
CABLE-BASED SERVICES					

Market and Network					
Homes Passed	9,875	2,243(7)	372(9)	1,293	13,783
Docsis 3.0 Upgraded	48%	100%	33%	88%	60%
Unique Customers					
Cable Customer Relationships(1)	1,331	1,198	136	414	3,079
Triple-Play Cable Customer Relationships	—	413	—	209	622
RGUs & Penetration(2)(3)					
Total RGUs	3,095	2,343	169	954	6,561
Pay Television RGUs	1,163	896	136(2)	420	2,615
Pay Television Penetration	12%	40%	37%	32%	19%
Broadband Internet RGUs	985	771	22	226	2,004
Broadband Internet Penetration	10%	34%	6%	17%	15%
Fixed-Line Telephony RGUs	946	676	12	308	1,942
Fixed-Line Telephony Penetration	10%	30%	3%	24%	14%
RGUs Per Cable Customer Relationship(4)	2.3x	2.0x	1.2x	2.3x	2.1x
ARPU(5)					
Cable ARPU(€)	40.7	44.4	21.5	—	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory	—	41%	—	—	—
Subscribers					
Total Mobile Subscribers(6)	113	766	3,372(10)	387	4,638
Postpaid	—	738	608(10)(11)	185	—
Prepaid	—	28	2,764(10)(12)	203	—
ARPU(5)					
Mobile ARPU(€)	—	19.4	—	—	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	351	140	491
Broadband Internet RGUs	—	—	96	57	153
Fixed-Line Telephony RGUs	—	—	255	83	338

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated				
	Numericable	**Israel**	**Dominican Republic(8)**	**Other(13)**	**Total(14)**
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	9,883	2,204(7)	258(9)	1,273	13,618
Docsis 3.0 Upgraded	48%	100%	NA	79%	—

Unique Customers					
Cable Customer Relationships[1]	1,371	1,245	117	422	3,155
Triple-Play Cable Customer Relationships	—	348	—	212	560
RGUs & Penetration[2][3]					
Total RGUs	3,064	2,294	132	969	6,459
Pay Television RGUs	1,217	891	117[2]	432	2,657
Pay Television Penetration	12%	40%	45%	34%	20%
Broadband Internet RGUs	950	768	12	225	1,955
Broadband Internet Penetration	10%	35%	5%	18%	14%
Fixed-Line Telephony RGUs	897	635	4	312	1,848
Fixed-Line Telephony Penetration	9%	29%	2%	25%	14%
RGUs Per Cable Customer Relationship[4]	2.2x	1.8x	1.1x	2.3x	2.0x
ARPU[5]					
Cable ARPU(€)	40.4	42.4	22.0	—	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory	—	—	—	—	—
Subscribers					
Total Mobile Subscribers[6]	47	444	3,346[10]	355	4,192
Postpaid	—	389	588[10][11]	158	—
Prepaid	—	55	2,759[10][12]	197	—
ARPU[5]					
Mobile ARPU(€)	—	25.5	—	—	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	332	147	479
Broadband Internet RGUs	—	—	87	58	145
Fixed-Line Telephony RGUs	—	—	245	89	334

(1) For the Altice International Group, Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable-based services (including pay television, broadband Internet or fixed- line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our mobile or ISP services. For the Numericable Group, Cable Customer Relationships is calculated as the sum of (i) "Digital individual subscribers" and (ii) "Analog television individual subscribers" as reported by the Numericable Group. It does not include white label end users but includes mobile telephony subscribers as per the Numericable Group's definition of "Digital individual subscribers" (included in "Other"). For the Dominican Republic (Tricom), Cable Customer Relationships includes non-residential customers and includes only pay television cable customer relationships.

(2) For the Altice International Group, RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber but two RGUs. RGUs for pay television and broadband Internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis. For the Numericable Group, RGUs only relate to direct individual subscribers (and do not include RGUs related to white label end- users or bulk subscribers). For the Dominican Republic (Tricom), pay television RGUs represent "Equivalent Billing Units" of Tricom.

(3) Penetration rates for our pay television, broadband Internet and fixed-line telephony services are presented as a percentage of homes passed.

(4) For France, the Numericable Group reported a "Number of individual RGUs per individual user" of 2.49x, 2.41x and 2.37x respectively for the years ended December 31, 2013, 2012 and 2011. However, Mobile RGUs are included in the calculation of the "Number of individual RGUs per individual user" in Numericable Group reporting. Numericable Group reports bulk subscribers on a separate basis (and these are not included in the "Total individual RGUs" definition).

(5) For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2013, €0.2086 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, and (ii) average rate for the year ended December 31, 2011, €0.2009 = NIS 1.00. For the Numericable Group, operating data related to ARPU is presented in euro per month (excluding VAT) for the periods indicated and does not reflect ARPU from white label end users or bulk subscribers but includes mobile services. For the Dominican Republic (Tricom), cable-based ARPU includes only revenues related to pay television services and also revenues from additional set top boxes and other value added and premium services, and does not include ARPU from broadband Internet and fixed-line telephony services.

(6) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. For the Numericable Group, only direct individual Mobile subscribers are presented. For the Dominican Republic (Tricom), mobile subscribers does not include wireless data subscribers. In Israel, the total number of mobile subscribers for our iDEN and UMTS services were as follows:

	As of December 31,		
	2011	2012	2013
	in thousands		
Mobile Subscribers			
iDEN	444	325	218
UMTS	—	441	592
Total	**444**	**766**	**810**

(7) In Israel, Homes Passed is the number of total Israeli Homes. The Company's cable network passes a vast majority of Israel's 2.3 million households.

(8) Includes Tricom and ODO.

(9) Includes two way homes passed by Tricom's HFC network.

(10) Includes subscribers through resellers (dealers and franchises) as ODO enters into direct contractual arrangements with customers of resellers. All postpaid subscribers are considered as active. Includes exclusively mobile subscribers (does not include mobile broadband Internet subscribers). Does not include wireless data subscribes for Tricom.

(11) Includes both postpaid residential subscribers and postpaid business subscribers for ODO.

(12) Active prepaid residential subscribers only for ODO. Prepaid subscribers are considered as inactive when connected on the house network more than 3 months without any outgoing traffic events or with fewer than four incoming traffic events.

(13) Includes Belgium and Luxembourg (BeLux), Portugal and the French Overseas Territories (FOT).

(14) Total represents the aggregate of the respective key operating measures across all of the operating subsidiaries of the Group even though it may not have owned or controlled such business for the entire duration of the period presented. Numericable represents the operating measures of the Numericable Group (in which we acquired a controlling interest as a result of the Numericable Acquisition in February 2014); Israel represents operating measures of HOT and HOT Mobile; Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg; Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012); French Overseas Territories represents operating measures of Le Cable and in respect of mobile services only, Outremer (in which we acquired a controlling interest in July 2013).

SFR Operating Data

The following table sets forth the key operating measures of SFR:

	As of, or for the year ended, December 31,		
	2011	2012	2013
	(Unaudited) (in thousands except number of RGUs per individual user and ARPU or unless otherwise indicated)		
B2C Operating Data:			
Footprint(1)			
SFR Operating Data:			

Total Mobile customers[2]	16,578	15,057	14,555
Total Mobile subscribers[3]	11,961	11,194	11,381
Smartphone penetration rate[4]	42.1%	51.2%	64.1%
12-month rolling Mobile ARPU[5] (€)	31.4	28.3	24.1
Number of broadband Internet customers[6]	4,994	5,039	5,209
FTTH customers	97	126	197
Quadruple-play customers ("MultiPack") (as % of customer base)	24%	35%	45%
Broadband Internet ARPU[5] (€)	34.1	33.3	32.5

(1) A home is deemed "passed" if it can be connected to the distribution system without further extension of the network. SFR Homes Passed is subject to unbundling by SFR of its IP voice, Internet or television services.

(2) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP definition. The customers base as at December 31, 2013 integrates a technical purge of 92 thousand inactive lines in 2013, which was related to a migration of invoice system (without impact on revenues). The customers base as at December 31, 2012 is the published base (before such technical purge).

(3) Total Mobile Subscribers is equal to post-paid subscribers with active SIM cards only.

(4) Number of customers equipped with a smartphone in relation to the total mobile customer base (excluding remote access).

(5) Mobile ARPU is the average monthly revenue per customer. It is calculated by dividing the B2C Mobile Revenue (excluding equipment) generated over the last twelve months by the average number of customers (excluding machine to machine customers, multi-SIM and backup keys) over the same period. The ARPU is expressed in monthly revenue by line. Broadband Internet ARPU is the average monthly revenue per B2C Broadband Internet line. It is calculated by dividing the average monthly revenue, based on the last twelve months, by the average number of B2C Broadband Internet lines over the same period. The average number of customers is the average of the monthly averages during the period concerned. The monthly average is the arithmetic mean of the number of customers at the beginning and the end of the month.

(6) SFR's broadband Internet customer base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo 1P and 2P customers.

RISK FACTORS

Described below and elsewhere in this Notice are the risks considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, our past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. This Notice also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Notice. See "Forward-Looking Statements".

In this section, unless the context otherwise requires, the terms "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries (including the Numericable Group but excluding SFR and ODO). For a description of the principal risks and uncertainties relating to SFR, see "—Risks Relating to the SFR Acquisition, SFR's Business and the Integration of SFR into our Business," "—Risks Relating to SFR's Industry and Markets" and "—Risks Relating to SFR's Regulatory Environment and Legal Matters." As a result of this presentation, some risks applicable to Altice, the Numericable Group and/or SFR may be discussed multiple times in this section.

Risks Relating to Our Financial Profile and the Transaction

Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent our ability to raise additional capital to fund our operations.

We have significant outstanding debt and debt service requirements and may incur additional debt in the future. As of December 31, 2013 (i) the Altice International Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of € 3,585 million on a consolidated basis, (ii) the Numericable Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €2,680 million and (iii) other subsidiaries of the Group had total third party debt of €324 million. As adjusted to reflect all changes to our financial profile since December 31, 2013 including as adjusted to give effect to the Transactions (including the Issuance), the Altice Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €19,427 million on a consolidated basis and the Numericable Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €11,692 million. In addition the Issuer will be able to draw €200 million in total under the Altice S.A. Revolving Credit Facility, the Numericable Group will be able to draw €750 million under the Numericable Group Revolving Credit Facilities Agreement and the Altice International Group will be able to draw up to $80 million and €60 million under the Existing Altice Financing Revolving Credit Facilities. In addition and subject to certain conditions, certain lenders have committed to provide €450 million under an additional revolving credit facility to Altice Financing S.A. on substantially the same terms as the 2013 Revolving Credit Facility. For a description of such changes to our financial profile and our third party indebtedness.

The Altice International Group and the Numericable Group are currently financed, and will be financed following the consummation of the Transactions, on a standalone basis and constitute separate financing groups, which are subject to covenants that restrict the use of their respective cash flows outside their respective restricted groups (including between the Altice International Group and the Numericable Group and between the Issuer and either of the two groups). Consequently, cash flows from operations of the Altice International Group may not be able to be applied to meet the obligations of the Numericable Group or the obligations of the Issuer and other members of the Group and cash flows from operations of the Numericable Group may not be able to be applied to meet the obligations of the Altice International Group, the Issuer and other members of the Group.

Our significant level of debt could have important consequences, including, but not limited to, the following:

- requiring that a substantial portion of our cash flows from operations be dedicated to servicing debt, thereby reducing the funds available to us to finance our operations, capital expenditures, research and development and other business activities, including maintaining the quality of and upgrading our network;

- impeding our ability to obtain additional debt or equity financing, including financing for capital expenditures, and increasing the cost of any such funding, particularly due to the financial and other restrictive covenants contained in the agreements governing our debt;

- impeding our ability to compete with other providers of pay television, broadband Internet services, fixed-line telephony services, mobile services and B2B services in the regions in which we operate;

- restricting us from exploiting business opportunities or making acquisitions or investments;

- increasing our vulnerability to, and reducing our flexibility to respond to, adverse general economic or industry conditions;

- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive and economic environment in which we operate; and

- adversely affecting public perception of us and our brands.

The terms of the agreements and instruments governing our debt restrict, but do not prohibit, us from incurring additional debt. We may refinance our debt, and we may increase our consolidated debt for various business reasons which might include, among other things, financing acquisitions, funding the prepayment premiums, if any, on debt we refinance, funding distributions to our shareholders or general corporate purposes. If new debt is added to our consolidated debt described above, the related risks that we now face will intensify.

We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, and may be subject to certain tax liabilities.

Our ability to service our debt and to fund our ongoing operations will depend on our ability to generate cash. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future debt or equity financing will be available to us in an amount sufficient to enable us to pay our debt obligations when due. Our ability to generate cash flow and to fund our capital expenditures, ongoing operations and debt obligations are dependent on many factors, including:

- our future operating performance;

- the demand and price levels for our current and planned products and services;

- our ability to maintain the required level of technical capability in our networks and in the subscriber equipment and other relevant equipment connected to our networks;

- our ability to successfully introduce new products and services;

- our ability to reduce churn;

- general economic conditions and other conditions affecting customer spending;

- competition;

- sufficient distributable reserves, as required under applicable law;

- the outcome of certain litigation in which we are involved; and

- legal, tax and regulatory developments affecting our business.

Some of these factors are beyond our control. If we are unable to generate sufficient cash flow, we may not be able to repay our debt, grow our business, respond to competitive challenges or fund our other liquidity and capital needs, including capital expenditures. If we are unable to meet our debt service obligations, we may have to sell assets, attempt to restructure or refinance our existing indebtedness or seek additional funding in the form of debt or equity capital. We may not be able to do so on satisfactory terms, if at all.

We expect that a significant amount of our cash flow will consist of payments of dividends or interest by Israeli companies in our Group. In general, payments of dividends or interest by companies that are Israeli residents for tax purposes are subject to withholding tax. With respect to payments to Luxembourg tax residents or residents of other countries who have a tax treaty with Israel, such withholding tax may be reduced from the rates generally applicable under Israeli law to the rates applicable under the tax treaty between Israel and Luxembourg or the other applicable treaty. In order to enjoy the reduced rate of withholding tax, it is necessary to file with the Israel Tax Authority a request for relief from withholding prior to payment of the dividend and/or interest. If a withholding tax exemption or relief certificate is received from the Israel Tax Authority prior to the payment of the dividend and/or interest, the payer will be able to make the dividend/interest payment at such reduced withholding tax rate. However, if such request is denied or delayed and such certificate is not available at the time of payment, withholding will be made at the full statutory rates. Any changes in the tax rates on dividends or interest could significantly affect our ability to meet our debt service obligations. In addition, payments of dividends or interests by companies resident in the Dominican Republic are subject to a withholding tax of 10%.

The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business.

The terms of the agreements and instruments governing our debt contain a number of significant covenants or other provisions that could adversely affect our ability to operate our business. These covenants restrict our ability, and the ability of our subsidiaries, to, among other things:

- pay dividends or make other distributions;
- make certain investments or acquisitions, including participating in joint ventures;
- make capital expenditures;
- engage in transactions with affiliates and other related parties;
- dispose of assets other than in the ordinary course of business;
- merge with other companies;
- incur additional debt and grant guarantees;
- repurchase or redeem equity interests and subordinated debt or issue shares of subsidiaries;
- grant liens and pledge assets; and
- change our business plan.

All of these limitations will be subject to certain exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these restrictions may be affected by events beyond our control. In addition, we are also subject to the affirmative covenants contained in certain of the debt agreements we are party to, including the Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the Existing HOT Unsecured Notes and the Existing Coditel Mezzanine Facility which require us to maintain specified financial ratios. Upon entry into the Altice S.A. Revolving Credit Facility, the Numericable Group Revolving Credit Facilities Agreement and the New Altice Financing Revolving Credit Commitment, we will also be required to maintain certain specified financial ratios under these agreements. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, we cannot assure you that we will be able to meet these ratios.

In addition to limiting our flexibility in operating our business, the breach of any covenants or obligations under the agreements and instruments governing our debt will result in a default under the applicable debt agreement or instrument and could trigger acceleration of the related debt, which in turn could trigger defaults under other agreements governing our debt. A default under any of the agreements governing our other debt could materially adversely affect our growth, financial condition and results of operations.

Moreover, until such time when all of the Existing HOT Unsecured Notes shall be delisted from trading or be repaid in full, HOT will remain a “reporting company” under Israeli law. Reporting companies under Israeli law are subject to extensive disclosure requirements and burdensome corporate governance rules under the Israeli Companies Law, 1999, the Israeli Securities Law, 1968 and the regulations promulgated thereunder, including the provision which requires a reporting company to maintain an independent audit committee, and the approval of the audit committee as a prior condition to any transaction of the reporting company in which the controlling shareholder has a personal interest.

We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.

As adjusted to give effect to all changes to our capital structure since December 31, 2013, including the Transactions (including the Issuance), as of December 31, 2013, we would have had €6,418 million of floating rate debt. In addition, any amounts we borrow under the Revolving Credit Facility Agreements or the 2013 Guarantee Facility bear or will bear interest at a floating rate. Further, as of December 31, 2013 we had an amount equivalent to €167.0 million outstanding under Series A of the HOT Unsecured Notes which is linked to the consumer price index in Israel. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

Currency fluctuations and interest rate and other hedging risks could adversely affect our earnings and cash flow.

Our business is exposed to fluctuations in currency exchange rates. HOT's primary transactional currency is the New Israel Shekel. The primary transactional currency of Cabovisão, ONI, Coditel, Outremer Telecom, the Numericable Group and Le Cable is the Euro. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of Tricom S.A. and ODO is the Dominican Peso. We conduct, and will continue to conduct, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Our existing debt is primarily denominated in U.S. dollars, euros and New Israeli Shekels although the amounts incurred in euros and New Israeli Shekels do not necessarily match the cash flows generated from operations in such currencies. The exchange rate between the U.S. dollar and the New Israeli Shekel, euro, Swiss Franc and the Dominican Peso has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Further in the past, the Dominican Republic government has imposed exchange controls and currency restrictions and they may do so in the future. This is beyond our control and may result in the Dominican Peso ceasing to be freely convertible or transferable abroad to service our then outstanding indebtedness or otherwise, or the Dominican Peso being significantly depreciated relative to other currencies, including the U.S. dollar. We have historically covered a portion of our U.S. dollar and euro cash outflows arising on anticipated and committed obligations through the use of foreign exchange derivative instruments. Further, while we manage the risk of certain currency fluctuations in respect of a portion of our existing debt and to hedge our exposure to interest rate changes in respect of indebtedness linked to interest rates, these arrangements may be costly and may not insulate us completely from such exposure. There can be no guarantee that our hedging strategies will adequately protect our operating results from the effects of exchange rate fluctuation or changes in interest rates, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in exchange rates or interest rates.

Negative changes in our credit rating may have a material adverse effect on our financial condition.

A downgrade in our credit rating may negatively affect our ability to obtain funds from financial institutions, retain investors and banks and may increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt.

Risks Relating to Our Business, Technology and Competition

We face significant competition in each of the industries in which we operate and competitive pressures could have a material adverse effect on our business.

We face significant competition from established and new competitors in each of the countries and segments in which we operate. The nature and level of the competition we face vary for each of the products and services we offer. Our competitors include, but are not limited to, providers of television, broadband Internet, fixed-line telephony and B2B services using DSL or fiber connections, providers of television services using technologies such as IPTV, providers of television by satellite, DTT providers, mobile network operators, and providers of emerging digital entertainment technologies and other providers of wholesale carrier, infrastructure and white label services.

In some instances, we compete against companies which may have easier access to financing, more comprehensive product ranges, greater financial, technical, marketing and personnel resources, larger subscriber bases, wider geographical coverage for their cable or mobile networks, greater brand name recognition and experience or longer established relationships with regulatory authorities, suppliers and customers. Some of our competitors may have fewer regulatory burdens with which they are required to comply because, among other reasons, they use different technologies to provide their services, do not own their own fixed-line network, or are not subject to obligations applicable to operators with significant market power.

Because the telecommunications and mobile markets in certain of the geographic markets in which we operate, including Israel and France, are reaching saturation, there are a limited number of new subscribers entering the market and therefore in order to increase our market share we are dependent on attracting our competitors' existing subscribers, which intensifies the competitive pressures we are subject to. The competitive landscape in the countries in which we operate is generally characterized by increasing competition, tiered offerings that include lower priced entry level products and a focus on multiple-play offerings including special promotions and discounts for customers who subscribe for multiple-play services, which may contribute to increased average revenue per unique customer relationship, but will likely reduce our ARPU on a per-service basis for each service included in a multiple-play package. We expect additional competitive pressure to result from the convergence of broadcasting and communication technologies, as a result of which participants in the media and telecommunications industries seek to offer packages of fixed and mobile voice, Internet and video broadcast services. In addition, we expect competition to increase as a result of changes in the regulatory regime seeking to increase competition in the markets in which we operate, such as allowing third party access to cable networks on a wholesale basis.

Our products and services are also subject to increasing competition from alternative new technologies or improvements in existing technologies. For example, our pay television services in certain jurisdictions compete with providers who provide IPTV services to customers in our network areas utilizing DSL or very high bitrate DSL ("VDSL") broadband Internet connections. In the broadband Internet market, we generally face competition from mobile operators as they are increasingly able to utilize a combination of progressively powerful handsets and high bandwidth technologies, such as UMTS and long-term-evolution ("LTE") technology. Mobile services, including those offering advanced higher speed, higher bandwidth technologies and mobile virtual network operators ("MVNOs"), also contribute to the competitive pressures that we face as a fixed-line telephony operator. In the past, mobile operators have engaged in "cut the line" campaigns and used attractive mobile calling tariffs to encourage customers with both fixed-line and mobile services to retain only their mobile services. This substitution, in addition to the increasing use of alternative communications technologies, tends to negatively affect our fixed-line call usage volumes and subscriber growth. At the same time, incumbent fixed-line operators have also applied resources to "win-back" activities that can entice our existing telephony customers, as well as prospective telephony customers, to return or remain with the incumbent by offering certain economic incentives.

In addition, new players from sectors that are either unregulated or subject to different regulations (including Internet players such as Yahoo, Google, Microsoft, Amazon, Skype, Apple, YouTube, Netflix and other audiovisual players and over-the-top players) have emerged as competitors to our content offering. The rapid success of audiovisual content streamed through the telecommunications network and insufficient innovation could lead to the emergence of other content or service providers as well as the saturation of the network, which would put pressure on the revenues and margins of operators like our Group while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect our business, financial condition or results of operations.

The following is an overview of the competitive landscape in France, Israel, Belgium and Luxembourg, Portugal, the French Overseas Territories and the Dominican Republic:

France

Pay television. In the French pay-television market, we compete with providers of premium television packages such as CanalSat, DSL triple-play and/or quadruple-play operators such as Orange, Free, SFR and Bouygues Telecom, which provide IPTV, and providers of pay-DTT (Canal+, which operates across multiple formats: IPTV, paid DTT, satellite and cable). The growth of IPTV has changed the market, opening up the provision of pay-television services beyond the traditional methods of cable and satellite, which is limited by the inability to install a satellite dish on the façade of buildings in certain areas, such as central Paris. According to ScreenDigest, in 2012, television distribution by IPTV was the most popular pay-television distribution platform in France (47.7% of overall pay- television subscriptions), ahead of satellite (32.3%), cable (13.2%) and DTT (6.8%). We also compete with satellite television services that may be able to offer a greater range of channels to a larger audience, reaching wider geographic areas (especially in rural areas) for lower prices than the prices of our cable pay television services. Any increase in market share of satellite distribution may have a negative impact on the success of our digital cable television services. We also face competition from satellite distribution of free-to-air television programming. To receive free-to-air programming, viewers need only to purchase a satellite dish and a set-top box. The impact of these market evolutions can be seen in the decline in our stand-alone pay television RGUs in France from 1,292,000 as of December 31, 2010 to 193,000 as of December 31, 2013. While pay-DTT's share (which only includes Canal+ Group currently) of the pay TV market is currently low, providers of pay-DTT may in the future be able to offer a wider range of channels to a larger audience for lower prices than the prices we charge. Furthermore, the number and quality of channels offered in non-premium television packages in France have significantly increased in recent years. If our premium television packages are not seen by our subscribers as having a better cost-benefit profile than non-premium television packages (either the ones offered by us or those offered by our competitors), our subscribers may opt for our or our competitors' non-premium television packages. Finally, the provision of audiovisual content over-the-top of an existing broadband Internet network by providers such as Amazon and Apple by-passes the traditional networks discussed above (including ours) and is an increasing source of competition.

Broadband Internet. In France, we compete primarily with xDSL providers which is currently the most widespread technology used to access broadband Internet in France. Orange is the leading DSL provider, followed by Free, SFR and Bouygues Télécom. In 2012, Orange, Free, SFR, Bouygues Télécom and the Numericable Group had market shares of approximately 41%, 23%, 21%, 7% and 7%, respectively. While we believe that the superior performance and capacity of our cable network compared to our competitors' xDSL networks currently places us at a competitive advantage to exploit the increased demand in France for very high speed Internet, such competitive advantage may diminish to the extent that xDSL operators roll out FTTH or VDSL2 networks. See *"—The deployment of fiber or VDSL2 networks by our competitors may reduce, and ultimately eliminate, the speed and power gap between our cable network and the DSL networks of our main competitors"*. In addition, our xDSL competitors' networks cover more French homes than our network and pricing is very competitive. Orange's fixed-line network includes a local loop covering all French homes, and unbundling provides competitors such as SFR, Bouygues Télécom and Free with access at a price regulated by ARCEP to all homes where unbundling has occurred (over 85% of French homes), compared to approximately 35% of French homes covered by our network. In addition, we could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to our fiber network. In certain cases, the regulation of FTTH may create opportunities for DSL unbundlers to significantly reduce their wholesale prices. We also compete with service providers that use other alternative technologies for Internet access, such as satellite technologies or mobile standards such as UMTS and 4G mobile technologies. These mobile broadband Internet high speed Internet access technologies may enable both incumbent and new broadband Internet access providers to provide high bandwidth connection services for voice and data. Furthermore, additional access technologies may be launched in the future that will further increase competition or lead us to increase capital expenditure for additional upgrades. Providers of mobile broadband Internet access may be able to offer fast Internet access speeds at a competitive cost, with the additional possibility of allowing customers to access the Internet remotely.

Mobile telephony. The French mobile telephony market, which we entered as an MVNO in May 2011, is characterized by competition among well-established mobile network operators such as Orange, SFR, Bouygues Telecom and Free, as well as other MVNOs such as Virgin Mobile or La Poste. Competition has intensified, particularly as to price, since the entry by Free in early 2012 with a low-priced unlimited calling package. The mobile telephony market in France, in which we remain a very small actor, is currently undergoing a transformation, with a price war and bundled packages no longer including subsidized handsets, and the development of "low-cost" brands. The evolution of consumer behavior as well as new offers could have a negative impact on the attractiveness of our products. Our competitive position is also affected by our status as an MVNO and the structure of our contractual relationship with our network providers, Bouygues Telecom and SFR. We are currently not technically able to offload our customers' mobile usage onto WiFi, which may place us at a disadvantage compared to our competitors who are able to offload to WiFi and hence have a structurally lower cost base.

Multiple-play. The French media and telecommunications markets have converged in the residential segment as customers seek to obtain their media and communications services from a single provider at an attractive price. Bundled packages of services are now the market norm in the French residential segment. If our bundled products are not able to compete effectively in the marketplace, we may be required to lower prices or increase investment in services to improve quality in order to take advantage of increasing demand for bundled services and retain subscribers.

Business services. Competition in the French B2B market, though not as intense as in the residential market, is strong and may increase. B2B customers, including SMEs, tend to focus on "infrastructure as a service," integrated solutions for data availability, storage, and security. B2B customers require service to be extremely reliable and to be re-established within short timeframes if there is any disruption, which increases competitive pressure on market participants. Our competitors in France may have more effective customer relations teams or a more established presence in certain regions than us. Our main competitors in this segment are Orange (Orange Business Services), SFR (SFR Business Team) and Colt. Bouygues Telecom Enterprises is also a competitor in the SME segment. As of December 31, 2013, Orange, SFR and Colt had market shares of 70%, 12% and 3%, respectively, and we believe that we had a market share of approximately 7% (4% for medium-sized businesses and approximately 8% for large businesses and public sector entities). The French B2B market for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (typically one year) contracts, and vulnerable to cuts in MTR rates. The ability to compete effectively is partially a function of network capillarity, and certain of our competitors have a more extensive and denser network than us. In the French B2B market for data services, network power and capacity and access to the latest technologies are very important to customers. Our competitors in France may invest more heavily in network power and technological advancements and therefore compete more effectively for B2B customers than us. In the data market, customers also often seek combined infrastructure and software solutions. As a result, we also compete with software and other IT providers of data and network solutions, which may decrease the value customers place on our infrastructure solutions, leading to a reduction in our prices and margins. IT providers may also partner with our infrastructure telecommunications competitors.

Wholesale services. The French wholesale telecommunications market is dominated by Orange and SFR, although their market shares vary depending on the segment, with SFR dominating the voice wholesale segment with an estimated 60% market share as of December 31, 2012 and Orange dominating in the data wholesale segment with an estimated 60% market share as of December 31, 2012. In the fiber wholesale segment, Orange is the dominant player, with a market share that we believe to be approximately 70% as of December 31, 2012. We estimate that we have a market share between 10% and 20% in the three wholesale sectors of voice, data, and fiber. We also face competition from consortiums of telecom operators and construction companies, such as Covage, Vinci, Eiffage and Axiom (who may lay down fiber in construction sites and then lease them on the wholesale market). The wholesale market for voice services in France is extremely volatile. Operators generally launch offers to tender each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators in this sub-segment. Competition is therefore based primarily on price and network capillarity. The wholesale market for data services in France is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement. The wholesale market for dark fiber infrastructure in France is more open than for wholesale voice and data carriage, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e., they rent the fiber to telecommunications operators).

Israel

Pay Television. In the multi channel television market our main competitor is D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq, which provides satellite technology based multi channel television services under the brand “YES”. Other factors that have a material impact on competition in the market include the availability of free-to-air DTT channels and the increasing availability of video content that may be offered via the Internet. In addition, we believe that the implementation of certain regulatory changes may have an impact on competition in the market, including the expansion in the number of free-to-air DTT channels, the “narrow” television package and the increased scope of special broadcasting licenses pursuant to which we are required to broadcast television channels owned by special broadcasting license holders on our network under certain terms.

Broadband Internet Infrastructure Access. Our high-speed broadband Internet infrastructure access service competes primarily with Bezeq, which provides high-speed broadband Internet access over DSL, holds the highest market share in broadband Internet infrastructure access in Israel, and offers a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of Bezeq’s DSL-based broadband Internet infrastructure access service to very high bitrate DSL (“VDSL”) and potentially even faster DSL variants and the possibility of widespread fiber-to-the-home installations which it has announced could have a negative impact on our competitive position in the broadband Internet infrastructure market and may also require us to revise our marketing strategy and make potentially significant capital expenditures. Further, the Israeli Ministry of Communications has issued regulatory instructions in an attempt to create a wholesale market for broadband Internet infrastructure access which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. In January 2014, the Israeli Ministry of Communication published a list of wholesale services that would be provided by HOT Telecom and Bezeq, and also published a hearing regarding Bezeq’s tariffs for certain services. HOT Telecom submitted a response relating to the decision in March 2014 and is currently awaiting further instructions. We are currently evaluating the impact of the Israeli Ministry of Communication’s decision on our business in Israel and while we have not yet made a full assessment of such impact, it is possible that this may result in increased competition. Competition may also increase following the creation of a public private joint venture in June 2013 between the government owned Israeli Electric Corporation (“IEC”) and a private company, which proposes to use the electric transmission and distribution network in Israel owned by IEC to provide wholesale products to telecommunication services providers via optical fiber, and thus compete with HOT and Bezeq in the wholesale market as well as providing such services directly to large business customers.

Fixed-Line Telephony. Competition in providing fixed-line telephony service is intense, with providers having introduced substantial price reductions over the past few years. Bezeq, our principal competitor in the Israeli market and the largest provider of fixed-line telephony services, has an extensive fixed-line telephone network throughout Israel, strong market knowledge, high brand recognition and substantial capital resources. We believe that competition in this market will increase due to the low barriers to entry primarily as a result of regulations pursuant to which new service providers, who receive a license, can provide telephony services using voice over Internet protocol (“VoIP”) or voice over broadband Internet (“VOB”) technology over the infrastructure network owned by either us or Bezeq (the end user will still need to purchase access to the infrastructure network directly from us or from Bezeq). As a result of the wholesale market implementation, the VOB service provider may be entitled to procure the access to the network infrastructure by itself. The Israeli Ministry of Communications requires the various telephony service providers to provide interconnection access in return for payment of an “interconnection fee” set by it. Competition may also increase following the commencement of operations by the proposed IEC joint venture, if successful, and as the result of the policy to develop a wholesale market in telecommunications services. Although our market share in this segment is increasing, we may not have the resources of, or benefit from the economies of scale available to, Bezeq and other competitors.

Mobile Services. The mobile market in Israel is characterized by saturation and a very high penetration level in excess of 100%, as a result of which competition is focused primarily on customers moving from one mobile operator to another. Our mobile service competes with three principal mobile network operators in Israel, who between them are currently estimated to directly represent over 86% of the total market for mobile services in Israel as of December 31, 2013, by number of mobile customers, and with an additional new mobile network operator (as well as several MVNOs). As such, the brand names of the three principal mobile network operators in Israel are better recognized as mobile service providers than our brand, they have better established sales, marketing and distribution capabilities, and are more experienced in the provision of mobile services. While we acquired HOT Mobile in November 2011, which had an existing iDEN-based mobile network and service offering, we only began offering our 3G based mobile services under the HOT brand in May 2012 and expect that we will continue to face the challenge that the brand names of our competitors are better recognized as mobile service providers and that these competing providers are part of larger, more established companies than us. We may be required to invest significantly in marketing, other promotional activities and our infrastructure to overcome this challenge. We may also face increased competition in the future from Golan Telecom, which launched its services at the same time as HOT Mobile, and MVNOs that provide mobile services under their own brand using the network infrastructure of another service provider. In addition, the Israeli Ministry of Communications has granted a special license to a few of the new operators to conduct a marketing experiment that will examine the provision of domestic telephony services using VoC (VoIP over Mobile) technology. VoC services may provide an alternative to traditional mobile services or virtual mobile networks, offering an easier and more cost efficient service. In addition, a licensed VoC service improves user experience, since it has a standard phone number and can be ported in and out with number portability. If the VoC marketing experiment is successful and the Israeli Ministry of Communications grants licenses to offer VoC service, demand for our mobile services may be reduced, which would negatively impact revenues and profits from that segment. In the future, the Israeli Ministry of Communications may auction additional spectrum for LTE services at prices or on terms which we do not consider attractive. We may be unsuccessful in acquiring spectrum for LTE services or a successful bid may strain our financial resources. In the event that we successfully bid for such additional spectrum and decide to accept the terms on which it is offered to us, we would need to deploy 4G LTE infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) in order to commercialize such services. It is unclear whether the regulator would allow us to deploy an LTE network before we complete the roll-out of our UMTS network or share the network with Partner (subject to regulatory approval). If we are not granted such permission or the regulatory approval for our network sharing agreement with Partner is not granted, we could incur significant delay in rolling out our 4G LTE network compared to our competitors which have already completed the roll-out of their UMTS 3G networks. A delay in the introduction of 4G LTE services or a failure on our part to provide such services at all could negatively affect our ability to compete with mobile operators who can provide such services to Israeli subscribers.

Multiple-play offerings. We are currently the only provider of triple-play services combining pay television, broadband Internet infrastructure access and fixed-line telephony services at a bundled price below what a subscriber would pay for each service individually. Bezeq, our principal competitor, is currently limited under its license from providing triple-play services, although it can apply for approval to the Israeli Ministry of Communications to provide such services. On March 26, 2014, the Anti-Trust Commissioner approved the merger between Bezeq and “YES”. Therefore, we expect that Bezeq will offer such triple-play services to its customers in the near future through “YES”. Bezeq can also currently provide double-play services including broadband Internet infrastructure access and ISP services at a bundled price. The ability of our competitors to provide multiple-play services in the future as a result of regulatory changes, consolidation in the industry, advances in technology or other factors, or regulatory changes that might require us to provide, on a stand alone basis, the services that currently form our triple-play bundle at the bundled rates, could have a material effect on our business, financial condition and results of operations.

Business services. Competition in the provision of Internet, data and voice products to business customers is intense, with Bezeq, several local telephony operators through VoB and several international telephony operators among our competitors. In addition to competitive activity, we continue to see challenges in this segment of the market as a result of price erosion in existing products and the need to invest in new product development to satisfy the evolving preferences of prospective customers.

Dominican Republic

Tricom, which provides cable and fixed line services as well as mobile services, and ODO which provides mobile services and broadband Internet services, currently face significant competition in their respective markets.

In the mobile market, ODO’s and Tricom’s key competitors are Claro, the incumbent with a 54% market share and Viva with a 7% market share. ODO and Tricom have recently been subject to decreasing mobile termination rates which continue to be significantly higher than in other regions such as Western Europe. While voice to data substitution resulting from increased smartphone penetration should help mitigate the impact of voice ARPU deterioration, ODO and Tricom may not be able to successfully capture wireless market share, due to competition in particular from Claro, the incumbent owned by the Mexican telecom operator America Movil with a 67% market share, and also Wind Telecom, a local wireless player with an 8% market share. In addition, uncertainty remains as to future spectrum auctions and ability for ODO to utilize Tricom's excess spectrum, which could impact 4G/LTE deployment and therefore increased data demand from our customers. There can be no assurance that we will be successful in acquiring the necessary spectrum for LTE services or that the cost of obtaining spectrum or developing LTE capability will not strain our financial resources. An inability to offer LTE services or a delay in offering these services could negatively affect our ability to compete with mobile operators who can provide such services.

Key competitors of Tricom's pay television business are Claro (approximately 38% market share), cable operator Aster (approximately 12% market share) and Wind Telecom (approximately 10% market share). While the market remains relatively fragmented, significant consolidation opportunities exist, in particular between some of the smaller cable operators and we therefore expect increased competition going forward.

Concentration in the fixed telephony market is also high, with Claro and Tricom together accounting for a market share of over 90% (approximately 68% and 25% market shares, respectively). However, revenues and fixed line telephony subscribers have seen declines in recent years, due to mobile substitution. These trends are in line with those witnessed in most Western European countries and are expected to continue in the future, with multiple play uptake only expected to mitigate this deterioration in part. In addition, termination rates continue to be significantly higher than in other countries, with any reductions likely to impact Tricom negatively.

Tricom and Claro are currently the only quadruple play providers in the Dominican Republic. Bundled services are expected to become increasingly important and customers that have such services are less likely to switch to a different operator for all or part of the bundled services. ODO does not currently provide bundled service and is therefore currently unable to compete in the market for bundled services, which may adversely affect its ability both to retain existing customers and to attract new customers, including those who currently subscribe for bundled services from other operators and may be disincentivised to switch operators as a result.

Further, a new mobile network operator, or "MNO," could successfully enter the mobile telecommunications market in the Dominican Republic. The entry of a new MNO in the Dominican Republic mobile telecommunications market could materially impact ODO and Tricom's market shares and have corresponding effects on their revenues and results of operations. MVNOs and resellers could also enter the Dominican Republic mobile telecommunications market, following an international trend towards increasing diversification in the telecommunications markets. In addition, ODO and Tricom are facing increasing competition from non traditional mobile voice and data services based on new mobile voice over the Internet technologies, in particular over the top ("OTT") applications, such as Skype, Google Talk and Facebook.

In addition, we have operations in Belgium and Luxemburg, Portugal and the French Overseas Territories that face competition and competitive pressure risks similar to those described above.

A weak economy and negative economic development in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland and the Dominican Republic, may jeopardize our growth targets and may have a material adverse effect on our business, financial condition and results of operations.

Negative developments in, or the general weakness of, the economy in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland or the Dominican Republic, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a deterioration of any of these economies will not lead to a higher number of non-paying customers or generally result in service disconnections. Similarly, a deterioration in economic conditions in the countries in which we offer B2B services (France, Portugal, Belgium, Luxembourg, Switzerland and the Dominican Republic) or wholesale services (France) would be likely to adversely affect the demand for and pricing of such services. Therefore, a weak economy and negative economic development in the markets in which we operate may jeopardize our growth targets and may have a material adverse effect on our business, financial condition and results of operations. We are currently unable to predict the extent of any of these potential adverse effects. Recently, the general economic, labor market and capital market conditions in the EMEA region (including Israel), including certain of the jurisdictions in which we operate, and other parts of the world have undergone significant turmoil. In addition, general market volatility has resulted from uncertainty about sovereign debt and fear that the governments of countries such as Cyprus, Greece, Portugal, Spain, Ireland and Italy may default on their financial obligations. Furthermore, continued hostilities in the Middle East and recent tensions in North Africa could adversely affect the Israeli economy. Additionally, the Dominican Republic economy depends to a significant degree on global tourism and the health of the US economy and remains vulnerable to external shocks (e.g., economic declines in other emerging market countries). Any decrease in visitors, a downturn in the US economy or such external shocks could have a material adverse effect on economic growth in the Dominican Republic. These conditions could also adversely affected access to capital and increased the cost of capital. Although we believe that our capital structure will provide sufficient liquidity, there is no assurance that our liquidity will not be affected by changes in the financial markets or that our capital resources will at all times be sufficient to satisfy our liquidity needs. If these conditions continue or become worse, our future cost of debt and equity capital and access to the capital markets could be adversely affected.

The political and military conditions in Israel may adversely affect our financial condition and results of operations.

A significant portion of our operations, our networks and some of our suppliers are located in Israel and are affected by political and military conditions. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Hostilities involving Israel, any interruption or curtailment of trade between Israel and its trading partners and political instability within Israel or its neighboring countries are likely to cause our revenues to fall and harm our business. In particular, in recent conflicts, missile attacks have occurred on civilian areas, which could cause substantial damage to our networks, reducing our ability to continue serving our customers as well as our overall network capacity. In addition, in the event that recent political unrest and instability in the Middle East, including changes in some of the governments in the region, cause investor concerns resulting in a reduction in the value of the New Israeli Shekel, our expenses in non-shekel currencies may increase, with a material adverse effect on our financial results.

During an emergency, including a major communications crisis in Israel’s national communications network, a natural disaster, or a special security situation in Israel, control of our networks may be assumed by a lawfully authorized person in order to protect the security of the State of Israel or to ensure the provision of necessary services to the public. During such circumstances, the government also has the right to withdraw temporarily some of the mobile spectrum granted to us. Under the Equipment Registration and Mobilization to the Israel Defense Forces Law, 1987, the Israel Defense Forces may mobilize our engineering equipment for their use, compensating us for the use and damage. This may materially harm our ability to provide services to our subscribers in such emergency circumstances and have a negative impact on our revenue and results of operations.

Moreover, the Prime Minister of Israel may, under powers which the Communications Law (Telecommunication and Broadcasting), 5742—1982 (the “Communications Law”) grants him for reasons of state security or public welfare, order us to provide services to the security forces, to perform telecommunications activities and to set up telecommunications facilities required by the security forces to carry out their duties. While the Communications Law provides that we will be compensated for rendering such services to security forces, the government is seeking a change in the Communications Law which would require us to bear some of the cost involved with complying with the instructions of security forces. Such costs may be significant and have a negative impact on our revenue and results of operations.

Some of our officers and employees are currently obligated to perform annual reserve duty. All reservists are subject to being called to active duty at any time under emergency circumstances. In addition, some of our employees may be forced to stay at home during emergency circumstances in their area. We cannot assess the full impact of these requirements on our workforce and business if such circumstances arise.

More generally, any armed conflicts, terrorist activities or political instability in the region would likely negatively affect business conditions and could harm our results of operations, including following termination of such conflicts, due to a decrease in the number of tourists visiting Israel. Beginning in 2010 and continuing to date several countries in the region, including Egypt and Syria, have been experiencing increased political instability and armed conflict, which have led to change in government in some of these countries, the effects of which are currently difficult to assess. Further, tensions have increased recently between Israel and Iran over Iran’s nuclear program. In the event the conflict escalates, especially if Iran has nuclear weapons capabilities, the impact on our business could be significant.

Terrorist attacks and threats, escalation of military activity in response to such attacks or acts of war may negatively affect our cash flows, results of operations or financial condition.

Our business is affected by general economic conditions, fluctuations in consumer confidence and spending, and market liquidity which can decline as a result of numerous factors outside of our control, such as terrorist attacks and acts of war. In Israel, the ongoing hostilities with the Palestinians, future terrorist attacks, rumors or threats of war, actual conflicts in which it or its allies might be involved, or military or trade disruptions affecting us or our customers may adversely affect our operations.

With the completion of the Tricom Acquisition on March 12, 2014 and the ODO Acquisition on April 9, 2014, we now have operations in the Dominican Republic and are exposed to economic, political and other risks related to the Dominican Republic.

With the completion of the Tricom Acquisition and the ODO Acquisition we have acquired operations in the Dominican Republic. We have no prior history of operating in the Dominican Republic. The Dominican Republic is an emerging market economy and as such is more vulnerable to market volatility as well as political and economic instability than developed markets. Risks associated with operating in the Dominican Republic include, but are not limited to:

- high interest rates;
- devaluation or depreciation of the currency;
- inflation;
- changes in governmental economic, tax or other policies;
- the potential reintroduction of exchange controls;
- the scarcity of available foreign exchange;
- significant oil price increases;
- economic and political instability; and
- expropriation and political violence or disturbance.

ODO and Tricom's operations could be affected by changes in the economic or other policies of the Dominican Republic government or other political, regulatory or economic authorities in the country. Historically, past governments have intervened in the nation's economy. Among other things, past governments have historically imposed import and export and exchange rates controls. Future developments in Dominican Republic politics, such as changes in economic or other government or other political, regulatory or economic authorities, including government induced effects on inflation, devaluation and economic growth, could adversely affect ODO and Tricom's businesses, financial conditions or results of operations.

Historically, the Dominican Republic has experienced high rates of inflation. Inflation, as well as government efforts to combat inflation or stabilize the Dominican Peso, has in the past had significant negative effects on the Dominican economy, most recently in 2003 and 2004, when inflation rates, as measured by the Dominican Consumer Price Index (Indice de Precios al Consumidor, or the Dominican CPI) were 42.7% and 28.7%, respectively. Inflation rates since then, as measured by this index, were 7.4% in 2005, 5.0% in 2006, 8.9% in 2007, 4.5% in 2008, 5.8% in 2009, 6.2% in 2010, 7.8% in 2011 and 3.9% in 2012.

Each of these factors could, individually or in the aggregate, have a material adverse effect on ODO and Tricom's business, reputation, financial conditions or result of operations.

Our growth prospects depend on a continued demand for cable based and mobile products and services and an increased demand for bundled and premium offerings.

The use of Internet, television and fixed-line telephony and mobile services in certain of the jurisdictions in which we operate has increased sharply in recent years. For example, Israel has become one of the most highly penetrated countries for such services, broadly in line with countries in Western Europe. We have benefited from this growth in recent years and our growth and profitability depend, in part, on a continued demand for these services in the coming years. We rely on our multiple-play and premium television services in most of the jurisdictions in which we operate to attract new customers and to increase our revenue per customer by migrating existing customers to such services. Therefore, if demand for multiple-play products and premium television services does not increase as expected, this could have a material adverse effect on our business, financial condition and results of operations.

Our business is capital intensive and our capital expenditures may not generate a positive return or we may be unable or unwilling to make additional capital expenditures.

The pay television, broadband Internet, fixed-line telephony, mobile and B2B businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. In Israel, we recently completed an upgrade to our cable network that made our entire network Docsis 3.0- enabled, which enables us to expand the transfer volume on the network to improve the provision of services that require substantial bandwidth like VoD and increase the number of channels that we can offer our subscribers. We are also in the process of selectively rolling out "FTTx" improvements to our last mile fixed-line network and may need to make similar capital expenditures in the future to keep up with technological advancements. In addition, we are continuing to invest in the expansion of our UMTS mobile network to provide 3G mobile services, which we launched on May 15, 2012 and which offers subscribers faster network capabilities and better roaming coverage as compared to our iDEN platform and the ability to use 3G phones. It is expected that the relevant authorities in Israel will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the short to medium term. In case of a successful award, we will need to upgrade our mobile network and roll out an LTE network, which could involve a significant amount of capital expenditure or investment in the newly formed limited partnership to be set up pursuant to the Network Sharing Agreement between HOT Mobile and Partner. In France, we are seeking to upgrade and expand our network and expect to incur substantial capital expenditure in the process. We intend to keep upgrading our cable network to fiber in order to make them compatible with Docsis 3.0, which we expect will require significant capital expenditure. We also expect to develop our FTTH networks in the context of public-private partnerships in France, such as our DSP 92 project. For a description of our DSP 92 project, see "Description of Our Business—Products and Services—Wholesale Services in France.

We have, in recent years, also made significant investments in cable and mobile networks in Belgium and Luxembourg, the French Overseas Territories and Portugal. No assurance can be given that our recent or future capital expenditures will generate a positive return or that we will have adequate capital available to finance future upgrades or acquire additional licenses. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks, or making our other planned or unplanned capital expenditures, our growth and our competitive position may be materially adversely affected.

We are subject to increasing operating costs and inflation risks which may adversely affect our earnings.

While we generally attempt to increase our subscription rates to offset increases in operating costs, there is no assurance that we will be able to do so due to competitive and other factors. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow and results of operations. We are also affected by inflationary increases in salaries, wages, benefits and other administrative costs which we may not be in a position to pass on to our customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

If we fail to successfully introduce new technologies or services, or to respond to technological developments, our business and level of revenue may be adversely affected and we may not be able to recover the cost of investments that we have made.

Our business is characterized by rapid technological change and the introduction of new products and services. If any new or enhanced technologies, products or services that we introduce fail to achieve broad market acceptance or experience technical difficulties, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover investments that we make in order to deploy these technologies and services. Enhanced television, fixed-line telephony, broadband Internet infrastructure access and mobile services provided by competing operators may be more appealing to customers, and new technologies may enable our competitors to offer not only new services, but to also offer existing standard services at lower prices. See "*—We face significant competition in each of the industries in which we operate and competitive pressures could have a material adverse effect on our business*." We may not be able to fund the capital expenditures necessary to keep pace with technological developments. Our inability to obtain the funding or other resources necessary to expand or further upgrade our systems and provide advanced services in a timely manner, or successfully anticipate the demands of the marketplace, could adversely affect our ability to attract and retain customers and generate revenue.

We anticipate that over time, new products and services we may introduce will require upgraded or new customer premises equipment, which may therefore constrain our ability to market and distribute such new services. For example, we do not expect that previously installed Internet modems or set-top boxes will be able to support all the enhancements we may introduce to our broadband Internet or pay television services over time. A portion of our subscribers will therefore require some form of upgrade or potentially a replacement of their customer premises equipment. Implementing such upgrades may entail additional costs to us and could delay the introduction of enhanced services and therefore reduce our cash flow and profitability, particularly where customers rent such customer premise equipment from us.

The deployment of fiber or VDSL2 networks by our competitors may reduce, and ultimately eliminate, the speed and power gap between our cable network and the DSL networks of our main competitors.

We believe that one of our core competitive advantages in the majority of our geographies is the strength and speed of our fiber/cable networks. On a blended basis, approximately 98% of the Altice International Group's networks is Docsis 3.0-enabled and over an aggregate of approximately 85% of the Numericable Group's networks is Docsis 2.0- or Docsis 3.0-enabled, in each case as of December 31, 2013. The parts of our networks that have been upgraded to FTTx and use Docsis 3.0 technology allow for speed levels that cannot currently be matched by xDSL networks that have not been upgraded to fiber, which is the technology deployed by most of our competitors, and allows for the connection of several devices without impairing the quality of the television signal.

Our competitors may deploy fiber and/or VDSL2 networks allowing for download speeds and bandwidths which may rival those achieved by our network. For example, in France, our main DSL competitors (Orange, Free, SFR and Bouygues Télécom) have begun to roll out FTTH networks in order to increase and harmonize their network speed. In line with the law on modernization of the economy dated August 4, 2008 and in line with the conditions set forth by ARCEP (decision 2009-1106 dated December 22, 2009 and decision 2010- 1312 dated December 14, 2010), other operators will be able to obtain access to the infrastructure deployed by an operator, including through co- financing projects, and use such infrastructure for their own very-high- speed broadband Internet offers. French DSL operators have all announced various agreements to mutualize deployment of FTTH in certain areas. In addition, in February 2013, the French government announced a €20 billion FTTH deployment plan and a goal to provide very- high-speed Internet access to 50% of the population by 2017 and 100% of the population by 2023. The government pledged to provide €3 billion in subsidies to municipalities for FTTH deployment. Several communities have already granted subsidies to network operators to install FTTH connections. These grants are likely to continue, with some regions of France such as the Hauts-de-Seine, Amiens and Louvin districts, having already entered into public-private partnerships in an effort to encourage such investments. Furthermore, Orange may decide, either as an alternative to FTTH or as an intermediate approach pending the FTTH roll- out, to upgrade a portion of its network to VDSL2. Orange announced that it would run a beta test of VDSL2 for certain consumers on its network during the course of the fall of 2013. SFR and Free have also announced that they would make their current offerings upgradeable to VDSL2 should the technology become available in a subscriber's location.

Bezeq, through its DSL network, is the leading broadband Internet infrastructure access provider in Israel with 1.3 million subscriptions as of December 31, 2013 including business and residential customers. Based on Bezeq's public filings, Bezeq is currently rolling out FTTH/FTTB infrastructure. Bezeq has reported that, as of December 31, 2013, approximately 98% of its 1.2 million broadband Internet customers have been migrated to its next generation network. On August 29, 2012, Bezeq announced its decision to broaden the deployment of optical fibers to reach as close as possible to its customers through FTTH or FTTB, in an effort to form the basis of the future supply of advanced communications services and with greater bandwidth than currently provided. As of December 31, 2013, Bezeq had already deployed FTTx to 400,000 households and businesses in Israel and it is planning to have covered 1,000,000 homes and businesses with fiber by the end of 2014.

If our competitors deploy or significantly expand their fiber networks they may be able to compete with our pay television and broadband Internet offers at a level of quality and speed equal or superior to ours, potentially eliminating our current competitive advantage, increasing pressure on our prices and margins and leading us to incur significant capital expenditures to match their service offerings. Implementation of a VDSL2 solution by such competitors could also reduce our competitive advantage. The deployment of fiber and/or VDSL2 networks by competitors is also a risk for our B2B operations, particularly with respect to SMEs and SoHos, for which our cable and fiber/DSL networks, as applicable, are also currently an advantage. While we have invested and improved our offerings in response to fiber/VDSL2 deployment, such deployment could have a material adverse effect on our business, financial condition and results of operations.

ODO's activities may be affected by Indotel's decisions regarding the granting, amendment or renewal of frequency licenses.

ODO's activities as a mobile network operator in the Dominican Republic are subject to regulation and supervision by various Dominican Republic authorities, in particular the Dominican Institute for Telecommunications ("Indotel"). Since 2002, Indotel has issued a series of decrees and resolutions in order to implement the National Frequency Allocation Plan ("PNAF"), the objective of which is to reorganize the radio spectrum in the Dominican Republic and make more bands available for operators to provide mobile services. Frequency migration is currently in progress and concerns ODO among other operators. For example, Orange must migrate from its current 1800Mhz frequency to another frequency to be allocated to it in the 2110 2155Mhz band in order to comply with PNAF provisions, which pair the 1700Mhz frequency with the 2100Mhz frequency. Spectrum entitlement rights relating to the migrated bands remain in dispute among various telecom operators. In addition, Indotel has not confirmed the final step in a frequency swap assigning the 1720 1730 MHZ and the 2120 2130 MHz ranges to ODO in exchange for other frequencies.

Indotel launched a public auction in October 2011 to allocate the frequencies made available in the modified radio spectrum, including the 900MHz (downlink). ODO qualified as a bidder and prepared documentation to present its offer. However, Arcoiris de Television, Colorvision, Supercanal and Satel/Grupo Telemicro filed oppositions claiming that they owned certain of the frequencies that were for sale. In response, Indotel postponed the public auction and has so far only ruled on Arcoiris Television's claim. Indotel has recently indicated that it would resume the auction in the near term. ODO's options to acquire the desired frequencies are to (i) wait for Indotel to resume the public auction or (ii) consider purchasing the frequencies directly from the alleged owners, subject to Indotel's grant of clearance.

Any decisions by regulators or decisions regarding the granting, amendment or renewal of the frequency licenses, to us or to third parties, could materially and adversely affect our business, financial condition and results of operations following the ODO Acquisition.

ODO's ability to extend its 4G/LTE service offering beyond its current limitations is subject to the finalization of the public auction.

ODO currently only offers limited 4G/LTE services in the Dominican Republic due to certain restrictions imposed on it by Indotel following a claim by Claro, the incumbent operator in the Dominican Republic, which alleged ODO's 4G/LTE services amounted to an improper use of spectrum, violated public auction terms and constituted anti competitive practices. These restrictions limit ODO's right to offer 4G LTE services through a USB device for wireless Internet access in five original areas of sale in Santo Domingo. Following Indotel's subsequent declaration that ODO had not committed the violations alleged by Claro, it elected to allow ODO to re-launch its offer subject to the limitations mentioned above. ODO's further deployment of 4G/LTE remains conditional on its successful acquisition of additional frequencies that support 4G/LTE services. Indotel has announced its intention to resume the public auction of additional frequencies in the near term. In addition, Tricom has sufficient bandwidth in the relevant spectrum band and currently offers 4G/LTE services nationwide. Following the consummation of the ODO Acquisition, ODO expects to be able to leverage Tricom's spectrum entitlement to extend the reach of its 4G/LTE services. However, in the event the restrictions imposed by Indotel continue in place or ODO is unable to acquire additional frequencies for any reason (within the context of the public auction process or otherwise), its ability to provide 4G/LTE services will be significantly limited, which may have a material adverse effect on its results of operations.

Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.

Exposure to electromagnetic fields through telecommunications equipment, including mobile antennas, relay antennas and WiFi, has raised concerns regarding possible harmful side effects. If concern for such risks were to worsen, or if harmful effects were scientifically established, our business, financial condition and results of operations could be materially adversely affected.

A number of studies have been conducted to examine the health effects of mobile phone use and network sites, and some of these studies have been construed as indicating that radiation from mobile phone use causes adverse health effects. Media reports have suggested that radio frequency emissions from mobile network sites, mobile handsets and other mobile telecommunication devices may raise various health concerns. While, to the best of our knowledge, the handsets that we market comply with the applicable laws that relate to acceptable Specific Absorption Rate ("SAR") levels, we rely on the SAR levels published by the manufacturers of these handsets and do not perform independent inspections of the SAR levels of these handsets. As the manufacturers' approvals refer to a prototype handset, and not for each and every handset, we have no information as to the actual level of SAR of the handsets along the lifecycle of the handsets. Furthermore, we only own mobile networks in Israel and the French Overseas Territories and our mobile network sites comply with the International Council on Non-Ionizing Radiation Protection standard, a part of the World Health Organization.

In May 2011, the International Agency for Research on Cancer ("IARC"), which is part of the World Health Organization ("WHO"), published a press release according to which it classified radiofrequency electromagnetic fields as possibly carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use. We have complied with and are committed to continue to comply with the rules of the authorized governmental institutions with respect to the precautionary rules regarding the use of mobile telephones.

In June 2011, WHO published a fact sheet (no. 193) in which it was noted that "A large number of studies have been performed over the last two decades to assess whether mobile phones pose a potential health risk. To date, no adverse health effects have been established as being caused by mobile phone use". It was also noted by WHO that "While an increased risk of brain tumors is not established, the increasing use of mobile phones and the lack of data for mobile phone use over time periods longer than 15 years warrant further research of mobile phone use and brain cancer risk in particular, with the recent popularity of mobile phone use among younger people, and therefore a potentially longer lifetime of exposure". WHO notified that in response to public and governmental concern it will conduct a formal risk assessment of all studied health outcomes from radiofrequency fields exposure.

In Israel, the Israeli Ministry of Health published in July 2008 recommendations regarding precautionary measures when using mobile handsets. It indicated that although the findings of an international study on whether mobile phone usage increases the risk of developing certain tumors were not yet finalized, partial results of several of the studies were published, and a relationship between prolonged mobile phone usage and tumor development was observed in some of these studies. For example, we refer our customers in Israel to the precautionary rules that have been recommended by the Israeli Ministry of Health, as may be amended from time to time. These studies, as well as the precautionary recommendations published by the Israeli Ministry of Health, have increased concerns of the Israeli public with regards to the connection between mobile phone exposure and illnesses.

Several lawsuits have been filed against mobile operators and other participants in the mobile industry alleging adverse health effects and other claims relating to radio frequency transmissions to and from sites, handsets and other mobile telecommunications devices, including lawsuits against HOT, which were settled during 2012 with no material expenses incurred in such settlements.

The perception of increased health risks related to mobile network sites may also cause us increased difficulty in obtaining leases for new mobile network site locations or renewing leases for existing locations or otherwise in installing mobile telecommunication devices. If it is ever determined that health risks existed or that there was a deviation from radiation standards which would result in a health risk from sites, other mobile devices or handsets, this would have a material adverse effect on our business, operations and financial condition, including through exposure to potential liability, a reduction in subscribers and reduced usage per subscriber. Furthermore, we do not expect to be able to obtain insurance with respect to such liability.

If we cannot obtain or maintain favorable roaming or network sharing arrangements for our mobile services, our services may be less attractive or less profitable.

In Israel, we rely on agreements to provide roaming services to our 3G mobile customers within areas in Israel not covered by our UMTS network while we build-out our UMTS network and with Vodafone for roaming services outside Israel. In November 2013 we entered into a Network Sharing Agreement with Partner Communications Company Ltd. ("Partner") pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into an RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nationwide mobile coverage to our customers. In Israel, we recently entered into the Network Sharing Agreement with Partner following our recent agreement with Pelephone pursuant to which we are no longer bound by a clause that previously tied us exclusively to Pelephone. The Network Sharing Agreement, which remains subject to regulatory approval, is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028 but may be terminated in the event of a material breach and certain other specific events. While the Network Sharing Agreement is pending regulatory approval, we benefit from an RoU Agreement giving us the right to use Partner's network in this interim period. The RoU Agreement with Partner is valid until January 4, 2017. If we are unable to obtain the required regulatory approvals for the Network Sharing Agreement or otherwise implement the arrangements we have entered into with Partner in a timely or cost effective manner we may be unable to achieve some or all of the anticipated benefits of these arrangements and our business and results of operations may be negatively affected. In Israel, our agreement with Vodafone automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. The services under the RoU Agreement shall begin after completion of preparation by the parties and subject to any required agreement or regulation.

In France and Belgium, we do not own a mobile network and we rely on mobile virtual network operator agreements with Bouygues Telecom, SFR and Mobistar, as applicable, to provide mobile services. In addition, in the French Overseas Territories we rely on third party operators to provide international roaming services for our mobile subscribers. We cannot control the quality of the service that any such operators provide and it may be inferior to the quality of service that we provide. Equally, our subscribers may not be able to use some of the advanced features that they enjoy when making calls on our mobile network. Some of our competitors may be able to obtain lower roaming or MVNO rates than we do because they may have larger call volumes. If our competitors' providers can deliver a higher quality or a more cost effective service, then subscribers may migrate to those competitors and our results of operation could be adversely affected. Further, we may not be able to compel providers to participate in our technology migration and enhancement strategies. As a result, our ability to implement technological innovations could be adversely affected if these providers are unable or unwilling to cooperate with the further development of our mobile networks or if they cease to provide services comparable to those we offer on our networks. In addition, in France we are currently not technically able to transfer our customers' mobile usage to WiFi could place us in a less favorable position compared to our competitors who are able to transfer mobile usage to WiFi, thereby affording such competitors a structurally lower cost base. Moreover, the financial terms of these agreements include a flat fee or a fee based on the actual level of consumption of mobile telephony services by our subscribers or both. In the case of flat fee contracts, even if our subscribers use low levels of mobile telephony services, we will still be charged a monthly flat fee, causing a deterioration of our operating margin. In the case of contracts which have a fee based on actual levels of consumption, if our subscribers use higher levels of mobile telephony services, we will be charged a higher fee based on such levels of consumption. As our mobile subscribers generally pay a flat subscription fee to us, higher usage patterns and hence higher fees under our contracts could put pressure on our margins. In France, our MVNO agreements with Bouygues Telecom relating to voice transmission services are due to expire in 2017 and those relating to data transmission expired in 2012 and were automatically renewed for an indefinite term, subject to termination by either party with twelve months' notice. We also have MVNO agreements with SFR relating to voice transmission services and those relating to data transmission. In addition, while Bouygues Telecom and SFR have best efforts obligations under the respective MVNO agreements, each has the unilateral right to modify their terms should it become unable to perform all or part of its obligations due to technical or regulatory reasons. In Belgium, our MVNO agreement with Mobistar is valid for an initial term of three years expiring in 2014 and will automatically extend for an additional period of two years unless the agreement is terminated by either party, for any reason. If we are unable to renew or replace the services provided by Vodafone with respect to roaming services outside Israel or similar agreements with other mobile operators with respect to our businesses in other jurisdictions (including Bouygues Telecom and SFR in France and Mobistar in Belgium) on favorable terms, our business and results of operations may be negatively affected.

We rely on interconnecting telecommunications providers and could be adversely affected if these providers fail to provide these services without disruption and on a consistent basis.

Our ability to provide commercially viable telephone services in the jurisdictions in which we operate depends upon our ability to interconnect with the telecommunications networks of fixed-line, mobile and international operators in such jurisdictions in order to complete calls between our subscribers and parties on a fixed-line or other mobile telephone network, as well as third parties abroad. Generally, fixed-line telephony, mobile and international operators in the jurisdictions in which we operate are obliged by law to provide interconnection to, and not to discriminate against, any other licensed telecommunications operator. We have no control over the quality and timing of the investment and maintenance activities that are necessary for these entities to provide us with interconnection to their respective telecommunications networks. In Israel, for instance, the implementation of number portability requires us to rely further on other providers, since our ability to implement number portability, provide our services and our basic ability to port numbers between operators are dependent on the manner of number portability implementation by interconnecting local operators.

The failure of these or other telecommunications providers to provide reliable interconnections to us on a consistent basis and under terms that are favorable to us could have an adverse effect on our business, financial condition or results of operations.

In addition, interconnection agreements and interconnection rates are normally subject to regulation in the jurisdictions in which we operate. In the Dominican Republic, interconnection rates are not set by the regulator but are individually negotiated by operators, however, operators must report the agreements they reach with each other to the regulator. The regulator reserves the right to intervene, if necessary, to establish prices and access to backhaul. Any changes in the interconnection rates set by the regulators may impact our results of operations. In the Dominican Republic, ODO has challenged the legality of a decision by Indotel which modified the regulation on interconnection agreements to include backhaul as an essential facility. If the Dominican Republic courts uphold the decision rendered by Indotel, ODO will have to comply with the conditions related to backhaul. It is unclear what financial implications this would have on ODO's operations.

We rely on third parties for access to and the operation of certain parts of our network.

We are generally dependent on access to sites and land belonging to, and network infrastructure owned by, third parties, including for cable duct space and antennas used for our networks and facility space (colocation). In this respect, we have generally obtained leases, rights and licenses from network operators, including incumbent operators, governmental authorities and individuals. Our ability to offer our services to customers depends on the performance of these third parties of their obligations under such leases, licenses and rights.

If we are not able to renew our current lease agreements for these sites and/or enter into new lease agreements for suitable alternate sites, this could have a negative impact on the coverage of our network. In certain cases we are reliant on such third parties to provide installation and maintenance services, such as in Israel where we rely on our competitor and incumbent operator Bezeq to provide installation and maintenance services on certain parts of our cable network. Following the implementation of the Network Sharing Agreement with Partner, we will rely on the newly formed limited partnership (in which HOT Mobile and Partner shall each hold an equal share), which will hold, develop and operate an advanced shared mobile network for both companies. In France, Orange has granted us several IRUs on its network infrastructure (mainly ducts). These IRUs, which were entered into at various dates, were granted to us for terms of 20 years each, and the renewal of the first of these will have to be negotiated between the parties before or in 2019. We cannot guarantee that these IRUs will be renewed or that they will be renewed on commercially acceptable terms. If Orange were not to renew such IRUs, we would need to require Orange to make the ducts available to us pursuant to applicable regulation, which could, however, result in different financial terms. The portion of our network using the ducts of Orange represents 55% of our network in France. Orange could also grant IRUs on its infrastructure to some of our competitors, increasing the competitive pressure on our markets, and tighten the procedures set forth by Orange to operate on its infrastructure. Furthermore, in France we also rely on Bouygues Télécom and SFR with whom we have entered into several MVNO agreements that enable us to provide mobile telephony services to residential and business customers using their networks. Moreover, approximately 7% of our network in France is governed by long-term leases of public property, conventions d'affermage (i.e., a type of operating concession through which we lease an entire network) or public land use agreements (convention d'occupation du domaine public), through which we install the necessary network equipment on public property with no underlying property transfer. These agreements are entered into with local authorities, primarily municipalities, for terms ranging from ten to 30 years. In accordance with articles L. 2122-2 and L. 2122-3 of the *Code général de la propriété des personnes publiques*, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest. Upon expiration of these agreements, we must, in accordance with our contractual obligations, (i) return the entire network to local authorities, in some cases against the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove the entire network at our own expense or at the expense of the local authorities,

(iii) transfer the network to other operators with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long-term leases, the network reverts back to the local authorities.

If third parties refuse to or only partially fulfil their obligations under or terminate the licenses granted to us or prevent the required access to certain or all of such sites, it could prevent or delay the connection to sites or customers, limit the growth of our offerings and influence our ability to supply high quality service to our customers in a timely and cost effective manner. In addition, the costs of providing services is dependent on the pricing and technical terms under which we are given such access and any change in such terms may have a material adverse effect on our business. In many cases, we may not be able to find suitable alternatives at comparable cost or within a reasonable timeframe.

If we are unable to obtain attractive programming on satisfactory terms for our pay television services, the demand for these services could be reduced, thereby lowering revenue and profitability.

The success of our basic and premium pay television services depends on access to an attractive selection of television programming from content providers. The ability to provide movie, sports and other popular programming, including VOD content, is a major factor that attracts subscribers to pay television services, especially premium services.

We rely on digital programming suppliers for a significant portion of our programming content and VOD services. We may not be able to obtain sufficient high-quality programming from third party producers for our digital cable television services on satisfactory terms or at all in order to offer compelling digital cable television services. In addition, we also rely on certain of our competitors, such as Canal Plus Group in France, for the provision of certain content offerings. Further, with respect to our operations in Israel, we cannot assure you that the local content we are required to develop in conjunction with our partner studios will continue to be successful. The inability to obtain high-quality content, may also limit our ability to migrate customers from lower tier programming to higher tier programming, thereby inhibiting our ability to execute our business strategy. In addition, we are currently subject to "must carry" requirements in certain of the jurisdictions in which we operate that may consume channel capacity otherwise available for other services. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, our digital cable television services.

Also, some of our programming contracts require us to pay prices for the programming based on a guaranteed minimum number of subscribers, even if that number is larger than the number of actual subscribers. In addition, some of our programming contracts are based on a flat fee irrespective of the popularity of the content purchased under such contract. As a result, if we misjudge anticipated demand for the programming or if the programming we acquire does not attract the number of viewers we anticipated, the profitability of our television services may be impaired.

In addition, program providers and broadcasters may elect to distribute their programming through other distribution platforms, such as satellite platforms, digital terrestrial broadcasting or IPTV, or may enter into exclusive arrangements with other distributors.

Furthermore, as we purchase a significant portion of our content from various content providers under relatively short-term contracts, the prices we pay to purchase such content are subject to change and may increase significantly in the future, which could have a material adverse effect on our results of operations.

An increase in the rate of our annual royalty or other payments with respect to our licenses could adversely affect or results of operations.

We are required to make certain royalty payments to the State of Israel in connection with our domestic license with respect to our broadband Internet and fixed-line services, our broadcasting license, our mobile license and our international long distance telephony services. In Israel, although the royalty payments due to the Israeli Ministry of Communication have decreased in recent years and have been reduced to zero with effect from January 2013, there is no assurance that the Israeli Ministry of Communications would not reinstate or increase them in the future. We are still required to make annual payments until January 2015, to the State of Israel for the use of cable infrastructure. In Portugal, we are required to pay certain fees to the regulatory authority to cover certain costs of such authority that are allocated amongst the telecommunications operators, such as an annual fee calculated considering our turnover in the telecommunications sector, as well as annual fees for number usage and for frequency usage. We are also required to pay fees for number allocation, for frequency allocation and for certain declarations of rights, among other fees. If the Israeli Ministry of Communications and the Israeli Ministry of Finance or the relevant government authorities in Portugal or in the other jurisdictions in which we operate increase the royalty or other payments we are required to make pursuant to our licenses or otherwise, it may have a material effect on our revenue and results of operations.

We depend on hardware, software and other providers of outsourced services, who may discontinue their services or products, seek to charge us prices that are not competitive or choose not to renew contracts with us.

We have important relationships with several suppliers of hardware, software and related services that we use to operate our pay television, broadband Internet, fixed-line telephony, mobile and B2B businesses. In certain cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. For example, while we continue to promote a rapid take up of our premium triple-play services, which combines premium television services including, VOD functionality, HD technology and recording capabilities, very high-speed Internet and fixed-line telephony, using a single set-top box in several of our geographies including France, Portugal, Belgium and Luxembourg and Israel, we face potential risks in securing the required customer set-top box equipment to maintain this roll out as we currently rely on a single provider to provide us with such equipment. Currently, we have a sufficient supply of these boxes available, but a future shortage may involve significant delays in seeking an alternative supply, may constrain our ability to meet customer demand and may result in increased customer churn. Further, in the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in our contracts with our subscribers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts. In particular, in the case of an industry-wide cyclical upturn or in the case of high demand for a particular product, our suppliers of software, hardware and other services may receive customer orders beyond the capacity of their operations, which could result in late delivery to us, should these suppliers elect to fulfil the accounts of other customers first. We have, from time to time, experienced extensions of lead times or limited supplies due to capacity constraints and other supply- related factors, as well as quality control problems with service providers. We may also not be able to recover monies paid to such suppliers or obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner.

We also outsource some of our support services, including parts of our subscriber services, information technology support, technical services, and maintenance operations. Should any of these arrangements be terminated by either contract party, this could result in delays or disruptions to our operations and could result in us incurring additional costs, including if the outsourcing counterparty increases pricing or if we are required to locate alternative service providers or in-source previously outsourced services.

Further, we are dependent on certain suppliers with respect to our mobile services in Israel who we may not be able to replace without incurring significant costs. With respect to our 3G mobile operations, we have engaged NSN Nokia Solutions and Networks ("NSN") as a turnkey contractor to plan and build the new UMTS network. With respect to our iDEN-based mobile services, we are dependent on Motorola Solutions which, to the best of our knowledge, holds all the rights to and is the sole provider of infrastructure equipment and end- user equipment for this technology. A cessation or interruption in the supply of the products and/or services by NSN or Motorola Solutions may harm our ability to provide our mobile services to our subscribers.

Our ability to renew our existing contracts with suppliers of products or services, or enter into new contractual relationships, with these or other suppliers, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond our control. The occurrence of any of these risks or a significant disruption in our supply of equipment and services from key sourcing partners could create technical problems, damage our reputation, result in the loss of customer relationships and have a material adverse effect on our business, financial condition and results of operations.

Failure in our technology or telecommunications systems could significantly disrupt our operations, which could reduce our customer base and result in lost revenue.

Our success depends, in part, on the continued and uninterrupted performance of our information technology and network systems as well as our customer service centers. The hardware supporting a large number of critical systems for our cable networks and mobile networks is housed in a relatively small number of locations. Our systems are vulnerable to damage from a variety of sources, including telecommunications failures, power loss, malicious human acts and natural disasters. Moreover, despite security measures, our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautions we have taken, unanticipated problems affecting our systems could cause failures in our information technology systems or disruption in the transmission of signals over our networks. Sustained or repeated system failures that interrupt our ability to provide service to our customers or otherwise meet our business obligations in a timely manner would adversely affect our reputation and result in a loss of customers and revenues.

If any part of our cable or mobile networks, including our information technology systems, is subject to a flood, fire or other natural disaster, terrorism, acts of war, a computer virus, a power loss, other catastrophe or unauthorized access, our operations and customer relations could be materially adversely affected. For example, although our cable networks are generally built in resilient rings to ensure the continuity of network availability in the event of any damage to its underground fibers, if any ring is cut twice in different locations, transmission signals will not be able to pass through, which could cause significant damage to our business. In the event of a power outage or other shortage, we do not have a back-up or alternative supply source for all of our network components. Further, we may incur costs and revenue losses associated with the unauthorized use of our networks, including administrative and capital costs associated with the unpaid use of our networks as well as with detecting, monitoring and reducing the incidences of fraud. Fraud also impacts interconnect costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

Additionally, our businesses are also dependent on certain sophisticated critical systems, including our switches, billing and customer service systems, which could be damaged by any of the aforementioned risks. For example, if we experience problems in the operation of our billing systems, it may be difficult to resolve the issue in a timely and cost effective manner. In addition, the hardware that supports our switches, billing and customer service systems is housed in a relatively small number of locations and if damage were to occur to any of such locations, or if those systems develop other problems, it could have a material adverse effect on our business. Moreover, we may incur liabilities and reputational damages to the extent that any accident or security breach results in a loss of or damage to customers' data or applications, or inappropriate disclosure of confidential information. Additionally, we rely on hardware, software, technical services and customer support provided by third parties. We do not control the proper functioning of such third party equipment, and to the extent hardware, software, technical services and customer support provided by third parties fails, our business operations may be adversely affected.

As the number of our customers and the services that we offer our customers increases, the complexity of our product offerings and network architecture also increases, as does network congestion. A failure to manage the growth and complexity of our networks could lead to a degradation of service and network disruptions that could harm our reputation and result in a loss of subscribers. In France, any failure to increase our homes passed connected to the Docsis 3.0-enabled portion of our cable network as planned may affect our results of operations. In Israel, any delays or technical difficulties in establishing our UMTS network may affect our results of operations. Further, although many of our products and services are built on standardized platforms, they have been adapted or tailored to our networks and the offerings we have designed, as a result of which we face the risk of any newly implemented technology that there may be unexpected operational issues that arise. If we were to experience a breakdown of equipment or technology that we cannot timely repair, we might lose subscribers.

We are not generally insured against war, terrorism (except to a limited extent under our general property insurance) and cyber risks and do not generally insure the coaxial portion of our network. Any catastrophe or other damage that affects any of our networks in the jurisdictions in which we operate could result in substantial uninsured losses. In addition, disaster recovery, security and service continuity protection measures that we have or may in the future undertake, and our monitoring of network performance (including in Israel from our network operating center in Yakum), may be insufficient to prevent losses.

In addition, although so far no incidents have occurred in numbers that are statistically significant, our technical equipment has been and may continue to be subject to occasional malfunctioning due to technical shortcomings or imperfect interfaces with equipment in private homes, the networks of other operators or our own network or with other surrounding equipment. We might incur liabilities or reputational damages as a result thereof.

Our reputation and financial condition may be affected by product quality issues, in particular in connection with LaBox.

Many of our products and services, including LaBox which we have rolled out in France, Belgium, Luxembourg, Portugal and Israel, are manufactured and maintained through complex and precise technological processes. These complex products may contain defects or experience failures when first introduced or when new versions or enhancements to existing products are released. We cannot guarantee that, despite testing procedures, errors will not be found in new products, including LaBox, after launch. Such errors could result in a loss of, or a delay in market acceptance of our products, increased costs associated with customer support, delay in revenue recognition or loss of revenues, writing down the inventory of defective products, replacement costs, or damage to our reputation with our customers and in the industry. Any such error could also require a software solution that would cure the defect but impede performance of the product. In addition, any loss of confidence by customers in us may cause sales of our other products to drop significantly. Furthermore, we may have difficulty identifying customers whose products are defective. As a result, we could incur substantial costs to implement modifications and correct defects. Any of these problems could materially adversely affect our results of operations.

Customer churn, or the threat of customer churn, may adversely affect our business.

Our ability to attract and retain subscribers to our cable based and mobile services or to increase profitability from existing subscribers will depend in large part on our ability to stimulate and increase subscriber usage, convince subscribers to switch from competitors' services to our services and our ability to minimize customer "churn". Customer churn is a measure of the number of customers who stop subscribing for one or more of our products or services. Churn arises mainly as a result of competitive influences, introduction of new products and technologies, deterioration of personal financial circumstances, price increases and regulatory developments. In Israel, the regulatory framework prohibits, among other things, cable based service providers and mobile operators from charging exit fees, except in limited circumstances, to subscribers who wish to terminate their services and mobile operators from selling locked handsets or linking the terms of sale of handsets to the terms of mobile services, including discounts and other benefits, which has increased churn rates for many cable based service providers and mobile operators. If we fail to effectively communicate the benefits of our networks through our marketing advertising efforts, we may not be able to attract new customers and our efforts to attract and retain customers may prove unsuccessful. With the launch of our UMTS network in 2012, our mobile churn rate in Israel increased from historical levels as 3G mobile services generally have a higher churn rate than iDEN mobile services. In addition, any interruption of our services or the removal or unavailability of programming, which may not be under our control, could contribute to increased customer churn. Further our competitors may improve their ability to attract new customers, for example by offering new product bundles or product offerings at lower prices than us, which would make it difficult for us to retain our current subscribers, and the cost of retaining and acquiring new subscribers could increase. Moreover, the churn rate in our white label business in France may increase for reasons outside of our control (as we are not involved in client services and retention). For example, the acquisition by Bouygues Télécom of Darty's telecommunications business in July 2012 will likely continue to lead to a decrease in Darty's DSL end-customers in the long-term as Bouygues Télécom encourages Darty's customer base to migrate to Bouygues Télécom's own DSL network. In Portugal, we experienced increase churn in recent periods mainly as a result of aggressive competition and the adverse economic conditions. In addition, our B2B operations are also subject to "tariff churn" (i.e., an existing customer negotiating tariff decreases). Large corporate customers in particular are highly sophisticated and often aggressive in seeking to renegotiate the pricing of their contracts which tends to result in margin pressure. Increased customer or tariff churn may have a material adverse effect on our business, financial condition and results of operation.

Acquisitions and other strategic transactions present many risks including the risk that we may not be able to integrate newly acquired operations into our business, which may prevent us from realizing the strategic and financial goals contemplated at the time of any such transaction and thus adversely affect our business.

Historically, our business has grown, in part, through a significant number of selective acquisitions that enabled us to take advantage of existing networks, service offerings and management expertise. Since 2010, we have acquired the HOT telecommunications group in Israel, Cabovisão and ONI in Portugal, Outremer in the French Overseas Territories as well as majority controlling equity interests in Coditel with operations in Belgium and Luxembourg, the Numericable Group in France and Tricom in the Dominican Republic. In addition, we entered into agreements to acquire SFR in France, which remains subject to regulatory approval in France, as of the date of this Notice. We expect to continue growing our business through acquisitions of cable and telecommunications businesses that we believe will present opportunities to create value by generating strong cash flows and operational synergies.

Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs and not realize all the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions or fail to integrate any previous acquisitions, there could be a material adverse effect on our business, financial condition or results of operations. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. If we use available cash on hand to finance acquisitions pursuant to our acquisition strategy, our ability to make dividend payments may be limited or we may not be able to make such dividend payments at all. There can be no assurance that we will be successful in completing business acquisitions or integrating previously acquired companies.

There can be no assurance that we will receive the required governmental approvals and meet the other conditions required to consummate the SFR Acquisition. Furthermore, acquisitions of additional telecommunications companies may require the approval of governmental authorities (either at country or, in the case of the EU, European level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In the event conditions are imposed and we fail to meet them in a timely manner, the relevant governmental authority may impose fines and, if in connection with a merger transaction, may require restorative measures, such as mandatory disposition of assets or divestiture of operations.

Although we analyze and conduct due diligence on acquisition targets, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and our inquiries may fail to uncover relevant information. There can be no assurance that our assessments or due diligence of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Moreover, our plans to acquire additional businesses in the future are subject to the availability of suitable opportunities. Our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less-favorable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors.

We may be unable to allocate sufficient managerial and operational resources to meet our needs as our business grows, and our current operational and financial systems and managerial controls and procedures may become inadequate.

Historically, our business has grown, in part, through selective acquisitions. As a result, the operating complexity of our business, as well as the responsibilities of management, has increased, which may place significant strain on our managerial and operational resources.

Although we consider the operational and financial systems and the managerial controls and procedures that we currently have in place to be adequate for our purposes, we recognize that the effectiveness of these systems, controls and procedures needs to be kept under regular review as our business grows. We will have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Management of growth will also require, among other things, continued development of financial and management controls and information technology systems. The constant growth and increased international operations may strain our managerial resources which may require us to hire additional managerial resources. We may be unable to hire managers with the relevant expertise or the hiring process may require significant time and resources, all of which could result in a disruption in our management, growth, operational and financial systems, managerial controls and procedures and results of operations

Any failure to apply the necessary managerial and operational resources to our growing business and any weaknesses in our operational and financial systems or managerial controls and procedures may impact our ability to produce reliable financial statements and may adversely affect our business, financial condition and results of operations.

Pressure on customer service could adversely affect our business.

The volume of contacts handled by our customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on our customer service personnel. Increased pressure on such functions is generally associated with decreased satisfaction of customers.

In the B2B and wholesale markets, customers require service to be extremely reliable and to be reestablished within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment. Delays and service problems may result in both penalties and the potential loss of customers. In these segments, we rely on our experienced customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers. For example, in the first half of 2012 in France, loss of personnel as a result of our relocation of our B2B engineers from Champs-sur-Marne to Rouen adversely affected the number of installations and results in such period.

We have in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties, particularly in our residential and B2B businesses in France. With respect to our residential operations in France, these dissatisfaction levels resulted primarily from operational difficulties stemming from the integration of the various cable businesses we acquired in 2005 and 2006. Improvements to customer service functions may be necessary to achieve desired growth levels, and, if we fail to manage such improvements effectively and achieve such growth, we may in the future experience customer service problems and damage our reputation, contribute to increased churn and/or limit or slow our future growth.

Revenue from certain of our services is declining, and we may be unable to offset this decline.

We continue to provide analog television services to subscribers in all of our geographies where we provide pay television services but expect that the number of subscribers to such services will continue to decline and that such services will ultimately be phased out. Furthermore, our analog television subscribers may decide, upon their transition to a digital television service, to shift to other providers of television services.

We also expect our DSL white label business with Bouygues Télécom (previously with Darty) in France to continue to decline. Bouygues Télécom acquired Darty's telecom business in July 2012. According to an agreement with Bouygues Télécom, a certain number of customers were migrated in 2012 to Bouygues Télécom's network (such customers being only partially unbundled on our network and able to be fully unbundled on Bouygues' network), but the remaining clients have not been automatically migrated to Bouygues Télécom's DSL network. However, Bouygues Télécom has succeeded in recruiting new subscribers onto its own DSL network and churn at Darty has led to a decrease in customers on our DSL network in France.

Disruptions in the credit and equity markets could increase the risk of default by the counterparties to our financial instruments, undrawn debt facilities and cash investments and may impact our future financial position.

Although we seek to manage the credit risks associated with our financial instruments, cash and cash equivalents and undrawn debt facilities, disruptions in credit and equity markets could increase the risk that our counterparties could default on their obligations to us. Were one or more of our counterparties to fail or otherwise be unable to meet its obligations to us, our cash flows, results of operations and financial condition could be adversely affected. It is not possible to predict how disruptions in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. In this regard, (i) the financial failures of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all.

Our brands are subject to reputational risks.

The brands under which we sell our products and services, including HOT, SFR, Numericable, Completel, Cabovisão, ONI, Only, Orange Dominicana and Tricom are well-recognized brands in Israel, France, Belgium and Luxembourg, Portugal, the French Overseas Territories and the Dominican Republic, as applicable. We have developed the brands we use through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks.

Our brands represent a material and valuable asset to us. Although we try to manage our brands, we cannot guarantee that our brands will not be damaged by circumstances that are outside our control or by third parties such as hackers, sponsorees, or interfaces with its clients, such as subcontractors' employees or sales forces, with a resulting negative impact on our activities. In particular, our image is increasingly tied to LaBox, an innovative set-top box we source from a third-party supplier.

A failure on our part to protect our image, reputation and the brands under which we market our products and services may have a material adverse effect on our business and results of operations.

Our business may suffer if we cannot continue to license or enforce the intellectual property rights on which our business depends.

We rely on patent, copyright, trademark and trade secret laws and licenses and other agreements with our employees, customers, suppliers and other parties to establish and maintain our intellectual property rights in content, technology and products and services used to conduct our businesses. However, our intellectual property rights or those of our licensors could be challenged or invalidated, we could have difficulty protecting or obtaining such rights or the rights may not be sufficient to permit us to take advantage of business opportunities, which could result in costly redesign efforts, discontinuance of certain product and service offerings or other competitive harm.

We have been, and may be in the future, subject to claims of intellectual property infringement, which could have an adverse impact on our business or operating results.

We have received and may receive in the future claims of infringement or misappropriation of other parties' proprietary rights, particularly creative rights with respect to broadcasted programs. In addition to claims relating to broadcasts on channels which we own, we may be subject to intellectual property infringement claims with respect to programs broadcast on the other channels, including foreign channels that we carry. These claims may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. Generally, law relating to intellectual property contains provisions allowing the owner of an intellectual property right to apply to courts to grant various enforcement measures and other remedies, such as temporary and permanent injunctive relief, a right to confiscate infringing goods and damages. Successful challenges to our rights to intellectual property or claims of infringement of a third party's intellectual property could require us to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be temporarily or permanently prohibited from further use of the intellectual property in question. This could require us to change our business practices and limit our ability to provide our customers with the content that they expect. If we are required to take any of these actions, it could have an adverse impact on our businesses or operating results. Even if we believe that the claims of intellectual property infringement are without merit, defending against the claims can be time-consuming and costly and divert management's attention and resources away from its businesses.

The operation of our conditional access systems is dependent on licensed technology and subject to illegal piracy risks.

We operate conditional access systems to transmit encrypted digital programs, including our digital pay television packages. For example, in Israel, we are party to an agreement with NDS Limited, pursuant to which NDS Limited has agreed to sell and install parts of our conditional access system for our cable distribution, including hardware equipment, to grant licenses for the respective intellectual property rights for the conditional access system and to provide maintenance, support and security services. We are currently in the process of reviewing our contractual arrangements with NDS Limited for the provision of these products and services. We are also party to similar agreements with Cisco, the parent company of NDS Limited, across our other operations. Billing and revenue generation for our services rely on the proper functioning of our conditional access systems.

Even though we require our conditional access system providers to provide state-of-the-art security for the conditional access systems, the security of our conditional access systems may be compromised by illegal piracy and other means. In addition, our set top boxes require smart cards before subscribers can receive programming and our smart cards have been and may continue to be illegally duplicated, providing unlawful access to our television signals. While we work diligently to reduce the effect of piracy, there can be no assurance that we will be able to successfully eliminate the piracy we currently face. In addition, there can be no assurance that any new conditional access system security that we may put in place will not be circumvented. Encryption failures could result in lower revenue, higher costs and increased basic cable subscriber churn or otherwise have a material adverse effect on our business, financial condition and results of operations.

We collect and process subscriber data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and subscriber churn and adversely affect our business.

We accumulate, store and use data in the ordinary course of our operations that is protected by data protection laws. Regulatory authorities in the jurisdictions in which we operate our businesses have the right to audit us and impose fines if they find we have not complied with applicable laws and adequately protected customer data. Although we take precautions to protect subscriber data in accordance with the applicable privacy requirements in the jurisdictions in which we operate, we may fail to do so and certain subscriber data may be leaked or otherwise used inappropriately. We work with independent and third party sales agents, service providers and call center agents, and although our contracts with these third parties generally restrict the use of subscriber data, we can provide no assurances that they will abide by the contractual terms or that the contracts will be found to be in compliance with data protection laws. Violation of data protection laws may result in fines, loss of reputation and subscriber churn and could have an adverse effect on our business, financial condition and results of operations. There can be no guarantee that our assessment of risk will be accurate or that provisions made will be sufficient.

We are exposed to, and currently engaged in, a variety of legal proceedings, including several existing and potential class action lawsuits in Israel.

In addition to a number of legal and administrative proceedings arising in the ordinary course of our business, we have been named as defendants in a number of civil proceedings related to our cable and mobile services, which may result in civil liabilities against us or our officers and directors. These include, amongst others, consumer claims regarding, for example, our tariff plans and billing methods and claims by competitors, which may result in significant monetary damages and civil penalties. The costs that may result from these lawsuits are only accrued when it is more likely than not that a liability, resulting from past events, will be incurred and the amount of that liability can be quantified or estimated within a reasonable range. The amount of the provisions recorded in our historical consolidated financial statements as of December 31, 2013 in respect of each lawsuit, which in the aggregate amounted to €18.0 million, is based on a case-by-case assessment of the risk level of each individual lawsuit, and events arising during the course of legal proceedings may require a reassessment of this risk. Our assessment of risk is based both on the advice of legal counsel and on our estimate of the probable settlement amounts that are expected to be incurred, if such a settlement will be agreed by both parties.

In Israel, plaintiffs in these proceedings are often seeking certification as class actions. These claims are generally for significant amounts and may require us to initiate or defend protracted and costly litigation, regardless of the merits of these claims. In addition, on October 1, 2013 in the Dominican Republic, Servicio Ampliado de Teléfonos, C. por A. ("Satel") filed a complaint for damages against ODO, claiming violation by ODO of Satel's spectrum entitlements relating to frequencies 941-960Mhz and an alleged violation of articles 105, 103 of Law 153 98 and Article 47 of General Regulation of Use of the Radioelectric Spectrum No. 128 04. Satel sought US$298 million in damages from ODO, however, on October 23, 2013, Satel voluntarily withdrew its claim. If any of these claims or claims that may arise in the future succeed, we may be forced to pay damages or undertake other actions which could affect our business and results of operations. See "*Description of our Business—Legal Proceedings*."

There are uncertainties about the legal framework under which we own and operate our network in France, Belgium and Luxembourg.

In France, we have been granted certain rights of use and operating concessions under the Plan Nouvelle Donne (the "New Deal Plan") (law of September 30, 1986 relating to the freedom of communications). Our networks built under the New Deal Plan represent approximately 38% of our overall network in France. There is no standard form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty over the network ownership under certain long-term agreements entered into with local authorities., especially when these agreements contain a clause providing for the return to the local authority of assets used to carry out public services (*biens de retour*). We have entered into approximately 500 contracts for networks under the New Deal Plan.

In this context, law 2004-669 dated July 9, 2004, which implemented the 2002 European directives "2002 Telecoms Package" (the "Paquet Télécoms 2002") into French law, imposed the termination of exclusive rights over the installation and/or operation of networks contained in these agreements. In order to clarify the conditions for implementing such termination of exclusive rights over the installation and/or operation of networks in the agreements currently in place with public authorities (primarily local authorities), in May 2010, we made a proposal to ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly revert back to us through a transfer process.

This approach led to the conclusion of transactional agreements that are in line with the above-mentioned requirement (i) containing the aforementioned provisions and (ii) including a right to the use of public land (*convention d'occupation du domaine public*), comprising a nonexclusive right for us to use the ducts which had become the property of the local authorities on the terms of such new agreements, with our own telecommunications equipment. One of the key features of these agreements is our right to use the ducts on a non-exclusive basis and our competitors' ability to install their own equipment in such ducts.

These new agreements, while in line with the approach acknowledged by ARCEP, could be challenged based on certain of their terms. While we have signed approximately 80 agreements, 25 of which follow the approach acknowledged by ARCEP, with various local authorities, no assurance can be given that we will be able to implement this type of agreement across all concerned localities. We are currently in the process of negotiating similar contracts with certain local authorities. If we are unable to negotiate such agreements with local authorities, the non-renegotiated terms of the agreements in place would continue to apply and we may be subject to claims or proceedings by local authorities, our competitors, and national and/or European administrative authorities.

Furthermore, upon expiration of the existing agreements, which include the concept of *biens de retour* (approximately half of our New Deal Plan contracts), that are not renegotiated or extended, local authorities would receive ownership of all or part of our network, for free or in exchange for payment, depending on the exact terms of each agreement. In order to continue operating in such localities, we would need to either install a new network in the local authorities' infrastructure identified as *biens de retour* through the payment of fees to the local authorities or through leasing the network of another operator or the network which would have thus been transferred to such local authority. In addition, the conditions, under which we renegotiated some of these agreements during the 2003 - 2006 period on terms that differ from those put forward in 2010 by ARCEP, led the European Commission, on July 17, 2013, to announce that it had opened an in-depth inquiry into whether the transfer of certain public cable infrastructure during such period by several French local authorities to Numericable was in accordance with European competition laws on state aid. The European Commission, in connection with the announcement of the opening of the inquiry, noted that it believed the transfer of public goods to a private enterprise without requiring appropriate compensation provided such enterprise with an economic advantage from which its competitors did not benefit and thus constituted state aid under the rules of the European Union, and that the free transfer of cable networks and ducts to Numericable conducted by approximately 45 French municipalities, according to its own estimates, conferred such an advantage and thus constituted state aid potentially in violation of EU law. We continue to firmly contest the existence of any state aid.

The European Commission's July 17, 2013 decision was published in the Official Journal of the European Union on September 17, 2013. The case is currently in a comment period during which we and third parties may make observations in relation to the allegations, with the Group continuing to firmly contest the existence of any state aid.

In Belgium and in Luxembourg, we built our network pursuant to agreements which we entered into during the 1960s and the 1970s with municipalities which authorized us to build and operate a television cable network in their territory. Since then, the regulatory framework has changed. In particular, the right of certain of the municipalities to receive royalty payments in consideration for the grant of the authorization, to reclaim ownership of the network and to regulate the prices at which we offer our services are arguably incompatible with the liberalization of the telecommunications market within the European Union. These uncertainties are compounded by the fact that the national laws adopted to implement European Union directives did not necessarily deal with these issues, that these agreements were sometimes renewed after the new regulatory regime was entered into force but were not amended to reflect such changes and by the lack of authoritative case law on the subject creating uncertainties as to the status of these networks and the rights of the different interested parties. Furthermore, there is no uniformity among these agreements. These uncertainties have led to litigation, including with the Roeser and Junglinster municipalities in Luxembourg which are currently pending on appeal. See "*Description of our Business—Legal Proceedings.*"

If we were to lose what we believe is the ownership of our network and our right to operate it in such litigation or in any new litigation, or because of any new law or regulation that would be favorable to the municipalities' claims, this would have a material adverse effect on our business, results of operations and financial condition.

ODO is currently involved in two ongoing regulatory proceedings with Claro which, if not decided in ODO's favor, may have an adverse effect on its business, financial condition and results of operations.

In December 2009, ODO filed a complaint with Indotel claiming that Claro, ODO's biggest competitor, had participated in anti-competitive conduct and restrictive practices when it introduced a new plan ("Plan NSF"). Indotel's board of directors ordered a formal investigation to determine whether Claro had a dominant position in the market and if it abused such dominant position. The investigation was also expected to determine if Claro used predatory pricing, cross subsidies or any improper interconnection access fees. If ODO's complaint relating to Plan NSF is not decided in its favor, Claro could continue to offer bundled services and we may not be able to do so, which would adversely affect our competitive position. In response to the Plan NSF case, on December 16, 2011, Claro filed a complaint against ODO for our Plan Los Mios and other post paid services. The claim argued that ODO, not Claro, had a dominant market position in the mobile market and that ODO had abused its dominant position with the introduction of its plan. If Claro's complaint relating to our Los Mios offer is decided in its favor, we may be subject to a significant fine.

The Pro Forma Financial Information, the Illustrative Aggregated Selected Financial Information and the Historical Consolidated Financial Information presented in this Notice may not reflect what our actual results of operations and financial condition would have been had we been a combined company for the periods presented and thus these results may not be indicative of our future operating performance. The Illustrative Aggregated Selected Financial Information, the Pre Transaction Pro Forma Financial Information and the Post Transaction Pro Forma Financial Information included herein are subject to certain signification assumptions and limitations.

The Group consists of the Issuer and its subsidiaries or entities over which the Issuer exercises control, comprising (i) Altice International and its subsidiaries (the "Altice International Group") (in which the Issuer holds 100% of the share capital of the parent entity) and (ii) the Numericable Group (in which the Issuer holds 40% of the share capital of the parent entity (and is expected to hold 59.7% of the same following the consummation of the Transactions, taking into account certain shares owned by minority shareholders on which Altice France has a call option) indirectly through its wholly owned subsidiary, Altice France and, pursuant to the Numericable Shareholders' Agreement, will hold the majority vote at meetings of Numericable s board of directors). For further details, see "*Description of Our Business—Material Contracts—Numericable Shareholders' Agreement*". Prior to the reorganisation of the Group prior to the Issuer's initial public offering in January 2014, each of Altice International and Altice France were wholly controlled subsidiaries of Next L.P and were historically separate legal and reporting entities, under common control and management. Therefore, the historical combined financial statements of the Issuer do not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Notice. As a result, the Historical Consolidated Financial Information has been included in this Notice to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to each of the Altice International Group and Altice France, and are based on the separate historical consolidated financial statements of the Altice International Group and the annual standalone accounts of Altice France. However, due to the reasons described below, the Historical Consolidated Financial Information may not reflect what our actual results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future.

Since its formation in 2007, Altice France has been the holding entity for the Group's shareholding in the Numericable Group, which represents substantially all of its assets and business. For each of the periods for which the Historical Consolidated Financial Information is presented, the financial statements of Altice France used to account for the Numericable Group as an investment in an associate using the equity method. On November 17, 2013, Altice France entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable pursuant to which Altice France holds 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes in the board of directors pursuant to the Numericable Shareholders' Agreement. For further details, see "Description of Our Business—Material Contracts—

Numericable Shareholders' Agreement". Furthermore, following the consummation of the Transactions, Altice France is expected to hold 59.7% of the shares in Numericable and will enter into a new shareholders' agreement with Vivendi S.A. providing, *inter alia*, that Altice France will keep such majority of votes in the board of directors of Numericable. For further details, see "*The Transactions—Numericable Group Transactions*". As a result, the Issuer is required to consolidate the Numericable Group in its financial statements for future reporting periods in accordance with IFRS (the "Numericable Group Consolidation"). In addition, Altice International is the holding company of the Altice International Group. Since its formation in 2008, Altice International has from time to time made significant equity investments in a number of cable and telecommunications businesses in various jurisdictions. The historical financial statements of Altice International used to prepare the Historical Consolidated Financial Information do not consolidate the results of operations of the entire business undertaking of the Altice International Group as it exists as of the date of this Notice for any period for which the Historical Consolidated Financial Information has been presented herein. Therefore, the Historical Consolidated Financial Information included in this Notice may not accurately represent the results of operations and financial condition of the entire business undertaking of the Group as it exists as of the date of this Notice and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited.

In order to aid the comparability of the financial condition and results of operations of the entire business undertaking of the Group as it exists at the date of this Notice, we have presented the Illustrative Aggregated Selected Financial Information, the Pre Transaction Pro Forma Financial Information and the Post Transaction Pro Forma Financial Information.

The Illustrative Aggregated Selected Financial Information represents the arithmetical sum of selected financial information extracted from (i) the audited historical consolidated financial statements of the Issuer and (ii) the audited historical financial information of each of the business undertakings the acquisitions of which have been consummated by Altice International prior to October 15, 2013 (to the extent the results of operations of such acquired business undertaking is not included in the audited historical consolidated financial statements of the Group for the relevant period). The Illustrative Aggregated Selected Financial Information is subject to significant limitations. The Illustrative Aggregated Selected Financial Information does not contain any adjustments to the resulting aggregation other than adjustments to align the accounting framework of the acquired business undertaking in instances where the audited historical financial information of such acquired business undertaking included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS as adopted by the European Union, or where such acquired business undertaking was utilising accounting policy elections that differ substantially from those adopted by the Issuer for the purposes of the Historical Consolidated Financial Information. Therefore, among other things, the Illustrative Aggregated Selected Financial Information does not reflect several effects of the relevant acquisitions prior to the dates on which the financial information of the relevant acquired business undertakings were consolidated with the consolidated financial information of the Issuer. The Illustrative Aggregated Selected Financial Information neither represents financial information prepared in accordance with IFRS nor pro forma financial information. The Illustrative Aggregated Selected Financial Information is provided with respect to certain limited income statement and cash flow items and accordingly does not include all the information that would usually be included in a statement of income or statement of cash flows or any information that would usually be included in a statement of other comprehensive income, statement of financial position or statement of changes in equity, in each case prepared in accordance with IFRS. The Illustrative Aggregated Selected Financial Information has not been audited in accordance with any generally accepted auditing standards and it has not been reviewed in accordance with any generally accepted review engagement standards. The Illustrative Aggregated Selected Financial Information does not purport to present the operations of the Group as they actually would have been had the relevant acquisitions occurred with effect from any relevant dates indicated or to project the operating results or financial condition of the Group for any future period. The Illustrative Aggregated Selected Financial Information has been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared by the Group for any other periods for which Historical Consolidated Financial Information or Pro Forma Financial Information has been included in this Notice.

We have also included in this Notice the Pre Transaction Pro Forma Financial Information which gives effect to each of the acquisitions between January 1, 2012 and October 15, 2013 (without giving effect to the acquisition of additional shares in Numericable in February 2014, the ODO Acquisition, the Tricom Acquisition or the Mobius Acquisition) and the Post Transaction Pro Forma Financial Information (together with the Pre Transaction Pro Forma Financial Information, the "Pro Forma Financial Information"), which also gives pro forma effect to the acquisition of additional shares in Numericable in February 2014, the ODO Acquisition and the SFR Acquisition. The Pro Forma Financial Information does not give pro forma effect to the Tricom Acquisition or the Mobius Acquisition and therefore does not include any financial information of Tricom or Mobius. The Pro Forma Financial Information has not been audited in accordance with any generally accepted auditing standards and it has not been reviewed in accordance with any generally accepted review engagement standards. The Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Issuer's actual financial position or results. The Pro Forma Financial

Information is based on certain assumptions that we believe are reasonable. Our assumptions may prove to be inaccurate over time. Accordingly, the Pro Forma Financial Information may not reflect what our results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future.

The Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information include the results of operations and financial condition of the acquired businesses (and in the case of the Post Transaction Pro Forma Financial Information, the results of the Numericable Group, ODO and SFR as well) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we have acquired control over the Numericable Group and have entered into agreements that will enable us to control ODO and SFR, we consolidate 100% of their revenue and expenses in the Post Transaction Pro Forma Financial Information for each of the periods presented, despite the fact that third parties own or will own significant equity interests therein, as applicable. As we currently have the ability to control Coditel Holding, through which we conduct our operations in Belgium and Luxembourg, we consolidate 100% of its revenues and expenses in the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information for each of the periods presented, and in the Historical Consolidated Financial Information from July 1, 2011, despite the fact that third parties own significant interests in the entity. The non controlling interests in the operating results of the Numericable Group, ODO and SFR in the Post Transaction Pro Forma Financial Information and the non controlling interests in the operating results of Coditel Holding in the Historical Consolidated Financial Information and Pro Forma Financial Information are reflected in the line item profit or loss attributable to non controlling interests in the relevant statements of income and financial position. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA, the non controlling owners' interests in the operating results of Coditel Holding are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non controlling interests may be very significant and amounted to € 48.6 million in the year ended December 31, 2013 based on the Pre Transaction Pro Forma Financial Information. The Illustrative Aggregated Selected Financial Information is also subject to the limitations generally attributable to non IFRS measures.

In addition, we have presented certain key operating measures across all the countries in which we currently operate even though we may not have owned or controlled such business for the entire duration of the periods presented.

Our lack of operating history as a combined company and the challenge of integrating previously independent businesses make evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently organised or combined companies.

We are exposed to local business risks in many different countries.

We conduct our business in multiple jurisdictions, including in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal and Switzerland. Furthermore, we have completed the Tricom Acquisition and the ODO Acquisition pursuant to which we expect to expand our business operations in the Dominican Republic, subject to certain closing conditions including obtaining regulatory approval. In addition, we may expand into additional markets in the future by entering into acquisitions or other strategic transactions. Accordingly, our business is subject to risks resulting from differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments in a variety of jurisdictions, including in emerging markets. These risks include, among other things:

- differing economic cycles and adverse economic conditions;
- political instability;
- the burden of complying with a wide variety of foreign laws and regulations;
- unexpected changes in the regulatory environment;
- varying tax regimes;
- fluctuations in currency exchange and interest rates;
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- varying degrees of concentration among suppliers and customers;

- insufficient protection against violations of our intellectual property rights;
- foreign exchange controls and restrictions on repatriation of funds; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force; and
- challenges caused by distance, language and cultural differences.

Our overall success as a business depends to a considerable extent on our ability to anticipate and effectively manage differing legal, political, social and economic conditions and regulatory requirements and unforeseeable developments. We may not continue to succeed in developing and implementing policies and strategies which will be effective in each location where we do business or may do business in the future.

Our financial condition may be adversely affected if the market price of the publicly traded shares of Numericable decreases.

A significant portion of our assets is comprised of equity securities of the Numericable Group the shares of which are publicly traded since its initial public offering in November 2013 (the "Numericable IPO"). As of the date hereof, we own approximately 40% of the share capital of Numericable and we control the Numericable Group. Following the consummation of the Transactions, we expect to own approximately 59.7% of the share capital of Numericable. The stock price of the shares of the Numericable Group is subject to volatility and fluctuations due to market conditions and other factors which are often unrelated to operating results and which are beyond our control. Fluctuations in the market price and valuations of our holdings in the Numericable Group may also thereby impact our results of operations. If the value of our assets decreases significantly as a result of a decrease in the value of our interest in the Numericable Group, our business, operating results and financial condition may be materially and adversely affected. The carrying value of our net investment in the Numericable Group may differ from the market value of the shares.

The liquidity and value of our interests in certain of our subsidiaries and our ability to take certain corporate actions may be adversely affected by shareholder agreements and other similar agreements to which we are a party.

Certain of our operations including our operations in Israel, France, Belgium and Luxembourg are conducted through subsidiaries in which third parties hold a minority equity interest or with respect to which we have provided third parties with rights to acquire minority equity interests in the future. In France, although we control the Numericable Group as a result of our ability to appoint a majority of the members of the board of directors of Numericable pursuant to the Numericable Shareholders' Agreement and we expect to increase our shareholding in Numericable to 59.7% pending the consummation of the Transactions, we currently own only approximately 40% of the share capital of the Numericable Group and pursuant to the Numericable Shareholders' Agreement, the Cinven Funds and Carlyle Funds hold protective rights on certain corporate decisions of the Numericable Group. Further, upon the completion of the Transactions, Vivendi will hold certain limited protective rights in SFR. See "*The Transactions*." Our equity interests in certain of the subsidiaries, in which third parties hold a minority equity stake, are subject to shareholder agreements partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those interests. Most of these agreements subject the transfer of such equity interests to consent rights, pre-emptive rights or rights of first refusal of the other shareholders or partners. Our equity interest in the Numericable Group is subject to a 180- day lock-up period pursuant to the terms of the Numericable IPO which commenced on the date of the payment and delivery of the Numericable shares under the Numericable IPO. Some of our subsidiaries are parties to loan agreements and indentures that restrict changes in ownership of the borrower without the consent of the lenders or noteholders. All of these provisions will restrict the ability to sell those equity interests and may adversely affect the prices at which those interests may be sold. In addition, the present or potential future shareholders in our subsidiaries have the ability to block certain transactions or decisions that we would otherwise undertake. Although the terms of our investments vary, our operations may be affected if disagreements develop with other equity participants in our subsidiaries. Failure to resolve such disputes could have an adverse effect on our business.

Following our initial public offering in February 2014, we expect to incur increased costs as a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. For example, as a result of being a public company, we have been required to create additional board committees and adopt policies regarding internal controls and disclosure procedures. In addition, we incur additional costs associated with our public company reporting requirements. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. These risks are equally applicable to the Numericable Group which completed an initial public offering of shares and whose shares were admitted to trading on Euronext Paris (Compartment A) on November 13, 2013. We are currently evaluating and monitoring developments with respect to these new rules, but we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Risks Relating to the Integration of Tricom and ODO into Our Business

Anticipated synergies from acquisitions, in particular from the Tricom Acquisition and the ODO Acquisition, may not materialize.

We expect to achieve certain synergies relating to the operations of Tricom and ODO as they are one part of the Group. We may not realize any or all of the anticipated synergies of the Tricom Acquisition and the ODO Acquisition that we currently anticipate. Among the synergies that we currently expect are cross selling opportunities to existing customers of Tricom and ODO, network synergies and other operational synergies. We also expect to achieve certain synergies from the 2013 June Transactions. Among the synergies that we currently expect are operational synergies in the French Overseas Territories and Portugal as a result of the Outremer Transaction and ONI Transaction, respectively, increased scale, access to global credit markets, more efficient employment of capital, harmonization of accounting policies and computation of key operating measures and harmonization of best practices across our footprint. Our estimated synergies from the ODO Acquisition, the Tricom Acquisition, the 2013 June Transactions and Mobius Acquisition are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize over time may differ significantly from the ones that we currently estimate and we may incur significant costs in realizing the reorganization of ODO and Tricom. We may not be successful in integrating some or all of these businesses as currently anticipated which may have a material adverse effect on our business and operations.

The integration of Tricom and ODO into the Group could result in operating difficulties and other adverse consequences.

The integration of Tricom and ODO as anticipated into the Group may create unforeseen operating difficulties and expenditures and pose significant management, administrative and financial challenges to our business. These challenges include:

- integration of Tricom and ODO into our current business in a cost effective manner, including network infrastructure, management information and financial control systems, marketing, branding, customer service and product offerings;
- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the Tricom Acquisition and the ODO Acquisition;
- integration of different company and management cultures; and
- retention, hiring and training of key personnel.

In such circumstances, our failure to effectively integrate Tricom and ODO into our Group could have a material adverse effect on our financial condition and results of operations.

Further, ODO has entered into various agreements with a variety of service and outsourcing suppliers, which may terminate now that the ODO Acquisition has been completed, as a result of a change in control in ODO's corporate structure. These services include the supply of software licenses, call center support, data management and human resources consulting, among others. Some of the supply agreements cannot be assigned to any third party outside of Orange S.A. affiliated companies. In addition, Orange S.A. has, on ODO's behalf, entered into agreements with various suppliers for the supply of handset devices. Following the ODO Acquisition, ODO no longer benefits from such agreements. These handset supply agreements contemplate a three to six month grace period after a change of control during which we could enter into a new agreement with these suppliers; however there is no guarantee that such grace period would avoid disruptions to service or that we would be able to attain similar terms in any new agreements. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these will be successful.

ODO's ability to operate its business effectively may suffer if we do not, quickly and cost effectively, establish the necessary support functions, as well as a service platform, to support ODO's business following the ODO Acquisition.

Historically, ODO has relied on certain financial, administrative and other resources of Orange S.A. to operate its business and to provide services to its customers. ODO has entered into certain intercompany agreements with Orange S.A. which provided ODO with support services and access to software, IT operations and other technical support. Some of these agreements have automatically terminated upon the ODO Acquisition. As a consequence, ODO will need to create certain independent support systems or contract with third parties to replace Orange S.A.'s systems and services from which ODO will not benefit post closing.

ODO has entered into the Transitional Services Agreement with Orange S.A. identifying, among the products and services provided by Orange S.A. and related entities prior to the ODO Acquisition, which ones will be maintained, modified or terminated and setting forth the conditions under which certain products and services will continue to be provided. The Transitional Services Agreement also have a term of up to twelve months following closing of the ODO Acquisition. These services may not be sufficient to meet ODO's needs, and, after the arrangements with Orange S.A. expire or terminate, we may not be able to replace these services at all or obtain these services at prices or on terms as favorable as currently provided to ODO. Any failure or significant downtime in the services provided to ODO by Orange S.A. during the transition period could impact our results or prevent ODO from paying its suppliers or employees, performing other administrative services on a timely basis or providing an adequate level of service to its customers. Any such event could also have a material adverse impact on our business, financial condition and results of operations.

We may not be successful in establishing a new brand identity for the products and services marketed by ODO.

Historically, ODO has marketed its products and services through the "Orange" brand. Currently, ODO benefits from a Brand License Agreement which allows it to use the "Orange" brand for its current products and services in the Dominican Republic for several years after the closing of the ODO Acquisition although this agreement can be terminated early in certain circumstances. The value of the "Orange" brand name has been recognized by ODO's suppliers and customers. We will need to expend significant time, effort and resources to establish a new brand name in the marketplace for ODO's products and services to prepare for the termination of the Brand License Agreement, in addition to our regular marketing and advertising expenses. We cannot guarantee that this effort will ultimately be successful. If our efforts to establish a new brand identity are unsuccessful, our business, financial condition and results of operations could be materially adversely affected.

Risks Relating to Legislative and Regulatory Matters

We are subject to significant government regulation and supervision, which could require us to make additional expenditures or limit our revenues and otherwise adversely affect our business, and further regulatory changes could also adversely affect our business.

Our activities as a cable television, broadband Internet infrastructure access provider, ISP, fixed-line and international long distance telephony and mobile operator are subject to regulation and supervision by various regulatory bodies, including local and national authorities in the jurisdictions in which we operate. Such regulation and supervision, as well as future changes in laws or regulations or in their interpretation or enforcement that affect us, our competitors or our industry, strongly influence how we operate our business. Complying with existing and future law and regulations may increase our operational and administrative expenses, restrict our ability or make it more difficult to implement price increases, affect our ability to introduce new services, force us to change our marketing and other business practices, and/or otherwise limit our revenues. In particular, our business could be materially and adversely affected by any changes in relevant laws or regulations (or in their interpretation) regarding, for example, licensing requirements, access and price regulation, interconnection arrangements or the imposition of universal service obligations, or any change in policy allowing more favorable conditions for other operators or increasing competition. There can be no assurance to you that the provision of our services will not be subject to greater regulation in the future.

In addition to regulation specific to the telecommunications industry, we are from time to time subject to review by competition authorities concerning whether we exhibit significant market power. Regulatory authorities may also require us to grant third parties access to our bandwidth, frequency capacity, facilities or services to distribute their own services or resell our services to end customers.

Furthermore, a failure to comply with the applicable rules and regulations could result in penalties, restrictions on our business or loss of required licenses or other adverse consequences.

European Union

The regulations applicable to our operations within the EU often derive from EU Directives. The various Directives require EU Member States to harmonize their laws on communications and cover such issues as access, user rights, privacy and competition. These Directives are reviewed by the EU from time to time and any changes to them could lead to substantial changes in the way in which our businesses in the relevant jurisdictions are regulated and to which we would have to adapt. Any changes to these EU Directives could lead to substantial changes in the way in which our businesses in the European Union are regulated.

France. In France, telecommunication activities are subject to significant regulation and supervision by various regulatory bodies. In addition, specific requirements including grant of access, non- discrimination and transparency obligations can also be imposed in France on entities that are deemed, by ARCEP to have a significant power in relevant markets that are not sufficiently competitive. Pursuant to decisions adopted in the summer of 2011 and applicable until the summer of 2014 concerning the regulation of the broadband Internet and very-high-speed fast broadband Internet markets, ARCEP identified Orange as the sole operator with significant power in the landline market and imposed specific obligations on it concerning access to its infrastructures including unbundling its copper local loop and local sub-loop and providing access to its infrastructure. In 2013, ARCEP launched new market analyses on the following markets: "wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location," "wholesale broadband access," which comprises non-physical or virtual network access including "bit-stream" access at a fixed location; and "capacity services." A draft decision regarding the first two markets mentioned above was issued by ARCEP in November 2013. This draft decision was followed by a public consultation period which ended on September 16, 2013. Our business in France has not been identified in ARCEP's draft as having significant market power in any of these markets. However, no assurance can be given that we will not be identified by ARCEP as having significant market power in any one of those or other relevant markets in the future and that ARCEP will not therefore impose additional regulatory requirements on us.

In France, we are subject to, among other things:

- price regulation, including with respect to fixed-line termination rates and mobile roaming fees, that we charge in France;
- rules governing the interconnection between different networks and the interconnection rates that we can charge and that we pay;
- rules and remedies imposed on electronic communications services providers with "significant market power" as defined in Directive 2002/21/EC of the European Parliament (as amended and updated from time to time) and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services;
- risk of regulatory authorities granting third parties access to our network, in particular in the context of our build-out of FTTH networks;
- requirements that, under specified circumstances, a cable system carry certain broadcast stations or obtain consent to carry a broadcast station;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;
- rules and regulations relating to subscriber privacy;
- requirements that we provide or contribute to the provision of certain universal services, including requirements to provide certain "social" tariffs;
- requirements relating to safety and security of operator's networks;

- requirements on supplying subscribes lists for the purpose of publishing universal directories;
- requirements on portability;

French Overseas Territories

- taxes imposed on our public rights of way;
- other taxes imposed on our operations including a 0.9% tax levied on electronic communication services related revenues (excluding VAT) in excess of €5,000,000 (subject to certain deductions and exclusions, and with specific rebate for bundled offers) of all telecommunication operators, which was introduced by the Public Audiovisual Reform law of March 5, 2009 (*loi relative à la communication audiovisuelle et au nouveau service public de la télévision*); and
- other requirements covering a variety of operational areas such as land use and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards, subscriber service requirements and the implementation of data retention obligations in France.

Belgium and Luxembourg. In Belgium and Luxembourg, telecommunication activities are subject to significant regulation and supervision by various regulatory bodies. In addition, specific requirements can also be imposed in Belgium and Luxembourg on entities that are deemed, by the Belgium Institute for Postal Services (the "BIPT") or the Luxembourg Regulatory Institute (the "LRI") and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including grant of access, non-discrimination and transparency obligations.

In Belgium and Luxembourg, we are subject to, among other things:

- price regulation for certain services that we provide in Belgium (for instance, the Belgian Ministry for Economic Affairs must consent to any increase in the prices that we charge our subscribers for providing basic cable television);
- rules governing the interconnection between different networks and the interconnection rates that we can charge and that we pay;
- rules and remedies imposed on electronic communications services providers with "significant market power" as defined in Directive 2002/21/EC of the European Parliament (as amended and updated from time to time) and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services;
- risk of regulatory authorities granting third parties access to our network;
- requirements that, under specified circumstances, a cable system carry certain broadcast stations or obtain consent to carry a broadcast station;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;
- rules and regulations relating to subscriber privacy;
- requirements that we provide or contribute to the provision of certain universal services, including requirements to provide certain "social" tariffs;
- taxes imposed on our public rights of way; and
- other requirements covering a variety of operational areas such as land use and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards, subscriber service requirements and the implementation of data retention obligations in Belgium.

Portugal. In Portugal, our activities in the electronic communication industry, including cable television, broadband Internet and telephony industries, are subject to significant regulation and supervision by the National Regulatory Authority, ICP-ANACOM.

In Portugal, we are subject to, among other things:

- rules regarding authorizations, information duties and specific rights of use for number assignments;
- price regulation with respect to fixed call termination charges;
- number portability obligations;
- rules regarding the interconnection of our network with those of other network operators (capacity interconnection);
- requirements that a network operator carry certain channels (the must carry obligation);
- rules and regulations relating to subscriber privacy;
- regulations governing the limitation of exit-fees or cancellation charges;
- default barring of value-added services;
- obligation to contribute to the universal service fund; and
- sector specific charges (e.g. annual charge and investment obligations created by Law 55/2012 of Portugal).

Israel

In Israel, we are subject to, among other things:

- price regulation for certain services that we provide, specifically analog television;
- rules governing the interconnection between different telephone networks and the interconnection rates that we can charge and that we pay;
- regulations requiring us to maintain structural separation between our cable television, broadband Internet infrastructure access and fixed-line telephony, ISP and mobile subsidiaries;
- regulations governing the prohibition of exit-fees or cancellation charges;
- regulations requiring us to grant third party ISPs access to our cable network;
- regulations restricting the number of channels we can own and specifying the minimum investment we are required to make in local content productions;
- regulations governing roaming charges and other billing and customer service matters;
- requirements that, under specified circumstances, a cable system carry certain television stations or obtain consent to carry certain television stations according to telecommunication laws;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses;
- requirements that we extend our cable television, broadband Internet infrastructure access and fixed-line telephony services to areas of Israel even where it is not economically profitable to do so;
- rules and regulations relating to subscriber privacy;
- laws requiring levels of responsiveness to customer service calls;

- anti-trust law and regulations and specific terms within the anti-trust authority's approval for the Israeli cable consolidation;

- requirements that we provide or contribute to the provision of certain universal services; and

- other requirements covering a variety of operational areas such as land use, health and safety and environmental protection, moving the cables in our network underground, equal employment opportunity, technical standards and subscriber service requirements.

The Israeli Ministry of Communications has recently taken active steps to increase competition in the fixed-line and mobile telecommunications industries, including providing licenses to MVNOs and eliminating termination fees that operators can charge, except in limited circumstances, and prohibiting the linkage of the price and terms of handsets to the services or benefits of the mobile contract. The Israeli Ministry of Communications has also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. In January 2014, the Israeli Ministry of Communication published a list of wholesale services that would be provided by HOT Telecom and Bezeq, and also published a hearing regarding Bezeq's tariffs for certain services. HOT Telecom submitted a response relating to the decision in March 2014 and is currently awaiting further instructions. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and thus competition in the broadband Internet infrastructure access market may increase significantly which could negatively affect or results of operations.

French Overseas Territories. In the French Overseas Territories, our existing and planned activities in the cable television, broadband Internet and telephony industries are subject to significant regulation and supervision by various regulatory bodies, including national and EU authorities.

Regulation of our service includes price controls (for termination charges), service quality standards, requirements to carry specified programming, requirements to grant network access to competitors and content providers, and programming content restrictions. In particular, we are subject, for our activities in the French Overseas Territories to:

- rules regarding declarations and registrations with telecommunication regulatory authorities;

- individual requirements associated with commitments made in the context of authorizations granted by telecommunication regulatory authorities for the use of frequencies;

- price regulation with respect to call termination charges;

- rules regarding the interconnection of our network with those of other network operators;

- requirements that a network operator carry certain channels (the must carry obligation);

- rules relating to the quality of the landline networks;

- specific rules relating to the access to new-generation optical fiber networks;

- rules relating to the content of electronic communications, antitrust regulations; and

- specific tax regimes.

In addition, the expiry of one of Le Cable Guadeloupe's 28 cable network agreements (that of Point-à-Pitre) is due on November 22, 2014. While we are currently negotiating to buy back this network, we cannot guarantee what will happen at the expiry.

Further, the payment activity we conduct in the French Overseas Territories through our subsidiary OPS SAS, is subject to the control of the French *Autorité de Contrôle Prudentiel* ("ACP"). In connection with this activity, OPS SAS is subject to the control of the ACP covering matters such as, for instance, its level of equity capital, its management standards and the protection of the funds it receives.

Dominican Republic. As a result of the completion the Tricom Acquisition and following the ODO Acquisition, we are and will continue to also be subject to significant regulations in the Dominican Republic.

We can only operate our business for as long as we have licenses from the relevant authorities in the jurisdictions in which we operate.

We are required to hold licenses to own and operate our networks and to broadcast our signal to our customers. These licenses generally require that we comply with applicable laws and regulations, meet certain solvency requirements and maintain minimum levels of service.

In France, ARCEP ensures that operators comply with the laws and regulations set forth in the CPCE and, where applicable, that they respect the conditions of any individual authorizations granted. While our operations do not require specific authorizations from ARCEP, we must declare our activities and register with ARCEP. Until recently, the sanctions available to ARCEP if an operator failed to comply with the regulatory framework, as set forth in Article L. 36-11 of the CPCE, included limiting the scope or reducing the term of the operator's license, as well as suspending or even fully withdrawing the operator's registration. ARCEP could also impose fines representing up to 3% of the operator's annual revenue, or 5% in the event of a repeated breach and, if ARCEP identified a serious and immediate infringement of the rules governing the sector, it could order precautionary measures without any requirement for prior notice. In addition, if an infringement could cause serious harm to an operator or the market, the chairman of ARCEP could make an emergency application to the French *Conseil d'Etat* for an order requiring the party concerned to comply with the applicable rules and impose a daily fine until such party complies. On July 5, 2013, however, the *Conseil constitutionnel* (the constitutional court in France), ruling on a question by the Numericable Group challenging the constitutionality of Article L. 36-11 of the CPCE through a procedure known as *question prioritaire de constitutionalité*, invalidated the power of sanction of ARCEP set forth in Article L. 36-11, paragraphs 1 through 12, of the CPCE. An ordinance dated March 12, 2014 has restored the power of sanction of the ARCEP, but which henceforth complies with the principle of separation of investigative and sanctioning powers.

In Israel, we conduct our operations pursuant to licenses granted to us by the Israeli Ministry of Communications and by the Council for Cable and Satellite Broadcasting for specified periods, which may be extended for additional periods upon our request to the Israeli Ministry of Communications and confirmation that we have met certain performance requirements. Our broadcast license is valid until 2017, our domestic operator license for fixed-line telephony and broadband Internet infrastructure access is valid until 2023, our UMTS-based mobile license is valid until 2031 and our general international telecommunications service provider license is valid until 2032. There is no certainty, however, that the licenses will be renewed or extended in the future or that they will not be cancelled or changed by the Israeli Ministry of Communications. Any cancellation or change in the terms of our licenses may materially affect our business and results of operations. Furthermore, although we believe that we are currently in compliance with all material requirements of our licenses, the interpretation and application of the technical standards used to measure these requirements, including the requirements regarding population coverage and minimum quality standards and other license provisions, disagreements have arisen and may arise in the future between the Israeli Ministry of Communications and us. We have provided significant bank guarantees to the Israeli Ministry of Communications to guarantee our performance under our licenses. If we are found to be in material breach of our licenses, the guarantees may be forfeited and our licenses may be revoked. In addition, the Israeli Ministry of Communications is authorized to levy significant fines on us for breaches of our licenses.

Should we fail to comply with these requirements or the requirements of any of our other licenses, we may be subject to financial penalties from the relevant authorities and there may also be a risk that licenses could be partially or totally withdrawn. The imposition of fines and/or the withdrawal or non-renewal of licenses could have a material adverse effect on our results of operations and financial condition and prevent us from conducting our business.

In the Dominican Republic, ODO was awarded a concession to and are licensed to provide telecommunications services. ODO's concession was originally granted under a concession agreement with Indotel in 1996 and will expire on August 1, 2015. In order to renew ODO's concession, a renewal request needs to be submitted to Indotel by August 1, 2014. In the event that the concession agreement expires and ODO has not submitted a request to renew, according to applicable law, Indotel may automatically renew the agreement for another 20 year term or terminate the agreement. If ODO correctly files all of the documentation for renewal and remains in compliance with all of Indotel's policies and regulations, Indotel should approve the renewal request, however we cannot guarantee approval. In addition, ODO currently holds a number of frequency license certificates issued by Indotel. All of ODO's frequency licenses are valid until August 1, 2015. We cannot guarantee that Indotel will approve ODO's renewal request for its concession or for its frequency licenses. Furthermore, certain regulatory approvals, such as new build permits, may be required for ODO to operate antenna sites with other frequencies /frequency bands, in particular where the shift is made from a higher frequency band (e.g., 1800 MHz) to a lower frequency band (e.g., 900 MHz). To the extent that ODO seeks to operate antenna sites with other frequencies/frequency bands in the future, failure to obtain such regulatory approvals could have a negative impact on the coverage of its network. If Indotel does not renew ODO's concession or frequency licenses or if

ODO fails to obtain any regulatory approvals that are required, our business, financial condition and results of operations following the ODO Acquisition could be materially adversely affected.

We do not have complete control over the programming that we provide or over some of the prices that we charge, which exposes us to third party risks and may adversely affect our business and results of operations.

In all of our jurisdictions where we provide pay television services, we are required to carry certain broadcast and other channels on our cable system that we would not necessarily carry voluntarily. For example, in Israel, these "must carry" obligations apply to: (i) two specific governmental channels; (ii) two specific commercial channels; (iii) the "Knesset" channel, which is a channel broadcasting content from the Israeli parliament; (iv) one educational channel and (v) channels from a special license broadcaster that we deliver to all of our pay television subscribers. We cannot guarantee that the remuneration, if any, that we receive for providing these required channels will cover our actual costs of broadcasting these channels, or provide the return that we would otherwise receive if we were allowed to freely choose the programming we offer on our system.

We may incur significant costs to comply with city planning laws.

We are subject to planning laws when we upgrade or expand our networks. In particular, our current installation of the UMTS network in Israel is subject to compliance with the National Zoning Plan 36 (TAMA 36) and the directives issued thereunder, which are aimed at reducing the danger of radiation and the damage to the environment. The cost of complying with TAMA 36 can be substantial and there is currently a regulatory process underway to amend TAMA 36 which would place substantial limitations and further increase the cost of erecting our UMTS network. In addition, the local loop of our networks is generally located aboveground. Local municipal governments generally have the authority to require us to move these network lines underground. Usually, we are able to coordinate with other utility suppliers to share the costs associated with moving lines underground but no assurance can be given that we will always be able to do so. Nevertheless, the costs of complying with municipal orders can be substantial and not subsidized by such municipal government, and may require us to incur significant costs in the future.

We have had difficulties obtaining some of the building and environmental permits required for the erection and operation of our mobile network sites in Israel, and some building permits have not been applied for or may not be fully complied with. These difficulties could have an adverse effect on the coverage, quality and capacity of our mobile network. Operating mobile network sites without building or other required permits, or in a manner that deviates from the applicable permit, may result in criminal or civil liability to us or to our officers and directors.

Our ability to maintain and improve the extent, quality and capacity of our mobile network coverage in Israel depends in part on our ability to obtain appropriate sites and approvals to install our mobile network infrastructure, including mobile network sites. The erection and operation of most of these mobile network sites require building permits from local or regional planning and building authorities, as well as a number of additional permits from other governmental and regulatory authorities. In addition, as part of our UMTS network build-out, we are erecting additional mobile network sites and making modifications to our existing mobile network sites for which we may be required to obtain new consents and approvals.

For the reasons described in further detail below, we have had difficulties obtaining some of the building permits required for the erection and operation of our mobile network sites.

Mobile network site operation without required permits or that deviates from the permit has in some cases resulted in the filing of criminal charges and civil proceedings against our subsidiaries in Israel and its officers and directors, and monetary penalties against such subsidiaries, as well as demolition orders. In the future, we may face additional monetary penalties, criminal charges and demolition orders. The prosecutor's office has set up a national unit to enforce planning and building laws. The unit has stiffened the punishments regarding violations of planning and building laws, particularly against commercial companies and its directors. If we continue to experience difficulties in obtaining approvals for the erection and operation of mobile network sites and other mobile network infrastructure, this could have an adverse effect on the extent, coverage and capacity of our mobile network, thus impacting the quality of our voice and data services, and on our ability to continue to market our products and services effectively. In addition, as we seek to improve the range and quality of our mobile telephony services, we need to further expand our mobile network, and difficulties in obtaining required permits may delay, increase the costs or prevent us from achieving these goals in full. Our inability to resolve these issues in a timely manner could also prevent us from achieving or maintaining the mobile network coverage and quality requirements contained in our license.

Since June 2002, following the approval of the National Building Plan 36 (the "Plan"), which regulates network site construction and operation, building permits for our mobile network sites (where required) have been issued in reliance on the Plan.

We have set up several hundred small communications devices, called wireless access devices, pursuant to a provision in the Planning and Construction Law, which exempts such devices from the need to obtain a building permit. A claim was raised that the exemption does not apply to mobile communications devices and the matter reached first instance courts a number of times, resulting in conflicting decisions. This claim is included in an application to certify a class action filed against certain Israeli mobile telephone operators, but we were not included in this claim. In May 2008, a district court ruling adopted the position that the exemption does not apply to wireless access devices. The mobile telephone operators filed a request to appeal this ruling to the Supreme Court. In May 2008, the Israeli Attorney General filed an opinion regarding this matter stating that the exemption applies to wireless radio access devices under certain conditions. Subsequently, two petitions were filed with the High Court of Justice in opposition to the Israeli Attorney General's opinion. The matter is still pending before the Supreme Court and the High Court of Justice.

In September 2010, adopting the position of the Israeli Attorney General, the Israeli Supreme Court issued an interim order prohibiting further construction of radio access devices for mobile networks in reliance on the exemption mentioned above. In September 2011, the Supreme Court permitted HOT Mobile and Golan Telecom to use the exemption in order to erect their new UMTS networks until December 31, 2013, provided, however, that no more than 40% of the facilities that the operator erects are within the jurisdiction of any municipality, an affidavit is submitted in advance to the municipality's engineer and the safety zone does not exceed four meters and does not deviate from the boundaries of the lot. On August 28, 2013 we submitted a formal request with the Israeli Supreme Court, requesting a renewal of the exemption. On September 30, 2013, we received a response from the Supreme Court stating that they had requested a formal reply from the state on this subject matter. On October 1, 2013, the Israeli Supreme Court passed a decree nici in relation to the petition to which the State filed a response on December 17, 2013, requesting a perpetual injunction to prevent the erecting of access network devices until legislation was put in place by the Israeli Ministry of Interior and the Ministry of Communication to regulate this matter. In its response, the State further clarified that the exemption relating the erecting of access network devices for HOT Mobile and Golan would be valid until June 30, 2014.

Until a final decision has been passed by the Supreme Court, HOT Mobile will be allowed to continue the deployment of its UMTS network. If this exemption is not extended, we will have to seek permits, which could result in substantial delays and costs and as a result, we may be unable to meet our license requirements.

If a definitive court judgment holds that the exemption does not apply to mobile devices at all, or in case of disagreements with the municipalities where we have installed our devices or a regulatory authority regarding the interpretation of the Supreme Court's decision, we may be required to remove the existing devices and would not be able to install new devices on the basis of the exemption. As a result, our mobile network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

We, like the other mobile telephone operators in Israel, provide repeaters, also known as bi-directional amplifiers, to subscribers seeking an interim solution to weak signal reception within specific indoor locations. In light of the lack of a clear policy of the local planning and building authorities, and in light of the practice of the other mobile telephone operators, we have not requested permits under the Planning and Building Law for the repeaters. However, we have received an approval to connect the repeaters to our communications network from the Israeli Ministry of Communications and have received from the Israeli Ministry of Environmental Protection permit types for all our repeaters. If the local planning and building authorities determine that permits under the Planning and Building Law are also necessary for the installation of these devices, or any other receptors that we believe do not require a building permit, it could have a negative impact on our ability to obtain permits for our repeaters.

The Israeli Ministry of Environmental Protection notified us of a new condition for all of our 3G mobile network site operation permits, according to which we must install systems software (provided by the Israeli Ministry of Environmental Protection) that continuously monitors and reports the level of power created in real time from the operation of our 3G mobile network sites (the "Monitoring System"). Since May 2012, we started erecting our new UMTS cell sites according to construction permits received in November 2011. We have also made practical examinations to all our new UMTS cell sites. All of the examinations showed that our new UMTS cell sites comply with the safety standard determined by the Israeli Ministry of Environmental Protection. As of August 2012, we began to apply requests for operation permits to our sites to the Commissioner. We also applied to the Commissioner for extended time to connect to the monitoring system. As of November 2012, we started receiving operation permits, which are subject to the demand to connect to the monitoring system no later than February 5, 2013. On February 4, 2013, we were notified by the Israeli Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system.

We are of the opinion that all of the antennas that we operate comply with the conditions of the safety permits that we were granted by the Israeli Ministry of Environmental Protection. However, implementation of the monitoring software increases our exposure and our directors and senior officers to civil and criminal proceedings in the event that any antennas are found to not meet the conditions of the permits granted to us and the maximum permitted power. In addition, if our antennas are found to not meet the conditions of the permits granted to us and the maximum permitted power, the Israeli Ministry of Environmental Protection may revoke existing permits, which would require us to dismantle existing mobile network sites. As a result, our network capacity and coverage would be negatively impacted, which could have an adverse effect on our revenue and results of operations.

We may be required to indemnify certain local planning and building committees in Israel with respect to claims against them.

In Israel, under the Planning and Building Law, 1965, local planning committees may be held liable for the depreciation of the value of nearby properties as a result of approving a building plan. Under the Non-Ionizing Radiation Law, 2006, the National Council for Planning and Building requires indemnification undertakings from mobile companies as a precondition for obtaining a building permit for new or existing mobile network sites. The National Council has decided that until the Plan is amended to reflect a different indemnification amount, mobile companies will be required to undertake to indemnify the committees in full against all losses resulting from claims against a committee for reductions in property values as a result of granting a permit to the mobile network site. On June 1, 2010, the National Council for Planning and Building approved the National Building Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the "Amended Plan"). The Amended Plan is subject to government approval in accordance with the Planning and Building Law.

As of December 31, 2013, we had approximately 342 indemnification letters outstanding to local planning and building committees although no claims have been filed against us under such letters. Calls upon our indemnification letters may have a material adverse effect on our financial condition and results of operations.

In addition, the requirement to provide indemnification in connection with new building permits may impede our ability to obtain building permits for existing mobile network sites or to expand our mobile network with the erection of new mobile network sites. The indemnification requirement may also cause us to change the location of our mobile network sites to less suitable locations or to dismantle existing mobile network sites, which may have an adverse effect on the quality and capacity of our mobile network coverage.

In 2007, the Israeli Ministry of Interior Affairs extended the limitation period within which depreciation claims may be brought under the Planning and Building Law from three years from approval of the building plan to the later of one year from receiving a building permit for a mobile network site under the Plan and six months from the construction of a mobile network site. The Israeli Ministry retains the general authority to extend such period further. This extension of the limitation period increases our potential exposure to depreciation claims.

Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.

The tax laws and regulations in the jurisdictions in which we operate may be subject to change and there may be changes in the content as well as in the interpretation and enforcement of tax law. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws and regulations are modified by the competent authorities in an adverse manner.

In addition, the tax authorities in the jurisdictions in which we operate periodically examine our activities. We regularly assess the likelihood of such outcomes and have established tax allowances which represent management's best estimate of the potential assessments. In December 2009 and during 2010, the Israeli Tax Authority issued certain tax assessments with respect to HOT for 2006-2008, which if accepted, may adversely affect our results of operations. In general, these tax assessments may give rise to the imposition of a tax payment in the amount of NIS 120 million and the cancellation or postponement of net operating losses in the amount of NIS 1.1 billion. In addition this may have adverse tax consequences for years subsequent to 2008. In this regard, HOT has included a reserve in its financial statements.

On May 31, 2013, HOT received a tax assessment on HOT Vision, one of its subsidiaries, for the 2009-2010 tax year. The Tax Authority identified NIS 38 million of taxable income for this period. On June 27, 2013, HOT appealed against this tax assessment. The proceeding is still pending. The outcome of this tax assessment could also impact tax years not covered by this tax assessment. We are also subject to certain tax assessments in Portugal relating to financial years 2003, 2005 and 2006 which we are contesting. Those tax assessments may give rise to the imposition of a tax payment in the amount of up to €10 million.

The resolution of any of these and future tax matters could differ from the amount reserved, which could have a material adverse effect on our cash flows, business, financial condition and results of operations for any affected reporting period.

French tax law may limit our capacity to deduct interest for tax purposes, which could lead to a reduction in the Numericable Group's net cash flows.

Articles 212 bis and 223 B bis of the *Code général des impôts*, created by Article 23 of the Budget Law no. 2012-1509 for 2013, limit the fraction of net financial expenses that is deductible for corporate tax purposes, subject to certain conditions and save for some exceptions, to 85% in fiscal years ending on or after December 31, 2012 and to 75% in fiscal years beginning on or after January 1, 2014.

We believe that this limitation will deprive the Numericable Group of a deduction of approximately €28.3 million in 2013 and €45 million in 2014, based on rules currently in force and information available as of the date of this Notice.

In addition, under French thin-capitalization rules, the deduction of interest paid on loans granted by a related party, and, subject to certain exclusions, on third-party loans guaranteed by a related party, are allowed under certain conditions but subject to limitations, under the rules of article 212 of the *Code général des impôts*.

The impact of such rules on our ability to effectively deduct, for tax purposes, interest paid on loans could increase our tax burden and therefore have a material adverse effect on our financial condition and results of operations.

Our future results, French tax law, tax audits and other factors may limit our capacity to use our tax losses, and thus reduce the Numericable Group's net cash flows.

We have significant tax loss carry forwards in France. The ability to use such tax loss carry-forwards depends on a variety of factors, including (i) taxable profit and the difference between the amount of such profits and that of tax losses, (ii) the general limitation under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding €1 million is limited to 50% in respect of fiscal years ending on or after December 31, 2012, as well as certain specific restrictions on the use of such tax loss carry-forwards, (iii) the outcome of present and future tax audits and litigations; (iv) the consequences of the reorganization of the Numericable Group prior to the Numericable IPO and (v) potential changes in applicable laws and regulations.

The impact of such factors could increase the Numericable Group's tax burden and therefore negatively impact its cash position, its effective tax rate, its financial condition and its results of operations.

Risks Relating to Our Employees, Management, Majority Principal Shareholder and Related Parties

The loss of our executive chairman, certain key executives and personnel or a failure to sustain a good working relationship with employee representatives, including workers' unions, could harm our business.

We depend on the continued contributions of our senior management and other key personnel and in particular, Patrick Drahi, who is our Executive Chairman. There can be no assurance that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of our executive chairman or any of these key executives and employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

In our business, we rely on sales forces and call center employees to interface with the major part of our residential customers. Their reliability is key, as is our relationship with employee representatives. Some of our employees currently belong to organized unions and works councils, and there can be no assurance that more employees will not form or join unions in the future. In France, we have faced several strikes by our personnel between 2005 and 2007 when, in connection with our merger with certain cable operators, we completed several rounds of headcount optimization; in early 2009, when we terminated the employment of a number of our salespersons; and during the spring of 2010 in response to our amendment of certain of our door-to-door salespersons' employment terms and conditions. The strikes, which took place in 2009, disrupted our headquarters' operations and generated adverse publicity. An increase in the number of our unionised employees could lead to an increased likelihood of strikes, work stoppages and other industrial actions. In addition, we also face the risk of strikes called by employees of our key suppliers of materials or services as well as our installation providers, which could result in interruptions in the performance of our services. Although we monitor our labor relations, we cannot predict the extent to which future labor disputes or disturbance could disrupt our operations, cause reputational or financial harm or make it more difficult to operate our businesses.

You may be unable to effect service of process on the Issuer and/or members of our Board in the U.S. or enforce judgments obtained in U.S. courts for U.S. securities laws violations.

The Issuer is organized under the laws of the Grand Duchy of Luxembourg and does not have any material assets in the U.S. None of the members of the Issuer's Board will be residents of the U.S. and all or a majority of their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the U.S. upon the Issuer or the members of its board of directors, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the Issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the U.S. will be enforceable in Luxembourg.

Risks Relating to the SFR Acquisition, SFR's Business and the Integration of SFR into our Business

The SFR Acquisition is subject to significant uncertainties and risks.

The consummation of the SFR Acquisition is subject to the conditions set out in the Acquisition Agreement, including regulatory antitrust approval from the French Competition Authority. In addition, the completion of the SFR Acquisition is subject to consultation with the Work's Council, which may delay the completion of SFR Acquisition. The regulator is likely to consider, among other things, the potential impact of the combination between the Numericable Group and SFR on competition between telecoms operators in France. There can be no assurance that the regulator will approve the SFR Acquisition or, if such approvals are granted, it may make such approval conditional on us taking certain actions, such undertaking divestures of certain SFR or Numericable Group assets. Furthermore, in the case that the French Competition Authority requires any concessions from us, demands that we implement remedies to approve the SFR Acquisition or imposes other conditions in approving the Acquisition Agreement, the Acquisition Agreement does not allow for a reduction in the purchase price and requires us to complete the Acquisition. There can be no assurance that such approval will be obtained in a timely manner if at all or that such approval may not be subject to conditions which we cannot comply with in a satisfactory manner or which may be materially adverse the Combined France Group's operating results, our ability to integrate the operations of the Numericable Group and SFR or to achieve the anticipated synergies from the SFR Acquisition. Following the consummation of the Acquisition, the French Electronic Communications regulator (ARCEP) may also require the Combined France Group to allow the hosting of or the use by other mobile operators of its cable network. We therefore cannot assure that we will be permitted to undertake the SFR Acquisition, do so in a timely fashion or do so without the implementation of burdensome remedies. Moreover, the SFR Acquisition is also subject to litigation risk that is customary for transactions of this type and may be challenged by shareholders, competitors or creditors, which may result in us being required to pay significant amounts to claimants, or in the case of the SFR Acquisition, delay or prevent the acquisitions from closing. See "*The Transactions*".

Furthermore, certain agreements, such as shareholders' agreements governing certain JVs, partner, supplier or client contracts and content agreements contain change of control provisions that permit the other party to terminate the agreement in the event a change of control of SFR. We therefore cannot assure that these agreements will not be terminated or renegotiated. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these efforts will be successful.

Anticipated synergies from the SFR Acquisition may not materialize.

Upon completion of the SFR Acquisition, we expect to achieve certain synergies discussed elsewhere in this Notice relating to the operations of SFR and its subsidiaries as they will become part of the Numericable Group and become consolidated subsidiaries of Numericable Group. We may not realize any or all of the anticipated synergies of the SFR Acquisition that we currently anticipate, including if we are unable to consummate the SFR Acquisition. Among the synergies that we currently expect are cross selling opportunities to existing customers of the Numericable Group and SFR, network synergies and other operational synergies. Our estimated synergies from the SFR Acquisition are subject to a number of assumptions about the timing, execution and costs associated with realizing the synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks and uncertainties. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from the ones that we currently estimate and we may incur significant costs in realizing the reorganization of SFR and in reaching the estimated synergies. We may not be successful in integrating some or all these businesses as currently anticipated, which may have a material adverse effect on our business and operations.

The integration of SFR into the Numericable Group could result in operating difficulties and other adverse consequences.

The consummation of the SFR Acquisition and the integration of SFR as anticipated into the Numericable Group may create unforeseen operating difficulties and expenditures and pose significant management, administrative and financial challenges to our business. These challenges include:

- integration of SFR into our current business in a cost effective manner, including network infrastructure, management information and financial control systems, marketing, branding, customer service and product offerings;

- outstanding unforeseen or undisclosed legal, regulatory, contractual, labor or other issues arising from the SFR Acquisition;

- integration of different company and management cultures;

- retention and/or renewal of material contracts with business partners, suppliers and certain B2B customers; and

- retention, hiring and training of key personnel.

In such circumstances, our failure to effectively integrate SFR into the Numericable Group could have a material adverse effect on our financial condition and results of operations.

Further, SFR has entered into various agreements with a variety of service and outsourcing suppliers, some of which may be terminated upon the SFR Acquisition as a result of a change in control in SFR's corporate structure. Some of the supply agreements cannot be assigned to any third party outside of SFR. In addition, SFR has entered into agreements with various suppliers for the supply of handset devices. Following the SFR Acquisition, SFR may not continue to benefit from certain of these agreements. Additionally, prior to the SFR Acquisition, SFR had not operated as a stand-alone business but was instead a part of a Vivendi. As such, SFR benefited from Vivendi group's operations and support systems, including technology support, back office, accounting and other systems. Accordingly, we may incur additional costs related to these systems as well as other costs which SFR may incur resulting from its separation from Vivendi. Although we are currently working to mitigate such transitional issues, we cannot guarantee that these mitigation efforts will be successful.

Moreover, the SFR Acquisition has required, and will likely continue to require, substantial amounts of certain of our management's time and focus, which could potentially affect their ability to operate the business. Although we analyze and conduct due diligence on acquisition targets, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations and our inquiries may fail to uncover relevant information. There can be no assurance that our assessments or due diligence of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. Furthermore, our plans to acquire additional businesses in the future are subject to the availability of suitable opportunities. Our competitors may also follow similar acquisition strategies and may have greater financial resources available for investments or may be willing to accept less-favourable terms than we can accept, which may prevent us from acquiring the businesses that we target to the benefit of our competitors.

SFR's ability to operate its business effectively may suffer if we do not, quickly and cost effectively, establish the necessary support functions, as well as a service platform, to support SFR's business following the SFR Acquisition.

Historically, SFR has relied on certain financial, administrative and other resources of Vivendi to operate its business. SFR has entered into certain intergroup agreements with Vivendi which provided SFR with support services. Some of these agreements will automatically terminate upon the SFR Acquisition. As a consequence, SFR may need to adapt certain independent support systems or contract with third parties to replace Vivendi's services from which SFR will not benefit post closing.

SFR will not be controlled by us until completion of the SFR Acquisition.

We currently do not own SFR. We will not acquire SFR until completion of the SFR Acquisition. The SFR Acquisition is subject to regulatory approval. We cannot assure you that during the interim period the business of SFR will be operated in the same way that we would operate it. In addition, until the Completion Date, SFR and its subsidiaries will not be subject to any of the restrictive covenants of the Indentures.

The information contained in this Notice has been derived from public sources and other sources we believe to be reliable.

In preparing this Notice, we have relied on information supplied, or made available, by SFR.

The historical information relating to SFR Group included or referred to in this Notice has been obtained by us from public filings by Vivendi and its subsidiaries, and we have relied on such information, together with certain limited additional information provided by Vivendi and/or SFR, in the preparation of this Notice. We have not obtained any support for such information. None of Vivendi, SFR or any of their respective subsidiaries are issuers of the Notes and, accordingly, each investor will be deemed to represent and warrant that such investor has not relied upon Vivendi, SFR or any person affiliated with Vivendi or SFR in connection with its investigation of the accuracy of the information of SFR contained or incorporated by reference in this Notice or its investment decision. See "*Transfer Restrictions*". Subject to the foregoing cautionary statements, investors are urged to review Vivendi's public filings and SFR's public information, any information relating to SFR included herein or incorporated herein by reference, and the pro forma financial information included herein, and to consider, in any event, the potential impact of the SFR Acquisition described in this Notice.

Risks Relating to SFR's Industry and Markets

SFR is subject to strong competitive pressures.

Following the consummation of the SFR Acquisition, the Numericable Group will cease to be a competitor of SFR.

The French telecommunications market is intensely competitive, saturated and mature. Nationally, SFR competes with the other telecommunications operators such as Orange, Bouygues Telecom and the Iliad group, which operates under its "Free" brand, with Numericable in the fixed-line market and the MVNOs in the mobile market. SFR also competes with new operators in specific areas, such as service or content providers, search engines, instant messaging services, VoIP services and terminal and OS providers. Furthermore, consolidation in the Internet and mobile telephony markets in France and in Europe, respectively, and the possible market entry of foreign operators in France, could significantly alter the telecommunications market and SFR may not be able to compete with these new operators, particularly those with significant financial and technical resources.

Mobile Market. Competition in the mobile market is strong and may increase particularly as to price, since the entry by Free in early 2012 with a low-priced unlimited calling package. Increased price pressures in the past have led to a decrease in SFR's ARPU and an increase in its customer churn rates. As a result, SFR has had to modify its pricing structure on many occasions. In particular, the mobile telephony market is currently undergoing a transformation in France, with the continuing launch of new 4G services, a price war between competitors (especially after the launch of 4G offers at prices that match the 3G offers of Free and B&You) and bundled packages no longer including subsidized handsets, and the development of "no-frills" brands. Continuous improvement in the quality and service provided by its competitors is expected to put further pressure on SFR to provide compatible products and services to its current and future customers as the evolution of new offers and their impact on consumer behavior could have a negative impact on the SFR, in particular on the attractiveness of its products. If SFR is unable to successfully manage its mobile churn or otherwise loses mobile subscribers, SFR may face increased subscriber acquisition and retention costs and reduced revenues or lower cash flows.

B2B Market. Competition in the B2B market is strong and may increase. Numerous offers relating to the integration of an increasing number of services, particularly IT, and the complexity of the services being offered (data, security) are increasing. Furthermore, SFR also faces competition from other operators such as infrastructure providers, IT network solution providers and software providers.

The measures adopted by SFR to improve to competitive pressures by improving its products and services may not be sufficient to successfully compete with the products and services offered by its competitors. Such competitive pressures may have a significant negative impact on its activities, its financial situation, its results of operations or its future opportunities.

The entry of new operators in the telecommunications market may affect SFR's position.

The development of new telecommunications services and new technologies has promoted the emergence of new operators, such as the entry by Free in the French Market in early 2012, service or content providers on the telecommunications market, such as search engines, instant messaging services, VoIP (Voice over Internet Protocol) and terminal and OS (Operating System) providers. These services already compete and are likely to compete increasingly with the offers of telecommunications operators. These new operators may succeed in providing alternative products and services that are superior to the ones currently being offered by SFR, thereby exposing SFR to the risk of losing customers, in an environment where such relationships generate value. Furthermore, these service or content providers could in fact offer their services directly to end consumers and only use the telecommunications operators to gain access to end users. SFR and other telecommunications operators would therefore be at risk of no longer being the direct interface with customers and merely becoming service providers.

Furthermore, the principle of net neutrality requires the equal treatment of all data flows on the Internet, and prohibits any telecommunications operator from blocking or restricting Internet content. Accordingly, SFR must ensure unhindered flow of content, applications or services provided to end users by these new operators. The corresponding flows have an impact on the speed and capacity of the networks made available by SFR, while SFR is unable to benefit from the value created or associated where applicable, with such content, applications or services. SFR can only bill its customers for the network it provides and not for the connected services they use. Therefore, SFR could also be forced to make significant investments in order to handle ever increasing data flows and demand for bandwith by its customers. The investments made, however, might not be sufficient to maintain the quality and capacity of SFR's network.

Consequently, even if SFR continues to build and maintain the quality of its customer relationships and develop offers integrating new services or products, the entry of new operators could affect the positioning of SFR in the value chain. SFR could therefore be faced with the loss of market share (in both the mass and specialist markets in which it operates) and/or the loss of part of the value created by the services and content to the profit of these new operators. This could have a material adverse effect on the business, the financial conditions, the results of operations or the prospects of SFR.

SFR might not be able to anticipate, identify and offer products and services that are differentiated in the market.

The telecommunications market is characterized notably by rapid changes in technology, services and functionalities, the frequency at which new products are introduced, and the implementation of new sector standards and practices rendering the existing technologies and systems obsolete. SFR must therefore be able to ensure that the measures it takes are in line with rapid changes to technology, consumer habits and the demand of its customers. In particular, in the absence of dedicated research and development activities for certain products, services and technologies, SFR must maintain the ability to identify, aggregate and offer innovative products and services that are differentiated in the market, vis-à-vis its competitors, particularly by promoting the quality of the services associated with its offers. Integrating these innovations is essential to ensuring it can continue to compete with its competitors. SFR cannot, however, ensure that it will be able to anticipate and identify the products and services that meet the expectations of its customers or prospective customers, or that it will be successful in adapting its existing products and services to the new technologies. SFR might not manage to market these products and services within the necessary timeframes. Moreover, SFR could incur substantial costs in renewing or promoting its product and service offering. Furthermore, SFR may not be able to ensure that the product offers and service functionalities developed will be met with the predicted success or enable SFR to achieve its objectives. Additionally, the offers proposed by other operators which may not subject to the same regulatory constraints as telecommunications operators, due to the sectors in which they primarily operate or the location from which they operate their businesses, such as OTT (over-the-top) content providers, could disrupt the competitive environment, and particularly the market position of operators such as SFR.

SFR may therefore struggle to provide products and services that set it apart from its competitors which may result in a decline in its current market position with the increase of providers with low-added-value services. These developments could have a material adverse effect on the business, the financial conditions, and its results of operations.

SFR might not be able to adapt or develop its business strategy.

Telecommunications operators operate in a market that is affected by economic, competitive and regulatory instability.

In January 2012, the entry of a fourth operator on the mobile telephony market, the Iliad group through its "Free" brand, significantly disrupted the telecommunications sector in France, intensifying price competition. The telecommunications sector, and more particularly the mobile telephony market, has therefore experienced profound changes as a result of the development of low-price offers by all operators in France and changes to tariff plans such as plans without discounted terminals and range of bundled offers (triple-play and quadruple-play). This has had an impact on SFR's revenues and EBITDA, which has notably experienced a decline in its B2C business between 2012 and 2013. For further information, see "*Management's Discussion and Analyses of Financial Conditions and Results of Operations of SFR—B2C*".

To mitigate the risk to its business, SFR aims to implement certain measures as part of its transformation plan, which aims to develop its economic model in order to account for market changes, such as developing specific tariff policies, adapting its cost structures, rationalizing its operational organization and by adapting its commercial strategy. If the measures SFR is implementing do not in fact match actual consumer demands, expectations or habits, this would have an adverse effect on the returns on investments made, financial targets, market share and revenues. Consequently, any development of SFR's business strategy which is not sufficiently adapted to actual trends and consumer demands, expectations and habits in the telecommunications market could have a material adverse effect on its business, financial condition, and its results of operations.

SFR might not be able to identify, develop and profit from new markets.

In France, the Internet access and telephony markets are mature markets in which the growth of user numbers is limited. New markets using the technologies of SFR could, however, be developed in certain specialist sectors of activity or for certain products. As of the date of this Notice, these new activities include the development of cloud computing, machine to machine, contactless services (using the NFC technology, for example) and "connected devices", which are pieces of equipment that can be connected to the Internet. The research and development of these activities could, however, prove to be difficult or unsuccessful. SFR might therefore be compelled to incur substantial development, marketing and customer service costs, with no guarantee of profits or the success of the new activities developed. The growth of SFR's business will depend, among other things, on its ability to identify and develop new activities and services, allowing it to adapt to the rapid changes taking place in the telecommunications sector.

If SFR is unable to develop new activities enabling it to increase its revenues, or if the new activities developed are unprofitable, this could have a material adverse effect on its activities, financial situation and results of operations.

SFR's revenue and EBITDA have decreased historically over the past three years and SFR may be unable to prevent any future decline.

SFR's revenue has decreased from €12,183 million in 2011 to € 11,288 million in 2012 and to €10,199 million in 2013. Furthermore, SFR's EBITDA decreased from €3,800 million in 2011 to €3,299 million in 2012 and to €2,766 million in 2013 (in each case without an add back for CVAE). SFR believes that the decreases in revenue are caused by decreases in mobile prices due to a competitive marketplace and lower tariffs imposed by ARCEP. SFR further believes that the decreases in EBITDA reflect the company's declining revenues, which have not been fully offset by decreased costs. Though SFR began a transformative plan in order to adapt its organization to market developments in 2012 and 2013, we expect that SFR's EBITDA will continue to decline in 2014 and there is no assurance that revenue or EBITBA will cease to decline in future periods. Adverse economic developments may occur, price competition may continue and even intensify and regulators may continue to impose lower tariffs each of which could have a material adverse effect on the activities, financial situation and the results of operations of SFR.

Risks Relating to SFR's Business and Operations

SFR is exposed to the risk of disturbances in telecommunications networks and/or information systems.

The reliability of the networks and information systems, particularly for mobile telephony and fixed-line activities, as well as the quality of the networks and information systems (service quality and availability) represent critical elements for the activities of SFR, the continuity of its services and the confidence of its customers. In particular, we depend heavily on the information systems used by the SFR store network, website and customer services information, which are used for product and service sales and subscriptions and the management of customer accounts. If these systems were temporarily unavailable, this could significantly disrupt the business activities of SFR.

Furthermore, SFR's current technical projects relating to both the information systems and the short- and medium-term migration plans involving certain mobile network equipment could be exposed to faults on the networks and information systems. In particular, the quality of the networks could be affected by the deployment of SFR's 4G network as well as by the continuous maintenance of its 2G and 3G networks, requiring frequent technical interventions, which could lead to service interruptions or faults affecting SFR's customers. Also, telecommunications infrastructures and the physical security of the sites are vulnerable to possible natural disasters or other similar events (bad weather, floods, fire, power outages, earthquakes, acts of terrorism, vandalism, etc.), which could cause substantial destruction to SFR's technical sites including significant cost implications for SFR. Furthermore, the damage caused by these disasters could have long-term adverse consequences. Such damages might lead to significant cost implications for SFR. The networks and information systems might also be subject to security issues created by external attacks, intrusions, denial of service attacks, (where large query volumes are sent with the aim of saturating the network), and/or malicious acts which could cause service interruptions or faults.

Additionally, SFR could also be exposed to financial penalties under the contracts it has with its B2C, B2B and wholesale customers if it breaches its contractual obligations particularly with regards to the quality of the services provided. Moreover, the development of resources used by consumers (e.g., videoconferences, telepresence and cloud computing for B2B customers), connected devices and new terminals (smartphones, tablets, etc.) could lead to network saturation due to the large data volumes they may generate or attract.

Although SFR has strengthened its IT backup systems and implemented a global protection and monitoring plan, to ensure that the vital functions of the information systems were effectively controlled and backed up, there can be no assurance that these backup systems will be able to cover all the information SFR uses and stores or perform as expected. Network or information system faults linked to the occurrence of the events described above could lead to quality deficiencies or service interruptions for some, or even all, customers of SFR, more particularly for certain businesses for which the service provided is of strategic importance. This could affect SFR's reputation and have direct or indirect unfavorable financial consequences and lead to a material adverse effect on SFR's business, financial condition and the results of operations.

The business activities of SFR depend on its ability to maintain the quality of the products and services it provides.

The continuous technological developments of telecommunications products and services requires SFR to integrate new technologies which could subsequently prove to be difficult to implement. This could have a negative impact on the quality of the products and services of SFR. Failure to implement these integrated technologies or any faults affecting SFR's products or services could damage its reputation and lead to an increase in customer service costs, costs relating to the replacement and elimination of faulty products and a loss in revenues, which could be significant if there is a loss of consumer confidence. SFR might also be unable to adapt to existing or new technologies in order to meet the needs of its customers within an appropriate timeframe.

Although SFR intends to continue to offer high-quality customer service, maintaining this quality level could require substantial investments and SFR cannot ensure that it will succeed in maintaining a satisfactory level of quality, particularly if it uses third-party providers. Any customer dissatisfaction could affect its reputation or lead to loss of market share.

Failure by SFR to maintain or protect its image, reputation and brand could materially affect its business.

Furthermore, should all or some of the risks described above materialize, this could have a material adverse effect on SFR's business, financial condition and results of operations.

The business activities of SFR involve substantial capital expenditure.

The business activities of SFR require substantial levels of capital expenditure relating to maintenance, modernization and development of its network, which are all business critical elements of SFR's growth. Furthermore, SFR incurs substantial capital expenditure in relation to the deployment of new technologies and will continue to make substantial investments in order to develop these new technologies, including 4G (for the purchase of frequencies) and fiber (for the deployment of the infrastructure). Furthermore, SFR is obliged to respect certain network coverage and deployment commitments under its mobile licences, which also requires it to make substantial and continuous investments. SFR may also acquire new frequencies granted by ARCEP as well as local public authorities in the future, in particular 700 MHz frequencies, in order to improve the quality of its mobile telephony offers and maintain its competitive position. Such frequencies are often auctioned and can be expensive to obtain, due in part to the fact that spectrum availability is limited. In view of the development of the market and relevant technologies, as well as the development of frequency offers, SFR may have to incur significant additional costs and capital expenditure before achieving a return on previous investment. If market demand for these services decreases, it may also limit SFR's ability to recoup our investment in new frequencies, network and infrastructure. See "*Business, Market Overview and Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR*".

Furthermore high broadband usages and the use of new applications may increase bandwidth requirements, which could lead to network saturation and force telecommunications operators to make significant investments to increase their infrastructure capacity. The structure of the French telecommunications market does not allow telecommunications operators to pass their investment costs and capital expenditures to the end consumer in proportion to the data volume consumed. Thus, telecommunications operators might not benefit from the revenues drawn from increasing demand for content, although they bear the costs of this demand through their infrastructure investments.

SFR also has certain network sharing obligations, notably for its mobile licences, such as the hosting of roaming services or network sharing in certain deployment areas. The conditions for implementing these obligations and certain tariffs, such as roaming tariffs within the European Union, are regulated. SFR may therefore not be able to operate its network in economically advantageous conditions, which could affect the profitability of its investments.

The lack of margins and sufficient resources or self-financing capacity on acceptable terms, could have a negative impact on the ability of SFR to maintain the quality of its network, its products and its services, and on its ability to deploy and extend its network coverage. This might adversely impact the competitive position of SFR in the French market and its long-term growth. Moreover, SFR cannot ensure that the investments made, particularly in 4G or fiber, will be profitable and/or that the associated services will be met with the anticipated commercial success.

The deployment of a fiber network is subject to different constraints which might affect the development of the business activities of SFR.

Following the consummation of the Transactions, the Combined France Group will include the Numericable Group's operations, which include operating a leading fiber network in France and therefore, we expect this risk not to apply to the Combined France Group's operations.

SFR has chosen to deploy a fiber network. The ability of SFR to deploy a fiber network is conditional upon following an approval process involving various preliminary stages (consisting notably of consultation with the councils and residents, prior information obligations and obtaining administrative authorisations). This deployment also involves certain maintenance activities that are outsourced to external providers. The deployment of the fiber network could therefore be affected by delays in obtaining the necessary authorisations, the completion of certain works or the occurrence of possible operational problems.

Furthermore, the deployment of FTTH is conditional upon the observance of certain regulations and decisions of the French regulator ARCEP, notably decision no. 2009-1106 of December 22, 2009, specifying the terms and conditions for accessing ultra-fast broadband optical fiber electronic communications lines and the instances in which the concentration point can be located on private property. SFR must therefore establish concentration points to allow the access of third-party operators to the fiber network and provide this access under reasonable and non-discriminatory conditions. Access to the lines must be accompanied by the provision of the corresponding resources required, which notably include information concerning the concentration point. If these measures are not observed, SFR could be in breach of its regulatory obligations and be at risk of penalties (pecuniary penalties, total or partial suspension or revocation of licence).

Moreover, the deployment of a fiber network in moderately dense areas involves implementing a specific and new technology and requires the development of specific skills within SFR, notably in the local loop operator area. Although SFR has implemented training programs in order to support its employees who operate in this new business area such training is time-intensive and costly, and there is no guarantee we will be able to retain these employees once they have completed their training.

The possible broadening of the regulatory conditions for operating the VDSL2 technology, which is currently restricted to a limited number of areas, could obstruct the development and marketing of fiber. This technology can offer high speed services for investment costs far lower than those of fiber, particularly in residential areas. The easier deployment of VDSL2 compared with this of fiber, and the high speeds offered, could lead customers to prefer VDSL2 over fiber, which could affect the profitability of the investments made by SFR in deploying a fiber network and its market share.

The occurrence of any or all these risks linked to the deployment of a fiber network could have a material adverse effect on SFR's business, financial condition and results of operations.

SFR's relations with its employees could be affected by changes in the competitive landscape.

SFR operates in highly competitive and changing markets, which requires it to constantly adapt, anticipate and adopt new measures in order to preserve its competitiveness and efficiency. This leads to regular changes to its organizations, which require the employees concerned to adapt. This process requires the ability to mobilize skills and to motivate and align the teams to these objectives. As a result, the activities of SFR could be affected by a deterioration in industrial relations with the employees, staff representative bodies or the unions. The ability of SFR to maintain good relations with its employees, staff representative bodies and unions governs the success of its various projects. Therefore, SFR will continuously have to consult with its staff representatives in order to ensure the success of its current and future projects. This could slow down the completion of certain operations. Furthermore, the contemplated decisions could be badly received by the employees, and lead to a deterioration in industrial relations, which could, in turn, lead to declines in productivity, possible industrial disputes (e.g., work stoppages, disruptions), and could have a material adverse effect on SFR's business, financial condition and results of operations.

SFR is dependent on its providers and suppliers for certain key functions, products and services.

SFR outsources certain services to external operators (other telecommunications operators, providers, sub-contractors, commercial partners, etc.). For example, SFR has outsourced certain IT services that are necessary for SFR to provide the services offered to its customers. SFR therefore relies on third-party providers to supervise a number of its infrastructures, develop IT solutions, or supply, install and maintain the equipment installed in the homes of individuals and on the premises of business customers. SFR also relies on a number of different suppliers for the products integrated into its offers or for the hardware and software it uses. Furthermore, SFR uses content providers (producers of channels or packages) for its triple-play and quadruple-play offers.

SFR has implemented a multi-sourcing purchase policy for certain products and services and monitors the relevance of the providers in the production chain. Although we believe that SFR is generally capable of changing providers, and uses standardized and interchangeable products. SFR prefers to maintain a single-source policy for certain types of telecommunications equipment, in particular, concerning the core network, based on geographic area and type of equipment. Although the products and services are standardized and interchangeable, a shortage of certain components on the market or a significant rise in their prices could have a material adverse effect on SFR's business, financial condition and results of operations. Moreover, SFR can, for certain highly specific products or services, become highly dependent on certain providers. SFR considers itself to be in a situation of commercial dependency on one terminal supplier. Consequently, any significant increase in the price of the products concerned, or any deterioration or change in relations with this supplier, could have a material adverse effect on SFR's business, financial condition and results of operations.

Certain contracts also stipulate minimum order quantities, which SFR might not be able to fulfil in case of decline in consumer demand. Furthermore, the activities of SFR could experience a decline due to industrial action taken by the employees of its providers. The involvement of external operators could also cause problems linked to the identification and sharing of responsibilities between SFR and its providers. SFR may also be unable to release itself from its contractual obligations, which could pose an obstacle to its objectives of rationalising its contractual relations, reviewing its commercial strategy and possibly reducing its purchase volumes, aimed at optimising conditions for the performance of contracts and redefining the requirements and margins for SFR vis-à-vis its providers. While the majority of the contracts entered into with the service providers contain clauses protecting the interests of SFR in the event of the non-renewal of their contracts with SFR or the breach of the obligations of the third-party providers to provide the products or services, SFR could face certain difficulties if it is unable to resolve the situation quickly, particularly if these events were to cause disruptions or risk the business continuity of SFR. SFR could also be called upon to deal with problems linked to providers or sub-contractors in difficulty (state of cessation of payments, for example).

The occurrence of any or all of these risks could damage SFR's relations with its customers, lead to the loss of part of its customer base and damage the image and reputation of SFR which in turn could have a material adverse effect on SFR's activities, financial situation and results of operations.

SFR is dependent on its relations with the MNVOs.

Apart from the current network operators in France, MVNOs also operate on the mobile telephony market. The provision of end-to-end mobile services for the MNVOs is a considerable financial and commercial challenge for SFR, which hosts a number of MVNOs on its network. The level of competition in these services has intensified over recent years. Furthermore, the MVNO wholesale market has changed, especially with the introduction of the status of a "Full MVNO" which allows virtual operators to issue their own SIM cards, and have a central database managing subscriber rights and certain core network elements. Moreover, consolidation operations on the MVNO market, notably MVNO acquisitions by telecommunications operators, could significantly affect the MVNO wholesale market and the market share of SFR.

A significant portion of SFR's revenue is generated from contracts with MVNOs. SFR's ability to renew its existing contracts with these MVNOs or enter into new contractual relationships, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond SFR's control. If SFR is unable to maintain or renew relations with its MVNOs, or develop business relationships with them, it could lead to the loss of market share and have a material adverse effect on its activities, financial situation and results of operations.

SFR depends on its key employees and managers.

SFR depends on the contribution and expertise of its managers, particularly the members of the company's executive committee. Furthermore, certain experienced employees might have in-depth knowledge of the activity and business areas of SFR. The loss of key employees of SFR could lead to the loss of technical skills, which might slow down or alter certain activities. Additionally, SFR has not implemented a "key person" insurance policy. Moreover, SFR would need to recruit new qualified employees to develop its activities and, if necessary, train them in order to familiarize them with the specific constraints of SFR. If SFR is unable to retain its key employees and managers or attract new employees and train them, this might have an effect on achieving certain business objectives, and therefore have a material adverse effect on its activities, financial situation and results of operations of SFR.

SFR could be exposed to risks within the scope of carrying out external growth operations.

SFR might have to carry out targeted acquisitions in order to allow it to access certain services or technologies, however it might not be able to identify the appropriate companies, carry out the acquisitions in satisfactory conditions or ensure compliance with the provisions of the acquisition agreements. Furthermore, if SFR cannot guarantee the integration of the acquired companies in accordance with the anticipated timetable, it could encounter problems retaining the key skills identified during the acquisition process, or realizing the anticipated synergies within the planned timeframes. SFR could also bear costs or liabilities not disclosed or discovered during the acquisition and due diligence process, and integration costs could prove higher than initially envisaged. Moreover, the telecommunications sector could experience consolidation phases, which would reduce external growth opportunities for SFR if it decided it was unable to position itself in these consolidation operations.

The occurrence of just one of the risks mentioned above could have a significant negative impact on SFR's activities, financial situation and results of operations.

Regulatory and Legal Risks of SFR

SFR might not be able to obtain, maintain or renew the licenses and permits needed to carry out its activities.

Some of the activities of SFR depend on obtaining or renewing licenses issued by the regulatory authorities, more specifically ARCEP for telecommunications, and the French regulator of the audiovisual industry (CSA) for the audiovisual sector.

The procedure for obtaining or renewing these licenses can be long, costly and complicated. In addition, these licenses may not be obtained or renewed. If SFR was not able to obtain in a timely fashion or keep the licenses needed to carry out, continue or develop its activities, it could become unable to realize these strategic aims.

The acquisition of licenses, furthermore, represents a high cost with a time scale that varies according to the auctions of the frequencies in question. This cost could be even greater due to the strong competitive pressure in the telecommunications field. Thus, an auction of the 700 MHz frequency band which would be open to telecom operators would be likely to generate significant expenses for SFR. The timetable for such an auction occurring has not been announced. Furthermore, SFR might not be assigned the required user licences, which could have a significant unfavorable effect on the activities, the financial situation, the results or the prospects of SFR.

Moreover, within the context of the licenses allocated to the companies in SFR, the companies have committed themselves to comply with certain obligations (population coverage, sharing in certain areas, national roaming). SFR is thus obliged to deploy a third (3G) and fourth (4G) generation radio network complying with specific coverage rates of the urban population. Within the context of its fourth generation (4G) licenses, under certain conditions that SFR may eventually have to allow Free Mobile roaming on part of its 4G network. SFR must furthermore, jointly with the other 800 MHz band license holders, and within the context of its 2G license, cover the town centers identified under the "white spots" program and accede to reasonable demands for sharing in priority deployment areas. SFR will also have to accede to reasonable demands to host MVNOs on all its very high speed mobile networks open to the public in urban France. The lack of compliance with any one of these commitments could put SFR at risk with regard to its regulatory obligations and possibly open it up to sanctions (fines, total or partial suspension or withdrawal of license). This could have a significant unfavorable effect on its activity, its financial situation, its results or its prospects.

The legal status of SFR's network is complex and the network is primarily governed by public law, which could affect the stability of the rights of SFR.

SFR's telecommunications network is essentially made up of physical infrastructure (lines, network headends, switches and radio stations) in which the telecommunications equipment (mainly cables) is installed. These components of SFR's network are subject to different legal systems. Since SFR is only the owner of some of the sites hosting the physical infrastructure, if the infrastructure is on public land or on private property, concessions, easements, leases or even indefeasible rights of use ("IRU") have been agreed on with the owners of the sites.

For the establishment of a significant part of its telecommunications and terrestrial networks, SFR has concluded agreements with public corporations for the occupancy of public land or is the holder of permits for the occupancy of public land. By virtue of such agreements or permits, SFR may install the equipment for its network along roads, motorways, railways or canals, for example. No transfer of property takes place in this context.

These agreements have been concluded for very different timeframes, varying from 3 to 25 years, with the agreements for the shortest time generally envisaging tacit renewal. Occupancy of public land by SFR is, as for all the occupants of public land, always precarious. The public corporations with which SFR has made these agreements or which have allocated these permits may terminate these agreements for occupancy of public land at any time due to default or for a motive of public interest, with some agreements furthermore excluding any compensation in this case.

SFR does not have a right to the renewal of these agreements. If SFR was not able to obtain renewal, the company in question would have the obligation, upon the expiry of these agreements, (i) to restore the site to its original state on the request of the manager or the owner of the public land in question and (ii) to transfer, in consideration of payment of compensation in certain cases or free of charge in other cases, the property of the installations set up on the land in question.

If SFR were to lose some or all of the rights relating to its network, this could have a significant unfavorable effect on the activities, the financial situation, the results or the prospects of SFR.

The business activities of SFR depend in part on SFR's ability to set up and maintain partnerships with other players in the telecommunications sector that it does not control.

The development of the business activities of SFR and their success depends on various factors including the setting up and maintenance of partnerships with other players in the telecommunications sector that SFR does not control.

Sharing agreement between Bouygues Telecom and SFR

On January 31, 2014, Bouygues Telecom and SFR concluded an agreement to share part of their mobile networks. The aim of this agreement was to allow both operators to offer their respective customers better geographic coverage and a better quality of service whilst optimizing the costs and investments used for this purpose.

SFR could be exposed to various risks associated with the implementation of the sharing agreement. The agreement organizes the deployment of the shared network between the two operators. Any delay in its implementation could affect SFR's ability to reach the above-mentioned objectives of geographic coverage and quality of service. The implementation of the partnership will furthermore require considerable investment expense, which should lead to the finalization of the target network by the end of 2017.

SFR will be dependent on Bouygues Telecom for the part of the network it will be responsible for operating. In particular, it will not have any direct operational control on the part of the network managed by Bouygues Telecom which will be shared. SFR will not therefore be able to control the quality of the network provided to the customers in question or to control the implementation of works or corrective measures that may be necessary in the event of a failure. Furthermore, SFR will be exposed to the risk of default of Bouygues Telecom.

The partnership could also not produce the expected synergies, especially in terms of geographic coverage and quality of service.

In the event of a failure and/or a total or partial interruption of the partnership, SFR would have to redeploy a network in the areas that had previously been covered by the sharing agreement in order to maintain its geographic coverage and the quality of its services. Such redeployment could involve considerable cost for SFR. Furthermore, in such a scenario, SFR might not be able to guarantee that it would be able to provide the same level of coverage that its customers had enjoyed under the sharing agreement.

The competent authorities could, in the future, make decisions that would call into question the overall savings of the sharing agreement.

Lastly, third parties could also try to again access to the shared network and act against SFR and its partner.

Agreement for the deployment of fiber in average densely populated areas between SFR and Orange

On November 14, 2011, SFR concluded a co-investment agreement with Orange relating to the deployment of FTTH optical fiber for the coverage of less densely populated areas (ZMD) of urban France.

SFR has to provide or co-finance the coverage of 9.8 million homes under this agreement. In order to avoid overlapping, for each municipality the agreement designates the operator that is in charge of deployment, which must then allow the other operator to access its network. This agreement thus envisages that, by 2020, SFR will deploy optical fiber (FTTH) to 2.3 million homes, and Orange to 7.5 million homes. Each will become a customer of the other on the operators market, by subscribing IRUs in the areas where they themselves will not be deploying the optical fiber.

SFR has announced that it will be starting all deployments on the less densely populated areas that it is to cover before the end of 2015 and that it has undertaken to complete deployment in the following five years at the latest. In the event of non-compliance with this contractual deployment schedule, Orange could make its own deployments in the areas initially allocated to SFR.

In the event of delays in deployment, SFR could thus lose the opportunity to set up its own network and would be dependent on the network deployed by Orange and on subscription to Orange’s wholesale offers, which could furthermore expose it to a loss of market share and revenue.

Partnership agreement between SFR and Vodafone Sales and Services Limited

SFR’s position was recently enhanced by the signing of an exclusive partnership agreement with the Vodafone Sales and Services Limited (“Vodafone”) effective on April 1, 2014, which will allow SFR to continue to benefit from commercial, economic, technological and information sharing advantages according to the same terms and conditions as the local operators controlled by Vodafone. This agreement may be terminated by Vodafone with 60-day prior notice if (i) there is a change of control of SFR as result of SFR having been acquired by a direct competitor of Vodafone or (ii) SFR acquires a share in a mobile telephony operator in a country where Vodafone is also active.

Contract related to the GSM-R mobile communications network

SFR has a minority shareholding of 30% in the Synérail company, which has concluded a partnership agreement with Réseau Ferré de France for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile communications network.

The GSM-R project aims to set up a private telecommunications network dedicated to the needs of rail transport professionals. It will enable the setting up of a European network with a unique communication system which is compatible and standardized across the rail networks, and replacing the existing national radio systems. This contract, for a 15 year term, provides for the progressive deployment of this network up to 2015. SFR also plays a part as services provider in the exploitation phase of the GSM-R network. Delays in deployment due to SFR or the inability to achieve the objectives envisaged by the contract could put SFR at risk with regard to its contractual obligations towards its main partners.

Should any of the circumstances described above occur, it could have a material adverse effect on the activities, the financial situation, the results or the prospects of SFR.

Prior operations may result in the implementation of change of control clauses.

SFR has certain licenses and administrative authorizations and has entered into various contracts, partnership contracts and other agreements or deeds containing “change of control” clauses. Some of these clauses could be applicable in connection with the Acquisition, insofar as Vivendi will no longer be the controlling shareholder of SFR. The triggering of such clauses could result in the loss of contractual rights and significant benefits, or result in the application of other contractual clauses, the termination of contracts, or the need to renegotiate them. This would specifically be the case in the event of the termination of an agreement relating to the occupation of the public domain entered into with Réseau Ferré de France to establish SFR telecommunications network.

This could have a material adverse effect on the business, financial condition, results of operations or prospects of SFR.

SFR is dependent on its intellectual property rights, which may not be adequately protected.

SFR owns a large, diverse portfolio of brands, patents, drawings, models and domain names. The activities of SFR are based to a large extent on its intellectual property rights, and SFR oversees an active policy to protect and manage them.

SFR mainly holds patent and trademark rights and patent applications in Europe, specifically France, as well as outside Europe (United States, Japan and China). Like any other entity that files intellectual property rights, SFR may have difficulty in obtaining intellectual property rights due to potential historical claims or conditions relating to appropriate title registration. Moreover, SFR cannot guarantee that filing and registrations made with a view to obtaining intellectual property rights will lead to their being awarded, specifically when disputes arise with third parties in connection with opposition actions or invalidity of rights actions. In addition, the rights obtained may not be sufficient to provide adequate protection or a competitive advantage, such as operational exclusivity.

SFR could be dependent on its employees or third parties with regard to the ownership of certain intellectual property rights. SFR has developed a policy on inventions and creations made by its employees and corporate officers in the performance of their mission, which schedules the transfer of rights accompanied by a reward or additional compensation. Certain contractual provisions scheduling the transfer of intellectual property rights to the employer could however be insufficient to meet the requirements prescribed by the mandatory provisions of the French Intellectual Property Code, in such a way that the effective transfer of these rights (including copyright on software rights) to SFR may be challenged by its employees under certain circumstances. Furthermore, certain intellectual property rights used by SFR may have been developed jointly and held in co-ownership with third parties, which implies a risk of dependency in respect of other co-owners. The risk of dependency may also cover some secondary patents dependent on third-party technologies.

SFR holds the majority of the intellectual property rights that are key to its activities, which allows it to be relatively independent from a technological and commercial standpoint. Certain key intellectual property rights used by SFR in connection with its activities may, however, be held by third parties which have granted a license to SFR, the terms of which restrict the usage rights of SFR, and the infringement of which could result in significant litigation, specifically regarding software. In particular, some licensing contracts contain clauses that may lead to termination of use of the rights concerned in the event of a change of control affecting SFR.

Despite the best efforts of SFR to protect its intellectual property rights, third parties may attempt to infringe upon such rights. SFR may find it difficult to effectively protect its current or future rights and to prevent unauthorized use, particularly in foreign countries, and this could generate significant costs. SFR has established a monitoring policy for potential infringements of its intellectual property rights (specifically trademarks and domain names), and entrusts the management of preliminary litigation to specialist law firms. Management by SFR of its extensive portfolio of intellectual property rights represents a significant cost, which could be increased subsequent to legal action brought by SFR to enforce its rights or if SFR were to protect its rights against attacks from third parties.

Furthermore, SFR may face litigation on the basis of an infringement of the intellectual property rights of third parties. This could result in the imposition of a usage ban and substantial damages. the telecommunications sector is known for its high concentration of intellectual property rights, which increases the risk of litigation arising from the activities of SFR based on the historical rights of third parties. Thus, in line with its competitors and other companies operating in areas where technological expertise is required, SFR is exposed to the risk of actions brought by “patent trolls” or Non- Practicing Entities (NPE). The main or sole activity of these entities is to acquire or hold patents that they do not themselves use. They offer licenses for the patents they hold and seek to obtain cross-licensing agreements. Where appropriate, they take legal action for infringement of these patents in order to obtain compensation. Such legal action usually involves very large sums, so it represents a significant risk to SFR. This could force SFR to enter into licensing agreements for certain technologies that are key to its activities, particularly in terms of those patents that are key to 3G and 4G technology.

The inability of SFR to provide effective protection for some key elements of its intellectual property rights and technology could have a material adverse effect on the activities, financial situation, results or outlook of SFR.

SFR uses so-called "freeware" in connection with its business.

"Freeware" is software based on the concepts of sharing and free use of source code. It is subject to specific license types, for instance the GNU GPL (General Public License), which allows users to modify and use source code without the prior consent of the rights holders.

However, depending on the type of license, modified versions of freeware or changes made to it may have to be subject to the same "free" license and be freely accessible and usable by third parties in the same conditions as the original freeware. In addition, generally speaking, no contractual guarantee is given by the rights holders of freeware. Furthermore, uncertainties exist regarding the law applicable to this type of license and the interpretation of the provisions such a license contains, and regarding the chain of ownership rights to freeware.

As a result, SFR would bear the risks in the event of failure or counterfeit actions brought against this type of software. In addition, the use by SFR of such freeware could affect the ownership of software developed by SFR, specifically in terms of exclusivity and license (to which this type of software may need to be subject due to the use or incorporation of such components). This could have a material adverse effect on the activities, financial situation, results or outlook of SFR.

SFR faces risks associated with its distribution network.

SFR distributes its products and services to consumers and companies directly or indirectly through its national distribution network. In connection with its B2C business, this distribution occurs mainly through the "Espace SFR" brand. For indirect distribution, SFR relies on independent partners, including the SFD and Cinq sur Cinq companies, in which it holds minority interests either directly or indirectly.

The telecommunications market is characterized by rapid changes in customer needs and habits. As a result, SFR endeavors to adapt its distribution network over time, in order to correspond to the new characteristics of the market. This transformation in the distribution network means that regular changes must be made for indirect distribution, and thus for all independent partners. However, some partners may not be willing or able to implement the necessary changes.

Furthermore, SFR faces litigation for substantial sums, specifically regarding requests for the reclassification of certain contracts as commercial agent contracts, for compensation following the termination of the business relationship, for application of the "salaried manager" status, and requests from its own employees regarding the recognition of SFR in its capacity as employer, and the application of the employment status in terms of the 'SFR Social and Economic Unit (UES) convention'.

SFR cannot ensure that such claims will remain at the present level, or that the factual or legal arguments put forward by SFR to rebut these claims will be received favorably by the courts. In particular, SFR may be unable to maintain the non-application of SFR's employment status outside the Social and Economic Unit (UES) convention.

Such changes could have an adverse effect on the current organization of SFR and force it to adapt; more generally, these changes could have a material adverse effect on the business, financial condition, results of operations or prospects of SFR.

SFR is involved in legal or administrative actions and litigation with regulators, competitors or other parties.

In the normal course of its business, SFR is involved in a number of legal, governmental, administrative, and arbitration actions, and may also be subject to investigations and audits. These procedures and investigations whose outcome is by nature uncertain may result in the payment of significant damages and/or harm to the image of SFR, which in turn could have an adverse effect on its business, financial condition, results of operations or prospects.

The main actions in which SFR is involved are set out in "*Business, Market Overview and Management Discussion and Analysis of Financial Condition and Results of Operation of SFR*".

Risks Relating to Telecommunications Operators in France affecting SFR, the Numericable Group and, following the Transactions, the Combined France Group.

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. If concerns for such risks were to worsen, or if harmful effects were scientifically established, the business, financial condition and results of operations of telecommunications operators in France, including both SFR and the Numericable Group, could be materially adversely affected.

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. SFR operates several facilities classified by the government as ICPE (*installation classée pour la protection de l'environnement*) on mainland France and in La Réunion, notably for its data centers. SFR remains attentive to the environmental risks which might arise or be discovered in the future, and has programs in place to ensure the observance of the applicable regulations.

Both SFR and the Numericable Group's activities are subject to public concern relating to possible effects of electromagnetic waves on consumers' health (radiofrequency emissions from antennas, radiofrequency emissions from mobile terminals, Wifi, etc.). These concerns have been expressed in numerous countries, as well as in relation to the deployment of 4G networks by mobile operators.

The World Health Organisation (WHO), in Fact sheet no. 193 of June 2011, indicates that "to date, no adverse health effects have been established as being caused by mobile phone use". However, a number of studies report long-term health effects linked to the use of radio equipment and particularly mobile phones. In May 2011, the International Agency for Research on Cancer (the IARC), with the support of the WHO, classified the radiofrequency electromagnetic fields linked particularly with the use of cordless phones as "possibly carcinogenic to humans". During the same period, the Centre International de Recherche sur le Cancer (Circ), a specialist organization of the World Health Organization (WHO), gave radio-frequency electromagnetic fields a rating of '2B' in its rating system, or "possibly carcinogenic for humans." Several reports (such as the Grenelle radio wave forum (2009), the 2012 BioInitiative Report, the update of the opinion and report of the French agency for food safety, environmental safety and the safety of the working environment (the ANSES in French) in October 2013 and the recommendations of the French Mission Sobriété (mission promoting efficient use of radio waves), 2013) have been published on this subject. In many countries, there has been concerns over possible human health risks due to exposure to electromagnetic fields through telecommunications equipment (such mobile antennas, relay antennas and WiFi). In addition, the publication of two reports in January 2013 (*Agence Européene de l'Environnement et Bio-initiative*) concerning such health risks has received attention from various elected officials and associations.

In the absence of scientific certainty on the effects of electromagnetic fields on human health, the government and health authorities have established different precautions aimed at reducing exposure to mobile phone fields. Certain countries, such as France, have also adopted regulations establishing public exposure limits. Future scientific publications or publications issued by the government and the health authorities which establish a direct link between mobile phone usage and health problems could lead to legislative and regulatory changes that might result in the dismantling of antennas and a greater scarcity of sites, thereby generating additional costs for SFR and the Numericable Group. Furthermore, such changes could lead to a reduction in the use of mobile telecommunications services and Wifi networks, as well as a multiplication of claims, particularly if an adverse effect were to be scientifically established.

On January 23, 2014, the French National Assembly adopted, at a first reading, a bill on efficiency, transparency and consultation in matters of exposure to electromagnetic waves (text no. 1635). This bill is still in the early stages and far from being implemented as a legislative procedure and we are unable to precisely identify the possible obligations on operators. As the bill currently stands, we believe that such provisions could mainly lead to more complex and time intensive procedures related to the installation of antennas.

Moreover, neither SFR nor the Numericable Group can predict the conclusions of scientific research publications in the future or future evaluations of international organizations and scientific committees in charge of analyzing these questions. These publications or evaluations, and the various possible interpretations thereof, could lead to a decrease in the use of mobile telephony and WiFi networks, as well as an increase in litigation, especially if a harmful effects were scientifically established.

Fears of possible health risks of electromagnetic waves could also lead to third-party actions against SFR and the Numericable Group. For example, this might include legal actions demanding the removal of antennas or masts, which could affect SFR's business activities and the deployment of its network which could have a material adverse effect on its business, financial condition and results of operations.

SFR and the Numericable Group operate in a heavily regulated industry. Regulatory compliance may increase their costs or restrict their business activities and non-compliance could lead to sanctions or other penalties. Future changes in regulation could adversely affect their respective businesses.

SFR and the Numericable Group's respective businesses are subject to significant regulation and supervision by various regulatory bodies. Such regulation and supervision strongly influences how each of these companies operate their respective businesses. Complying with existing and future laws and regulations may increase their operational and administrative expenses, restrict their ability or make it more difficult to implement price increases, affect their ability to introduce new services, force them to change their marketing and business practices, and/or otherwise reduce or limit their revenues.

Applicable regulation includes price controls (for fixed termination and mobile roaming charges), service quality standards, privacy, requirements to carry specified programming, requirements to grant network access to competitors and content providers, and programming content restrictions.

The telecommunications sector in Europe is subject to strict asymmetric regulation focused on market segments—mainly wholesale markets—in which distortion of competition and dominant market positions have been identified.

Furthermore, the French Telecommunications and Posts Regulator (ARCEP) analyzes the market on a regular basis in order to update the regulation applicable to telecom operators. The resulting decisions may have a significant adverse effect on the activities, the financial situation, the results or the prospects of SFR. Following an investigation by ARCEP in November 2010, neither SFR, nor the Numericable Group, nor Completel were considered by the ARCEP as an operator with significant market power in any relevant market except in the market of calls terminating on its network, like any other operator. (ARCEP decision 2010-1149 dated November 2, 2010).

In 2013, the ARCEP launched new market analyses on the following markets: "wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location," "wholesale broadband access," which comprises non-physical or virtual network access including "bit- stream" access at a fixed location, and "capacity services." A draft decision regarding the three markets mentioned above was issued by ARCEP on November 27, 2013 for the period from mid-2014 to mid-2017, and submitted them for public consultation on January 8, 2014. Under the draft decisions, ARCEP identified Orange as the sole operator deemed to have significant market power in any of these markets. No assurance can be given, however, that SFR, the Numericable Group or, following the SFR Acquisition, the Combined France Group, will not be identified by the ARCEP as having significant market power in one of those markets in the future and that the ARCEP will not therefore impose additional regulatory requirements on it.

For example, it is possible that SFR, the Numericable Group, or, following the SFR Acquisition, the Combined France Group could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to its fiber network under certain conditions.

On November 29, 2013 ARCEP submitted a draft recommendation for public consultation on the wholesale market for the interconnection of value-added services. On January 21, 2014, it made a recommendation relating to the procedures for access to very high speed lines for buildings with less than 12 apartments or professional premises in very densely populated areas. It also announced its commitment to work, within the context of the symmetric regulation (which will apply to all operators, including SFR and the Numericable Group) to specify the tariff-related and operational aspects of access to shared optic local loops ("BLOM"), rather than to allow the development of offers adapted to the specific needs of the enterprises on these shared loops. In decision no. 2013-1475 of December 10, 2013, ARCEP adjusted the list of municipalities in very densely populated areas, the effect of which was to reinforce the obligations of sharing on 43 municipalities initially designated as being part of very densely populated areas.

The debate on net neutrality, (which relates to the obligation for internet access providers ("IAP"), being obligated to provide unhindered access to all content, applications or services by end-users and a framework for the use of traffic management measures by operators), could lead to further legislative and regulatory developments which could have an adverse effect on the activity of SFR and the Numericable Group.

Significant changes in the nature, interpretation or application of the regulation by the legislator, ARCEP, the French Competition Authority or by the administrative or legal authorities (particularly with regard to the right of competition and to fiscal and various tax matters) could lead to further expenses for SFR and the Numericable Group or even force them to modify the services they offer, which could significantly affect their activity, financial situation and results of operations. Furthermore, SFR and the Numericable Group can only commit to comply with all these regulations. In this context, SFR and the Numericable Group is in continuous discussions with the national and European authorities and the other stakeholders.

In 2013 the European Commission started a new cycle of analyzing the relevant markets that were likely to be regulated in the future, in the electronic communications sector, which could end up imposing additional obligations on SFR and the Numericable Group.

In France, Law no. 2013-1168 of December 18, 2013 on military planning for the years 2014 to 2019, with various provisions concerning defense and national security, reinforced the obligations of telecom operators with regard to the storage and transmission of data processed or stored by the electronic communication services or networks. This implemented new provisions on the protection of vital infrastructure and the security of information systems, which could particularly impact the freedom of choice of the equipment used by SFR and the Numericable Group for their respective activities. The implementation of these provisions could thus generate operational risks relating to work sites on existing equipment and lead to the need for considerable investments for SFR and the Numericable Group. The content of these provisions will be specified in implementing provisions, the schedule for which is not known at the date of this Notice.

Although both SFR and the Numericable Group monitor regulations to which they may be subject, the regulatory burden on telecommunications operators may shift and place different, more or less constraining obligations on certain operators as a result of changes in technologies used to provide services, ownership levels of direct access networks and market power. To the extent SFR or the Numericable Group become subject to more onerous regulation than its competitors, which is not currently the case, this could have a material adverse effect on its business, results of operations or financial condition.

Moreover, as telecommunications operators, both SFR and the Numericable Group are subject to specific taxes. For instance, the Public Audiovisual Reform law of March 5, 2009 (*loi relative à la communication audiovisuelle et au nouveau service public de la télévision*) introduced a 0.9% tax assessed on the portion of the revenues (excluding VAT) of the telecommunication operators relating to electronic communication services in excess of €5,000,000 (subject to certain deductions and exclusions, and with specific rebate for bundled offers). Furthermore, there can be no guarantee that any additional tax will not be levied on the telecommunications sector.

Tax audits and proceedings, adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on SFR and the Numericable Group's results of operations and cash flows.

SFR and the Numericable Group have each structured their commercial and financial activities in light of diverse applicable regulatory requirements and commercial and financial objectives. Since tax laws and regulations in the various jurisdictions in which SFR and the Numericable Group or Numericable Group companies are located or operate may not provide clear-cut or definitive doctrines, the tax regime applied to SFR and the Numericable Group's operations or intra-group transactions or reorganizations is sometimes based on interpretations of French or foreign tax laws and regulations. SFR and the Numericable Group cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect the Numericable Group's and/or SFR's financial condition or results of operations. More generally, any failure to comply with the tax laws or regulations of the countries in which SFR and the Numericable Group or Numericable Group companies are located or operate may result in reassessments, late payment interest, fines and penalties. Furthermore, tax laws and regulations may change and there may be changes in their interpretation and enforcement. As a result, SFR and the Numericable Group may face increases in taxes payable if tax rates increase, or if tax laws and regulations, or interpretations thereof, are modified.

The Numericable Group currently benefits from a favorable tax regime in respect of value-added tax ("VAT"). Unlike certain competitors, the Numericable Group provides television services on a stand-alone basis, which allows it to take advantage of the 10% VAT rate applicable to television services in France, which is lower than the standard 20% VAT rate, which applies to broadband Internet and fixed and mobile telephony. Since January 1, 2011, the lower VAT rate is not applicable to television services distributed in a single offer which includes, for a subscription fee, access to electronic communications networks unless the television distribution rights were partially or completely acquired in exchange for payment by the provider of such services. In such a situation, the reduced rate is applicable to the part of the corresponding subscription equal to, at the choice of the distributor, either the fees paid per user for such access rights or the price at which the services corresponding to such access rights are distributed by the distributor in a television offer without access to an electronic communications network. The Numericable Group believes that it fulfills the conditions allowing for the continued application of the reduced tax rate to television services offered in a multi-play offer and, as the Numericable Group offers a television offer separate from its bundled offers, has decided to apply the reduced VAT rate on the basis of its prices for equivalent services offered in its stand-alone television offers. However, no assurance can be given that the administration shares the Numericable Group's analysis and will not contest, in full or in part, the application of the reduced VAT rate, which could have a material adverse effect on its results of operations and financial condition.

The VAT tax rate applicable to television services increased, from 5.5% as of January 1, 2012 to 10%, as of January 1, 2014. This latter increase in the television VAT rate, as well as any potential future increases, may have a negative impact on SFR's and the Numericable Group's ARPU if it cannot pass it along in its product pricing.

SFR or the Numericable Group may not be able to pass on all or part of such an increase to its subscription prices. In addition, the partial or total impact of a potential increase would expose SFR and the Numericable Group to the risk of increased churn rate of its subscribers, and could limit the recruitment of new subscribers. Such a change could have a material adverse effect on the activities, financial situation, results or outlook of the Numericable Group and SFR.

In addition, the Numericable Group has been subject to audits on various Numericable Group companies since 2005. The main assessment relates to the computation of VAT on the Numericable Group's multi-play packages in the 2006-2010 period (for a description of such assessment, see "*Business—Legal Proceedings—Tax Matters*"). This assessment is fully provisioned for the amounts stated therein for the 2006-2010 period (excluding penalties of 40%). As indicated above, the VAT rules applicable to multi-play packages changed as from January 1, 2011.

As of December 31, 2013, a provision for tax proceedings totaling €36.3 million have been recorded, of which €24.9 million in respect of the VAT assessments on multi-play packages for the 2006-2010 period and €11.4 million in respect of charges for services for which companies were beneficiaries for the 2009-2011 period. By way of comparison, provisions for tax proceedings amounted to €25.1 million as of December 31, 2012 and €27.0 million as of December 31, 2011. This provision represents management's best estimate of the likely risk, but the resolution of any of these tax matters could differ from the amount reserved, which could have a material adverse effect on the Numericable Group's cash flows, business, financial condition and results of operations for any affected period. In addition, there can be no assurance that the administration will not challenge our VAT calculations for the years 2011-2013.

French tax law may limit SFR's and the Numericable Group's capacity to deduct interest for tax purposes, which could lead to a reduction in SFR's or the Numericable Group's net cash flows.

Under current French thin capitalization rules set forth by Article 212-II of the French Tax Code (*Code général des impôts*) (the "FTC"), the deduction of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC or on loans granted by a third party that are guaranteed by a related party (a third party assimilated to a related party) may be subject to certain limitations. Notably, deduction for interest paid on such loans may be partially disallowed in the financial year during which they are accrued if such interest simultaneously exceeds each of the following: (i) the amount of interest multiplied by the ratio of (a) 1.5 times the company's net equity and (b) the average amount of indebtedness owed to related parties (or to third parties assimilated to related parties) over the relevant fiscal year; (ii) 25% of the company's earnings before tax and extraordinary items (as adjusted for the purpose of these limitations); and (iii) the amount of interest received by the indebted company from related parties. Deduction may be disallowed for the portion of interest that exceeds in a relevant fiscal year the highest of the above three limitations if such portion of interest exceeds €150,000, unless the company is able to demonstrate for the relevant fiscal year that the consolidated indebtedness ratio of the group to which it belongs is higher or equal to its own indebtedness ratio. Specific rules apply to companies that belong to French tax-consolidated groups.

In addition, Article 209 § IX of the FTC imposes restrictions on the deductibility of interest expenses incurred by a French company if such company has acquired shares of another company qualifying as "*titres de participation*" within the meaning of Article 219 § I a quinquies of the FTC and if such acquiring company cannot demonstrate, with respect to the fiscal years running over the twelve-month period from the acquisition of the shares (or with respect to the first fiscal year commencing after January 1, 2012 for shares acquired during a fiscal year that commences prior to such date), that (i) the decisions relating to such acquired shares are actually taken by the company having acquired them (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the French Commercial Code (*Code de commerce*), that is, in each case, located in France) and (ii) where control or an influence is exercised over the acquired company, such control or influence is exercised by the acquiring company (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the French Commercial Code, that is, in each case, located in France).

Moreover, Article 212 *bis* of the FTC aims to generally limit the deductibility of net financial charges, which is defined as the portion of financial charges exceeding financial income, accrued by companies that are subject to French corporate income tax. Pursuant to this Article and subject to certain exceptions, adjusted net financial charges incurred by French companies that are subject to French corporate income tax and are not members of a French tax group are deductible from their taxable result only up to 85% of their amount in respect of fiscal years ended as from December 31, 2012 and only up to 75% of their amount in respect of fiscal years commencing as from January 1, 2014, to the extent that such companies' net financial charges are at least equal to €3.0 million in a given fiscal year. Under Article 223 B *bis* of the FTC, special rules apply to companies that belong to French tax-consolidated groups. The 85% or 75% limitation applies to the adjusted aggregate net financial charges incurred by companies that are members of the French tax-consolidated group with respect to amounts made available by lenders outside such group, to the extent that the companies' consolidated net financial charges are at least equal €3.0 million in a given fiscal year.

For fiscal years ended on or after September 25, 2013, the deductibility of interest paid to a related party within the meaning of Article 39.12 of the FTC is subject to an additional limitation pursuant to Article 22 of the French Finance Law for 2014. If the lender is a related party to the French borrower, the latter shall now demonstrate, at the French tax authorities' request, that the lender is, for the current fiscal year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes or a UCITS or a similar entity.

These tax rules may limit our ability to deduct interest accrued on our indebtedness incurred in France and, as a consequence, may increase our tax burden, which could adversely affect our business, results of operations and financial condition and reduce the cash flow available to service our indebtedness.

The economic and financial climate, particularly in France, might have an adverse effect on the business, financial condition and results of operations of SFR and the Numericable Group.

For the financial year ending December 31, 2013, all of SFR's and the Numericable's Group's revenues were derived from its operations in France. It is therefore heavily dependent on the changing economic climate in France.

The adverse economic conditions in France and in Europe have led to major contractions on the credit market, high volatility on the stock markets and low growth forecasts. At the beginning of 2013, the International Monetary Fund maintained its growth forecast for France of 1.0% for 2014, in view of uncertainties regarding its economic policies. (Source: International Monetary Fund). This affects the activity of the companies or groups operating in diverse sectors, including the telecommunications sector. Furthermore, the negative consequences of the economic crisis, particularly the decline in purchasing power and consumer confidence levels (i) make it more difficult for SFR and the Numericable Group to attract new subscribers and customers, (ii) have caused and could further cause an increase in customer churn rates, (iii) make it more likely that certain of SFR's and the Numericable Group's subscribers or customers will downgrade or terminate their services, and (iv) make it more difficult for SFR and the Numericable Group to maintain its ARPU or B2B prices at existing levels. For example, a significant portion of the Numericable Group's B2C business revenue is generated by premium television and multiple-play packages. Because discretionary consumer spending is affected in periods of economic uncertainty, customers may consider such premium products as being non-essential or not attractive from a cost-benefit perspective and therefore opt for the Numericable Group's non-premium packages or cheaper offers from competitors, or cancel or decide not to renew their subscriptions. Furthermore, while the impact on the B2B segment is more limited than in the B2C segment, the Numericable Group also faces the risk during periods of macroeconomic downturns of businesses reducing their service requirements or negotiating increasingly lower prices. Moreover, the weakness of, or the deterioration in, the macroeconomic conditions in France may also have an adverse effect on SFR's and the Numericable Group's respective businesses which could lead to budget reductions, impacting its spending power and thereby affecting the services and products it can offer to its customers and the ability to cover the costs it incurs when providing such services and products. As a result, in our B2C segment, we experienced decrease of mobile ARPU and in the B2B segment, we experienced pressure on our pricing.

The economic and financial environment, particularly in France, and negative changes thereto could have a material adverse effect on the business, financial condition and the results of operations of SFR and the Numericable Group.

SFR and the Numericable Group are subject to data confidentiality and security obligations.

Within the scope of their respective activities, SFR and the Numericable Group must collect and process personal data. The French data protection law (the "*loi Informatique et Libertés*") of January 6, 1978 imposes obligations on the data processing controller (i.e., the entity which determines the purpose of data processing and the data processing procedures), concerning personal information and data of individuals, obtaining of their consent (notably for the use of cookies), declaration formalities and transfer of data outside the European Union. Any breach of these obligations could lead to criminal and financial penalties against SFR and the Numericable Group and damage their reputation. The French data protection law also imposes an obligation to notify security breaches on providers of publicly available electronic communication services, such as SFR and the Numericable Group. The breach of these obligations could lead to litigation against SFR and the Numericable Group. Furthermore, a draft European regulation dated January 25, 2012 on the protection of personal data has been approved by the European Parliament on March 12, 2014. This regulation will affect the procedures and implementation of personal data processes by SFR and the Numericable Group, and will significantly increase the penalties which might be imposed on SFR and the Numericable Group if the new rules are breached. This draft regulation is expected to be adopted by 2016. No precise timetable for the adoption of this draft regulation, however, has been established. Changes to the regulations on personal data processing are likely to have a material adverse effect on SFR's and the Numericable Group's activities, financial situation and results of operations.

The development of data hosting activities for different customers of will increase SFR's and the Numericable Group's level of exposure to the risk of liability in terms of protection and security, all the more so as SFR has a data hosting activity subject to approval which involves the health data of individuals. As a result, it is subject to specific obligations set out in the French Public Health Code. This type of activity is particularly sensitive in view of the personal data concerned. If SFR or the Numericable Group breaches its obligations or if data breaches occur, SFR and the Numericable Group could be subject to criminal and financial penalties, which are likely to have a material adverse effect on the activities, financial situation and results of operations of SFR and the Numericable Group, respectively.

Also, SFR and the Numericable Group have made investments, and will continue to make investments, to guarantee the reliability of their personal data protection and security systems, as well as to reduce the risks that might be caused by a safety breach or breach of the personal data they process. SFR and the Numericable Group have therefore put in place specific resources dedicated to data protection and have also set up an internal process which fulfils the obligation to notify the French data protection commission (the CNIL) of personal data security breaches. Despite the measures adopted by SFR and the Numericable Group to protect data confidentiality and security, the risk of possible attacks or breaches of the data processing systems remains, which could give rise to penalties and damage their reputation. Each of the Companies could be forced to bear additional costs in order to protect against such risks or to limit the consequences, which could in turn have a significant negative impact on its respective business, its financial condition, its results of operations or its prospects. Furthermore, any loss of confidence of customers of SFR and the Numericable Group as a result of such events could lead to a substantial fall in sales and have a material adverse effect on SFR's and the Numericable Group's activities, financial situation and results of operations.

SFR and the Numericable Group will face risks in connection with the Combined France Group's external growth strategy.

We will face risks in connection with the Combined France Group's external growth strategy. We believe that the television, broadband Internet and fixed and mobile telephony industries in France may be subject to further consolidation. Our strategies include the pursuit of external growth opportunities. These acquisitions or other business combinations may be transformative in nature. The success of this strategy of pursuing strategic opportunities by making selective acquisitions or other business combinations is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate favorable terms and ultimately complete such transactions and integrate any acquired businesses. Moreover, future consolidation in the industries in which we operate will reduce opportunities for acquisitions or business combinations. We believe that certain of the Combined France Group's competitors will also be pursuing similar acquisition strategies. These competitors may have greater financial resources available for investments or may be able to accept less-favorable terms than the Combined France Group, which may prevent us from acquiring the businesses that it targets and reduce the number of potential acquisition targets. In addition, following the Transactions, the opportunity for the Combined France Group to make acquisitions is limited by certain financial covenants which limit the amount of debt we can incur. See "*Description of Notes*".

If acquisitions are made, there can be no assurance that we will be able to maintain the customer base of the businesses the Combined France Group acquires, generate expected margins or cash flows, or realize the anticipated benefits of such acquisitions, including growth or expected synergies. Although we analyze potential targets, those assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that these assessments and assumptions will prove to be correct, and actual developments may differ significantly from expectations. In most cases, acquisitions involve the integration of a business previously operated independently with different systems and processes. We may not be able to successfully integrate acquisitions into the Combined France Group's business or such integration may require more investment than we expect, and we could incur liabilities or contingencies with respect to customers, employees, suppliers or government authorities, which may impact the Combined France Group's results of operations. The process of integrating businesses may be disruptive to our operations and have a material adverse effect on the Combined France Group's results. If we are unable to implement our acquisition strategy or integrate acquired businesses successfully, the Combined France Group's business and growth could be affected.

Failure by each of SFR and the Numericable Group to protect its image, reputation and brand could materially affect its business.

The brands under which the Combined France Group sells its products and services, including "Numericable", "Completel", "SFR", "RED", "Formules Carrées", "SFR La Carte" and associated brands are well-recognized brands in France. See "*Business of the Numericable Group—Research and Development, Patents and Licenses—Intellectual Property*," and "*Business of SFR—SFR's Products and Services*".

These brands have been developed through extensive marketing campaigns, website promotions and customer referrals, and the use of a dedicated sales force and dealer networks. SFR and the Numericable Group's success depend on their ability to maintain and enhance the image and reputation of their existing products and services and to develop a favorable image and reputation for new products and services. For example, the Numericable Group's image is tied to its key product, LaBox, for which it has heavily invested in marketing campaigns and sales distribution channels. The image and reputation of SFR's and the Numericable Group's products and services, including LaBox, may be adversely affected if concerns arise about (i) the quality, reliability and benefit/cost balance of their products and services, (ii) the quality of their support centers or (iii) their ability to deliver the level of services advertised. An event or series of events that threatens the reputation of one or more of SFR's or the Numericable Group's respective brands, or one or more of SFR's and the Numericable Group's products such as LaBox, could have an adverse effect on the value of that brand or product and subsequent revenues therefrom. Restoring the image and reputation of SFR's or the Numericable Group's products and services may be costly and not always possible.

Both SFR and the Numericable Group rely upon copyright, trademark and patent laws to establish and protect its intellectual property rights, but no assurance can be given that the actions they have taken or will take in the future will be adequate to prevent violation of their intellectual property rights. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of SFR's or the Numericable Group's brand, which could lead to decreased consumer demand and have a material adverse effect on SFR or the Numericable Group's business, results of operations or financial condition and prospects.

SFR and the Numericable Group are exposed to risks of fraud.

As a telecommunications operator, each of SFR and the Numericable Group is exposed to risks of fraud in its various activities. These risks are linked in particular with fraudulent subscriptions and orders for the purchase of subsidized terminals and telephone lines. Furthermore, the change in the usage of mobile telephony services and applications against a backdrop of the marketing of new offers, as well as the development of new means of payment, could encourage fraud.

The occurrence of such fraudulent activity could have a material adverse effect on SFR and the Numericable Group's business, financial condition and results of operations.

Each of SFR and the Numericable Group may be held liable for the content hosted on their respective infrastructures or transmitted by their networks.

In its capacity as an internet and/or mobile service provider and host, each of SFR and the Numericable Group could be held liable for claims due to the content hosted on their infrastructures or transmitted by their networks (specifically in connection with infringements in terms of press, invasion of privacy and breach of copyright) and thus face significant defense costs, even if each of their liability were ultimately not proven (since internet access providers and hosts are covered by a liability exemption scheme). The existence of such requests could also harm the reputations of SFR and the Numericable Group.

Pressure on customer service could adversely affect SFR and the Numericable Group's respective businesses.

The volume of contacts handled by SFR and the Numericable Group's customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on each of their customer service functions. Increased pressure on such functions is associated with decreased satisfaction of customers.

For example, in the B2B and wholesale segments of the Numericable Group, customers require service to be extremely reliable and to be reestablished within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment and with delays and service problems resulting in both penalties and the potential loss of a customer. In these segments, the Numericable Group relies on its experienced key customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers.

Furthermore, the Numericable Group has in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties, both in the B2C and B2B segments. In the B2C segment, these dissatisfaction levels resulted primarily from operational difficulties stemming from the integration of the various cable businesses the Numericable Group acquired in 2005 and 2006. The Numericable Group believes that it currently experiences high levels of customer satisfaction (with satisfaction rates higher than in the past (ranging from approximately 55% to more than 70%) according to the most recent study conducted by the Numericable Group in 2013). However, no assurance can be given that such levels will remain high in the future.

Improvements to customer service functions may be necessary to achieve desired growth levels, and, if SFR and the Numericable Group fail to manage such improvements effectively and achieve such growth, they may in the future experience customer service problems which may damage their reputation, contribute to increased churn and/or limit or slow their future growth.

The European Union may continue to impose further decreases in the roaming charges for using mobile phones within the EEA.

Within the past few years, the European Union has repeatedly urged mobile operators to lower roaming charges for mobile phone use within the Union. Pursuant to the Regulation (EU) 531/2012 dated June 13, 2012, on roaming on public mobile communications networks within the Union (the “Roaming Regulation III”), wholesale and retail (voice and SMS) roaming charges levied by mobile operators are subject to price caps. Further deceases in roaming charges may be imposed by the EU in the coming years. Such decreases in roaming charges may have an impact on our results and profitability.

Furthermore, on April 3, 2014 the European Parliament has adopted the Regulation amending Directives 2002/20/EC and 2002/22/EC and Regulations (EC) 1211/2009 and (EU) 531/2012. According to the adopted text roaming charges within the EU will be abolished in December 2015.

The occurrence of any of the items described above could have a material adverse effect in the activities, financial situation, results or outlook of SFR and the Numericable Group.

THE TRANSACTIONS

Issuer Transactions

The Issuer will issue €4,150 million (equivalent) of Notes on the Issue Date and will use the net proceeds from the Issuance, together with the proceeds of the Altice S.A. Equity Financing, to Completion Date, directly or indirectly to (i) exercise all preferential subscription rights to be allocated to it pursuant to the Numericable Right Issue (as defined below) (including the rights relating to the ordinary shares to be acquired from Cinven and Carlyle), amounting to €3,530 million, (ii) repay the 2013 Margin Loan, amounting to €331 million in financing of the Numericable Group Transactions, (iii) pay fees and expenses related thereto and to the Cinven Carlyle Roll Over. In addition, the Issuer will effect the Cinven Carlyle Roll Over.

Cinven Carlyle Roll Over

Pursuant to an agreement dated April 6, 2014, prior to the Completion Date, (i) Altice France will purchase approximately 14% of the shares of common stock of the Issuer from certain funds affiliated with the Carlyle and the Cinven payment being at the earliest of (a) January 31, 2015 and (b) 6 months after the Completion Date and (ii) funds affiliated with Carlyle and Cinven will contribute all of their remaining shares in the Issuer (representing approximately 20.6% of the Issuer's shares of common stock), to Altice S.A, against shares of common stock of Altice S.A. (the "Cinven Carlyle Roll Over").

The transactions referenced in the preceding paragraph are collectively referred to as the "Issuer Transactions".

Numericable Group Transactions

The SFR Acquisition

On April 5, 2014, Numericable submitted an offer (the "Offer") to acquire 100% of the capital of SFR, other than 10 shares in SFR not held by Vivendi (and all of the shares of another subsidiary of Vivendi, SIG 50) (the "SFR Acquisition"). Also on April 5, 2014, Vivendi's Supervisory Board selected this Offer and resolved at the same time to counter-sign the Offer to confirm Vivendi's acceptance of its terms and to extend the exclusivity period in order to allow for the consultation of the works council of the various relevant parties, allow for the satisfaction of the conditions precedent specified in the acquisition documentation and, more generally, finalize and complete the SFR Acquisition. This exclusivity period will terminate under certain circumstances.

The Offer included drafts of the underlying transaction documentation including, *inter alia*, a master agreement establishing the overall contractual framework for the SFR Acquisition and describing the various steps to its completion (the "Master Agreement") to be entered into as soon as the works council consultation processes have been completed, which shall have annexed to it as drafts, to be entered into in due course, (i) the share purchase agreement for the acquisition of SFR and SIG 50 (the "Acquisition Agreement"), (ii) the contribution agreement pursuant to which Vivendi is to contribute a portion of SFR's stock to Numericable (as further described below) in exchange for shares representing 20% of Numericable's share capital and (iii) the shareholders' agreement between Vivendi, Altice France and the Issuer governing the relationship between Vivendi and Altice France as shareholders of Numericable (the "Altice Vivendi Shareholders' Agreement").

The Offer provides that, upon the date of completion of the SFR Acquisition (the "Completion Date"), (i) Vivendi will sell to Numericable a portion of the shares it holds in SFR, as well as all its outstanding shares in SIG 50 for a price of €13.5 billion on a cash-free/debt-free basis, (ii) Numericable will acquire the shareholder loan of Vivendi to SFR, for a price corresponding to the principal amount of such shareholder loan at the Completion Date and any interest accrued until such Completion Date and (iii) Vivendi will contribute the rest of the shares it holds in SFR to Numericable in exchange for new shares of common stock to be issued by Numericable representing 20% of its capital (after completion of the Numericable Rights Issue but not taking into account the potential dilution resulting from the exercise of certain stock options granted or to be granted by Numericable) (the "Contribution"). The acquisition price of the SFR shares above will be subject to certain adjustments depending, in particular, on SFR's and SIG 50's net cash or net debt positions on the Completion Date. Further, Vivendi is entitled to an earn-out of €750 million, payable in cash if the operational cash flow of the Combined France Group resulting from the SFR Acquisition reaches certain predefined targets.

The Offer also references a March 25, 2014 letter from the Issuer and Numericable to Vivendi and SFR pursuant to which the Issuer and Numericable commit not to reduce employment within SFR and the Numericable Group for a 36-month period as from April 2014, except under specific circumstances.

As a result of the Contribution, the capital of Numericable upon completion of the SFR Acquisition will be owned as follows: (i) Vivendi: 20%, (ii) Altice France: approximately 59.7% (taking into account shares currently held by certain minority shareholders for which it currently holds a call option, and including the shares of Numericable to be acquired by Altice France from Cinven and Carlyle) and (iii) free float: approximately 20.3%, including the shares held by the Numericable's management through the Fiberman vehicle.

When executed, the Master Agreement will require Vivendi to ensure that Maroc Telecom (a Moroccan telecommunication business owned by SFR) will be transferred by SFR to a third party or to one of Vivendi's subsidiaries prior to the Completion Date and Vivendi shall enter into an indemnification agreement in favor of SFR to cover the latter from any potential claim from the purchaser of Maroc Telecom, including in particular under any representations and warranties. Numericable has agreed that it will refinance the full amount of its and its subsidiaries existing indebtedness no later than on the Completion Date.

The Altice Vivendi Shareholders' Agreement when entered into will provide, in particular, that (i) Altice France will have the majority of seats on the Board of Directors of the Issuer, (ii) Vivendi will have limited veto rights as long as it holds a certain minimum percentage of Numericable's shares and (iii) while Altice France holds the majority of the share capital in Numericable, Vivendi will vote as directed by Altice France on dividend distributions. The Altice Vivendi Shareholders' Agreement shall provide that (subject to certain conditions being met) the parties will cause Numericable to distribute each year after the Completion Date a minimum level of dividends.

The Altice Vivendi Shareholders' Agreement will also contain certain restrictions on the sale of shares to be held by Vivendi in Numericable after the Completion Date ("Vivendi's Numericable Group Shares") including (i) a lock-up period expiring 12 months after the Completion Date and (ii) preemption rights for Altice France to purchase Vivendi's Numericable Group Shares for a specified period, these preemption rights being governed by specific arrangements in the event of block trades (such as accelerated book-building processes) or distributions of Vivendi's Numericable Group Shares to Vivendi's shareholders. In addition, Altice France will be granted a call option over Vivendi's Numericable Group Shares, exercisable within specified windows over a period of 43 months (it being specified that Vivendi will not be prohibited from selling shares outside the call option exercise windows, but subject to Altice France's preemption rights as mentioned above). The call option price will be based on the market price of the Issuer's stock, subject to certain specific arrangements (including certain minimum price provisions). Should Altice France not exercise any of the options, it shall nonetheless retain a right of first refusal exercise upon Vivendi selling any Vivendi's Numericable Group Shares.

The Altice Vivendi Shareholders' Agreement shall grant Vivendi (i) a proportional tag-along right and (ii) a full tag-along right exercisable in particular if Altice no longer controls Numericable. Further, until the expiration of the call options and preemption rights mentioned above, Altice may not acquire for cash shares in Numericable's stock from other shareholders. The SFR Acquisition is subject to certain conditions precedent including antitrust approval, the grant of certain exemptions and the issuance of certain clearances or authorizations by French market authorities. The parties are to initiate the process for informing and consulting their respective workers' councils and other applicable employee representative bodies with respect to the SFR Acquisition, which process, pursuant to applicable regulations, must be completed before the above transaction documents and related documentation may be executed.

Numericable Refinancing Transactions

As of the Issue Date, Numericable and its subsidiaries have €2,638 million of indebtedness outstanding under the Ypso France Senior Facility Agreement, including the Numericable February 2012 Notes and the Numericable October 2012 Notes (collectively, the "Existing Numericable Indebtedness"). On or around the Issue Date, Numericable will refinance such Existing Numericable Indebtedness (the "Numericable Refinancing Transactions"). The finance leases and the perpetual subordinated notes will remain on the balance sheet of Numericable.

Financing of the Numericable Group Transactions

The SFR Acquisition and the Numericable Refinancing Transactions, together with related fees and expenses, will be financed as follows:

- On the Issue Date, Numericable will issue €6,040 million (equivalent) of New Numericable Senior Secured Notes. The initial purchasers of the New Numericable Senior Secured Notes will deposit the gross proceeds from the Issuance of the New Numericable Senior Secured Notes into segregated escrow accounts (the "Senior Secured Escrow Accounts") for the benefit of the holders of the New Numericable Senior Secured Notes. The Senior Secured Escrow Accounts will be controlled by the Escrow Agent, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the New Numericable Senior Secured Notes. The proceeds of the New Numericable Senior Secured Notes will be released to Numericable upon delivery of an officer's certificate to the Escrow Agent to the effect that, among other things, the SFR

Acquisition will be consummated promptly upon such release. If the conditions for the release of escrow proceeds are not satisfied prior to April 30, 2015 or upon the occurrence of certain other events, the New Numericable Senior Secured Notes will be subject to a special mandatory redemption at 100% of the principal amount plus accrued and unpaid interest and additional amounts, if any.

- On or around the Issue Date, Numericable will enter into the € 5,600 million (equivalent) New Numericable Term Loan. The borrowers thereunder may draw the New Numericable Term Loan on two occasions at any time (subject to compliance with certain conditions) on or prior to the earlier of (a) the date on which the portion of the lenders' commitments under the New Numericable Term Loan not related to the Numericable Refinancing Transactions cease to exist by virtue of the SFR Acquisition being abandoned or funded by other means, and (b) July 31, 2014 unless the exclusivity granted to Numericable in respect of the SFR Acquisition has been extended, or (c) April 30, 2015. The first drawdown under the New Numericable Term Loan shall be in an amount of up to €2,750 million and will be utilized to complete the Numericable Refinancing Transactions and pay associated fees and expenses. The remaining amount available under the New Numericable Term Loan shall be drawn on the Completion Date.

- On or prior to the Completion Date, Numericable will undertake a rights issue comprising of the issuance of ordinary shares with preferential subscription rights to its existing shareholders in an aggregate amount of €4,732 million (the "Numericable Rights Issue"). Altice France has entered into a binding commitment to exercise all preferential subscription rights to be allocated to it pursuant to the Numericable Rights Issue (including the rights relating to the ordinary shares to be acquired from Cinven and Carlyle), amounting to €3,530 million (assuming further that Altice France will exercise the preferential subscription rights attached to the shares owned by certain minority shareholders for which it currently holds a call option). The Initial Purchasers (other than ING Bank N.V., London Branch) or their affiliates have agreed to underwrite, on a several and not a joint or joint and several basis, up to the remaining amount of €1,202 million to be raised in the Numericable Right Issue. The completion of the Numericable Rights Issue will be subject to certain conditions and, subject to the satisfaction of these conditions, will be completed prior to the Completion Date.

- In addition, Numericable will issue shares to Vivendi S.A. representing 20% of the shares of Numericable (after giving effect to the SFR Acquisition).

Revolving Credit Facilities

On or around the Issue Date, Numericable and certain of its subsidiaries will enter into the Numericable Group Revolving Credit Facilities Agreement. The Numericable Group Revolving Credit Facilities Agreement will allow borrowings by Numericable of €750 million, of which €300 million will be available to be drawn on or after the date of the Numericable Refinancing Transactions and the remaining €450 million will be available on or after the closing of the SFR Acquisition.

CAPITALIZATION

The following table presents, in each case, the cash and cash equivalents and debt capitalization as of December 31, 2013 of the Group (i) on a historical consolidated basis and (ii) on an as adjusted combined basis after giving effect to the Transactions, including the Issuance of the Notes hereby, the Issuance of the New Numericable Senior Secured Notes and funding under the New Numericable Term Loan and the application of the proceeds thereof, the Numericable Acquisition, the ODO Acquisition, the Tricom Acquisition and the SFR Acquisition. The completion of the SFR Acquisition is subject to certain conditions, including the approval by the competent regulatory authorities in France, as applicable. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Transactions.

The impact of any derivative instruments that we have or may enter into to manage foreign currency risk associated with the Notes has not been reflected in the as adjusted data presented in the table. Unless otherwise stated, amounts are based on the exchange rate as of December 31, 2013 of $1.379 = €1.00.

	December 31, 2013	
	Actual	**As Adjusted**
	€ in millions	
Cash and Cash Equivalents		
Numericable Group	101	—
Altice International Group	62	62
Altice SA Group[1]	—	351
Total Consolidated Cash and cash equivalents	163	413
Numericable Group financial debt:		
Existing Numericable Indebtedness[2]	2,638	—
New Numericable Senior Secured Notes[3]	—	6,040
New Numericable Term Loan[4]	—	5,600
Numericable Group Revolving Credit Facility Agreement[5]	—	—
Finance Leases NC	41	41
Finance Leases SFR	—	11
Other Liabilities	3	3
Total Numericable France Financial Debt	2,682	11,695
Altice France financial debt:		
2013 Margin Loan[6]	324	—
Total Altice France Financial Debt	324	—
Altice International financial debt:		
Existing HOT Unsecured Notes[7]	276	276
Green Datacenter Debt	24	24
Existing Coditel Mezzanine Facility[8]	111	111
Existing Senior Secured Notes[9]	1,496	1,496
2013 Term Loan	795	795
Existing Senior Notes[10]	848	848
Existing Altice Financing Revolving Credit Facilities and 2013 Guarantee Facility[11]	—	—
New Altice Financing Revolving Credit Commitments[12]	—	—
Finance Leases	35	35
Total Altice International Financial Debt	3,585	3,585
Stand-alone Altice SA financial debt:		
Altice S.A. Revolving Credit Facility Agreement[12]	—	—
Notes [13]	—	4,150
Total Stand-alone Altice SA Financial Debt	—	4,150
Total Consolidated Financial Debt[14]	6,591	19,430
Numericable Perpetual Subordinated Notes[15]	38	38
Total third—party debt[16]	6,629	19,468

(1) The Issuer was incorporated on January 3, 2014 and, as such, had no actual cash or cash equivalents as of December 31, 2013. See "*Pro Forma Financial Information of the Group*". The "As Adjusted" number includes €101 million of cash from the net proceeds of the Issuer's initial public offering after deducting the cash used for the ODO Acquisition and the earnout to be paid to Cinven and Carlyle and €250 million of interest overfund.

(2) Reflects the aggregate indebtedness under the Ypso France Senior Facility Agreement (including indebtedness incurred in connection with the February 2012 Notes and the October 2012 Notes), which is expected to repaid in connection with the Transactions. The amount shown excludes € 16.4 million of accrued interest and is gross of €22.1 million of capitalized fees. Numericable will use a portion of the New Numericable Group Team Loan to refinance such indebtedness.

(3) Reflects the issuance of the New Numericable Senior Secured Notes by Numericable in an aggregate principal amount of €6,040 million (equivalent) in connection with the Transactions. Pending satisfaction of certain conditions to the release of the escrow proceeds, the initial purchasers of the New Numericable Senior Secured Notes will deposit the gross proceeds from the Issuance of the New Numericable Senior Secured Notes into segregated escrow accounts for the benefit of the holders of the New Numericable Senior Secured Notes.

(4) On or around the Issue Date, Numericable will enter into the €5,600 million (equivalent) New Numericable Term Loan. The first draw under the New Numericable Group Term Loan shall be in an amount of up to €2,750 million and will be utilized to complete the Numericable Refinancing Transactions and pay associated fees and expenses. The remaining amount available under the New Numericable Group Term Loan shall be drawn on the Completion Date.

(5) On or prior to the Issue Date, Numericable will enter into the Numericable Group Revolving Credit Facilities Agreement with, among others, the lenders party thereto. The Numericable Group Revolving Credit Facilities Agreement will allow borrowings by Numericable up to a maximum of € 750 million. The Numericable Group Revolving Credit Facilities will allow borrowings by Numericable up to a maximum of €750 million, of which €300m of the Numericable Group Revolving Credit Facilities will be available to be drawn on or after the date of the Numericable Refinancing Transactions and the remaining €450 million will be available on or after the Completion Date. The Numericable Group Revolving Credit Facilities will not be drawn on the Issue Date.

(6) Reflects the aggregate €324 million outstanding under the 2013 Margin Loan (excluding accrued interest). Altice France will use a portion of the proceeds of the Notes to refinance the 2013 Margin Loan.

(7) The amount is based on the exchange rate as of December 31, 2013 of €0.209 = NIS1.00.

(8) The Existing Coditel Mezzanine Facility is callable from November 2014 at a price of 106.875%.

(9) Reflects the $460 million and €210 million 2012 Senior Secured Notes and the $900 million and €300 million 2013 Senior Secured Notes.

(10) Reflects the aggregate $425 million, €250 million and $400 million Existing Senior Notes outstanding.

(11) The Existing Altice Financing Revolving Credit Facilities are made up of (i) the $80 million 2012 Revolving Credit Facility and (ii) the €60 million 2013 Revolving Credit Facility. Altice Financing also has access to the 2013 Guarantee Facility allowing for requests for guarantees to be issued up to a maximum of €75 million. As of December 31, 2013, Altice Financing S.A. has made a request for a guarantee of up to a maximum amount of approximately €8.5 million to be issued under the 2013 Guarantee Facility.

(12) On or prior to the Issue Date, the Issuer is expected to enter into the Altice S.A. Revolving Credit Facility Agreement with, among others, the lenders party thereto, in order to (a) prior to the completion of the SFR Acquisition, service the interest on the proceeds of the Notes deposited in escrow and (b) after the completion of the SFR Acquisition, to support its working capital purposes. The Altice S.A. Revolving Credit Facility Agreement will allow borrowings by the Issuer up to a maximum of €200 million at any one time outstanding. The Altice S.A. Revolving Credit Facility will not be drawn on the Issue Date. In addition, Altice Financing S.A. may choose to enter into a facility agreement in respect of the New Altice Financing Revolving Credit Commitments under which certain lenders have committed to provide Altice Financing S.A. with up to €450 million.

(13) Reflects the issuance of the Notes. Pending satisfaction of certain conditions to the release of the escrow proceeds, the initial purchasers of the Notes will deposit the gross proceeds from the Issuance of the Notes into segregated escrow accounts for the benefit of the holders of the Notes. See "*Description of Notes*."

(14) Excludes certain other long-term and short- term liabilities, other than finance leases, of the Group, any intercompany loans among the Group and preferred equity certificates issued in connection with the Tricom Acquisition and any other preferred equity certificates issued to minority shareholders in our subsidiaries. Other long-term and short- term liabilities include, among other things, HOT's obligations to the State of Israel related to its mobile license and its ownership of the cable network, contingent consideration on behalf of the HOT Mobile acquisition, trade payables, other payables, provision for lawsuits, accrued severance liability, and deferred tax liability.

(15) Reflects the aggregate €23.65 million perpetual subordinated notes issued by NC Numericable S.A.S. to Vilorex, a subsidiary of GDF Suez (excluding capitalized interest). The proceeds of the Numericable Perpetual Subordinated Notes have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Numericable Perpetual Subordinated Notes bear interest at 7% per annum. Interest is capitalized, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013.

PRO FORMA FINANCIAL INFORMATION OF THE GROUP
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME OF THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2013

	Historical Financial Information	Pre transaction Pro Forma Adjustments										
	Altice S.A. January 1, 2013 December 31, 2013	OMT January 1, 2013 to July 5, 2013	ONI January 1, 2013 to Aug 8, 2013	Ma Chaîne Sport January 1, 2013 to October 4, 2013	SportV January 1, 2013 to October 4, 2013	Reversal of refinanced debt	Issuance of June 2013 debt	June 2013 RCFs fees	Issuance of margin loan	Buy-out of non-controlling interests	Payment of Initial Public Offering fees	Altice S.A. Pre-transaction pro-forma January 1, 2013 to December 31, 2013
		(Note 3 a)	(Note 3 b)	(Note 3c)	(Note 3 d)	(Note 3 h)	(Note 3 h)	(Note 3 h)	(Note 3 h)	(note 3e)	(note 3 j)	
Revenue	**1,286.8**	**96.5**	**59.0**	**13.8**	**4.5**	**—**	**—**	**—**	**—**	**—**	**—**	**1,460.7**
Purchases and subcontracting services	(367.8)	(30.1)	(31.2)	(3.4)	(1.1)	—	—	—	—	—	—	(433.6)
Other operating income		—	—	—	—	—	—	—	—	—	—	—
Other operating expenses	(401.0)	(33.2)	(18.5)	(3.4)	(0.4)	—	—	—	—	—	—	(456.4)
Operating income before depreciation & amortization	**518.0**	**33.2**	**9.2**	**7.1**	**3.0**	**—**	**—**	**—**	**—**	**—**	**—**	**570.7**
Depreciation and amortization	(399.6)	(11.4)	(9.9)	(4.7)	(1.1)	—	—	—	—	—	—	(426.7)
Management fees	(0.6)	(.4)	—	(.4)	—	—	—	—	—	—	—	(1.5)
Other expenses, net	(15.1)	(2.0)	(1.7)	—	—	—	—	—	—	—	—	(18.8)
Reorganization and non recurring costs	(61.2)	—	(.5)	—	—	—	—	—	—	—	(13.0)	(74.7)
Operating Income/(loss)	**41.5**	**19.4**	**(2.8)**	**2.0**	**1.9**	**—**	**—**	**—**	**—**	**—**	**(13.0)**	**49.1**
Gain on de-recognition of asset	255.7	—	—	—	—	—	—	—	—	—	—	255.7
Financial income	120.9	0.2	—	—	—	—	—	—	—	—	—	121.1
Other financial expense	(376.6)	(2.2)	(5.7)	—	—	7.6	(43.2)	(0.9)	(13.3)	7.2	—	(427.2)
Finance costs, net	**(255.7)**	**(2.0)**	**(5.7)**	**—**	**—**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**—**	**(306.0)**
Share in net income of associates	15.5	—	—	—	—	—	—	—	—	—	—	15.5
Profit/(loss) before income tax expense	**57.0**	**17.4**	**(8.5)**	**1.9**	**1.9**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**(13.0)**	**14.3**
Income tax expense	(7.4)	(6.5)	(.3)	(.3)	—	—	—	—	—		—	(14.5)
Net income (loss) from continuing operations	**49.6**	**10.9**	**(8.8)**	**1.7**	**1.9**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**(13.0)**	**(0.2)**
Net income (loss)	**49.6**	**10.9**	**(8.8)**	**1.7**	**1.9**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**(13.0)**	**(0.2)**
Attributable to owners of the entity	*71.8*	*10.9*	*(8.8)*	*1.7*	*1.9*	*7.6*	*(43.2)*	*(0.9)*	*(13.3)*	*(11.6)*	*(13.0)*	*3.3*
Attributable to non-controlling interests	*(22.2)*	—	—	—	—	—	—	—	—	*18.7*	—	*(3.5)*

		Post-Transaction Pro Forma Adjustments								
	Altice S.A. Pre-transaction pro-forma January 1, 2013 to December 31, 2013	**Issuance of December 2013 debt (note 3p)**	**ODO January 1, 2013 to December 31, 2013 (note 3f)**	**Issuance of New debt (Note 3l)**	**New RCFs fees (Note 3l)**	**Reimbursment of margin loan (Note 3h)**	**NC+SFR Group January 1, 2013 to December 31, 2013 (Note 3g, 3k, 3m)**	**Cancellation of equity accounting of Numericable Group (Note 3g)**	**Elimination of I/C transactions (Note 3o)**	**Altice S.A. Post-transaction Pro-forma January 1, 2013 to December 31, 2013**
Revenue	**1,460.7**	**—**	**446.3**	**—**	**—**	**—**	**11,471.6**	**—**	**(3.2)**	**13,375.3**
Purchases and subcontracting services	(433.6)	—	(121.6)	—	—	—	(6,701.4)	—	4.6	(7,251.9)
Other operating income	—	—	—	—	—	—	88.3	—	—	88.3
Other operating expenses	(456.4)	—	(151.6)	—	—	—	(1,430.0)	—	—	(2,038.0)
Operating income before depreciation & amortisation	**570.8**	**—**	**173.0**	**—**	**—**	**—**	**3,428.5**	**—**	**1.4**	**4,173.7**
Depreciation and amortization	(426.7)	—	(64.3)	—	—	—	(1,964.6)	—	—	(2,455.7)
Management fees	(1.5)	—	(11.5)	—	—	—	(11.3)	—	—	(24.2)
Other expenses, net	(18.8)	—	0.1	—	—	—	(88.5)	—	—	(107.2)
Reorganization and non-recurring costs	(74.7)	—	—	—	—	—	(106.1)	—	—	(180.8)
Operating Income/(loss)	**49.1**	**—**	**97.3**	**—**	**—**	**—**	**1,258.0**	**—**	**1.4**	**1,405.8**
Gain on de-recognition of asset	255.7	—	—	—	—	—	—	—	—	255.7
Financial income	121.1	—	0.5	—	—	—	14.7	—	—	136.3
Other financial expense	(427.2)	(127.3)	(1.1)	(313.9)	(3.4)	9.1	(955.1)	—	—	(1,818.8)
Finance costs, net	**(306.0)**	**(127.3)**	**(.6)**	**(313.9)**	**(3.4)**	**9.1**	**(940.4)**	**—**	**—**	**(1,682.5)**
Share in net income (loss) of associates	15.5	—	—	—	—	—	(12.5)	(15.5)	—	(12.5)
Profit/(loss) before income tax expense	**14.3**	**(127.3)**	**96.7**	**(313.9)**	**(3.4)**	**9.1**	**305.1**	**(15.5)**	**1.4**	**(33.5)**
Income tax expense	(14.5)	—	(25.4)	—	—	—	(175.3)	—	—	(215.2)
Net income (loss) from continuing operations	**(0.2)**	**(127.3)**	**71.3**	**(313.9)**	**(3.4)**	**9.1**	**129.0**	**(15.5)**	**1.4**	**(249.5)**
Net income (loss)	**(0.2)**	**(127.3)**	**71.3**	**(313.9)**	**(3.4)**	**9.1**	**129.0**	**(15.5)**	**1.4**	**(249.5)**
Attributable to owners of the entity	3.3	*(127.3)*	71.3	*(313.9)*	—	*9.1*	*77.0*	*(15.5)*	*1.4*	(298.1)
Attributable to non-controlling interests	(3.5)	—	—	—	—	—	*52.0*	—	—	48.6

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 OF THE GROUP

	Historical Financial Information	**Pre transaction Pro Forma Adjustments**		**Post transaction Pro Forma Adjustments**						
	Altice S.A. December 31, 2013	**Impact of the Initial Public Offering (Note 3j)**	**Impact of repayment of vendor note and the contributions in kind (Note 3k)**	**Issuance of December 2013 debt (Note 3f)**	**ODO December 31, 2013 (Note 3f)**	**Acquistion of NG December 31, 2013 (Note 3g)**	**Issuance of new debt (Note 3l)**	**SFR+NG pro forma December 31, 2013 (Note 3m)**	**Elimination of I/C transactions (Note 3o)**	**Altice S.A. Post-transaction Pro-forma December 31, 2013**
ASSETS										
Current assets										
Cash and cash equivalents	61.6	580.1	(13.9)	(107.1)	17.5	(375.6)	250.0	—	—	412.7
Restricted cash	1,242.8	—	—	(968.7)	—	—	—	—	—	274.1
Other current assets		—	—			—	—	6.0	—	6.0
Trade receivables	232.2	—	—		80.7	—	—	2,942.1	(1.0)	3,254.2
Inventories	11.0	—	—		17.4	—	—	289.6		317.9
Current tax assets	14.6	—	—		—	—	—	3.4	—	18.0
Total Current assets	**1,562.2**	**580.1**	**(13.9)**	**(1,075.8)**	**115.6**	**(375.6)**	**250.0**	**3,241.1**	**(1.0)**	**4,282.9**
Non-current assets		**—**	**—**	**—**	**—**	**—**	**—**	**—**		
Deferred tax assets	47.4	—	—	—	30.3	—	—	259.7	—	337.4
Investment in associates	679.1	—	—	—	—	(679.1)	—	154.9	—	154.9
Financial assets	50.6	—	—	—	4.3	—	—	—	—	54.9
Other long-term trade receivables	22.8	—	—	—	.9	—	—	192.3	—	216.0
Property, Plant & Equipment	1,134.2	—	—		230.0	—	—	5,989.6	—	7,353.8
Other Intangible assets	579.6	—	—	—	35.5	—	—	4,238.4	—	4,853.5
Goodwill	1,100.7	—	—	750.9	—	1,192.5	—	12,022.6	—	15,066.7
Total non-current assets	**3,614.4**	**—**	**—**	**750.9**	**301.1**	**513.4**	**—**	**22,857.4**	**—**	**28,037.1**
Total assets	**5,176.6**	**580.1**	**(13.9)**	**(324.9)**	**416.6**	**137.8**	**250.0**	**26,098.5**	**(1.0)**	**32,320.0**
EQUITY AND LIABILITIES	—	—	—	—	—	—	—	—	—	
Current liabilities		**—**	**—**	**—**	**—**	**—**	**—**	**—**		
Borrowings from banking corporations and debentures	59.7	—	—	—		—	—	21.7	—	81.4
Loans from related parties	—	—	—			—	—	—		—
Deferred revenues	55.9	—	—	—		—	—	—		55.9
Trade payables and other payables	517.4	13.0	—	—	54.6	—	3.4	5,612.7	(1.0)	6,200.2
Other current liabilities	15.9	—	—	—	12.1	—	—	17.0		45.0
Provisions	31.1	—	—	—		—	—	341.4		372.5
Current tax liabilities	57.1	—	—	—	5.0	—	—	—		62.1
Total current liabilities	**737.1**	**13.0**	**—**	**—**	**71.7**	**—**	**3.4**	**5,992.8**	**(1.0)**	**6,817.1**
Non-current liabilities		—					—	—		
Debentures	2,527.0	—	—	127.3	—	36.5	4,385.1	11,599.8		18,675.7
Borrowings from financial institutions	1,214.0	—	—	—		—	(319.7)	—		894.3
Loans from related parties	100.7	—	(100.7)	—		—	—	—		—
Other financial liabilities	271.6	—	(20.6)	—	10.6	—	—	1,388.4		1,650.0
Provisions	—	—	—	—		—	—	229.6		229.6
Deferred revenues	10.6	—	—	—		—	—	—		10.6
Trade and other payables	29.0	—	—	—	26.8	—	—	.1		55.9
Retirement benefit obligations	8.2	—	—	—		—	—	—		8.2
Deferred tax liabilities	183.1	—	—	—		—	—	2.0		185.1
Total non-current liabilities	**4,344.3**	**—**	**(121.3)**	**127.3**	**37.5**	**36.5**	**4,065.3**	**13,220.0**	**—**	**21,709.5**
Equity		**—**	**—**			**—**	**—**	**—**		
Invested equity	**95.8**	**567.1**	**108.7**	**(197.6)**	**307.4**	**(19.6)**	**(3,692.2)**	**6,846.6**	**—**	**3,789.8**

Non-controlling interests	(.5)	—	(1.3)	—		120.9	(126.6)	11.2		2.4
Total equity	**95.3**	**567.1**	**107.4**	**(197.6)**	**307.4**	**101.3**	**(3,818.7)**	**6,885.8**	**—**	**3,793.5**
Total equity and liabilities	**5,176.7**	**580.1**	**(13.9)**	**(324.9)**	**416.6**	**137.8**	**250.0**	**26,098.5**	**(1.0)**	**32,320.0**

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1—General information

The accompanying unaudited pro forma consolidated statement of income for the year ended December 31, 2013, the accompanying unaudited pro forma consolidated statement of financial position as of December 31, 2013 and these explanatory notes (together the "Unaudited Pro Forma Financial Information") present the unaudited pro forma consolidated financial statements of Altice S.A. (the "Company"), giving effect to each of the acquisitions and the other transactions described in the basis of preparation below. The Company, Altice France S.A. (formerly Altice Six S.A.) and Altice International S.à r.l. (formerly Altice VII S.à r.l.) (Together the "Predecessor Entities") and their subsidiaries are referred to collectively as the "Group".

The Unaudited Pro Forma Financial Information does not give pro forma effect to the Group's acquisition of Mobius S.A. and its subsidiaries (the "Mobius Group") nor the Group's acquisition of Tricom S.A., Global Interlink Limited and their subsidiaries (the "Tricom Group") and therefore does not include any financial information of the Mobius Group or Tricom Group. The Board of Directors has concluded that these are not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information does not give effect to any hedging effects that the Company or the Group may enter into to cover its different financing and acquisitions. The Unaudited Pro Forma Financial Information has not been audited or reviewed.

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

For the purposes of the Unaudited Pro Forma Financial Information, and in relation to the Group's acquisition of Orange Dominicana S.A.S., Numericable Group S.A. and Société Française de Radiophonie S.A. Group any difference between (a) the total consideration transferred measured in accordance with IFRS 3 *Business Combinations* ("IFRS 3") and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, has been allocated to goodwill. Definitive allocations will be performed and finalized based upon certain valuations and other studies that will be performed with the services of outside valuation specialists after the closing of the aforementioned acquisitions. Accordingly, the determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the unaudited pro forma condensed consolidated financial information and is subject to revision based on a final determination of fair value of assets acquired and liabilities assumed after the closing of the acquisitions of Orange Dominicana S.A.S., the Numericable Group or the SFR Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in these notes as well as the historical and other financial statements included in this Notice.

2—Basis of preparation

The Unaudited Pro Forma Financial Information has been prepared to give effect to the following transactions as if they occurred on January 1, 2013 for the purposes of the unaudited pro forma consolidated statement of income and, if applicable, on December 31, 2013 for the purpose of the unaudited consolidated pro forma statement of financial position:

- The acquisition by Altice S.A. or its subsidiaries of:

- 100% of the share capital of OMT Invest S.A.S. in two tranches of 77% and 23% respectively;
- A supplementary 40% of the share capital of Altice Portugal and its direct subsidiary Cabovisao;
- 100% of the share capital of Winreason S.A.;
- 100% of the share capital of Sportv S.A.;
- 100% of the share capital of Ma Chaîne Sport S.A.S.;

- A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.
    - The restructuring of the equity of Altice S.A and its subsidiaries, comprising of:
- The contribution of preferred equity certificates, issued by Altice International S.à r.l. and Altice France S.A. and subscribed by Next L.P. in exchange for shares in Altice S.A.
- The contribution in kind of receivables held by Valemi Corp S.A. against Altice International S.à r.l., in exchange for shares in Altice S.A.
    - The acquisition by Altice S.A. or its subsidiaries of:
- 100% of the share capital of Orange Dominicana S.A.; and
- A supplementary 29.7% of the share capital of Numericable Group S.A. (including 2.6% through call options) in two tranches and certain other arrangements pursuant to which Altice France has the majority of votes in the board of directors of Numericable
    - The planned acquisition by the Company and/or its subsidiaries of 100% of the share capital of SFR S.A.
    - The following Refinancing Transactions
- The issuance by subsidiaries of the Company of:
        - 9% € 250 million Senior Secured Notes falling due in 2023;
        - $6^{1}/_{2}$% $900 million Senior Secured Notes due in 2022;
        - $8^{1}/_{8}$% $400 million Senior Secured Notes due in 2024;
- In connection with the Transactions, the issuance by the Company of the Notes and the planned incurrence by the Company's subsidiaries of indebtedness under the New Numericable Senior Secured Notes and the New Numericable Term Loan
- The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to €795 million;
- The obtaining and planned subsequent refinancing of a margin loan for an amount equivalent to €324 million;
- The planned repayment of the Numericable Group existing finance liabilities under the Senior Facility Agreement a total amount of € 2,638 million;
- The repayment of the senior facilities of Altice B2B France and Completel amounting to €451 million;
- The repayment of the Coditel Senior Facility amounting to €138 million;
- The repayment of the ABO credit facility amounting to €65.6 million;
- The repayment of the Cabovisao facility amounting to € 202.6 million; and
- The repayment of the ONI facility amounting to € 47.3 million.
    - The obtaining of an additional revolving credit facility amounting to a total of €200 million.
    - The borrowing costs on the aforementioned drawn amounts have been included in the unaudited pro forma statement of income for the year ended December 31, 2013.
    - The issuance and use of proceeds of new shares in a primary equity offering amounting to a total of €750 million.
    - The issuance and use of proceeds of new shares in a secondary equity offering amounting to a total of €550 million.

- The repayment by SFR of its intercompany loan towards Vivendi and other loans for an amount equivalent to €9,011 million (€4,011 million through the proceeds related to the sale of the shares of Maroc Telecom held by the SFR Group and €5,000 million by using a portion the proceeds of the debt issuance as explained above); and

As mentioned above, given the timing of the ODO Acquisition, the Numericable Acquisition and SFR Acquisition, assets acquired and liabilities assumed of ODO, Numericable Group, SFR Group are reflected in the unaudited pro forma consolidated statement of financial position as of December 31, 2013 at their historical book value reflected in the 2013 historical financial statements of ODO, Numericable, SFR respectively, and have not been adjusted. The determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Financial Information and is subject to revision based on a final determination of fair value after the closing of the acquisitions mentioned above. Under IFRS, goodwill is not amortized, but is tested for impairment at least annually, and therefore, the unaudited pro forma consolidated statement of income does not include any amortization expense in relation to the identifiable assets acquired. Upon finalization of the amount of goodwill, certain identifiable assets acquired such as licenses, trademarks and customer base will have a finite life and will be amortized. As a result, the future results of consolidated operations of Altice S.A. will be significantly affected by amortization expense in relation to such identifiable assets acquired.

On April 23, 2013, an indirect subsidiary of the Company acquired the remaining 40% of the share capital of Cabovisao. The Group had acquired control over Cabovisao on February 29, 2012 and the acquisition was accounted for using the purchase method of accounting with the assets acquired and liabilities assumed recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of Cabovisao are reflected in the pro forma consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed consolidated statement of financial position. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Group's shareholding from 60% to 100% have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

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

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

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

On July 4, 2013, an indirect subsidiary of the Company acquired 77% of the share capital of OMT Invest S.A. ("OMT"). On March 13, 2014, the Company acquired the remaining 23% of the share capital of OMT. The acquisition was accounted for using the acquisition method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for OMT have been included in the consolidated statement of income of the Company since the date of acquisition on July 4, 2013. The OMT historical consolidated income statement for the period from January 1, 2013 through July 3, 2013 have hence been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On August 8, 2013, an indirect subsidiary of the Company acquired 100% of the share capital of Winreason S.A. ("ONI"). The acquisition was accounted for using the acquisition method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the consolidated statement of financial position as of December 31, 2013, based on a preliminary purchase price allocation. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for ONI have been included in the historical consolidated statement of income since the date of acquisition on August 8, 2013. The ONI historical consolidated income statement for the period from January 1, 2013 through August 7, 2013 have been included in the unaudited pro forma consolidated income statement for the year ending on December 31, 2013. No effect has been given to the impact of the application of the purchase method on the pro forma depreciation charge within the unaudited pro forma consolidated statement of income for the twelve month period ended December 31, 2013. The Board of Directors has concluded that this is not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information.

On August 8, 2013, ONI repaid its credit facility for an amount of € 47.3 million. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and August 8, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group 100% of the share capital of Ma Chaîne Sport SAS ("MCS"). The Board of Directors has not accounted for this transaction using the acquisition method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and October 4, 2013 have been included in the unaudited pro forma consolidated statement of income in the year ending on December 31 2013.

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group 100% of the share capital of Sportv S.A. ("Sportv"). The Board of Directors has not accounted for this transaction using the purchase method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and October 4, 2013 have been included in the unaudited pro forma income statements in the year ending on December 31 2013.

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

On December 5, 2013, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of $6^1/_2$ Senior Secured Notes for an aggregate principal of $900 million maturing in 2022. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting finance costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On December 5, 2013, Altice Finco S.A., an indirect subsidiary of the Company, proceeded with the issuance of $8^1/_8$% Senior Notes for an aggregate principal of $ 400 million maturing in 2024. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting finance costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On November 17, 2013, Altice France S.A. (“Altice France”), a subsidiary of the Company, entered into a margin loan agreement providing a total amount of € 324 million. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and November 12, 2013 have been included in the unaudited pro forma consolidated statement of income the year ending on December 31, 2013. This is subsequently reversed given the planned repayment of this margin loan as described below.

On January 31, 2014, Altice S.A. successfully listed its shares on the Euronext Amsterdam exchange. The primary issuance amounted to a total of € 750 million, at a listing price of € 28.25 per share. Given that the issuance occurred after December 31, 2013, the proceeds from the issuance have not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013.

On February 6, 2014, Altice France S.A. completed the acquisition of an additional 10% stake in Numericable Group S.A.. During 2014, Altice France S.A. contemplates increasing its stake in Numericable Group S.A. to 59.7%. These acquisitions allow Altice France to control and fully consolidate Numericable Group S.A. These acquisitions are fully financed using funds arising from the primary equity issuance of the Company and subsequent bond issuances. Given that such acquisitions occurred after December 31, 2013, the assets and liabilities arising from the issuance are not included in the consolidated statement of financial position as of December 31, 2013. The excess of the purchase price over the historical book value of the non-controlling interests will be recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment test in relation to the goodwill generated from this allocation for the purpose of preparing this financial information. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Group to acquire Numericable Group S.A. Adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013. The Numericable Group S.A.’s historical statement of income for the period from January 1, 2013 through December 31, 2013 have hence been included in the unaudited pro forma consolidated statement of income for the year ended on December 31, 2013.

On January 31, 2014, Next L.P., the direct controlling shareholder of Altice S.A., contributed shareholder loans it held against the predecessor entities of Altice S.A., Altice France and Altice International, in exchange for shares in the newly listed entity. Given that this transaction occurred after December 31, 2013, the impact has not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013.

On February 3, 2014, Valemi Corp S.A., the seller of MCS and SportV, contributed vendor notes held by them against the predecessor entity of Altice S.A, Altice International, in exchange for shares in the newly listed entity. Given that this transaction occurred after December 31, 2013, the impact has not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013.

Altice S.A., intends to proceed with the issuance of the Notes in an amount of €4,150 million (equivalent). Given that such issuance will occur after December 31, 2013, the liabilities arising from the issuance are not included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and December 31, 2013 have been included in the unaudited pro forma income statement the year ending on December 31, 2013.

Altice S.A. intends to proceed with an additional equity issuance for a total amount of up to €569 million which will be used to purchase shares held by non-controlling shareholders in Numericable Group S.A. Given that the issuance occurs after December 31, 2013, the proceeds from the issuance have not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect issuance of new debt as if it had occurred on December 31, 2013.

On April 9, 2014, the Company acquired 100% of the share capital of Orange Dominicana S.A. (“ODO”). The excess of the acquisition price over the historical book value of the non-controlling interests was recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment on this goodwill generated from this allocation for the purpose of preparing this financial information. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Group to acquire ODO. Given that such acquisitions will occur after December 31, 2013, the assets acquired and liabilities assumed of ODO are not included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect the issuance of new debt as if it had occurred on December 31, 2013. The ODO historical statements of income for the period from January 1, 2013 through December 31, 2013 have hence been included in the unaudited pro forma consolidated statement of income for the year ended on December 31, 2013.

On April 5, 2014, Numericable Group S.A. submitted an offer to acquire SFR from Vivendi (which was selected by Vivendi's Supervisory Board) and is subject to works council procedures and to certain conditions precedent, including antitrust approval. The main details of this offer are outlined in the section entitled, "The Transactions" elsewhere in this Notice. After the completion of the transaction, Altice S.A. is expected to hold 59.7% of the Combined Group (after the above mentioned SFR Acquisition). The excess of the purchase price over the historical book value of the non-controlling interests will be recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment on this goodwill generated from this allocation for the purpose of preparing this financial information. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Group to acquire SFR. Given that such acquisitions will occur after December 31, 2013, the assets acquired and liabilities assumed of SFR are not included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013. The SFR historical statements of income for the period from January 1, 2013 through December 31, 2013 have hence been included in the unaudited pro forma consolidated statement of income for the year ended on December 31, 2013.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with the requirements of Regulation S- X Securities and Exchange Commission or any generally accepted accounting standards nor has it been audited or reviewed. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of the period presented, nor is it intended to be indicative of expected results of operations in future periods or the future financial position of the Group. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The Unaudited Pro Forma Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs which may be incurred as a result of the transactions described below. The unaudited Pro Forma Financial Information do not give effect to the Mobius Acquisition, Tricom Acquisition nor does it purport to indicate any entries to harmonize the accounting policies between ODO, Numericable Group S.A. and the Altice Group as these have been considered immaterial by the Board of Directors of the Company.

No adjustment has been recorded in the pro-forma statement of income of Altice S.A. to reflect any expenses associated with stock options issued by Altice S.A.. Additionally, no consideration has been given to any potential effect of the early redemptions of the issued Notes in the statement of financial position.

There are certain differences in the way in which Numericable Group, Altice S.A. and SFR Group present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the unaudited pro forma condensed consolidated statements of income to comply with Numericable Group's presentation. There could be additional reclassifications following completion of the ODO Acquisition, the Numericable Acquisition and SFR Acquisition.

Historical consolidated financial statements

The historical consolidated financial statements of Altice S.A. are represented by the consolidated financial statements of Altice S.A. as of December 31, 2013 and for the year then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

3—Pro-forma adjustments

(a) Acquisition of OMT

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

(b) Acquisition of Winreason

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

(c) Acquisition of Ma Chaîne Sport

On October 1, 2013, Altice International entered into a share purchase agreement with Altice IV S.A. and Valemi S.A. for the purchase of 100% of the share capital and voting rights of Ma Chaine Sport S.A.S.. These pro-forma adjustments relate to the historical income statement of Ma Chaîne Sport for the period from January 1, 2013 through September 30, 2013 derived from the financial statements of Ma Chaiîne Sport prepared in accordance with the measurement and recognition criteria of French Generally Accepted Accounting Principles (“French GAAP”).

The measurement and recognition criteria of French Generally Accepted Accounting Principles (“French GAAP”) do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRSs allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting services of 4.7 million €, in other operating expenses of 1.6 million € and an increase in depreciation and amortization of 6.1 million € for the year ended December 31, 2013.

(d) Acquisition of Sportv

On October 1, 2013, Altice International obtained control over Sportv S.A. These pro-forma adjustments relate to the historical income statement of Sportv for the period from January 1, 2013 through December 31, 2013 derived from the financial statements of Sportv prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification have been applied to conform to the presentation of the accompanying unaudited pro forma statements of income.

(e) Acquisition of non-controlling interests

Coditel

(i) On November 29, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. it did not hold and refinanced certain Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis was € 82.5 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro-forma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of € 13.6 million. Additionally, a reversal of € 7.2 million, pertaining to the interests paid on the preferred equity certificates for the period between January 1, 2013 and November 29, 2013, has been reflected in the unaudited pro-forma consolidated statement of financial income.

Cabovisao

(ii) On April 23, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Cabovisao it did not hold. The cash consideration for the acquisition on a cash-free and debt-free basis was € 105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro-forma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of € 2.3 million.

Outremer Telecom

(iii) On March 13, 2014, Altice S.A. repurchased the minority interests in Altice Blue Two S.A.S, in exchange for shares in Altice S.A. it did not hold. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro-forma consolidated statement of income and the statement of financial position as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of € 2.7 million.

(f) Acquisition of Orange Dominicana

On April 9, 2014, Altice International finalized the purchase of 100% of the shares and voting rights of Orange Dominicana S.A. Based on December 31, 2013 figures, the cash consideration for the ODO acquisition on a cash-free and debt-free basis is expected to be € 1,075.8 million (including cash acquired at closing and transaction fees). Pro-forma adjustments have hence been recorded to give effect to the impact of the transaction in the income statement and the statement of financial position as if such transaction took place on January 1, 2013. These pro-forma adjustments relate to the historical income statement of ODO for the period from January 1, 2013 through December 31, 2013 and the historical statement of financial position as at December 31, 2013 derived from the audited financial statements of ODO.

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

- Reclassification adjustments—certain reclassification adjustments have been made to the audited and unaudited historical financial statements as of and for the period ended December 31, 2013 to conform to the financial information presentation of the Unaudited Pro Forma Financial Information of Altice S.A.

- The ODO Acquisition is being accounted for using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost. Preliminary goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to € 750.9 million. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired.

(g) Acquisition of additional shares in Numericable Group S.A.

On February 6, 2014, Altice France finalized the purchase of an additional 10% of the shares and voting rights in Numericable Group S.A., therefore obtaining control over Numericable Group S.A. The cash consideration for the Acquisition on a cash-free and debt-free basis was € 317.0 million. Pro-forma adjustments have hence been recorded to give effect to the impact of the transaction in the income statement and the statement of financial position as if such transaction took place on January 1, 2013. These pro-forma adjustments relate to the historical audited consolidated statement of income of NG for the period from January 1, 2013 through December 31, 2013 and the historical statement of financial position as at December 31, 2013 derived from the audited financial statements of Numericable Group S.A..

The historical audited consolidated financial statements for Numericable Group S.A. have been prepared based on the audited historical financial statements of Numericable Group S.A. as of and for the year ended December 31, 2013 prepared in accordance with IFRS after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited historical financial statements as of and for the year ended December 31, 2013 to conform to the financial information presentation of the Unaudited Pro Forma Financial Information of Altice S.A.

- The Numericable Group S.A. Acquisition is being accounted for using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost for the purposes of the Unaudited Pro Forma Financial Information. Preliminary goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to €1,192.5 million. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired.

- An adjustment had been made to reflect the earn-out due to some non-controlling interests of Numericable Group S.A. in addition to the purchase price paid. This earn-out, based on the share performance of Numericable Group S.A. is calculated based on difference between the price of acquisition for the 10% (discussed above) and the weighted average share price of Numericable Group S.A. for the ten highest trading days for the share price, on a period set out in the acquisition contract. As of the date of this report, an adjustment of €23.7 million has been reflected in the pro-forma consolidated statement of financial position pertaining to the expected cash out on the earn out.

	Numericable 10% acquisition-Earnout	Preliminary purchase price allocation of Numericable Group	Impact of debt adjustments	Cancellation of equity accounting of Numericable Group	Total Acquisition of Numericable Group
ASSETS					
Current assets					
Cash and cash equivalents	(23.7)	(351.9)	—	—	(375.6)
Total Current assets	**(23.7)**	**(351.9)**	**—**	**—**	**(375.6)**
Non-current assets					
Investment in associates	—	—	—	(679.1)	(679.1)
Goodwill	—	1,192.5	—	—	1,192.5
Total non-current assets	**—**	**1,192.5**	**—**	**(679.1)**	**513.4**
Total assets	**(23.7)**	**840.6**	**—**	**(679.1)**	**137.8**
EQUITY AND LIABILITIES					
Non-current liabilities					
Debentures	—	—	36.5	—	36.5
Total non-current liabilities	**—**	**—**	**36.5**	**—**	**36.5**
Equity					
Invested equity	**(23.7)**	**719.7**	**(36.5)**	**(679.1)**	**(19.6)**
Non-controlling interests	—	120.9	—	—	120.9
Total equity	**(23.7)**	**840.6**	**(36.5)**	**(679.1)**	**101.3**
Total equity and liabilities	**(23.7)**	**840.6**	**—**	**(679.1)**	**137.8**

(h) Refinancing Transactions

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

(i) Issuance of Senior and Senior Secured Notes on June 14, 2013 and December 5, 2013

On June 14, 2013 and December 5, 2013, the Altice International Group issued Senior and Senior Secured Notes for an amount of € 1,505.0 million. The proceeds were used to refinance the following liabilities.

- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of € 202.6 million;
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of € 42.3 million; and
- The purchase of ODO for an amount of € 1,054.0 million.

(ii) Use of Term Loan

On June 24, 2013, the Altice International Group secured a senior secured credit facility of €795 million. The proceeds were used to acquire ONI together with OMT and the rest was used to refinance the following liabilities:

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million;
- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.3 million; and
- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million.

(iii) Use of Margin Loan

During the fourth quarter of 2013, Altice France secured a margin loan of €324 million described in note 3y. The proceeds were used to finance the increase in the share capital of Numericable Group S.A. As part of the new financing proposed by Altice S.A. and Altice France, the margin loan is expected to be repaid in its entirety (for a total amount of €331 million (issued principal of €324.0 million and accrued interests of €7.0 million). See note 3e.

(iv) Use of Revolving Credit Facility ("RCF")

During the course of the year 2013 and in the second quarter of 2014, Altice S.A. and its subsidiaries obtained access to revolving credit facilities amounting to a total Euro equivalent of €393.0 million. Such facilities provide the Group with extra liquidity as and when required.

Pro-forma adjustments of €171.4 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2013, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2013.

(j) Initial public offering

On January 31, 2014, Altice S.A. listed its shares on Euronext Amsterdam and made a primary issuance for an amount of € 750.0 million, which was closed and fully received by the Group on February 3, 2014. The proceeds were used to complete the following operations:

- The purchase of an additional 10% stake in Numericable Group S.A. (see note 3j);
- The repayment of subordinated debt instruments held by the ultimate shareholder of the Group, for an amount of € 141.9 million;
- Payment of fees relating to the IPO for a total amount of € 41.0 million;
- Repayment of a vendor loan owed to Altice IV S.A, pertaining to the acquisition of MCS SAS, amounting to a total of € 13.9 million.
- Payment of € 89.6 million towards the acquisition of ODO (see note 3f).

	Effect of the IPO	**Payment of IPO Fees**	**Altice Limited Partners Buyout**	**Total Impact Of the IPO**
ASSETS				
Current assets				
Cash and cash equivalents	750.0	(28.0)	(141.9)	580.1
Total Current assets	**750.0**	**(28.0)**	**(141.9)**	**580.1**
Non-current assets				
Investment in associates				
Total non-current assets	**—**	**—**	**—**	
Total assets	**750.0**	**(28.0)**	**(141.9)**	**580.1**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	—	13.0		13.0
Total current liabilities	**—**	**13.0**	**—**	**13.0**
Non-current liabilities				
Debentures	—	—		
Total non-current liabilities	**—**	**—**	**—**	
Equity				
Invested equity	**750.0**	**(41.0)**	**(141.9)**	**567.1**
Non-controlling interests				
Total equity	**750.0**	**(41.0)**	**(141.9)**	**567.1**
Total equity and liabilities	**750.0**	**(41.0)**	**(141.9)**	**580.1**

(k) Contribution in kind and conversion of shareholder loans:

Prior and post its initial public offering of Altice S.A., a restructuring of the shareholder and other debts was carried out by Altice S.A. The details of such restructuring are described below:

- The conversion of shareholder debts issued by Altice France and Altice International into equity of Altice S.A.: The predecessor entities of Altice S.A. had issued shareholder debts (YFPECs and ALPECs) held by Next L.P. that were contributed to Altice S.A. in exchange for shares in the new entity. These instruments were contributed at their book value for a total amount of € 441.7 million at Altice International and € 341.2 million at Altice France. The fair value of these instruments in the consolidated statement of financial position of Altice S.A. amounted to € 100.7 million for the year ended December 31, 2013 and an additional adjustment of € 84.4 million was recorded in the pro-forma consolidated statement of financial statement to account for the difference between the fair value of the instruments and the contributed value of the instruments (accounted at cost)

- The conversion of vendor loans held by Valemi Corp. S.A. against Altice International, pertaining to the acquisition of MCS and SportV in the fourth quarter of 2013. € 6.7 million were contributed by Valemi Corp in exchange for shares in Altice S.A. at the admission price.

- The rollover of the OMT Managers in Altice S.A. on March 13, 2014 which impacts the non controlling interests in the unaudited pro-forma statement of financial position for € 1.3 million.

(l) Acquisition of SFR (adjustments related to the Altice S.A. perimeter)

In connection with the Transactions, the Group, through its subsidiary, Numericable Group S.A., contemplates acquiring a 59.7% stake in the Combined Group (consisting of Numericable Group S.A. and its subsidiaries and SFR and its subisdiaries). Pro-forma adjustments relating to this transaction are reflected in note 3l of this report, which pertains to the pro-forma adjustments made by the Issuer to reflect the impact of the transaction on its accounts.

Additionally, the Issuer will issue the Notes in an amount of € 4,150 million equivalent and new equity in reference to the transaction. The Pro forma adjustments relating to the new debt issuance are composed as follows:

- Subscription to a capital increase at Numericable Group S.A. level: Altice France will subscribe to a rights issuance by Numericable Group S.A. for a total amount of €3,530.0 million. This transaction is further eliminated as a contribution to equity in the Unaudited Pro Forma Financial Information;

- Repayment of the margin loan issued by Altice France S.A. for an amount of €331.0 (inclusive of accrued interest of €7.0 million) million (see note 3(h)(iii)); and

- Purchase of additional shares (14.0%) in Numericable Group S.A. from other shareholders for a total amount of €529.0 million.

Pro-forma adjustments of € 308.2 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2013, inclusive of tax effects, that would have been recorded had the above debt issuance taken place on January 1, 2013.

	Issuance of Altice SA Notes and RCF	**Repayment of Margin Loan**	**Issuance of equity**	**Purchase of the Non-controlling interests**	**Capital increase in Numericable Group**	**Total impact of the proposed issuance**
ASSETS						
Current assets						
Cash and cash equivalents	4,071.2	(331.1)	569.0	(529.0)	(3,530.1)	250.0
Total Current assets ...	**4,071.2**	**(331.1)**	**569.0**	**(529.0)**	**(3,530.1)**	**250.0**
Non-current assets						
Investment in associates					—	—
Total non-current assets........................	**—**	**—**	**—**	**—**	**—**	**—**
Total assets	**4,071.2**	**(331.1)**	**569.0**	**(529.0)**	**(3,530.1)**	**250.0**
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables....................	3.4	—	—	—	—	3.4
Total current liabilities	**3.4**	**—**	**—**	**—**	**—**	**3.4**
Non-current liabilities						
Debentures....................	4,385.1	(319.7)	—	—	—	4,385.1
Borrowings from financial liabilities....	—	(319.7)	—	—	—	(319.7)
Total non-current liabilities	**4,385.1**	**(319.7)**	**—**	**—**	**—**	**4,065.3**

Equity						
Invested equity	**(190.7)**	**(11.4)**	**569.0**	**(529.0)**	**(3,530.1)**	**(3,692.2)**
Non-controlling interests	(126.6)	—	—	—	—	(126.6)
Total equity	**(317.3)**	**(11.4)**	**569.0**	**(529.0)**	**(3,530.1)**	**(3,818.7)**
Total equity and liabilities	**4,071.2**	**(331.1)**	**569.0**	**(529.0)**	**(3,530.1)**	**250.0**

(m) Acquisition of SFR—(adjustments related to the Numericable Group perimeter)

i. The adjustments of finance costs (additional cost of € 366 million) include:

- The additional interests related to the new financing package as disclosed above for a total amount of €665.0 million (including borrowing costs amortized over the length of the new financing package). Those interests have been computed using estimations in term of interest rates (using the amortized cost method) that rely on rating assumptions and market conditions estimated as at end of March 2014. For the purposes of determining the adjustment to finance costs, as assumed weighted average interest rate has been used.

- The elimination of the finance costs related to Numericable Group S.A.'s existing Senior Facilities as those one will be reimbursed thanks to the new refinancing. Those finance costs amounted to € 188.0 million in 2013 including amortization of the underlying borrowing costs ;

- The elimination of the finance costs related to the financial liabilities of SFR to be reimbursed before or during the closing of the transaction (for a total amount of €9,083.0 million, as explained in the basis of preparation). Those finance costs amounted to € 231.0 million in 2013;

- Transactions costs related to the acquisition and refinancing (other than borrowing costs related to the issuance of the new financing package) for an amount of € 120 million including premiums that are expected to be paid by Numericable Group in connection with the refinancing of Numericable Group's existing Notes for €90 million and other fees for € 30 million. These costs are not expected to be recurring.

ii. An income tax charge of €7 million has been reflected in the unaudited pro forma condensed consolidated statement of income in conjunction with pro-forma restatements impacting SFR profit before tax. Considering the amount of existing tax losses at Numericable Group, no income tax entries have been considered necessary on the pro-forma adjustments impacting Numericable Group historical perimeter.

iii. It has been assumed that none of the above adjustments impacted non-controlling interests.

iv. This adjustment relates to additional goodwill determined in connection with the Acquisition. Its computation takes into account (i) the write-off of historical goodwill recognized at SFR for € 5,188 million and (ii) the preliminary amount of goodwill determined in connection with the acquisition of the SFR Group (€ 10,539 million) and representing the difference between:

1. the consideration paid of €16,320 million, which includes:

a. Numericable Group's shares against the contribution in kind from Vivendi for an estimated amount of €2,070 million in exchange for the contribution in SFR shares made by Vivendi (corresponding to 20% of Numericable Group, following the Acquisition, estimated new market capitalization including Numericable Group actual estimated market capitalization of Numericable Group calculated using a share price of € 28.64 plus the amount of the two share capital increases disclosed hereafter); In accordance with IFRS, this consideration will have to be estimated at the fair value of the shares at the date of the Right Issue, which could differ significantly from this estimated amount and therefore could significantly affect the amount of goodwill

b. the price paid in cash by Numericable Group to Vivendi for €13,500 million

c. The potential earn-out estimated to be € 750 million, such amount being contingent upon certain events. In accordance with IFRS 3, this contingent consideration will have to be estimated at its the fair value as of the date of the Acquisition, which could differ significantly from this estimated amount and therefore could significantly affect the amount of goodwill.

v. The net assets acquired of SFR Group as their historical amounts as if the acquisition took place as at December 31, 2013. The value of the equity acquired (€5,781 million) has been computed as the aggregation of (i) the combined equity of SFR Group as at December 31, 2013 for € 2,280 million minus (ii) the effect of derecognizing the historical goodwill balance for € 5,188 million plus (iii) the amount of financial liabilities of SFR Group reimbursed before closing or at closing for an estimated amount of €9,083 minus (iv) the amount of cash of SFR Group as at December 31, 2013 that will be repaid to Vivendi for € 394 million at closing (see vi).

vi. Cash and cash equivalents have been adjusted as follows:

1. The cash position of SFR as at December 31, 2013 (€ 394 million) has been cancelled as it is assumed that SFR will be sold to Numericable Group free of cash ;

2. The cash position of Numericable Group as at December 31, 2013 (€101 million) has also been cancelled as it is assumed that this cash will be fully used to finance part of the repayment of Numericable Group existing Senior Facilities.

vii. Pro forma adjustments to total invested equity is mainly explained by to the following adjustments

- The removing of the historical balance of SFR: € 2,280 million decrease;
- To record the amounts related to the issuance of ordinary shares of Numericable Group, reflecting the equity injection of € 4,730 million (including € 1,202 million through a public offering and € 3,530 subscribed by Altice S.A., the majority shareholder of Numericable Group);
- To record the amounts related to the issuance of ordinary shares of Numericable Group to pay for the contribution in share made by Vivendi for € 2,070 million.
- Based on the analysis of all factors set forth in IFRS 3, paragraphs B13-B18, management of Numericable Group has concluded that, under IFRS, Numericable Group will be considered the acquirer and SFR the acquiree.

viii. Refinancing Transactions

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

- Issuance of Senior Secured Notes for an estimated total amount of €6,040 million;
- Issuance of Senior Secured Term Loans for an estimated total amount of €5,600 million;
- The borrowing costs related to the debt issuances disclosed above have been deducted of the pro forma financial liabilities for € 186 million as at December 31, 2013;
- The repayment of the SFR loans for an amount of €9,083 million;
- The repayment of the Numericable Group S.A.'s financial liabilities under its existing Senior Facility Agreement for €2,638 million;
- The unamortized part of the borrowing costs related to the Numericable Group S.A.'s financial liabilities under its existing Senior Facility Agreement have been eliminated as at December 31, 2013 and therefore increased the pro forma financial liabilities by €22 million as at December 31, 2013.

ix. Adjustments made to pro forma trade payables and other liabilities (€746 million) include:

- the elimination of intercompany positions for minus €4 million;
- the potential earn-out estimated to be €750 million

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

The historical financial statements of ODO, from which amounts have been derived in preparing the Unaudited Pro Forma Financial Information as of and for the year ended December 31, 2013, have been drawn in Dominican Pesos ("DOP"). The amounts have been translated into Euro ("€"), for the purposes of their inclusion within the Unaudited Pro Forma Financial Information, using the following notes

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

(o) Elimination of intercompany transactions between SFR and Altice S.A. and its subsidiaries.

Intercompany transactions between the entities included in the Unaudited Pro Forma Financial Information have not been excluded or eliminated from the Unaudited Pro Forma Financial Information as the amounts were not considered material by the Board of Directors, except for certain transactions between NG and Cabovisao, Coditel Brabant S.p.r.l., Coditel S.à r.l., Green, World Satellite Group, Martinique TV Cable, Hot Telecom Ltd., Numericable Group S.A. and SFR S.A. and also between SFR S.A. and its subsidiaries and OMT and its subsidiaries. These intercompany transactions had a net impact of € 1.4 million that has been recorded in the pro-forma consolidated statement of income and €1.0 million that has been recorded on the asset and liabilities of the pro-forma consolidated statement of financial position.

4—Notes to the unaudited pro forma consolidated financial information

(a) Revenue pre-acquisition of NG, ODO & SFR

for the period December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Cable based services	**694.2**	**60.9**	**108.7**	**—**	**—**	**108.7**	**24.9**	**34.8**	**30.0**	**89.6**	**1.3**	**954.7**
Mobile services	**187.6**	**1.2**	**—**	**—**	**—**	**—**	**—**	**67.3**	**66.6**	**133.9**	**—**	**322.8**
B2B & others	**—**	**8.4**	**—**	41.8	59.0	100.9	**—**	**—**	**—**	**—**	73.9	183.1
Total	**881.9**	**70.5**	**108.7**	**41.8**	**59.0**	**209.6**	**24.9**	**102.1**	**96.5**	**223.5**	**75.2**	**1,460.7**

(b) Purchases and subcontracting services pre-acquisition of NG, ODO & SFR

for the period ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Cable based services	(129.6)	(10.6)	(34.1)	—	—	(34.1)	(11.6)	(9.6)	(3.9)	(25.1)	(0.3)	(199.7)
Mobile services	(107.8)	(.9)	—	—	—	—	(21.2)	(20.5)	—	(41.7)	—	(150.4)
B2B & others	—	(1.0)	—	(24.3)	(31.2)	(55.5)	—	—	—	—	(26.8)	(83.4)
Total	(237.4)	(12.6)	**(34.1)**	**(24.3)**	**(31.2)**	**(89.6)**	**(32.8)**	**(30.1)**	**(3.9)**	**(66.8)**	**(27.1)**	**(433.6)**

4—Notes to the unaudited condensed combined financial information (Continued)

(c) Gross Profit pre-acquisition of NG, ODO & SFR

For the period ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Cable based services	564.6	50.2	74.5	—	—	74.5	21.0	23.1	20.4	64.5	1.0	754.9
Mobile services	79.9	0.3	—	—	—	—	—	46.2	46.1	92.2	—	172.4
B2B & Others	—	7.3	—	17.5	27.8	45.3	—	—	—	—	47.1	99.7
Total	**644.5**	**57.9**	**74.5**	**17.5**	**27.8**	**119.8**	**21.0**	**69.3**	**66.5**	**156.7**	**48.1**	**1,027.1**

4—Notes to the unaudited condensed combined financial information (Continued)

(d) Other expenses pre-acquisition of NG, ODO & SFR

For the period ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31, 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Other operating expenses..........	(204.1)	(5.4)	(19.6)	(7.8)	(11.2)	(38.6)	(3.9)	(14.5)	(19.8)	(38.2)	(6.9)	(293.1)
Other sales and marketing expenses	(49.9)	(3.4)	(7.6)	(1.1)	(1.3)	(10.0)	(0.5)	(12.2)	(7.3)	(20.0)	(4.6)	(88.8)
General and administrative expenses	(27.5)	(4.1)	(4.0)	(3.0)	(5.9)	(13.0)	(2.7)	(5.2)	(6.1)	(14.0)	(16.0)	(75.3)
Total..	**(281.5)**	**(12.9)**	**(31.2)**	**(11.8)**	**(18.5)**	**(61.5)**	**(7.1)**	**(31.9)**	**(33.2)**	**(72.2)**	**(27.5)**	**(456.4)**

(e) EBITDA pre-acquisition of NG, ODO & SFR

	Israel Jan 1, 2013 to Dec 31, 2013	BeLux Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 30, 2013	Portugal TOTAL Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
For the year ended December 31 , 2013...........	**363.0**	**45.0**	**43.3**	**5.7**	**9.2**	**58.3**	**13.9**	**37.4**	**33.3**	**84.6**	**19.8**	**570.7**

4—Notes to the unaudited condensed combined financial information (Continued)

(f) Capital expenditures pre-acquisition of NG & ODO

For the year ended December 31, 2013	Israel Total	Belgium and Luxembourg	Cabovisao	ONI (7m)	ONI (5m)	Portugal Total	OMT (6m)	OMT (6m)	Le Cable	Total French Overseas Territories	Others	Total
	For the year ended December 31, 2013											
	€	€	€	€	€	€	€	€	€	€	€	€
Cable based services	155.3	21.5	18.3	—	—	18.3	0.9	4.2	4.4	9.5	0.3	204.8
Mobile services	53.6	—	—	—	—	—	(0.5)	8.8	—	8.3	—	61.9
B2B & others	—	1.4	—	3.4	2.3	5.7	14.3	3.1	1.1	18.5	21.8	47.5
Total capital expenditures	**208.9**	**23.0**	**18.3**	**3.4**	**2.3**	**24.0**	**14.7**	**16.0**	**5.5**	**36.2**	**22.1**	**314.2**

(g) Revenue post acquisition of NG, ODO and SFR

For the year ended December 31, 2013

France (NG)	France (SFR)	Israel	Cabovisao	ONI	ONI	Total Portugal	Belgium & Luxemburg	Le Cable	OMT	OMT	Total French Overseas Territories	Dominican Republic	Others	Adj.(*)	Total
Jan 1, 2013 to Dec 31, 2013	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to July 31, 2013**	**Aug 1, 2013 to Dec 31, 2013**		**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Jun 30, 2013**	**Jul 1, 2013 to Dec 31, 2013**		**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**
1,341.2	**10,199.0**	**881.9**	**108.7**	**59.0**	**41.8**	**209.5**	**70.5**	**24.9**	**96.5**	**102.1**	**223.5**	**446.3**	**75.2**	**(44.8)**	**13,375.3**

(*) Adjustments refer to the elimination of intercompany transactions between the Numericable Group and SFR S.A. that have been eliminated on a pro-forma basis. Please see section 3.k for more details.

4—Notes to the unaudited condensed combined financial information (Continued)

(h) EBITDA post acquisition of NG, ODO & SFR

For the year ended December 31, 201

France (NG)	France (SFR)	Israel	Cabovisao	ONI	ONI	Total Portugal	Belgium & Luxembourg	Le Cable	OMT	OMT	Total French Overseas Territories	Dominican Republic	Others	Adjustments(*)	Total
Jan 1, 2013 to Dec 31, 2013	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to July 31, 2013**	**Aug 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Jun 30, 2013**	**Jul 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**
612.3......	2,819.2	363.0	43.3	9.2	5.7	58.4	45.0	13.9	33.3	37.4	84.6	173.0	20.0	(1.6)	4,173.7

(*) Adjustments refer to the elimination of intercompany transactions between the Numericable Group and SFR S.A. and between SFR S.A. and Altice S.A and its subsidiaries that have been eliminated on a pro-forma basis. Please see section 3 for more details.

(i) Capital expenditure post acquisition of NG, ODO & SFR

France (NG)	France (SFR)	Israel	Cabovisao	ONI	ONI	Total Portugal	Belgium & Luxembourg	Le Cable	OMT	OMT	Total French Overseas Territories	Dominican Republic	Others	Total
Jan 1, 2013 to Dec 31, 2013	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to July 31, 2013**	**Aug 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Jun 30, 2013**	**Jul 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**	**Jan 1, 2013 to Dec 31, 2013**
319.8 .	1,610.0	208.9	18.3	3.4	2.3	24.0	23.0	5.5	14.7	16.0	36.2	58.5	22.1	2,302.5

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

5—Unaudited pro-forma financial information pertaining to Numericable Group

5.1 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

	2013 Numericable Group Historical Consolidated Financial Statements	2013 SFR	Proforma adjustments Amount	2013 Numericable Group Proforma Financial Information
Revenue	1,314	10,199	(42)	11,472
Operating expenses	(1,058)	(9,194)	39	(10,214)
Operating income	256	1,005	(3)	1,258
Finance costs	(324)	(251)	(366)	(940)
Income tax expense (income)	133	(315)	7	(175)
Share in net income (loss) of associates	—	(12)	—	(12)
Net income (loss)	65	426	(362)	129
—Attributable to owners of the entity	*65*	*420*	*(362)*	*123*
—Attributable to non-controlling interests	*—*	*6*	*—*	*6*

5.2 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	2013 Numericable Group Historical Consolidated Financial Statements	2013 SFR	Proforma adjustments Amount	2013 Numericable Group Proforma Financial Information
Goodwill	1,484	5,188	5,351	12,023
Other intangible assets	307	3,931	—	4,238
Property, plant and equipment	1,465	4,532	(7)	5,990
Investments in associates	3	152	—	155
Other non-current financial assets	7	185	—	192
Deferred tax assets	133	127	—	260
Non-current assets	**3,399**	**14,115**	**5,344**	**22,857**
Inventories	50	240	—	290
Trade receivables and other receivables	403	2,555	(19)	2,939
Other current financial assets	4	2	—	6
Income tax receivable	3	3	—	6
Cash and cash equivalents	101	394	(495)	—
Assets classified as held for sale	—	—	—	—
Current assets	**561**	**3,194**	**(514)**	**3,241**
Total assets	**3,960**	**17,309**	**4,830**	**26,099**

EQUITY AND LIABILITIES	2013 Numericable Group Historical Consolidated Financial Statements	2013 SFR	Proforma adjustments Amount	2013 Numericable Group Proforma Financial Information
Total invested equity	**254**	**2,291**	**4,341**	**6,886**
Non-current financial liabilities	2,702	1,248	7,650	11,600
Non-current provisions	74	156	—	230
Deferred tax liabilities	—	2	—	2
Other non-current liabilities	103	540	746	1,388
Non-current liabilities	**2,878**	**1,946**	**8,396**	**13,274**
Current financial liabilities	64	7,846	(7,889)	22
Current provisions	6	335	—	341
Trade payables and other current liabilities	757	4,891	(19)	5,630
Current income tax liabilities	—	—	—	—
Liabilities classified as held for sale	—	—	—	—
Current liabilities	**828**	**13,072**	**(7,907)**	**5,993**
Total equity and liabilities	**3,960**	**17,309**	**4,830**	**26,099**

5.3 RECONCILIATION BETWEEN OPERATING INCOME AND ADJUSTED EBITDA

	2013 Numericable Group	2013 SFR	Proforma adjustments[2]	2013 Numericable Group Proforma
Operating income	**256**	**1,005**	**(3)**	**1,258**
Depreciation and amortization	304	1,661[c]		1,965
Restructuring costs	1[a]	93[d]		94
Other non-recurring costs	38[b]	—		38
Stock Option expense	4	27[e]		31
CVAE	13	53[f]		65
Other costs/(revenues)	—	7[g]		7
Adjusted EBITDA[1]	**616**	**2,846**	**(3)**	**3,459**
Reversal of stock option expense	−4	−27	0	−31
EBITDA	**612**	**2,819**	**(3)**	**3,428**

(a) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Telecom;

(b) Composed of advisory fees paid in connection with the Numericable Group's refinancing transactions (€4.9 million); provisions/costs related to tax and social security audits (€11.2 million) ; an exceptional charge recognized for the €1.1 million legal fees paid in respect of litigation against France Telecom at the International Chamber of Commerce ; an exceptional charge recognized for the €6.1 million penalty relating to the dispute with Free (see Note 20.7.2. to the consolidated financial statements for the year ended December 31, 2013) ; and €14.7 million non-cash losses resulting from (i) the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers and (ii) the transfer of remaining net book value of assets returned to local governments in connection with the exiting of DSP contracts.

(c) € 729 million depreciation and amortization on intangible fixed assets (refer to Note 9.2 to the 2013 combined financial statements of SFR) and € 932 million depreciation and amortization on tangible fixed assets (refer to Note 10.2 to the 2013 combined financial statements of SFR).

(d) Restructuring costs mainly related to the SFR voluntary redundancy plan launched in 2012 (refer to Note 4.2 the 2013 combined financial statements of SFR).

(e) IFRS 2 related expenses as mentioned in Note 17.2 to the 2013 combined financial statements of SFR.

(f) The amount of CVAE for SFR is not disclosed in the 2013 combined financial statements of SFR.

(g) Includes €2 million other operating income and € 10 million other operating costs, as described in Note 4.2 to the 2013 combined financial statements of SFR.

The Adjusted EBITDA is a non IFRS financial measure which excludes certain items that Numericable Group considers outside of its recurring operating activities or that are non-cash. This indicator does not exist in SFR available financial information. Therefore Numericable Group has tried to identify similar adjustments based on information disclosed in the 2013 combined financial statements of SFR or additional information provided by SFR. Considering this, the adjustments made to the SFR operating income to get to the Adjusted EBITDA may not be entirely comparable to those made to the Numericable Group operating income and may not be exhaustive.

6—Other Information

Other referenced acquisitions and divestitures have not been reflected in the pro forma adjustments. The other referenced acquisitions and divestitures were not individually or in the aggregate significant to Altice S.A.

The tax effect of the transaction adjustments in the Unaudited Pro Forma Financial Information has been calculated using a theoretical effective tax rate of 38% for companies based in France and 29.22% for companies based in Luxembourg, for the year ended December 31, 2013.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information, which includes an unaudited pro forma condensed consolidated financial position and unaudited pro forma condensed consolidated statement of income, which give effect to the Transactions, as defined elsewhere in this Notice, are presented in millions of euros and assumes that (i) the acquisition of SFR, SIG 50 and their subsidiaries (together the "SFR Group") by Numericable Group was completed on January 1, 2013; and (ii) the financing of the Acquisition and the Refinancing Transactions occurred on January 1, 2013 instead of the Issue Date in the pro forma condensed consolidated income statement (the above mentioned transactions are referred as "the Transactions") and that the Transactions occurred on December 31, 2013 in the pro forma condensed consolidated financial position (in this section the above described unaudited pro forma condensed consolidated financial information are referred to as the "Unaudited Pro Forma Condensed Consolidated Financial Information").

The Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared in accordance with the basis of preparation described in the accompanying "Notes to the Unaudited Pro Forma Condensed Consolidated Financial Information". The pro forma adjustments are based upon available information and certain assumptions that management of Numericable Group believes are reasonable.

The Unaudited Pro Forma Condensed Consolidated Financial Information is presented for illustrative purposes only and is not indicative of the result of operations or the financial position that Numericable Group would have been achieved had the Transactions occurred as at January 1, 2013 in the pro forma condensed consolidated income statement and as at December 31, 2013 in the pro forma condensed consolidated financial position, nor is the Unaudited Pro Forma Condensed Consolidated Financial Information indicative of the future operating results or financial position of Numericable Group. The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any cost savings or other synergies which may result from the Acquisition and does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs which may be incurred as a result of the Acquisition, which cannot be identified at this stage and which are not expected to have a continuing impact on the Group.

Such Unaudited Pro Forma Condensed Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive, or any generally accepted accounting standards.

In addition, the financial effects of any actions described in the Notice, such as synergies or the effect of asset dispositions, if any, that may be required by regulatory authorities, cannot currently be determined and therefore are not reflected in the Unaudited Pro Forma Condensed Consolidated Financial Information.

The Unaudited Pro Forma Condensed Consolidated Financial Information has been derived from and should be read in conjunction with the respective consolidated financial statements of Numericable Group and the combined financial statements of SFR Group as of and for the year ended December 31, 2013, free translations of each being included elsewhere in this Notice.

The Unaudited Pro Forma Condensed Consolidated Financial Information is based on preliminary estimates and assumptions, which Numericable Group believes to be reasonable. In particular, in the unaudited pro forma condensed consolidated financial position, any difference between (a) the total consideration transferred measured in accordance with IFRS 3 *Business Combinations* ("IFRS 3") and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, has been allocated to goodwill. Definitive allocations will be performed and finalized based upon certain valuations and other studies that will be performed with the services of outside valuation specialists after the closing of the Acquisition. Accordingly, the determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Condensed Consolidated Financial Information and is subject to revision based on a final determination of fair value of assets acquired and liabilities assumed after the closing of the Acquisition. The determination of the fair value of assets acquired and liabilities assumed will result in the recognition of certain identifiable assets acquired such as licenses, trademarks and customer base which will have a finite life and will be amortized. As a result, the future results of operations of the Combined Group may be significantly affected by amortization expense in relation to such identifiable assets acquired.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Proforma adjustments

	2013 Numericable Group Historical Consolidated Financial Statements	2013 SFR	Amount	Note	2013 Numericable Group Proforma Financial Information
Revenue	1,314	10,199	(42)	***3.a***	11,472
Operating expenses	(1,058)	(9,194)	39	***3.b***	(10,214)
Operating income	256	1,005	(3)		1,258
Finance costs	(324)	(251)	(366)	***3.c***	(940)
Income tax expense (income)	133	(315)	7	***3.d***	(175)
Share in net income (loss) of associates	—	(12)	—		(12)
Net income (loss)	65	426	(362)		129
—Attributable to owners of the entity	*65*	*420*	*(362)*	***3.e***	*123*
—Attributable to non-controlling interests	*—*	*6*	*—*	***3.e***	*6*

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			Proforma adjustments		
ASSETS	**2013 Numericable Group Historical Consolidated Financial Statements**	**2013 SFR**	**Amount**	**Note**	**2013 Numericable Group Proforma Financial Information**
Goodwill	1,484	5,188	5,351	***3.f***	12,023
Other intangible assets	307	3,931	—		4,238
Property, plant and equipment	1,465	4,532	(7)	***3.g***	5,990
Investment in associates	3	152	—		155
Other non-current financial assets	7	185	—		192
Deferred tax assets	133	127	—		260
Non-current assets	**3,399**	**14,115**	**5,344**		**22,857**
Inventories	50	240	—		290
Trade receivables and other receivables	403	2,555	(19)	***3.g***	2,939
Other current financial assets	4	2	—		6
Income tax receivable	3	3	—		6
Cash and cash equivalents	101	394	(495)	***3.h***	—
Assets classified as held for sale	—	—	—		—
Current assets	**561**	**3,194**	**(514)**		**3,241**
Total assets	**3,960**	**17,309**	**4,830**		**26,099**

			Proforma adjustments		
LIABILITIES	**2013 Numericable Group Historical Consolidated Financial Statements**	**2013 SFR**	**Amount**	**Note**	**2013 Numericable Group Proforma Financial Information**
Total invested equity	**254**	**2,291**	**4,341**	***3.i***	**6,886**
Non-current financial liabilities	2,702	1,248	7,650	***3.j***	11,600
Non-current provisions	74	156	—		230
Deferred tax liabilities	—	2	—		2
Other non-current liabilities	103	540	746	***3.k***	1,388
Non-current liabilities	**2,878**	**1,946**	**8,396**		**13,220**
Current financial liabilities	64	7,846	(7,889)	***3.j***	22
Current provisions	6	335	—		341
Trade payables and other current liabilities	757	4,891	(19)	***3.l***	5,630
Current income tax liabilities	—	—	—		—
Liabilities classified as held for sale	—	—	—		—
Current liabilities	**828**	**13,072**	**(7,907)**		**5,993**
Total equity and liabilities	**3,960**	**17,309**	**4,830**		**26,099**

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

NOTE 1. GENERAL INFORMATION AND DESCRIPTION OF THE ACQUISITION

The SFR Acquisition, the Financing of the SFR Acquisition and the Refinancing Transactions are described in the section entitled “The Transactions” contained elsewhere in this Notice.

On April 5, 2014, the Numericable Group submitted an offer to acquire SFR from Vivendi S.A. (which was selected by Vivendi’s Supervisory Board and is subject to works council procedures and to certain conditions precedent, including antitrust approval). References herein to the “Numericable Group” or the “Group” are to Numericable Group S.A. or to Numericable Group S.A. and its subsidiaries as the context requires. References herein to “SFR” or the “SFR Group” are to SFR or to SFR and its subsidiaries as the context requires.

The accompanying unaudited pro forma condensed consolidated statement of income for the twelve-month period ended December 31, 2013 and the accompanying unaudited pro forma condensed consolidated statement of financial position as of December 31, 2013 present the pro forma financial information of the Numericable Group, giving effect to the Transactions described in the basis of preparation below. The Unaudited Pro forma Condensed Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities and Exchange Commission, the EU Prospectus Directive or any generally accepted accounting standards, nor has it been audited or reviewed.

The Unaudited Pro Forma Condensed Consolidated Financial Information consists of a pro forma condensed consolidated income statement for the twelve months ended December 31, 2013 and a pro forma condensed consolidated financial position as at December 31, 2013. This pro forma financial information has been prepared based on the consolidated financial statements of Numericable Group and the combined financial statements of SFR Group respectively as of and for the year ended December 31, 2013.

Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial information.

The pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. The following adjustments give pro forma effect to events that are (1) directly attributable to the above mentioned Transactions and; (2) factually supportable. These adjustments are described in these notes.

NOTE 2. BASIS OF PREPARATION

The Unaudited Condensed Consolidated Pro Forma Financial Information has been prepared to give effect to the Transactions as if they occurred on January 1, 2013 for the purposes of the unaudited condensed consolidated pro forma statements of income. Pro forma adjustments related to the unaudited pro forma condensed consolidated statement of financial position are computed assuming the Transactions were completed on December 31, 2013.

As all pro forma adjustments are directly attributable to the Transactions, the Unaudited Condensed Consolidated Pro Forma Financial Information does not reflect any restructuring expenses that may be incurred in connection with the Acquisition (see Note 4 which discusses certain other items directly attributable to the Transaction and which have been excluded from the pro forma adjustments).

Only adjustments that are factually supportable and that can be estimated reliably at the date the Unaudited Condensed Consolidated Pro Forma Financial Information is prepared have been taken into account. For instance, the Unaudited Condensed Consolidated Pro Forma Financial Information does not reflect any cost savings potentially realizable from the elimination of certain expenses or from synergies. The Unaudited Condensed Consolidated Pro Forma Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs that may be incurred as a result of the Acquisition. Material non-recurring items that are directly attributable to the Transactions and that can be factually supported and reliably estimated are included in the pro forma adjustments.

There are certain differences in the way in which the Numericable Group and the SFR Group present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the unaudited pro forma condensed consolidated financial information statements of income to comply with the Numericable Group’s presentation (see Note 6). There could be additional reclassifications following completion of the SFR Acquisition.

Upon completion of the SFR Acquisition, any transactions that occurred between Numericable Group and SFR Group will be considered intercompany transactions. Balances and transactions between Numericable Group and SFR Group as of and for the period presented have been eliminated as noted below.

Accounting treatment of the Acquisition

Due to the listing of the Numericable Group's shares on the Euronext Paris SA and in accordance with EC Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Numericable Group and its subsidiaries, included elsewhere in this Notice, are prepared in accordance with IFRS as adopted by the European Union ("IFRS").

Numericable Group intends to account for the SFR Acquisition as a business combination and will measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values in accordance with IFRS 3. The measurement of the acquirer's assets and liabilities is not affected by the SFR Acquisition. The SFR Acquisition is not expected to be completed until the fourth quarter of 2014 and the initial accounting for the SFR Acquisition will not be finalized by the end of 2014. The consolidated financial statements for the year ended December 31, 2014 will be prepared based on provisional amounts for certain assets acquired and liabilities assumed for which the accounting is incomplete. During the measurement period, such provisional amounts recognized at the acquisition date could be adjusted up until one year from the closing date of the SFR Acquisition, in accordance with IFRS 3.

Based on the analysis of all factors set forth in IFRS 3, paragraphs B13-B18, and the facts known to date, management of the Numericable Group assumes that, under IFRS, Numericable Group will be considered the acquirer and SFR the acquiree. In particular, it is expected that Altice, which currently controls the Numericable Group, will have a majority representation at the Board of Directors of the Group, following completion of the SFR Acquisition.

Historical financial information

The Unaudited Pro Forma Condensed Consolidated Financial Information should be read in conjunction with the notes thereto as well as the historical consolidated financial statements of Numericable Group prepared in accordance with IFRS as adopted by the European Union and the historical combined financial statements of SFR prepared in accordance with IFRS as adopted by the European Union, each of which have been included elsewhere in this Notice. The consolidated financial statements of Numericable Group as of and for the year ended December 31, 2013, prepared in accordance with IFRS as adopted in the European Union, have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG SA and the combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013, have been audited by KPMG Audit, a department of KPMG S.A. and Ernst & Young et Autres.

SFR Financial Information

This financial information of Numericable Group S.A. has been supplemented by the financial information of the SFR Group derived from the combined financial statements of SFR S.A., SIG 50 S.A. and their subsidiaries as of and for the three-year period ended December 31, 2013, prepaid in accordance with IFRS as adopted by the European Union.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of SFR Group have been modified in order to present the financial information of SFR Group according to the same presentation principles as those applied by Numericable Group in its consolidated financial statements as of and for the year ended December 31, 2013. Accordingly, certain reclassifications discussed below have been made to the selected financial statement items derived from the historical financial statements of the SFR Group to present the Unaudited Pro Forma Condensed Consolidated Financial Information that is aligned with the presentation and classification criteria applied by the Numericable Group in the preparation of its historical consolidated financial statements. All the financial information and historical financial statements and related audit reports are included elsewhere in this Notice. There could be additional reclassifications following completion of the Acquisition.

NOTE 3. PRO FORMA ADJUSTMENTS

Unless otherwise indicated, pro forma adjustments are determined before tax effect.

(a) Intercompany revenues between the Numericable Group and SFR have been eliminated for an amount of €42 million.

(b) Intercompany operating expenses between Numericable Group and SFR have been eliminated for an amount of €39 million.

(c) The pro forma adjustments of finance costs (additional expense of €+366 million) include:

- the additional interests related to the New Financing Package as disclosed above for a total amount of €+665 million (including borrowing costs amortized over the length of the new financing package). Those interests have been computed using estimations in term of interest rates (using the amortized cost method) that rely on rating assumptions and market conditions estimated at the end of March 2014. For the purposes of determining the adjustment to finance costs, the weighted average interest rate of the New Financing Package is assumed to be 5.4%.

- Actual interest rate paid on the New Financing Package could differ from this estimate based on future events such as rating and market conditions, among other things, which are events outside of our control, and this could significantly affect the consolidated statement of income of the Group. For illustrative purposes, a variation of +/– 10 basis points of weighted average interest rate could result in a decrease/increase by approximately €12 million of pro forma net income.

- the cancellation of the interests related to the Numericable Group's Senior Facilities as the Senior Facilities will be reimbursed as a result of the refinancing. Those interests amounted to € (188) million in 2013;

- the cancellation of the finance interests related to the financial liabilities of SFR to be reimbursed before or during the closing of the Transactions (for a total amount of €9,083 million). Those finance costs amounted to €(231) million in 2013;

- transactions costs related to the acquisition and refinancing (other than borrowing costs related to the issuance of the new financing package) for an amount of €120 million including make-whole that are expected to be paid by Numericable Group in connection with the refinancing of Numericable Group's existing Notes for €90 million (based on an assumed call date as at June 15, 2014) and other fees for €30 million. These costs are not expected to have a continuing impact on the Group.

(d) An income tax charge of €7 million has been reflected in the unaudited pro forma condensed consolidated statement of income in conjunction with the pro forma adjustments impacting SFR profit before tax.

Considering the amount of existing tax losses at Numericable Group, no income tax entries have been considered necessary on the pro-forma adjustments impacting Numericable Group historical perimeter (in particular on the pro forma adjustments affecting finance costs discussed in (c) above).

(e) It has been assumed that none of the above adjustments impacted non-controlling interests.

(f) This adjustment relates to additional goodwill determined in connection with the Acquisition. Its computation takes into account (i) the write-off of historical goodwill recognized at SFR for € 5,188 million and (ii) the preliminary amount of goodwill determined in connection with the acquisition of the SFR Group (€ 10,539 million) and representing the difference between:

- the consideration transferred of €16,320 million, which includes:

  i. Numericable Group's shares against the contribution in kind from Vivendi for an estimated amount of €2,070 million in exchange for the contribution in SFR shares made by Vivendi (corresponding to 20% of Numericable Group, following the Acquisition, estimated new market capitalization including Numericable Group actual estimated market capitalization of Numericable Group calculated using a share price of € 28.64 plus the amount of the two share capital increases disclosed hereafter). In accordance with IFRS, this consideration will have to be estimated at the fair value of the shares at the date of the Right Issue, which could differ significantly from this estimated amount and therefore could significantly affect the amount of goodwill;

  ii. the price paid in cash by the Numericable Group to Vivendi for €13,500 million

  iii. the potential earn-out estimated to be €750 million, such amount being contingent upon certain events. In accordance with IFRS 3, this contingent consideration will have to be estimated at the fair value as of the date of the Acquisition, which could differ significantly from this estimated amount and therefore could significantly affect the amount of goodwill and net income.

- the net assets acquired of SFR Group as their historical amounts as if the acquisition took place as at December 31, 2013. The value of the equity acquired (€5,781 million) has been computed as the aggregation of (i) the combined equity of SFR Group as at December 31, 2013 for €2,280 million minus (ii) the effect of derecognizing the historical goodwill balance for €5,188 million plus (iii) the amount of financial liabilities of SFR Group reimbursed before closing or at closing for an estimated amount of € 9,083 million minus (iv) the amount of cash of SFR Group as at December 31, 2013 that will be repaid to Vivendi for €394 million at closing (see h).

  It is to note that historical amounts of intangible assets recognized at SFR, including but not limited to licenses, trademarks or customer bases, have been maintained at their historical amount in determining the preliminary amount of goodwill. Such amounts will have to be measured at their acquisition-date fair values, which could differ significantly from the historical amounts, and goodwill determined as a result could be significantly different.

(g) These pro forma adjustments correspond to the elimination of intercompany positions.

(h) Cash and cash equivalents have been adjusted as follows:

- The cash position of SFR as at December 31, 2013 (€394 million) has been cancelled as it is assumed that SFR will be sold to Numericable Group free of cash;

- The cash position of Numericable Group as at December 31, 2013 (€101 million) has also been cancelled as it is assumed that this cash will be fully used to finance part of the repayment of Numericable Group existing Senior Facilities.

(i) Pro forma adjustments to total invested equity is mainly explained by to the following adjustments:

- the removing of the historical net equity of SFR: €2,280 million decrease;

- the share capital increase paid up in cash of € 4,732 million (including €1,202 million through a public offering and €3,530 million subscribed by Altice S.A., the majority shareholder of Numericable Group) less the fees paid in connection with this share capital increase for an amount estimated to €35 million. This capital increase is subject to the approval of the general shareholders' meeting of the Numericable Group, being noted that Altice S.A. has entered into a binding commitment to exercise all preferential subscription rights to be allocated to it pursuant to the Right Issue amounting to €3,530 million, and that certain financial institutions have agreed to underwrite, subject to certain conditions, up to the remaining amount of €1,202 million to be raised in the Right Issue;

- the share capital increase paid up by contribution in shares made by Vivendi for the benefit of Numericable Group for €2,070 million, as explained in (f). This capital increase is also subject to the approval of the general shareholders' meeting of Numericable Group.

(j) Refinancing Transactions

The pro forma adjustments related to the Refinancing Transactions are mainly composed as follows:

- Issuance of Senior Secured Notes for an estimated total amount of €6,040 million;

- Issuance of Senior Secured Term Loans for an estimated total amount of €5,600 million;

- The borrowing costs directly related to the debt issuances disclosed above have been deducted from the pro forma financial liabilities for €186 million as at December 31, 2013 (in accordance with the amortized costs method);

- The repayment of the Numericable Group's financial liabilities under its existing Senior Facility Agreement for €2,638 million;

- The unamortized part of the borrowing amortized costs related to the NG's financial liabilities under the existing Ypso France Senior Facility Agreement have been eliminated as at December 31, 2013 and therefore increased the pro forma financial liabilities by €22 million as at December 31, 2013;

- The repayment of the SFR Group loans for an amount of €9,083 million.

(k) Adjustments made to pro forma Other non-current liabilities (€+746 million) include:

- the elimination of intercompany positions for minus €4 million;
- the potential earn-out estimated to be €750 million, such amount being contingent upon certain events as explained in (f).

(l) Adjustments made to pro forma "Trade payables and other liabilities" correspond to the elimination of intercompany transactions for €19 million.

NOTE 4. ITEMS DIRECTLY ATTRIBUTABLE TO THE ACQUISITION AND EXCLUDED FROM THE PRO FORMA ADJUSTMENTS

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any cost savings or other synergies which may result from the Acquisition or the effect of asset dispositions, if any, that may be required by regulatory authorities.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any special items such as payments pursuant to contractual change- of-control provisions (for example related to the Vivendi Shares' stock options granted to SFR employees), which cannot be identified at this stage and which are not expected to have a continuing impact on the Group.

A portion of the Notes and the Numericable Group Term Loan will be US dollar- denominated. The estimated amount of such amount of Notes and the Numericable Group Term Loan which are to be U.S. dollar denominated have been converted into euros assuming a 1€ = 1.375$. While it is the intention of the Combined Group to hedge the interest-rate risk as well as the foreign-currency risk, the Unaudited Pro Forma Condensed Consolidated Financial Information does not include any adjustment in relation to derivative financial instruments entered into for the purposes of hedging the US dollar-denominated Senior Notes.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not include any deferred tax assets related to loss carry forwards of Numericable Group and SFR not recognized in their respective historical financial statements, as it is not possible to assess whether the utilization of such tax losses in the future is probable. In its historical financial statements for the year ended December 31, 2013, Numericable Group has recorded an income tax benefit of €133 million. For the purposes of preparing the Unaudited Pro Forma Condensed Consolidated Financial Information, this income tax benefit has not been eliminated in arriving at pro forma net income, as any potential adjustment would not be directly related to the Acquisition.

In addition, the Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any adjustment or tax effect that would result from the exit of SFR from the tax consolidation group of Vivendi.

NOTE 5. RECONCILIATION BETWEEN OPERATING INCOME AND ADJUSTED EBITDA

The following table explains the reconciliation between pro forma operating income as disclosed in the pro forma condensed consolidated statement income and the proforma Adjusted EBITDA.

	2013 Numericable Group	2013 SFR	Pro Forma adjustments	2013 Numericable Group Pro Forma
Operating income	**256**	**1,005**	**(3)**	**1,258**
Depreciation and amortization	304	1,661[c]		1,965
Restructuring costs	1[a]	93[d]		94
Other non recurring costs	38[b]	—		38
Costs related to stock options plans	4	27[e]		31
CVAE	13	53[f]		65
Other costs/(revenues)	—	7[g]		7
Adjusted EBITDA	**616**	**2,846**	**(3)**	**3,459**

(a) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Telecom;

(b) Composed of advisory fees paid in connection with the Numericable Group's refinancing transactions (€4.9 million); provisions/costs related to tax and social security audits (€11.3 million); an exceptional charge recognized for the €1.1 million legal fees paid in respect of litigation against France Telecom at the International Chamber of Commerce; an exceptional charge recognized for the €6.1 million penalty relating to the dispute with Free (see Note 20.7.2. to the consolidated financial statements for the year ended December 31, 2013); and €14.7 million non-cash losses resulting from (i) the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers and (ii) the transfer of remaining net book value of assets returned to local governments in connection with the exiting of DSP contracts.

(c) €729 million depreciation and amortization on intangible fixed assets (refer to Note 9.2 to the 2013 combined financial statements of SFR) and €932 million depreciation and amortization on tangible fixed assets (refer to Note 10.2 to the 2013 combined financial statements of SFR).

(d) Restructuring costs related to the SFR voluntary redundancy plan (refer to Note 4.2 the 2013 combined financial statements of SFR).

(e) IFRS 2 related expenses as mentioned in Note 17.2 to the 2013 combined financial statements of SFR.

(f) The amount of CVAE for SFR is not disclosed in the 2013 combined financial statements of SFR and the amount restated has been communicated separately by SFR.

(g) Includes €2 million other operating income and € 10 million other operating costs, as described in Note 4.2 to the 2013 combined financial statements of SFR.

The Adjusted EBITDA is a non-IFRS financial measure which excludes certain items that Numericable Group considers outside of its recurring operating activities or that are non-cash. This indicator does not exist in SFR available financial information. Therefore Numericable Group has tried to identify similar adjustments based on information disclosed in the 2013 combined financial statements of SFR. Considering this, the adjustments made to the SFR Operating Income to get to the Adjusted EBITDA may not be entirely comparable to those made to the Numericable Group operating income and may not be exhaustive.

NOTE 6. SUMMARY OF RECLASSIFICATIONS MADE TO SFR FINANCIAL INFORMATION

There are certain differences in the way in which Numericable Group and SFR Group present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the unaudited pro forma condensed consolidated financial information to comply with Numericable Group's presentation, as disclosed in the following table:

	SFR 2013 Combined Financial Statements	Reclassifications	SFR 2013 as presented in the Pro Forma Financial Information
ASSETS			
Trade receivables and other receivables	2,558	(3)	2,555
Income tax receivable	—	3	3
EQUITY AND LIABILITIES			
Trade payables and other current liabilities	4,874	17	4,891
Other current financial liabilities	17	(17)	—

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

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

In this section, we use "pro forma basis" and "aggregated basis" or similar terms to describe financial information derived from the Pre-Transaction Pro Forma Financial Information or the Illustrative Aggregated Selected Financial Information as the case may be, and when used in this section ("Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group"), the terms "we", "our", the "Group", and "us" refer to the business comprising the Issuer and its subsidiaries (excluding the Numericable Group, ODO, Tricom, SFR and the Mobius Group) as of the date of this Notice even though we may not have owned such business for the entire duration of the periods presented. Since the Issuer did not consolidate the results of Numericable Group during any of the periods under discussion in this section, the results of Numericable Group have been discussed separately in this Notice, see "Management's Discussion and Analysis or Financial Condition and Results of Operations of the Numericable Group". Since the Issuer did not consolidate the results of Orange Dominicana during any of the periods under discussion in this section, the results of Orange Dominicana have been discussed separately in this Notice, see "Business, Market Overview and Management's Discussion and Analysis or Financial Condition and Results of Operations of ODO". Since the Issuer did not consolidate the results of SFR during any of the periods under discussion in this section and the SFR Acquisition remains subject to certain closing conditions including regulatory approval, the results of SFR have been discussed separately in this Notice, see "Business, Market Overview and Management's Discussion and Analysis or Financial Condition and Results of Operations of SFR".

In the subsections "—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012" and "—Capital Expenditures—Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012" below, we compare certain financial information as of and for the year ended December 31, 2012 derived from the Illustrative Aggregated Selected Financial Information with the corresponding financial information as of and for the year ended December 31, 2013 derived from the Pre-Transaction Pro Forma Financial Information. While we do not present any pro forma financial information for the year ended December 31, 2012, the adjustments used to prepare the selected information included in the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 are substantially similar to the adjustments used to prepare the corresponding information in the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013 and therefore a comparison between the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 and the corresponding information in the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013 is on a like-for-like basis. However, we do not present any Illustrative Aggregated Selected Financial Information below the line item "operating income before depreciation and amortization", or EBITDA, and therefore do not compare any such financial information appearing in the Pre-Transaction Pro Forma Financial Information. In addition, the Illustrative Aggregated Selected Financial Information does not provide for certain pro forma adjustments included in the Pre-Transaction Pro Forma Financial Information which affect the line items in the pro forma income statement below "operating income before depreciation and amortization", or EBITDA.

Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited historical consolidated financial statements of the Group as of and for the years ending December 31, 2013, 2012 and 2011 (the "Historical Consolidated Financial Information").

The Group has from time to time made significant equity investments in a number of cable and telecommunication businesses in various jurisdictions since its formation in 2008. The following is an overview of key investments and disposals made by the Group since 2010, which have had a significant impact on the Historical Consolidated Financial Information.

In the year ended December 31, 2010, the Group's most significant assets consisted of its ownership of (i) equity interests in HOT Telecommunication Systems Ltd. and its subsidiaries (when excluding HOT Mobile Ltd., the "HOT Telecom Group"), an Israeli cable telecommunications company (which amounted to approximately 44.8% of the equity interests in HOT Telecommunication Systems Ltd. at the end of 2010 and has been accounted for in the historical combined financial statements of the Issuer as of and for the year ended December 31, 2010 using the equity method); (ii) 100% of the equity interests in MIRS Communications Ltd., an Israeli mobile services provider that was subsequently renamed HOT Mobile Ltd.; (iii) substantially all of the equity interests in Martinique TV Câble S.A. ("Le Cable Martinique") a company with cable television operations in Martinique; (iv) substantially all of the equity interests in World Satellite Guadeloupe S.A. (Le Cable Guadeloupe), a company with cable television operations in Guadeloupe; (v) substantially all of the equity interests in green.ch AG ("Green"), a company providing B2B telecommunications solutions in Switzerland; (vi) substantially all of the equity interests in Green Datacenter AG ("Green Datacenter"), a company providing datacentre services in Switzerland; (vi) substantially all of the equity interests in Auberimmo S.A.S. ("Auberimmo"), a company providing datacentre services in Paris, France; and (vii) substantially all of the equity interests in Valvision S.A.S. ("Valvision"), a company with cable television operations in certain parts of France.

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

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

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

As a result of the series of significant acquisitions that have been consummated in the years ended December 31, 2011, 2012 and 2013 and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Notice for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Therefore, in order to facilitate an understanding of the Group's results of operations, this discussion and analysis is being supplemented by: (i) financial information derived from the pro forma consolidated financial information of the Company (giving effect to each such significant acquisition completed on or before December 31, 2013 as if such acquisitions had occurred by January 1, 2013) as of and for the year December 31, 2013 (the "Pre-Transaction Pro Forma Financial Information") and (ii) financial information derived from the Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012 (the "Illustrative Aggregated Selected Financial Information"). The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition, the Tricom Acquisition, the ODO Acquisition, the Numericable Acquisition or the SFR Acquisition and therefore does not include any financial information of Mobius, Tricom, ODO, the Numericable Group or SFR. The Pre-Transaction Pro Forma Financial Information includes the results of operations of Valvision even though the Group disposed of its interests in Valvision to the Numericable Group on June 27, 2013. In each of the years ended December 31, 2013, 2012 and 2011, respectively, Valvision contributed

€1.3 million, €2.5 million and €2.6 million to pro forma revenues and €0.5 million, €0.9 million and €0.9 million to pro forma EBITDA.

As we control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in our consolidated income statements despite the fact that third parties own or owned significant interests in these entities during the periods under review. The non-controlling owners' interests in the operating results of Coditel Holding and the non-controlling owner's interests in Outremer in the Historical Consolidated Financial Information and the Pre-Transaction Pro Forma Financial Information are reflected in the line item "profit or loss attributable to non-controlling interests" in the relevant statements of income. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item "operating income before depreciation and amortization", or EBITDA, the non-controlling interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling interests may be significant and amounted to €1.3 million and €1.1 million attributable to non-controlling interests in the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 and the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013, respectively. On January 30, 2014, we entered into certain arrangements pursuant to which a large proportion of the minority interests in Outremer will be acquired by the Issuer in exchange for ordinary shares of the Issuer. For further details, see "*Description of Our Business—Material Contracts.*" The Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information have not been prepared in accordance with IFRS and are unaudited.

Furthermore, the Issuer did not consolidate the results of Numericable Group during any of the periods under discussion as the Issuer did not acquire control of the Numericable Group until February 2014. The results of Numericable Group are presented in the line item "share of profit of associates" item in the Historical Consolidated Financial Information for 2013, 2012 and 2011.

Key Factors Affecting Our Business

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

Acquisitions and Integration of Businesses

Since our formation in 2008, we have from time to time made significant direct and indirect equity investments in a number of cable and telecommunication businesses in various jurisdictions. Due to the significant nature of certain of these acquisitions, the comparability of our results of operations based on the Historical Consolidated Financial Information is limited. Our revenues and EBITDA increased from €167.2 million and €48.0 million in the year ended December 31, 2010 to €1,286.8 million and € 518.0 million in the year ended December 31, 2013, mainly as a result of the impact of such acquisitions. See "*—Basis of Presentation*". We plan to continue to evaluate value-enhancing acquisition opportunities in the cable and telecommunication sector with the aim of generating strong cash flow and operational synergies.

In general, following any acquisition, our results of operations are impacted by the results of the newly acquired business, debt incurred to acquire the business and expenditures made to integrate the newly acquired business into the Group. When seeking to integrate and improve a newly acquired business, we look to several key areas: (i) reviewing current products and prices and improving operational processes and cost structure to achieve satisfactory operating margins; (ii) implementing cable and mobile network upgrades to bring the acquired business in line with our Group-wide standards; (iii) researching ways to create synergies and benefit from economies of scale including with respect to customer equipment such as set-top boxes and outsourcing of certain services; (iv) sharing knowledge and experience and implementing Group-wide best practices; and (v) leveraging our ability to raise financing, including in the international capital markets. Many of these integration measures require expenditure by us. In the year ended December 31, 2013 and the year ended December 31, 2012, respectively, we incurred restructuring and other non-recurring costs of €61.2 million and €20.8 million, which primarily include costs with respect to renegotiations or termination of contractual arrangements, employee redundancies and other administrative expenses related to re-organization of existing or newly acquired businesses. In addition, we generally record goodwill in connection with such acquisitions. As of December 31, 2013, the goodwill recorded on our balance sheet amounted to €1,100.7 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating profit.

Network Upgrades

Our ability to provide new or enhanced cable based services, including HDTV and VoD television services, broadband Internet network access at increasing speeds and fixed-line telephony services to additional subscribers depends in part on our ability to upgrade our cable networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network. During each of 2012 and 2013, we deployed fiber on and upgraded a substantial part of our cable networks. As of December 31, 2013, our networks, on a blended basis, are 98% Docsis 3.0 enabled, which allows us to offer our customers high broadband Internet access speeds and better HDTV services across our regions, excluding France and the Dominican Republic. For the year ended December 31, 2013, on a pro forma basis, we invested €57.5 million and for the year ended December 31, 2011 and 2012, on an aggregated basis, we invested €58.1 million and €76.8 million, respectively, in cable network and construction related capital expenditures. We continue to evaluate the need to upgrade our networks for advancements in technologies such as Docsis 3.1 and for the deployment of additional fiber on an ongoing basis.

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

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

Competition

Our Cable Customer Relationships, RGUs and ARPUs are impacted by the levels of competition we experience in each of our regions. Although we increased our total cable RGUs in 2012, our total cable RGUs declined by 87,000 for the year ended December 31, 2013, as we are experiencing significant competition in most of the regions in which we operate. In Portugal, we experienced increased churn and a decline in total cable RGUs and ARPUs in the twelve-months ended December 31, 2012 and 2013 mainly as a result of aggressive competition and adverse economic conditions as well as our strategic decision to cease offering certain aggressively priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base. We expect competitive pressures to intensify in each of our regions due to a variety of factors. For example, in Israel, we expect to experience an increase in competition particularly with respect to the broadband Internet services as a result of an increase in speeds offered by the incumbent operator. Further, the number of total mobile subscribers declined in the French Overseas Territories in 2013 primarily due to intense competition. For details regarding our key competitors, please see "*Industry and Market Overview*." Our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is also limited by regulatory factors in each of the regions in which we operate. In Israel, the Israeli Ministry of Communications has in recent years taken certain measures to increase the competition in the telecommunications industries, including the establishment of a DTT platform with the possibility of expanding the number of channels broadcasted over such platform, eliminating exit fees for subscribers except in limited circumstances and prohibiting the linkage of the price and terms of a handset to mobile services or benefits. In 2014, the Israeli Ministry of Communications also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. On January 2014, the Israeli Ministry of Communication published a list of wholesale services that would be provided by HOT Telecom and Bezeq, and also published a hearing regarding Bezeq's tariffs for certain services. HOT Telecom submitted a response in March 2014 and is currently awaiting further instructions.

The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects on our results of operations.

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

Multiple-Play Strategy

We have implemented a product offering across the regions in which we operate with a strategic focus on multiple-play, including triple-play bundles. Subscribers who elect to subscribe for our multiple-play bundles realize cost savings on their monthly bill as compared to purchasing each of the services individually. We believe that offering bundled services allows us to meet customers' communication and entertainment requirements, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced. As a result of our focus on providing our subscribers with multiple-play bundles, we have experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play services, with the number of triple-play subscribers increasing from 560,000 as of December 31, 2011 to 1.7 million as of December 31, 2013, which has driven growth in our cable based services ARPU (other than in Portugal where our ARPU was negatively impacted in 2012 by aggressive competition and adverse economic conditions). Our cable-based services ARPU for the years ended December 31, 2011, 2012 and 2013, respectively were € 42.4, € 44.4 and €47.6 in Israel, €36.7, €39.5 and €41.9 in Belgium and Luxembourg, €36.9, €34.9 and €34.6 in Portugal and € 43.1, €48.3 and €51.4 in the French Overseas Territories.

Introduction of New Products and Services

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

Pricing

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

Cost Structure

We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by implementing initiatives to improve our cost structure across the various regions in which we operate. We are implementing common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. We have also achieved and expect to continue to achieve substantial reductions in our operating expenses as we implement the same best practice operational processes across our organization. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and improved pricing of the same television content. As a result, we have generally managed to achieve growth in EBITDA, profitability and operating cash flow of businesses we have acquired. For example, in our Israeli business, following the acquisition by Altice International over HOT in 2011, HOT's cable EBITDA margin increased to 55.1% in 2013, and in our Portuguese business, following the acquisition by Altice International over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.9% in 2013 compared to 14.2% in 2011.

We make expansion related capital expenditure decisions by applying strict investment return and payback criteria. For the year ended December 31, 2013 and 2012 respectively, we incurred accrued capital expenditure of € 314.2 million and €397.8 million respectively, in each case on a pro forma and aggregated basis, respectively. Of such capital expenditures in 2013, approximately 22.6% related to CPE and installations cable capital expenditures, 18.3% related to our cable network and construction, 24.3% related to other cable capital expenditures, 19.7% related to capital expenditures for our mobile businesses and 15.1% related to B2B and other capital expenditures. We have recently incurred significant capital expenditures related to the building out and launching of our UMTS network in Israel as well as significant operating expenditures, including national roaming costs pursuant to our roaming arrangement with Pelephone. For the year ended December 31, 2013 and 2012, our national roaming costs amounted to €49.7 million and €21.4 million, respectively. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will each own equal shares of a newly formed limited partnership, which is expected to hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with

Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The service under the RoU Agreement shall begin after completion of preparation by the parties. In connection with our entry into the Network Sharing Agreement and the RoU Agreement, we have recently entered into an agreement with Pelephone pursuant to which we are no longer tied exclusively to Pelephone. The Network Sharing Agreement is valid until December 31, 2028 and is subject to all required regulatory approvals. In November 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner (subject to regulatory approval) and we expect the arrangements we have entered into with Partner will result in savings relating to roaming, network and maintenance expenses and optimize the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS network. However there can be no assurance that we will be able to obtain the required regulatory approvals or otherwise be able to implement the arrangements we have entered into with Partner in a timely or cost effective manner.

Macro Economic and Political Developments

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

Fluctuations in Currency Exchange Rates and Interest Rates

Our reporting currency is euros and our operations outside Israel are primarily conducted in euros. However, in Israel, which accounted for approximately 68.5% of the total revenue of the Group in the year ended December 31, 2013 on a pro forma Historical Combined basis, a substantial portion of our revenue is in NIS while a portion of our operational expenses and capital expenditures are incurred in other currencies, including the U.S. dollar. In the year ended December 31, 2013, approximately 9% of our total operating expenses in Israel and approximately 47% of our total capital expenditures in Israel were incurred in currencies other than NIS. Our borrowings are denominated in NIS, euros and U.S. dollars but do not necessarily correspond to the portion of revenue we earn in such currencies. The exchange rate between U.S. dollars and NIS and the euro and NIS has been volatile in the past and may continue to be so in the future. Although we attempt to mitigate currency risk through hedging, sharp changes in the exchange rate could have a material effect on our results of operations. We are also exposed to translation foreign currency exchange risk arising from the consolidation of the financial results of HOT into the Company's consolidated financial statements. In the year ended December 31, 2013 compared to 2012, foreign exchange translation movements between the NIS and the euro had a positive impact of €32.6 million on our total revenues and €11.8 million on our EBITDA. Further, as of December 31, 2013, we had approximately €1,345.5 million of outstanding indebtedness (assuming full draw down of the 2013 Term Loan), which bears interest at a floating rate and is therefore subject to interest rate risk. We have not entered into interest rate hedges and hence are exposed to interest rate fluctuations with respect to our floating rate debt.

Key Operating Measures

We use several key operating measures, including number of homes passed, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies including the Numericable Group.

	As of and for the year ended December 31, 2013 in thousands except percentages and as otherwise indicated				
	Israel(6)	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories(7)**	**Total(8)**
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,282	233	908	154	3,577
Docsis 3.0 Upgraded (%)...	100%	100%	99%	53%	98%

Unique Customers					
Cable Customer Relationships[(1)]	1,127	114	237	40	1,518
Triple-Play Cable Customer Relationships	452	50	135	17	654
RGUs & Penetration[(2)(3)]					
Total RGUs	2,295	239	603	74	3,211
Pay Television RGUs	875	129	224	40	1,268
Pay Television Penetration (%)	38%	55%	25%	26%	40%
Broadband Internet RGUs	744	57	156	17	974
Broadband Internet Penetration (%)	33%	25%	17%	11%	30%
Fixed-Line Telephony RGUs	676	53	223	17	969
Fixed-Line Telephony Penetration (%)	30%	23%	25%	11%	30%
RGUs Per Cable Customer Relationship	2.0x	2.1x	2.54	1.86x	2.1x
ARPU[(4)]					
Cable ARPU (€)	47.6	41.9	34.6	51.4	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	61%	—	—	89%[(9)]	—
Subscribers			—		
Total Mobile Subscribers[(5)]	810	3	—	375	1,188
Postpaid	801	3	—	197	1,001
Prepaid	9	—	—	178	187
ARPU[(4)]			—		
Mobile ARPU (€)	16.8	36.8	—	27.1	—
xDSL/NON-CABLE BASED SERVICES					
RGUs	—		—		
Total RGUs	—	—	—	133	133
Broadband Internet RGUs	—	—	—	56	56
Fixed Line Telephony RGUs	—	—	—	78	78

	As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,243	233	906	154	3,536
Docsis 3.0 Upgraded (%)	100%	100%	94%	37%	95%
Unique Customers					
Cable Customer Relationships[1]	1,198	120	255	39	1,612
Triple-Play Cable Customer Relationships	413	50	147	12	626
RGUs & Penetration[2][3]					
Total RGUs	2,343	244	648	63	3,298
Pay Television RGUs	896	136	245	39	1,316
Pay Television Penetration (%)	40%	58%	27%	25%	37%
Broadband Internet RGUs	771	55	159	12	997
Broadband Internet Penetration (%)	34%	24%	18%	8%	28%
Fixed-Line Telephony RGUs	676	53	243	12	984
Fixed-Line Telephony Penetration (%)	30%	23%	27%	8%	28%
RGUs Per Cable Customer Relationship	2.0x	2.0x	2.5x	1.6x	2.0x
ARPU[4]					
Cable ARPU (€)	44.4	39.5	34.9	48.3	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	41%	—	—	89%[9]	—
Subscribers					
Total Mobile Subscribers[5]	766	2	—	385	1,153
Postpaid	738	2	—	183	923
Prepaid	28	—	—	203	231
ARPU[4]					
Mobile ARPU (€)	19.4	14.7	—	26.7	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	—	140	140
Broadband Internet RGUs	—	—	—	57	57
Fixe-Line Telephony RGUs	—	—	—	83	83

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated				
	Israel[6]	Belgium and Luxembourg	Portugal	French Overseas Territories[7]	Total[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,204	213	906	154	3,477

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

(1) Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television, broadband Internet or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our mobile or ISP services.

(2) RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

(3) Penetration rates for our pay television, broadband Internet and fixed-line telephony services are presented as a percentage of homes passed.

(4) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees

paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2011 €0.2009 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, (iii) average rate for the year ended December 31, 2013, €0.2092 = NIS 1.00.

(5) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. In Israel, the total number of mobile subscribers for our iDEN and UMTS services were as follows:

	As of December 31,		
	2011	2012	2013
Mobile Subscribers			
iDEN	444	325	218
UMTS	—	441	592
Total	**444**	**766**	**810**

(6) In Israel, Homes Passed is the number of total Israeli Homes. Our cable network passes a vast majority of Israel's 2.2 million households.

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

(8) Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate even though we may not have owned or controlled such business for the entire duration of the periods presented. Israel represents operating measures of HOT (in which we acquired a controlling interest in March 2011) and HOT Mobile; Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest from the Numericable Group in June 2011); Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012) but not ONI; French Overseas Territories represents operating measures of Le Cable and in respect of mobile services only, Outremer (in which we acquired a controlling interest in July 2013).

(9) Excludes French Guiana.

Key Income Statement Items

Revenue

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

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

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

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

Purchasing and subcontracting services

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

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

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

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

Other operating expenses

Other operating expenses consist mainly of the following subcategories:

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

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

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

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

General and administrative expenses

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

Other sales and marketing expenses

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

Depreciation and amortization

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

Goodwill impairment

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

Other expenses, net

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

Management fees

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

Restructuring and other non-recurring costs

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

Gain arising on de-recognition of assets

Gain arising on de-recognition of assets refers to non-cash accounting gain made on the difference between the book value of receivables contributed by Altice France in exchange for Numericable Group S.A. common shares, and their fair value as recognized in Altice France's IFRS accounts. An amount of €255.7 million has been booked in the accounts of Altice France for the year ended December 31, 2013.

Share of profit of associates

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

Finance income

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

Finance costs

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

Income tax expenses

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

Discussion and Analysis of Our Results of Operations

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

	Historical Consolidated Financial Information				Illustrative Aggregated Selected Financial Information	Pre-Transaction Pro Forma Financial Information		
	For the year ended December 31,		Change		For the year ended December 31,	For the year ended December 31,	Change	
Statement of Income Items	**2012**	**2013**	**Amount**	**%**	**2012**	**2013**	**Amount**	**%**
	€ in millions except percentages							
Revenue								
Cable based services	873.3	891.8	18.5	2.1	945.7	954.7	9.0	0.1
Mobile services	172.7	256.2	83.5	48.4	304.4	322.8	18.4	6.0
B2B and others	46.4	138.5	92.1	198.5	191.6	183.1	(8.5)	(4.4)
Total Revenue	**1,092.4**	**1,286.8**	**194.1**	**17.8**	**1,441.8**	**1460.6**	18.9	1.3
Purchasing and subcontracting services	(302.1)	(367.8)	65.7	21.7	(444.4)	(433.6)	10.8	(2.4)
Gross Profit	**790.3**	**919.4**	**129.1**	**16.3**	**997.4**	1,027.1	29.7	3.0
Other operating expenses	(307.9)	(320.9)	(13.0)	4.2	(315.3)	(293.2)	22.1	(7.1)
General and administrative expenses[(1)]	(33.3)	(36.2)	(2.9)	8.7	(85.2)	(88.7)	(3.5)	4.1
Other sales and marketing expenses	(44.9)	(43.9)	1.0	(2.2)	(102.8)	(74.5)	28.3	(27.5)
Operating income before depreciation and amortization	**403.1**	**518.0**	**114.9**	**28.5**	**494.1**	**570.7**	76.5	15.5
Depreciation and amortization	(266.4)	(399.6)	(133.2)	50.0		(426.7)		
Goodwill impairment	(121.9)	—	(121.9)	—				
Other expenses, net	(6.2)	(15.1)	(8.9)	143.5		(18.8)		
Management fees	(29.8)	(0.6)	29.2	(98.0)		(1.5)		
Restructuring and other non-recurring costs	(20.8)	(61.2)	(40.4)	194.2		(74.7)		
Operating profit	**(42.0)**	**41.5**	**83.5**	**(198.8)**		**49.1**		
Gain arising from de-recognition of assets	—	255.7	255.7	—		255.7		
Finance income	40.7	120.9	80.2	197.1		121.1		
Finance costs	(225.4)	(376.6)	(151.2)	67.1		(427.2)		
Share in income of associates	20.4	15.5	(4.9)	(24.0)		15.5		
(Loss)/profit before income tax expenses	**(206.2)**	**57.0**	**263.2**	**(127.6)**		**14.3**		
Income tax benefits/(expenses)	26.0	(7.4)	(33.4)	(128.5)		(14.5)		
(Loss)/profit for the year	**(180.2)**	**49.6**	**229.8**	**(127.5)**		**(0.2)**		

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

Significant Events Affecting Historical Results

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

- In February 2012, Altice International acquired a controlling equity interest in Cabovisão (the results of which are consolidated in the Historical Consolidated Financial Information of the Company with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to EBITDA of the Company on a consolidated basis, in the twelve months ended

December 31, 2012 since February 29, 2012. In the first two months of 2012, Cabovisão had €19.8 million of revenue, €1.5 million of operating profit and €2.6 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company. In the first quarter of 2013, Altice International acquired the remaining equity interests in Cabovisão it did not already own.

- In the third quarter of 2013 Altice International acquired a controlling equity interest in Outremer (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from July 5, 2013). Outremer contributed €102.1 million to revenue, €13.5 million to operating profit and €38.3 million to EBITDA of the Company on a consolidated basis in the twelve months ended December 31, 2013 since July 5, 2013. For the period from January 1 to July 5, 2013, Outremer had €96.5 million of revenue, €19.4 million of operating profit and €33.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company.

- In the third quarter of 2013, Altice International acquired a 100% equity interest in ONI (through its indirect subsidiary Cabovisão), the financial information of which is consolidated in the Historical Consolidated Financial Information of the Company with effect from August 8, 2013. ONI contributed €41.8 million to revenue, €5.0 million to operating loss and €5.7 million to EBITDA of the Company on a consolidated basis in the five months ended December 31, 2013 since August 8, 2013. For the period from January 1 until August 8, 2013, ONI had €59.0 million of revenue, €2.8 million of operating loss and €9.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company.

- In the fourth quarter of 2013, Altice International acquired a controlling interest in Ma Chaine Sport S.A.S and SportV S.A., two content producers based in France and Luxembourg respectively, the financial information of which is consolidated in the Historical Consolidated Financial Information of the Company with effect from October 4, 2013. The two entities contributed €6.4 million to revenue, €0.3 million to operating profit and €2.9 million to the EBITDA of the Company on a consolidated basis in the twelve months ended December 31, 2013 since October 4, 2013. For the period from January 1, 2013 until October 4, 2013, the two companies had €18.3 million of revenue, €2.9 million of operating profit and €10.7 million of EBITDA which are not consolidated in the Historical Consolidated Financial Information of the Company.

Revenue

Historical Consolidated Basis

For the year ended December 31, 2013, we generated total revenue of € 1,286.8 million, a 17.8% increase compared to €1,092.4 million for the year ended December 31, 2012. Our total revenue by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, €881.8 million and € 850.4 million, (ii) Belgium and Luxembourg, €71.9 million and €71.3 million, (iii) in Portugal, €150.5 million and €98.2 million (revenue for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from February 29, 2012 and revenue for the year ended December 31, 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €126.9 million and € 24.4 million (revenue for the year ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €29.0 million on total revenue.

Cable based services: For the year ended December 31, 2013, we generated cable based services revenue of €891.8 million, a 2.1% increase compared to €873.3 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services revenue of €108.7 million from Portugal for the entire duration of twelve months ended December 31, 2013 compared to € 98.2 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 29, 2012, the inclusion of Outremer’s cable based services revenue of €34.8 million for the year ended December 31, 2013 (with effect from July 5, 2013). In addition, cable based services revenue increased in Israel due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a negative impact of €23.9 million on cable based service revenue.

Mobile services: For the year ended December 31, 2013, we generated mobile services revenue of €256.2 million, a 48.3% increase compared to €172.7 million for the year ended December 31, 2013. This was primarily due to an increase in Israel’s mobile services revenue due to the factors discussed below and the inclusion of €67.3 million in mobile services revenue generated by Outremer for the year ended December 31, 2013 (with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €6.2 million on mobile revenues.

B2B and others: For the year ended December 31, 2013, we generated B2B and other services revenue of €138.5 million, compared to €46.4 million for the year ended December 31, 2012, predominately due to the inclusion of €41.8 million in B2B services revenue generated by ONI and due to the inclusion of revenue from the content companies Ma Chaîne Sport and SportV acquired in the fourth quarter of 2013 (€6.4 million from October 4, 2013 onwards).

Pre-Transaction Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our revenue by country of operation and on a Pro Forma Consolidated Basis based on the Pre-Transaction Pro Forma Financial Information with respect to the year ended December 31, 2013 and on aggregated basis based on the Illustrative Aggregated Selected Financial Information with respect to the year ended December 31, 2012.

	Illustrative Aggregate Selected Financial Information						Pre-Transaction Pro Forma Financial Information					
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**	**Israel(3)**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**
							€ in millions					
Revenue												
Cable based services	677.9	59.7	118.0	87.8	2.4	945.7	694.2	60.9	108.7	89.6	1.3	954.7
Mobile Services	172.5	0.2	—	131.7	—	304.4	187.6	1.2	—	133.9	—	322.8
B2B and others	—	11.5	117.4	—	62.7	191.6	—	8.4	100.9	—	73.9	183.1
Total Revenue	**850.4**	**71.3**	**235.4**	**219.6**	**65.2**	**1,441.8**	**881.9**	**70.5**	**209.6**	**223.5**	**75.2**	**1,460.7**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

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

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

Israel: For the year ended December 31, 2013, we generated total revenue in Israel of €881.8 million, a 3.7% increase compared to €850.4 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our cable based services revenue increased by 2.4% and our mobile services revenue increased by 8.8%. Foreign exchange translation movements between the NIS and euro had a positive impact of €29.0 million on total revenue, €22.8 million on cable services revenue and €6.2 million on mobile services revenue. Accordingly, at a constant exchange rate, our total revenue in Israel remained stable, our cable-based service revenue slightly decreased by 0.2% and our mobile services revenue increased by 6.7%.

Cable based services revenue in Israel was positively impacted due to the increase in cable based services ARPU of 7.2% (3.6% at a constant exchange rate) from €44.4 for the year ended December 31, 2012 to €47.6 for the year ended December 31, 2013 primarily as a result of our strategic focus on multiple-play offerings and an increase in the take- up of our higher value higher speed broadband Internet services (despite a decrease in total broadband Internet RGUs). We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our bundling strategy, with the number of triple-play Cable Customer Relationships increasing from 413,000 as of December 31, 2012 to 452,000 as of December 31, 2013. The positive impact of the increase in cable based services ARPU on cable based services revenue was offset by a 48,000 net decrease in our total cable RGUs, comprising a 21,000 net decrease in pay television RGUs, a 27,000 net decrease in broadband Internet infrastructure access RGUs. The decrease in our cable RGUs was mainly due to the fact that during July and August 2013, respectively, our third party customer service and technical support provider had not allocated sufficient resources to manage the intake and connection arrangements for potential new subscribers and had focused on providing relevant assistance and support to existing subscribers only. The decrease in the interconnection fees for fixed line telephony starting December 2013, following the change in the regulation from the Ministry of Communication, had a blended impact on the cable based services revenue as the interconnection rate was set at 0.99 agorot per minute for both peak or off peak time calls.

The increase in mobile services revenue in Israel was primarily due to the increase in the number of subscribers for our UMTS based services which were launched in May 2012. For the year ended December 31, 2013, we had 810,000 total mobile RGUs in Israel comprising 218,000 iDEN customers and 592,000 UMTS customers compared to 766,000 mobile customers comprising 325,000 iDEN customers and 441,000 UMTS RGUs as of December 31, 2012.

The increase in mobile services revenue was offset by the churn of customers for our iDEN services as a result of decreased marketing efforts and the termination of our contract with the Israeli Defense Force in the third quarter of 2012. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. Mobile services revenue was further offset by a decrease in mobile ARPU by €2.6, or 13.4%, to €16.8 for the year ended December 31, 2013 compared to €19.4 for the year ended December 31, 2012, mainly due to subscribers disconnecting from our higher ARPU iDEN mobile network and offset by an increase in our lower ARPU UMTS based network subscribers. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. Mobile ARPU was also negatively impacted by highly competitive prices for mobile services, in particular for UMTS based 3G services. On a constant foreign exchange rate mobile ARPU decreased by 16.2%.

Belgium and Luxembourg: For the year ended December 31, 2013, we generated total revenue in Belgium and Luxembourg of €71.9 million, a 0.8% increase compared to €71.3 million for the year ended December 31, 2012. In addition, we launched mobile services (as a MNVO) in Belgium in September 2012 and generated € 1.2 million in mobile services revenue in the year ended December 31, 2013.

The increase in cable based services revenue in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by 6.1% to €41.9 in the year ended December 31, 2013 compared to €39.5 for the year ended December 31, 2012. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand-alone pay television offerings. The increase in cable based services revenue can also be attributed to the full period impact of revenues we generated from AIESH, a Belgian municipality, for which we acquired a concession in the third quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. Cable based services revenue was also positively impacted by a slight increase in broadband Internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband Internet networks, our attractive pricing of broadband Internet services and due to increase in uptake of our triple-play bundles, which includes broadband Internet services. These factors were offset by a decline in television RGUs, including a net decrease in digital television RGUs, due to customers churning to different platforms such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas. We also experienced a decline in fixed line telephony RGUs due to general the trend of customers switching to mobile services.

The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded the entire AIESH network and converted the analog customers served by the upgraded AIESH network into digital multiple-play customers. The decrease in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network in the year ended December 31, 2012, a portion of which reflects non-recurring revenues, slightly offset by an increase in recurring revenue earned for fiber links leased to the Brussels police as part of this project in the twelve months ended December 31, 2013.

Portugal: In the year ended December 31, 2013, we generated total revenue in Portugal of €209.6 million, an 11.0% decrease compared to €235.4 million in the twelve months ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in Portugal for our cable based services decreased by 7.9% and our B2B and other services revenue decreased by 14.1%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by 45,000, comprising of a net decrease of 21,000 pay television RGUs, 20,000 fixed-line telephony RGUs and 3,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2013, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Cable based services ARPU decreased slightly by €0.3, or 0.9%, to €34.6 in 2013 compared to €34.9 in 2012, predominantly due the impact of aggressive competition in each segment of the cable services market which required us to offer certain discounts and undertake other promotional offers, despite an increase in the prices of our products in January 2013. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

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

French Overseas Territories: For the year ended December 31, 2013, we generated total revenue in the French Overseas Territories of € 223.5 million, a 1.8% increase compared to €219.6 million for the year ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in the French Overseas Territories for our cable based services increased by 2.1% and our mobile services revenue increased by 1.7%.

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

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

Gross Profit

Historical Consolidated Basis

For the year ended December 31, 2013, our total gross profit was €918.0 million, a 16.3% increase compared to €790.3 million for the year ended December 31, 2012. Our gross profit by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, €644.4 million and €621.7 million, (ii) Belgium and Luxembourg, €59.0 million and €60.3 million, (iii) in Portugal, €92.1 million and €59.1 million (gross profit for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and gross profit for the year ended December 31, 2012 and 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €89.8 million and €20.4 million (gross profit for the year ended December 31, 2012 and 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013). Our gross margin decreased from 72.3% in the twelve months ended December 31, 2012 to 71.4% in the twelve months ended December 31, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €21.0 million on total gross profit.

Cable based services: For the year ended December 31, 2013, our gross profit from our cable based services was €712.5 million, a 7.9% increase compared to €660.4 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services gross profit from Portugal for the entire duration of the twelve months ended December 31, 2013 of €74.6 million compared to €59.1 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 28, 2012, and an increase in Israel's gross profit due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a positive impact of €18.4 million on cable based services gross profit. Our gross margin for cable based services decreased to 71.4% in the twelve months ended December 31, 2013 from 72.3% in the year ended December 31, 2013.

Mobile services: For the year ended December 31, 2013, our gross profit from our mobile services increased to €126.2 million compared to €102.8 million in the previous year. Although we saw a decrease in gross profit of €22.9 million in Israel, due the factors discussed below, it was offset by the inclusion of gross profit of €46.4 million of Outremer's mobile services with effect from July 5, 2013. Our gross margin for mobile services decreased from 59.5% in the twelve months ended December 31, 2012 to 49.3% in the year ended December 31, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €2.6 million on mobile services gross profit.

B2B and others: For the year ended December 31, 2013, our gross profit from B2B and others was €80.2 million, a 195.9% increase compared to €27.1 million for the year ended December 31, 2012. Our gross margin for B2B and other services decreased from 58.4% in the year ended December 31, 2012 to 57.9% in the year ended December 31, 2013. The increase in gross profit was primarily due to the inclusion of B2B services gross profit of €17.5 million generated by ONI and €4.6 million gross profit generated by the content companies MCS and SportV.

Pre-Transaction Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a Pro Forma Consolidated Basis based on the Pre- Transaction Pro Forma Financial Information with respect to the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Financial Information with respect of the year ended December 31, 2012.

	Illustrated Aggregated Selected Financial Information						**Pre-Transaction Pro Forma Financial Information**					
	For the year ended December 31, 2012						**For the year ended December 31, 2013**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**
							€ in millions					
Purchasing and subcontracting services												
Cable based services	159.0	10.1	47.9	26.5	0.5	243.9	129.6	10.6	34.1	25.1	0.3	199.7
Mobile Services	69.8	0.1	—	41.5	—	111.4	107.8	0.9	—	41.7	—	150.4
B2B and others	—	0.7	66.8	—	21.5	89.2	—	1.0	55.6	—	26.5	83.0
Total purchasing and subcontracting services	**228.8**	**10.9**	**114.7**	**68.0**	**22.0**	**444.5**	**237.4**	**12.6**	**89.7**	**66.8**	**27.1**	**433.5**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

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

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

Israel: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Israel were €240.7 million, a 5.2% increase compared to €228.8 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 17.8% and our purchasing and subcontracting services costs for mobile services increased by 57.7%. Foreign exchange translation movements between NIS and euro had the impact of increasing purchasing and subcontracting services costs by €7.8 million (including €4.2 million of cable based services purchasing and subcontracting services costs and €3.6 million of mobile services purchasing and subcontracting services costs). Accordingly, at a constant exchange rate, our total purchasing and subcontracting services costs in Israel increased by

0.4%, our cable based service purchasing and subcontracting services costs decreased by 20.5% and our cellular services revenue increased by 52.5%.

The decrease in purchasing and subcontracting services costs for cable based services in Israel was primarily due to a decrease in interconnection fees paid as a result of lower call volumes by our customers due to customers switching from fixed-line telephony services to mobile services, as a result of the competitive prices and unlimited price plan packages, and a decrease in the royalties paid to the State of Israel following the regulations enacted under the Communications Law pursuant to which the rate of royalties applicable to our cable telecommunication licenses have been reduced to 0% with effect from January 2, 2013. Purchasing and subcontracting services costs for cable based services also decreased due to the positive effect of renegotiated movie channels contracts and the capitalization of costs arising from the purchase of exclusive third party content from April 1, 2013, as previously, we were able to capitalize exclusive in-house content costs only. In the twelve months ended December 31, 2013 we capitalized €7.7 million of costs relating to exclusive third party content.

The increase in purchasing and subcontracting services costs for mobile services in Israel was primarily due to an increase in interconnection fees of €81.5 million we incurred in the twelve months ended December 31, 2013 with respect to our 3G mobile services which was launched in May 2012 compared to €43.7 million in the twelve months ended December 31, 2012. Interconnection fees in the year ended December 31, 2013 included national roaming costs of €49.8 million compared to €21.3 million in the year ended December 31, 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Belgium and Luxembourg were €12.6 million, a 14.5% increase compared to €11.0 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our purchasing and subcontracting services costs for cable based services increased by 6.0% and our purchasing and subcontracting services costs for B2B services increased by 25.0% (from €0.8 million to €1.0 million). We began providing mobile services in Belgium in September 2012 as a MVNO and incurred costs of sales in an amount of €0.9 million in the twelve months ended December 31, 2013.

The increase in purchasing and subcontracting services costs for cable based services in Belgium resulted from (i) the increase in the cost of certain French channels in Belgium and (ii) the inclusion of cost of sales incurred in relation to the migration of AIESH customers from analogue to digital ports during 2013.

The increase in purchasing and subcontracting services costs for mobile services in Belgium and Luxembourg was due to an increase in expenses associated with (i) the launch of our mobile operation in September 2012 and the full year impact of its operations in 2013 and (ii) the payments made to Mobistar under the MNVO agreement.

The increase in cost of sale for B2B services and others in Belgium and Luxembourg was due to (i) the nature of B2B projects undertaken in 2013 as compared to the same period in the previous year (for which costs were primarily in the form of capital expenditures) and (ii) promotional offers and incentives in responses to the strategy adopted by our competitors.

Portugal: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Portugal was €89.7 million, a 21.8% decrease compared to €114.7 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 28.8% and our purchasing and subcontracting services costs for B2B and others decreased by 16.8%.

The 28.8% decrease in purchasing and subcontracting services costs for cable based services in Portugal can primarily be attributed to the larger impact in the year ended December 31, 2013 compared to the prior year of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

The 16.8% decrease in costs of sales for B2B and others in Portugal was due to the higher level of ONI's business with carriers (transit) and sales of equipment in the year ended December 31, 2012, which are projects that inherently have a lower gross profit margin. Also, during the last quarter 2013, some savings were achieved as a result of the measures undertaken to implement a cost reduction which are still ongoing.

French Overseas Territories: For the year ended December 31, 2013, our purchasing and subcontracting services costs in the French Overseas Territories were €66.8 million, a 1.8% decrease compared to €68.0 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 5.3% and our purchasing and subcontracting services costs for mobile services increased by 0.5%.

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

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

As a result of the factors described above, our gross profit and gross margin by country of operation on a Pro Forma Consolidated Basis based on the Pre- Transaction Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 was as follows:

	Illustrative Aggregated Selected Financial Information						Pre-Transaction Pro Forma Financial Information					
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Gross profit												
Cable based services	518.9	49.6	70.1	61.3	1.9	701.9	564.6	50.2	74.5	64.5	1.0	754.9
Mobile Services	102.7	0.1	—	90.2	—	193.0	79.9	0.3	—	92.2	—	172.4
B2B and others	—	10.6	50.6	—	41.2	102.4	—	7.3	45.3	—	47.2	99.8
Total gross profit	**621.7**	**60.3**	**120.7**	**151.5**	**43.1**	**997.4**	**644.5**	**57.9**	**119.8**	**156.7**	**48.2**	**1,027.0**

	Illustrative Aggregated Selected Financial Information						Pre-Transaction Pro Forma Financial Information					
	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
Gross margin												
Cable based services (%)	76.5	83.1	59.3	69.8	79.2	74.2	81.3	82.4	68.5	72.0	76.9	79.1
Mobile Services (%)	59.5	50.0	—	68.5	—	63.4	42.6	25.0	—	68.9	—	53.4
B2B and others (%)	—	92.2	43.1	—	65.7	53.5	—	86.9	44.9	—	63.9	54.5
Total gross margin (%)	**73.1**	**75.1**	**51.2**	**69.0**	**66.1**	**69.2**	**73.1**	**82.1**	**57.2**	**70.1**	**64.1**	**70.3**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

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

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

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

Operating Expenses and EBITDA

Historical Consolidated Basis

For the year ended December 31, 2013, our total operating expenses (other than purchasing and subcontracting services costs) were €400.9 million, a 3.6% increase compared to €387.1 million for the year December 31, 2012. Our total operating expenses comprise of other operating expenses, which increased by 4.2%, general and administrative expenses, which increased by 8.7% and other sales and marketing expenses, which decreased by 4.4%, in each case in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Our total operating expenses by our key regions in the year ended December 31, 2013 and 2012, respectively, were: (i) in Israel, € 316.5 million and €281.7 million, (ii) Belgium and Luxembourg, €14.7 million and €12.9 million, (iii) in Portugal, € 29.2 million and €43.0 million (operating expenses for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €40.5 million and €8.3 million (operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013).

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs. We define Adjusted EBITDA as EBITDA before equity based compensation expenses.

As a result, for the year ended December 31, 2013, our EBITDA increased to €518.0 million a 28.5% increase compared to €403.2 million for the year ended December 31, 2012. Our EBITDA by our key regions for the years ended December 31, 2012 and 2013, respectively, were: (i) in Israel, €305.2 million and €362.7 million, (ii) Belgium and Luxembourg, €45.6 million and €46.1 million, (iii) in Portugal, €29.9 million and €49.1 million (EBITDA for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and EBITDA for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €12.1 million and €49.3 million due to the fact that EBITDA for the year ended December 31, 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013. Our EBITDA margin for the year ended December 31, 2013 was 40.3% compared to 36.9% for the year ended December 31, 2012.

Pre-Transaction Pro Forma Consolidated Basis and Aggregated Basis

The following paragraphs set forth our total operating expenses by country of operation and on a pro forma consolidated basis based on the Pre- Transaction Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012.

For the year ended December 31, 2013, our total operating expenses were €455.6 million, a 9.5% decrease compared to €503.3 million for the year ended December 31, 2012.

Israel: For the year ended December 31, 2013, our total operating expenses in Israel were €281.7 million, an 11.0% decrease compared to €316.5 million for the year ended December 31, 2012. Foreign exchange translation movements between NIS and euro had the impact of increasing operating expenses by €6.6 million. Accordingly, at a constant exchange rate, our total operating expenses in Israel decreased by 11.6%.

Other operating expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Israel decreased by 8.6% from €223.4 million to €204.1 million. This decrease was primarily due to a decrease in salaries and social benefits and a reduction in head count as part of the measures implemented to maximize cost structure efficiency. In addition, in July 2013, our customer services and technical support functions were outsourced which also contributed to the decrease in salaries and social benefits expenses. We were able to apply these measures due to an increase in the quality of our network resulting from recent investments in and the improvement of our technical service systems. The decrease of other operating expenses was also impacted by a decrease in cable network maintenance and set-top box maintenance expenses due to recent investments leading to the improvement of our network and a more efficient maintenance process for set-top boxes.

General and administrative expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Israel decreased by 6.2% from €29.3 million to €27.5 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses due to a reduction in administrative personnel and equity based compensation of €3.8 million in the year ended December 31, 2012 pertaining to HOT stock options.

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Israel decreased by 21.6% from €63.7 million to €49.9 million. Compared to the prior year period, our sales and marketing expenses decreased as a result of a decrease in sales commissions to retailers, advertising costs and sales promotions and decreases in salaries and social benefits of sales personnel resulting from the measures implemented to maximize cost structure efficiency.

EBITDA: As a result of the factors discussed above, for the year ended December 31, 2013, in Israel our EBITDA was €362.7 million, a 18.8% increase compared to €305.2 million for the year ended December 31, 2012 and our EBITDA margin was 41.1% in the twelve months ended December 31, 2013 compared to 35.9% in the twelve months ended December 31, 2012. Foreign exchange translation movements between the NIS and euro had a positive impact of €11.8 million on total EBITDA.

Belgium and Luxembourg: For the year ended December 31, 2013, our total operating expenses in Belgium and Luxembourg were €12.9 million, a decrease of 12.2% compared to €14.7 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Belgium and Luxembourg decreased from €6.2 million to €5.3 million. This decrease was primarily due to a decrease in customer service costs as a result of measures undertaken by our management to improve the efficiency in handling and resolving "first-time" complaints.

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

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Belgium and Luxembourg decreased from €4.4 million to €3.4 million. This decrease can be attributed to the capitalization of sales commissions (only on the sales target), a practice that was implemented from 2013 onwards, offset by certain sales and marketing expenses associated with the launch of 'La Box' in Q2 2013.

EBITDA: As a result of the factors discussed above, for the year ended December 31, 2013, our EBITDA in Belgium and Luxembourg was € 45.0 million, a 1.3% decrease compared to €45.6 million for the year ended December 31, 2012. Our EBITDA margin was 63.9% in the twelve months ended December 31, 2013 compared to 64.0% in the twelve months ended December 31, 2012.

Portugal

In the twelve months ended December 31, 2013, our total operating expenses in Portugal were €61.5 million, 15.4% decrease compared to €72.7 million for the year ended December 31, 2012. This decrease was due to the larger impact in the twelve months ended December 31, 2013, compared to the prior year period, of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012 and a reduction in operational expenses by ONI, from €36.8 million for the year ended December 31, 2012 to €30.4 million for the year ended December 31, 2013 achieved as a result of the optimization efforts in several areas.

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

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Portugal decreased by 40.6% from €21.8 million to €12.8 million. This decrease was primarily due to savings from headcount reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case mainly relating to Cabovisão.

Other sales and marketing expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Portugal decreased by 21.0% from €12.6 million to €10.0 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

EBITDA: As a result of the factors discussed, in 2013, our EBITDA in Portugal was €58.3 million, a 21.5% increase compared to €47.9 million in 2012. Our EBITDA margin was 27.8% in the twelve months ended December 31, 2013 compared to 20.4% in the twelve months ended December 31, 2012.

French Overseas Territories: For the year ended December 31, 2013, our total operating expenses in the French Overseas Territories were €72.2 million, a 5.6% decrease compared to €76.4 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in the French Overseas Territories decreased by 15.3% from €45.1 million to €38.2 million. This decrease was primarily due to measures taken by Outremer to optimize its fixed costs, including to reduce payroll through (i) automated cash recovery systems with the roll-out of self-service payment machines in each of its 81 outlets, (ii) reallocation of customer care staff from local centers in the French Overseas Territories to its offshoring center in Mauritius, thereby reducing headcount in the French Overseas Territories and

(iii) an increased use of online self-care systems. These cost savings were partially offset by increased costs related to measures taken to improve its quality of service, in particular the densification of mobile networks.

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in the French Overseas Territories increased by 17.7% from €11.9 million to €14.0 million. This increase was primarily due to a non-recurring expense indirectly related to the acquisition of Outremer by Altice International.

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

EBITDA: As a result of the factors discussed, for the year ended December 31, 2013, our EBITDA in the French Overseas Territories was €84.5 million, a 12.7% increase compared to €75.1 million for the year ended December 31, 2012. Our EBITDA margin was 37.8% in the year ended December 31, 2013 compared to 34.2% in the year ended December 31, 2012.

The following tables set forth our EBITDA across our segments for the years ended December 31, 2012 and 2013 on an aggregated basis and on a pro forma basis, respectively.

	Illustrative Aggregated Selected Financial Information						**Pre-Transaction Pro Forma Consolidated Financial Information**					
	For the year ended December 31, 2012						**For the year ended December 31, 2013**					
	Israel[3]	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**	**Israel[3]**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**
EBITDA[1]	**305.2**	**45.6**	**48.0**	**75.1**	**20.2**	**494.1**	**363.0**	**45.0**	**58.3**	**84.6**	**19.8**	**570.7**

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

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

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

	Illustrative Aggregated Selected Financial Information	Pre-Transaction Pro Forma Consolidated Financial Information
	For the year ended December 31,	
	2012	2013
	€ in millions	
EBITDA	**494.2**	**570.7**
Equity based compensation[1]	3.8	—
Adjusted EBITDA	**498.0**	**570.7**

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

Depreciation and Amortization

Historical Consolidated Basis

For the year ended December 31, 2013, depreciation and amortization on a historical consolidated basis totaled €399.6 million, a 50.0% increase compared to €266.4 million for the year ended December 31, 2012. Depreciation and amortization in the twelve months ended December 31, 2013 was impacted by (i) the acquisitions and subsequent consolidation of Outremer (with effect from July 5, 2013) and ONI (with effect from August 8, 2013) and (ii) the impact of the consolidation of Cabovisão for the entire ten months period, following its acquisition on February 29, 2012. However, the increase in depreciation and amortization as a result of the above factors were more than offset due to the recognition of an impairment charge in 2012 of NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount.

Operating Profit

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, (i) other expenses, net totaled €15.1 million, a 49.3% decrease compared to €29.8 million for the year ended December 31, 2012; (ii) management fees primarily relating to consulting services totaled €0.6 million compared to €6.2 million for the year ended December 31, 2012 and (iii) restructuring and other non-recurring costs totaled €61.2 million compared to restructuring and other non-recurring costs of €20.8 million for the year ended December 31, 2012 (primarily due to the implementation of a reorganization implemented at ONI, fees and other outlays paid to external consultants in relation to the increased M&A activity in 2013 compared to 2012 and due to a one-off provision at HOT Mobile of €31.6 million relating to its agreement with Pelephone).

As a result of the factors described above, for the year ended December 31, 2013, our operating profit was €41.5 million, compared to an operating loss of €42.0 million for the year ended December 31, 2012.

Gain on de-recognition of assets

Historical Consolidated Basis

The gain on de-recognition of assets booked in the accounts of Altice France in the year ended December 31, 2013, corresponds to the difference between the carrying amount of the loans and receivables contributed by Altice France in exchange for shares in Numericable Group and the fair value of these instruments as recorded in the IFRS compliant accounts of Altice France at the time of the contribution.

The carrying amount of the loans at the time of the contribution was € 418.3 million and the fair value recorded in the accounts of Altice France amounted to € 162.6 million, thus leading to a gain of € 255.7 million.

This gain is non-cash in nature and does not impact the operating income or EBITDA of Altice France.

Share in profit of associates

Historical Consolidated Basis

Share in profit of associates refers to Altice France’s share of the net profit of Numericable Group S.A, in which it held a 27.4% stake as of December 31, 2013. The share in profit of associates decreased from €20.4 million for the year ended December 31, 2013 to €15.5 million for the year ended December 31, 2013.

Finance costs (net)

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, our net finance costs totaled €255.7 million, a 38.4% increase compared to €184.7 million for the year ended December 31, 2012 which was primarily due to (i) the incurrence of new debt to finance the Outremer Telecom and ONI transactions (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013), offset slightly by a positive impact of the gain on foreign exchange transactions.

Income tax benefits/ (expenses)

Historical Consolidated Basis

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

Profit/ (loss) for the year

Historical Consolidated Basis

As a result of the factors discussed above, on a historical consolidated basis, for the year ended December 31, 2013, our profit for the year was €49.6 million compared to a loss of €180.2 million for the year ended December 31, 2012.

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

	Historical Combined Financial Information				**Illustrative Aggregated Selected Financial Information**			
	For the year ended December 31,		**Change**		**For the year ended December 31,**		**Change**	
Statement of Income Items	**2011**	**2012**	**Amount**	**%**	**2011**	**2012**	**Amount**	**%**
	€ in millions except percentages							
Revenue								
Cable based services	560.3	873.3	313.0	55.9	941.2	945.7	4.5	0.5
Mobile services	180.6	172.7	(7.9)	(4.4)	306.5	304.4	(2.1)	(0.7)
B2B and others	43.3	46.4	3.1	7.2	178.5	191.6	13.1	7.3
Total Revenue	**784.2**	**1,092.4**	**308.2**	**39.3**	**1,426.2**	**1,441.8**	**15.6**	**1.1**
Purchasing and subcontracting services	(175.4)	(302.1)	(126.7)	(72.2)	(399.6)	(444.4)	(44.8)	(11.2)
Gross Profit	**608.8**	**790.3**	**181.5**	**29.8**	**1026.6**	**997.4**	**(29.2)**	**(2.8)**
Other operating expenses	(195.4)	(248.9)	(53.5)	(27.4)	(319.5)	(315.3)	4.2	1.3
General and administrative expenses[(1)]	(51.3)	(58.2)	(6.9)	(13.5)	(101.0)	(85.2)	15.8	15.6
Other sales and marketing expenses	(64.4)	(80.1)	(15.7)	(24.4)	(108.9)	(102.8)	6.1	5.6
Operating income before depreciation and amortization	**297.7**	**403.1**	**105.4**	**35.4**	**497.2**	**494.2**	**(3.1)**	**(0.6)**
Depreciation and amortization	(176.0)	(266.4)	(90.4)	51.4	—	—	—	—
Goodwill impairment	—	(121.9)	(121.9)	—				
Other expenses, net	(5.6)	(29.8)	(24.2)	(432.1)	—	—	—	—
Management fees	(3.6)	(6.2)	(2.6)	(72.2)	—	—	—	—
Restructuring and other non-recurring costs	(7.6)	(20.8)	(13.2)	(173.7)	—	—	—	—
Operating profit	**104.9**	**(42.0)**	**(146.9)**	**(140.0)**	**—**	**—**	**—**	**—**

Gain arising on step acquisitions	134.8	—	(134.8)	—				
Share of profit of associates	58.6	20.4	(38.2)	(65.2)	—	—	—	—
Finance income	26.8	40.7	13.9	51.9	—	—	—	—
Finance costs	(130.6)	(225.4)	(94.8)	(72.6)	—	—	—	—
(Loss)/profit before income tax expenses	**194.5**	**(206.2)**	**(400.7)**	**(206.0)**	**—**	**—**	**—**	**—**
Income tax benefits/(expenses)	(32.5)	(26.0)	6.5	20	—	—	—	—
(Loss)/profit for the year	**162.0**	**(180.2)**	**(342.2)**	**(211.2)**	**—**	**—**	**—**	**—**

(1) Also includes staff costs and employee benefits

Significant Events Affecting Historical Results

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

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

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

- in March 2011, Altice International increased its ownership in HOT- Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the Historical Combined Financial Information with effect from March 31, 2011). In 2011, the HOT Telecom Group had €165.2 million of revenue, €30.9 million of operating loss and €34.9 million of EBITDA, which are not consolidated in the Historical Combined Financial Information, whereas HOT Telecom Group contributed €499.7 million to revenue, €98.4 million to operating profit and €212.4 million to EBITDA on a consolidated basis in the year ended December 31, 2011 since March 31, 2011.

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

- in the second quarter of 2011, Altice International acquired a controlling equity interest in Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l. in Luxembourg through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the Historical Combined Financial Information with effect from July 1, 2011). In 2011, Coditel Brabant S.p.r.l and Coditel S.à r.l. together had €32.3 million of revenue, €9.9 million of operating profit and € 18.1 million of EBITDA, which are not consolidated in the Historical Combined Financial Information whereas Coditel Holding S.A. contributed €34.8 million to revenue, €(1.4) million to operating profit and €20.4 million to EBITDA on a consolidated basis in the year ended December 31, 2011 since June 30, 2011.

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

Revenue

Historical Combined Basis

For the year ended December 31, 2012, we generated total revenue of €1,092.4 million, a 39.3% increase compared to €784.2 million for the year ended December 31, 2011. Our total revenue by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €850.4 million and €680.4 million (2011 revenue was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €71.3 million and € 34.8 million (2011 revenue was impacted by the consolidation of Coditel Holding S.A.

only with effect from July 1, 2011), (iii) in Portugal, €98.2 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, € 24.4 million and €23.6 million.

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

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

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

Aggregated Basis

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

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

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

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

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

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

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

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

The increase in cable based services in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by €2.8, or 7.6%, to €39.5 for the year ended December 31, 2012 compared to €36.7 for the year ended December 31, 2011. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand alone pay television offerings, but was partially offset by an increased uptake of Coditel’s flat rate fixed-line telephony offers. Cable based services revenue was also positively impacted by an approximately 1,000 net increase in the number of television RGUs due in part to our acquisition of a concession from the AIESH, a Belgian municipality, in the fourth quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. As of December 31, 2012, the AIESH concession represented approximately 12,400 Cable Customer Relationships. The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded the entire AIESH network and converted the analog customers served by the upgraded AIESH network into digital customers. This was partially offset by an approximately 2,000 net decrease in the number of digital television RGUs primarily due to competition, particularly from IPTV offers by Belgacom in Brussels and POST in Luxembourg. Cable based services revenue was also positively impacted by an increase in broadband Internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband networks, our attractive pricing of broadband Internet services and due to increase in uptake of our triple-play bundles, which includes broadband Internet services.

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

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

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by approximately 21,000, comprising of a net decrease of approximately 11,000 pay television RGUs and approximately 3,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2012, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Although there was a net reduction of approximately 8,000 fixed-line telephony RGUs in the twelve months ended December 31, 2012, the average fixed-line telephony RGU’s for the twelve months ended December 31, 2012 was higher compared to the twelve months ended December 31, 2011, which partially offset a decline in cable based services revenue in 2012. A decrease in cable based services ARPU by €2.0, or 5.4%, to €34.9 for the twelve months ended December 31, 2012 compared to €36.9 for the twelve months ended December 31, 2011 also contributed to the decrease in the cable based services revenue. In 2012, our cable based services ARPU was negatively impacted by aggressive competition in each segment of the cable services market which required us to offer discounts and undertake other promotional offers. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We nevertheless took the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of ARPU, which has resulted in an increase in ARPU towards the end of 2012. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

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

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

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

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

Gross Profit

Historical Combined Basis

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

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

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

B2B and others: For the year ended December 31, 2012, our gross profit from B2B and others was €26.9 million, an 11.6% increase compared to €24.2 million for the year ended December 31, 2011. Our gross margin for B2B and other services increased from 55.7% in the year ended December 31, 2011 to 58.4% in the year ended December 31, 2012.

Aggregated Basis

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

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Purchasing and subcontracting services												
Cable based services	154.4	11.6	54.7	27.6	0.5	248.8	159.0	10.1	47.9	26.5	0.5	243.9
Mobile Services	30.9	—	—	40.7	—	71.8	69.8	0.1	—	41.5	—	111.4
B2B and others	—	1.0	58.8	—	19.2	79.0	—	0.7	66.8	—	21.5	89.2
Total Purchasing and subcontracting services	**185.3**	**12.6**	**113.5**	**68.4**	**19.7**	**399.6**	**228.8**	**11.0**	**114.7**	**68.0**	**22.0**	**444.5**

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

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

Israel: For the year ended December 31, 2012, our purchasing and subcontracting services in Israel were €228.7 million, a 23.5% increase compared to €185.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services costs for cable based services decreased by approximately 3.0% and our purchasing and subcontracting services costs for mobile services increased by approximately 125.2%.

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

The increase in purchasing and subcontracting services for mobile services in Israel was primarily due to the launch of UMTS based 3G mobile services in 2012, including interconnection fees of €43.6 million we incurred with respect to our 3G mobile services and increased costs in respect of offering compatible mobile handsets. Interconnection fees in 2012 included national roaming costs of €21.3 million.

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

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

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

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

The decrease in purchasing and subcontracting services for cable based services in Portugal was primarily a result of an operational optimization program implemented by the Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

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

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

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

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

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

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

	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Illustrative Aggregated Selected Financial Information											
	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
Gross margin												
Cable based services (%)	76.8	80.1	55.7	73.3	79.1	73.2	78.0	84.7	56.7	66.3	79.1	74.5
Mobile Services (%)	82.9	—	—	64.6	—	77.1	56.8	41.0	—	71.7	—	62.9
B2B and others (%)	—	88.9	49.0	—	55.9	51.9	—	92.2	43.1	—	75.8	57.3
Total gross margin (%)	**78.1**	**81.2**	**52.5**	**68.1**	**56.6**	**71.2**	**73.5**	**89.6**	**50.5**	**69.5**	**76.0**	**69.9**

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

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

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

Operating Expenses and EBITDA

Historical Combined Basis

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

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

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non- recurring costs. As a result, for the year ended December 31, 2012, our EBITDA was €403.1 million, a 35.4% increase compared to € 297.7 million for the year ended December 31, 2011. Our EBITDA by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €305.2 million and €256.1 million, (ii) Belgium and Luxembourg, €45.6 million and €20.4 million, (iii) in Portugal, €29.9 million and nil, and (iv) in the French Overseas Territories, €12.1 million and €11.7 million. Our EBITDA margin for the year ended December 31, 2012 was 36.9% compared to 38.0% for the year ended December 31, 2011.

Aggregated Basis

For the year ended December 31, 2012, our total operating expenses on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information were €503.3 million, a 4.9% decrease compared to € 529.3 million for the year ended December 31, 2011.

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

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

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

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in Israel decreased by approximately 5.6% from € 67.5 million to €63.7 million. This decrease was primarily due to decreased sales commissions to retailers, advertising costs and sales promotions. This was partially offset by increased salary expense as a result of the inability to capitalize commissions and salaries of sales personnel as compared to the prior year period due to a change in regulation prohibiting the imposition of exit fees on customers except in limited circumstances, which necessitated an implementation of commitment free contracts.

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

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

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

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

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

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

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

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

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

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

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

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

Other operating expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other operating expenses in the French Overseas Territories increased by approximately 3.7% from €43.5 million to €45.1 million. This increase was primarily due to measures taken by Outremer to improve its quality of service, in particular through densification of mobile networks and enhancement of the existing loyalty program which was partially offset by certain measures taken to optimize fixed costs, including to reduce payroll (in particular through reallocation of certain customer care staff from local centers in the French Overseas Territories to an offshoring center in Mauritius).

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

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

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

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

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						**For the year ended December 31, 2012**					
	Israel[3]	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**	**Israel[3]**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others[2]**	**Total**
EBITDA[1]	**327.2**	**41.0**	**39.0**	**72.4**	**17.7**	**497.2**	**305.2**	**45.6**	**48.0**	**75.1**	**20.2**	**494.1**

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

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

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

	Illustrative Aggregated Selected Financial Information	
	For the year ended December 31,	
	2011	2012
	€ in millions	
EBITDA	497.2	494.1
Equity based compensation[(1)]	6.0	3.8
Adjusted EBITDA	503.2	497.9

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

Depreciation and amortization

Historical Combined Basis

For the year ended December 31, 2012, depreciation and amortization totaled €266.4 million, a 51.4% increase compared to €176.0 million for the year ended December 31, 2011. These were impacted by the factors listed under "—*Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*". Depreciation and amortization in the year ended December 31, 2012 was impacted by the following events:

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

Goodwill impairment

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

Operating Profit

Historical Combined Basis

For the year ended December 31, 2012, (i) other expenses, net totaled €29.8 million, a 432.1% increase compared to €5.6 million for the year ended December 31, 2011; (ii) management fees primarily relating to consulting services totaled €6.2 million to €3.6 million for the year ended December 31, 2011 and (iii) restructuring and other non-recurring costs totaled €20.8 million compared to a restructuring and other non-recurring costs of €7.6 million for the year ended December 31, 2011. As a result, for the year ended December 31, 2012, our operating loss was €42.0 million, compared to an operating profit of €104.9 million for the year ended December 31, 2011.

Gains arising on step acquisition

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

Share of profit of associates

For the year ended December 31, 2012 our share of profit of associates was €20.4 million compared to €58.6 million for the year ended December 31, 2011 representing share of profit from HOT and Altice France S.A's investment in the French cable businesses of Numericable and Completel. HOT was accounted for using the equity method in the accounts of Altice International prior to the acquisition of controlling interest in March 2011.

Finance costs (net)

For the year ended December 31, 2012, our net finance costs totaled € 184.7 million, a 77.9% increase compared to €103.8 million for the year ended December 31, 2011 which was primarily due to full year impact of higher debt levels of the Group mainly due to the debt incurred by the Group to finance the Group's investments in HOT and Coditel in 2011.

Income tax benefits/(expenses)

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

Profit for the year

As a result of the factors discussed above, for the year ended December 31, 2012, our loss for the year was €180.2 million compared to a profit of €162.0 million for the year ended December 31, 2011.

Liquidity and Capital Resources

Cash and Debt Profile

As of December 31, 2013, our consolidated cash and cash equivalents amounted to €1,304.4 million on an actual basis (including restricted cash of €1,242.8 million, held in escrow resulting from the drawdown of debt to be used to finance the ODO and Tricom operations). Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to- day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2010 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. In particular, in December 2012, June 2013 and December 31, 2013 we entered into significant financing transactions, among other things, to finance investments in certain of our subsidiaries and to refinance certain existing indebtedness. We issued additional debt in November and December 2013 to finance the acquisition of ODO and Tricom, as well as an additional stake in the Numericable Group. Our total debt as of December 31, 2013 was €3,741.0 million (including the fully drawn 2013 Term Loan), in each case excluding finance leases and other long term and short term liabilities. Furthermore, as of December 31, 2013, Altice Financing made a renewal request for a guarantee of up to a maximum amount of €8.4 million to be issued under the 2013 Guarantee Facility, which represents a contingent liability of the Group. As of December 31, 2013, we had €185.0 million equivalent of additional borrowing capacity under the Existing Revolving Credit Facilities and the 2013 Guarantee Facility. In connection with the Transactions, we expect to enter into the €200 million Altice S.A. Revolving Credit Facility Agreement, the € 6,000 million (equivalent) New Numericable Term Loan and the €750 million Numericable Group Revolving Credit Facilities Agreement. In addition, in connection with the Transactions, we expect to issue the Notes and Numericable is expected to issue the New Numericable Senior Secured Notes.

Our material indebtedness (excluding the Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility, the New Altice Financing Revolving Credit Commitment, the Numericable Group

Revolving Credit Facilities Agreement and finance leases and other long term and short term liabilities) and principal repayment obligations, giving effect to the Transactions but without giving effect to any hedging transaction and excluding accrued interest and debt issuance costs, with respect to such indebtedness are set forth below. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments. See "*Description of Certain Indebtedness*".

	Period ending December 31,				
	2014	2015	2016	2017 or later	Total
	€ in millions				
Existing HOT Unsecured Notes[(1)]	27	27	27	195	276
Existing Coditel Mezzanine Facility	—	—	—	111	111
Green Datacenter Debt	—	—	—	24	24
2012 Senior Secured Notes[(2)]	—	—	—	544	544
2013 Term Loan Facility[(3)]	8	8	8	771	795
2012 Senior Notes[(2)]	—	—	—	308	308
2013 Senior Notes	—	—	—	250	250
2013 Dollar Senior Notes[(4)]	—	—	—	290	290
2013 Senior Secured Notes[(4)]	—	—	—	953	953
Notes	0	0	0	4,150	4,150
New Numericable Senior Secured Notes	0	0	0	6,040	6,040
New Numericable Term Loan	0	56	56	5,488	5,600
Total	**33**	**91**	**91**	**19,133**	**19,340**

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

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

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

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

Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and if required there is $80.0 million and €60.0 million of available borrowings under the Existing Revolving Credit Facilities, €75 million under the 2013 Guarantee Facility. As of December 31, 2013, we had €185.0 million equivalent of borrowing capacity under the Existing Revolving Credit Facilities and the 2013 Guarantee Facility. On January 14, 2014, we drew €20.5 million under the 2013 Revolving Credit Facility. In connection with the Transactions, we expect to enter into the €200 million Altice S.A. Revolving Credit Facility Agreement and the €750 million Numericable Group Revolving Credit Facilities Agreement. We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility Agreement, the Numericable Group Revolving Credit Facilities Agreement and the New Altice Financing Revolving Credit Facility Commitments will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. See "*Risk Factors—Risks Relating to Our Financial Profile.*"

The Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility Agreement and the Numericable Group Revolving Credit Facilities Agreement require, while there are any utilizations outstanding, us to maintain compliance with the leverage ratios specified therein, tested as of the end of each fiscal quarter. The HOT Unsecured Notes contain certain financial covenants which require HOT to maintain compliance with a maximum consolidated leverage ratio of 6.0 (calculated on a net debt basis) and minimum equity of NIS 300 million. Further, HOT may only distribute dividends if its consolidated leverage ratio (calculated on a net debt basis) is 5.5 or less. In addition, under the Coditel Mezzanine Facility, Coditel's financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cash flow cover ratio, net interest cover ratio and leverage ratio that vary over time and to observe limitations on capital expenditure. For the twelve month period ending on December 31, 2013, the required leverage ratio is 5.65:1 and will fall to 2.60:1 at the termination date. Our ability to maintain compliance with our financial covenants is dependent primarily on our or the relevant operating subsidiaries' ability to maintain or increase EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the incurrence leverage covenants contained in our various debt instruments. Further, if our EBITDA were to decline, we could be required to repay or limit borrowings under the Revolving Credit Facilities, the HOT Unsecured Notes and the Coditel Mezzanine Facility, in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

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

Working Capital

As of December 31, 2013, we had a negative net working capital position of €198.4 million compared to a negative working capital position of €164.3 million as of December 31, 2012.The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short Days of Sales Outstanding and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect our operating cash flows and, if required, available borrowings under the Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility, the New Altice Financing Revolving Credit Facility Commitment and the Numericable Group Revolving Credit Facilities Agreement will be sufficient to meet our working capital requirements during the next 12 months.

Consolidated Cash Flow Statements

	Historical Consolidated Financial Information		
	For the year ended December 31,		
	2011	2012	2013
	€ in millions		
Cash and cash equivalents at beginning of period	26.9	24.2	129.7
Net cash provided by operating activities	306.1	464.5	439.1
Net cash used in investing activities	(576.6)	(574.2)	(2.157.5)
Net cash provided by financing activities	268.7	215.1	1,649.8
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	0.1
Cash and cash equivalents at end of year	**24.2**	**129.7**	**61.6**

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

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

Net cash provided by operating activities

Net cash provided by operating activities decreased by 5.5% to € 439.1 million for the year ended December 31, 2013 compared to €464.5 million for the year ended December 31, 2012. The decrease in net cash provided by operations was mainly related to the increase in income taxes paid by the Group for the year ended December 31, 2013 as compared to the year ended December 31, 2012 from a cash refund of €1.6 million in the year ended December 31, 2012 to a payment of €2.3 million made in the year ended December 31, 2013

Net cash used in investing activities

Net cash used in investing activities increased by 275.7% to €2,157.5 million for the year ended December 31, 2013 compared to €574.2 million for the year ended December 31, 2012. The increase in the year ended December 31, 2013 can be attributed to the cash that was held in escrow as of December 31, 2013, which amounted to €1,242.8 million (equivalent) for the acquisition of ODO and Tricom in Q1 2014. We completed the Tricom Acquisition on March 12, 2014.

Additionally, the increase in cash flow from acquisitions was impacted by (i) the acquisition of certain subsidiaries (OMT, ONI, MCS and SportV) for a total of €253.1 million, (ii) the buyback of minority interests in Coditel (€30.6 million) and (iii) the buy-out of Cabovisao non-controlling interests (€90.0 million).

It also includes the payments made to other major shareholders in Numericable Group, to purchase an additional 6% stake, amounting to a total cash outflow of €243.7 million.

Net cash provided by (used in) financing activities

Net cash provided by financing activities increased to €1,649.8 million for the year ended December 31, 2013 compared to € 215.1 million for the year ended December 31, 2012. The increase can primarily be attributed to the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes issued on December 5, 2013 proceeds of which were being held in escrow as of December 31, 2013, and which were released upon the completion of the ODO Acquisition and the Tricom Acquisition, respectively.

Such proceeds were therefore accounted for as restricted cash $1,309 million (€1,242.8 million) as of 31 December 2013 (US$1.3789 = €1.00). As of the date of this Notice $405 million (€291.3 million) have been used as consideration for the completion of the Tricom Transaction on March 12, 2013.

Part of these proceeds were used to repay existing debts in the Altice International group, amounting to total of €756.3 million. Cash flow from financing activities also includes payments made to the holders of subordinated debt instruments issued by Altice International, for a total of €212.5 million.

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

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

Net cash provided by (used in) operating activities

Net cash provided by operating activities increased by 51.7% to €464.5 million for the year ended December 31, 2012 compared to €306.1 million for the year ended December 31, 2011. Despite a net loss of income of €180.2 million in the year ended December 31, 2012 compared to a net gain in income of €162.0 million in the year ended December 31, 2011, the operating cash flow in 2011 was offset by the elimination of higher non-cash gains of €133.0 million relating to the step acquisition of HOT (see Note 27 to the 2011 historical combined financial statements of the Company). This increase was slightly offset by a €3.4 million negative impact from the movement in changes in working capital.

Net cash provided by (used in) investing activities

Net cash used in investing activities decreased by 0.4% to €574.2 million for the year ended December 31, 2012 compared to €576.6 million for the year ended December 31, 2011. The decrease was primarily due to the higher cash outflows of €347.3 million in the year ended December 31, 2011 for acquisitions (including investments in the HOT Telecom Group and Coditel) compared to €35.1 million the year ended December 31, 2012. In addition, we used €172.9 million to acquire the remaining minority interests in HOT in the Take Private Transaction in December 2012 which is included in cash used in investing activities. This decrease was partially offset by higher capital expenditures in the year ended December 31, 2012 as discussed under "*—Capital Expenditures—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011*".

Net cash provided by (used in) financing activities

Net cash provided by financing activities decreased by 20.0% to €215.1 million for the year ended December 31, 2012 compared to €268.7 million for the year ended December 31, 2011. The decrease was primarily due to the higher levels of interest paid in an amount of €117.8 million in the year ended December 31, 2012 compared to €69.0 million in the year ended December 31, 2011 and the dividends paid to the minority shareholders in an amount of €26.0 million in the year ended December 31, 2012, which was partially offset by the higher levels of debt incurred for purposes other than refinancing of existing indebtedness in the year ended December 31, 2012 (in an amount of €358.9 million versus €338.1 million in the year ended December 31, 2011).

Capital Expenditures

We classify our capital expenditures in the following categories.

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

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

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

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

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

Capital expenditures on a Historical Consolidated Basis

For the year ended December 31, 2013, our total capital expenditures were €290.1 million (representing 22.5% of revenue), a 19.6% decrease compared to €347.0 million for the year ended December 31, 2012 (representing 31.8% of revenue).

Cable based services related: For the year ended December 31, 2013, cable based services capital expenditures were €204.0 million (representing 70.3% of total capital expenditures); a 19.1% decrease compared to €252.1 million (representing 72.7% of total capital expenditures) for the year ended December 31, 2012.

Mobile services related: For the year ended December 31, 2013, mobile services capital expenditures were €62.4 million (representing 21.5% of total capital expenditures); a 25.6% decrease compared to €83.8 million (representing 24.1% of total capital expenditures) for the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2013, B2B and other capital expenditures were €23.8 million (representing 8.4% of total capital expenditures); a 114.2% increase compared to €11.1 million (representing 3.2% of total capital expenditures) for the year ended December 31, 2012.

Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our capital expenditures by country of operation and on a total aggregate basis based on the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012.

	Illustrative Aggregated Selected Financial Information — For the year ended December 31, 2012						Pre-Transaction Pro Forma Financial Information — For the year ended December 31, 2013					
	Israel(3)	Belgium and Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total	Israel(3)	Belgium and Luxembourg	Portugal	French Overseas Territories(2)	Others(1)	Total
	€ in millions											
Capital expenditures												
CPEs and installations	98.1	4.4	8.7	7.5	—	118.8	49.0	8.3	9.4	3.9	0.3	70.9
Cable network and constructions	55.7	6.4	7.1	7.7	—	76.8	43.0	2.8	7.4	4.3		57.5
Other cable	57.8	6.2	2.4	0.9	—	67.3	63.3	10.5	1.5	1.2		76.4
Cable based services	**211.6**	**17.0**	**18.1**	**16.1**	**—**	**262.8**	155.3	**21.5**	18.3	9.5	0.3	**204.8**
Mobile services	83.8	—	—	9.2	—	93.0	53.6	—	—	8.3		61.9
B2B and others	—	—	12.7	10.5	18.7	41.9	—	1.4	5.7	18.5	21.8	47.5
Total capital expenditures	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**	**208.9**	**23.0**	**24.0**	**36.2**	**22.1**	**314.2**
EBITDA—total capital expenditures	**9.8**	**28.6**	**17.2**	**39.4**	**1.6**	**96.6**	**154.1**	**22.1**	**34.2**	**48.3**	**(2.2)**	**256.5**

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

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

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

Israel: For the year ended December 31, 2013, our total capital expenditures in Israel were €208.9 million (representing 66.5% of total capital expenditures); a 29.3% decrease compared to €295.4 million for the year ended December 31, 2012 (representing 74.3% of total capital expenditures). This decrease was primarily due to higher capital expenditures during the twelve months ended December 31, 2012 related mainly to a one time capital expenditure for the purchase of a building for our call center operations, capital expenditures relating to the purchase of our new set top boxes, HOT Magic HD, and higher cable network and constructions related capital expenditure related to the completion of the upgrade to 100Mb capacity throughout our cable network and the fiber roll out in certain areas in 2012. The decrease in capital expenditures in the mobile segment was primarily due to higher expenditures relating to the expansion of our UMTS network in the twelve months ended December 31, 2012 prior to the launch of our UMTS based cellular services in May 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our total capital expenditures in Belgium and Luxembourg were €23.0 million (representing 7.3% of total capital expenditure), a 35.3% increase compared to €17.0 million (representing 4.3% of total capital expenditure) for the year ended December 31, 2012 The increase was due to the installation work we conducted following the acquisition of the AIESH concession and the launch of La Box in 2013, having installed a substantial number of set-top boxes during the twelve months ended December 31, 2013 and capitalization of certain exclusive copyrights.

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

French Overseas Territories: For the year ended December 31, 2013, our total capital expenditures in the French Overseas Territories were €36.2 million (representing 11.5% of total capital expenditures), a 1.4% increase compared to €35.7 million for the year ended December 31, 2012 (representing 9.0% of total capital expenditures). The increase was primarily due to the expansion of our 3G mobile networks in Martinique, Guadeloupe, French Guyana, Mayotte and La Reunion and a major renovation work relating to Outremer's distribution network as well as due to the development of a payment platform offering value-added payment services to Outremer's customers and the acquisition of KERTELcom, a small fixed line French operator.

Others: Capital expenditures for our other businesses increased by 21.0% in the year ended December 31, 2013 to €22.1 million as compared to €18.7 million for the year ended December 31, 2012.

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

Capital expenditures on a Historical Combined Basis

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

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

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

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

Capital expenditures on an Aggregated Basis

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

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						For the year ended December 31, 2012					
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total
	€ in millions											
Capital expenditures												
CPEs and installations	57.3	5.2	12.4	6.4	—	81.3	98.1	4.4	8.7	7.5	—	118.8
Cable network and constructions	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	—	76.8
Other cable based services	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	—	67.3
Cable based services	**126.8**	**10.6**	**19.4**	**28.1**	**—**	**185.0**	**211.6**	**17.0**	**18.1**	**16.1**	**—**	**262.8**
Mobile services	47.1	—	—	17.2	—	64.3	83.8	—	—	9.2	—	93.0
B2B and others	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	18.7	41.9
Total capital expenditures	173.9	10.6	34.4	53.5	21.5	293. 8	295.4	17.0	30.8	35.7	18.7	397.8
EBITDA—total capital expenditures	153.3	30.4	4.6	18.9	(3.8)	203.4	9.8	28.6	17.2	39.4	1.5	96.3

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

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

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

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

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

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

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

Contractual obligations

The following table summarizes the payments that we will be obligated to make under our material contractual commitments as of December 31, 2013. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations and does not give effect to the Transactions. These maturities may differ significantly from the actual maturity of these obligations.

Payments due by period

	Period ending December 31,				
	2014	**2015**	**2016**	**2017 or later**	**Total**
	€ in millions				
Long-term debt obligations	35.0	35.0	358.9	3,445.9	3,874.8
Finance leases	12.6	7.3	5.0	10.4	35.3
Operating leases(1)	52.2	35.0	22.4	22.7	132.3
Total	**99.8**	**77.3**	**386.4**	**3,479.0**	**4,042.4**

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

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

In addition, we have obligations under defined benefit and defined contribution pension plans. Our cash outflow relating to these obligations will vary depending on a number of factors. In the case of defined benefit plans, we recognize a liability regarding employee benefits in the statement of financial position of the Company which represents the present value of the defined benefits liability less the fair value of the plan assets, and the past service costs. The liability in respect of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions with regards, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty. Actuarial gains and losses are reflected in the statement of income and statement of other comprehensive income in the period in which they arise, as part of the salary costs. Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as an expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is recognized in the financial statements. As of December 31, 2013, out total pension liabilities were €8.2 million.

Post Balance Sheet Date Events

Tricom and ODO Acquisition

Pursuant to an agreement dated October 31, 2013, between Altice Caribbean (a wholly-owned indirect subsidiary of Altice International) and Hispaniola Telecom Holdings, Ltd. (the "Tricom Sellers"), a company controlled by Amzak Capital Management and Inversiones Bahía, (the "Tricom Purchase Agreements"), on March 12, 2014 Altice Caribbean, through one of its indirect subsidiaries (the "Tricom Purchaser") purchased all of the outstanding equity interests in each of Tricom S.A. and Global Interlink Ltd. (together, "Tricom") from the Tricom Sellers (the "Tricom Acquisition"). The aggregate purchase price payable by Altice Caribbean for the Tricom Acquisition was $405 million. The Tricom Sellers agreed to reinvest approximately $20 million of proceeds of the Tricom Acquisition in Altice Bahamas, through the subscription of Class B Shares representing 2.8% of the outstanding shares of Altice Bahamas. Furthermore, the Tricom Sellers entered into a shareholders' agreement with Altice Caribbean which, among other things, included certain restrictions on the transfer of Class B Shares, as well as put and call options on all of the Class B Shares held by the Tricom Sellers, exercisable 3, 4 and 5 years after the execution of the shareholders' agreement.

Pursuant to an agreement dated November 26, 2013 between Altice Bahamas (a wholly-owned indirect subsidiary of Altice International) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), on April 9, 2014, Altice Bahamas, through one of its newly formed fully owned subsidiary, Altice Dominican Republic II, acquired from Wirefree Services Denmark A/S and certain of its affiliates all of the outstanding share capital of ODO. The aggregate purchase price payable by Altice Bahamas was $1.4 billion.

Potential Benefits from the acquisition of Tricom and ODO

The completion of the Tricom Acquisition and the expected acquisition of ODO is consistent with our strategy to drive profitability and cash-flow expansion through in-market consolidation. In particular, we believe that we will benefit from cross-selling Tricom's high speed broadband Internet and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilize both companies' product sets and networks. We believe the combination of Tricom and ODO will create a fixed-mobile integrated player in the Dominican Republic.

We believe that Tricom's and ODO's network infrastructures are complementary. We intend to progressively migrate the existing fixed line DSL customer base in the Dominican Republic to Tricom's cable network where possible. We expect to generate savings by reducing maintenance costs and unbundled local loop ("ULL") and bitstream fees as well as realizing operational synergies. ODO's mobile business will also benefit from Tricom's network, which is expected to provide transmission capacity for ODO's base stations at lower cost than prevailing market rates for leased capacity. We also believe there is potential for savings by combining overlapping regional and national fixed backbones as well as optimizing mobile frequencies and networks, including utilizing Tricom's excess 4G spectrum which should allow for a cost efficient roll-out of 4G services.

Initial public offering

On January 31, 2014, the Company, a newly incorporated Luxembourg entity and the new ultimate parent company of the Group, listed its shares in an initial public offering on Euronext Amsterdam. As part of the offering, the Company floated 206 million shares at an offering price of € 28.25 per share. The primary offering consisted of the issuance and sale of a total amount of 26.5 million shares in the newly incorporated company and yielded proceeds of €750 million, and the secondary offering consisted of the sale of 19.6 million pre-existing shares by Next L.P. and yielded proceeds of €555 million. The proceeds were primarily used to finance the acquisition of a controlling stake in Numericable by Altice France, a wholly- owned subsidiary of the Company, for a total amount of €317.7 million (including acquisition tax), the buyout of limited partners who had invested in Next L.P for a total amount of

€141.9 million (including accrued interest), the repayment of a vendor loan relating to MCS of €13.9 million, repayment of other debt relating to its holding companies, amounting to €34.3 million, with the remaining amount was kept as cash on balance sheet for an amount of approximately €221 million approximately €221 million (excluding certain IPO fees) of which a portion was used for the Orange Dominicana acquisition. Initial listing occurred on January 31, 2014 and settlement of the proceeds occurred on February 5, 2014. On February 6, 2014, the underwriters in the initial public offering announced that they would fully exercise the over-allotment option, resulting in the sale of 6.9 million additional secondary shares and bringing the total proceeds to €1,501 million.

Change in minority interests of Altice Blue Two

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

As per the agreement, which was completed and signed on March 13, 2014, the OMT Managers contributed all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management) in exchange for shares in the Issuer, for a base value of €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. For further details, see "*Description of Our Business—Material Contracts—Roll over of the Outremer Minority Shareholders and the Mobius Managers*."

Acquisition of additional shares in Numericable

In February 2014, the Issuer's wholly-owned subsidiary, Altice France, completed the acquisition (the "Numericable Acquisition") of 12.4 million additional shares in Numericable, representing 10% of Numericable's outstanding shares, from Cinven and Carlyle pursuant to a previously announced agreement. The total consideration for the Numericable Acquisition was approximately €317 million in cash, representing €25.58 per share (excluding an earn-out, if any, payable depending on the fluctuation of the price of Numericable's shares until May 8, 2014). As a result of the Numericable Acquisition, Altice France holds 40% of the shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes on the board of directors of Numericable.

In addition, on or prior to the Completion Date, Altice France will acquire 14% of the shares of common stock of Numericable from Cinven and Carlyle, and Cinven and Carlyle will transfer their remaining 20.6% ownership interest in Numericable to the Issuer in exchange for shares of common stock of the Issuer.

Following the consummation of the Transactions, including the Numericable Rights Issue, Altice France is expected to increase its total shareholding in Numericable to 59.7% (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders).

Related Party Transactions

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

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

Off Balance Sheet Arrangements

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

Guarantees

In connection with our operations, we are required to provide a certain number of commitments in terms of performance guarantees for the completion of work, guarantees to municipalities, guarantees to suppliers and guarantees to regulators and other government agencies. At December 31, 2013, these guarantees amounted to approximately €489.5 million.

Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

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

Liquidity Risk

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

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity or, with respect to the HOT Unsecured Notes, pursuant to amortization obligations. As adjusted for the Offering, on a consolidated basis, our primary fixed rate debt obligations were in an amount equivalent to €12,921 million (excluding finance leases and other financial liabilities) comprising of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Notes, the HOT Unsecured Notes, the 2013 Senior Secured Notes, the 2013 Dollar Senior Notes, the New Numericable Senior Secured Notes, the Existing Coditel Mezzanine Facility and the Notes, while our primary floating rate debt obligations (excluding finance leases and other liabilities) were in an amount equivalent to € 6,418 million comprising of the 2013 Term Loan issued by Altice International, the New Numericable Term Loan entered into by Numericable and debt of Green Datacenter. In addition, any borrowings we make under the Revolving Credit Facilities and the 2013 Guarantee Facility will bear interest at a floating rate. In addition, a portion of our debt in an amount of NIS 280.9 million (€58.6 million equivalent), comprising Series A of the HOT Unsecured Notes, is linked to the Consumer Price Index in Israel and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As we have not entered into interest rate hedges, we are exposed to interest rate fluctuations with respect to our floating rate debt.

Foreign Currency Risk

Our business is exposed to fluctuations in currency exchange rates. The HOT Group's primary transactional currency is the New Israel Shekel. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of the Company and its other operating subsidiaries is the euro. We conduct, and will continue to conduct, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Our existing debt is primarily denominated in U.S. dollars, euros and New Israeli Shekels although the amounts incurred in euros and New Israeli Shekels do not necessarily match the amount we earn in the corresponding currency. We seek to manage such transactional foreign currency exposures though our hedging policy in accordance with our specific business needs. As of December 31, 2013, we had the following derivative instruments outstanding to secure foreign currency liabilities and to reduce foreign currency exposure:

- Foreign exchange forward contract relating to a swap of a notional amount of $550 million into New Israeli Shekels (maturing on December 15, 2017);

- Foreign exchange forward contract relating to interest rate hedging on a notional amount of $98.9 million and €40.1 million (maturing on each interest payment date under the 2012 Senior Secured Notes and the 2012 Senior Notes until December 15, 2017), which exchanges fixed euro and U.S. dollar payments into fixed New Israeli Shekels payments;

- Cross currency swaps on notional principal amounts of $200 million, $225 million and €100 million, each swapping into New Israeli Shekels at certain specified rates (maturing on December 15, 2017); and

- Cross currency swaps on notional principal amounts of $293 million, $407 million and $133 million, each swapping into New Israeli Shekels and Euros respectively at certain specified rates (maturing between July and November 2018).

In connection with the Transactions, we expect to enter into various derivative instruments.

In addition, because the reporting currency of the Company is the Euro while the reporting currency of the HOT Group and Green is New Israeli Shekels and Swiss Francs respectively, we are exposed to translation foreign currency exchange risk arising from the consolidation of such entities into the Company's consolidated financial statements. For more information on our foreign currency translation risk and sensitivity analyses, please see note 19 to the Company's financial statements as of and for the year ended December 31, 2013.

Critical Accounting Policies, Judgments and Estimates

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

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

The following discussion of the Numericable Group's financial condition and results of operations should be read together with the Numericable Group's audited annual consolidated financial statements for the years ended December 31, 2013 and audited annual combined financial statements for the years ended 2011and 2012. This discussion contains forward-looking statements that are subject to numerous risks and uncertainties. See "Forward-Looking Statements."

In this section, unless the context otherwise requires, the terms "Numericable Group", "we", "us" and "our" refers only to Numericable Group and its subsidiaries (but excluding SFR). For discussion of the financial condition and results of operations of SFR please see "Business and Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR".

Overview

Introduction

Numericable Group is the sole major cable operator in France. It was created through the combination of several cable and B2B telecommunications operators and operates using a highly capillary network infrastructure to serve three telecommunication market segments in France:

- the B2C segment, which includes retail products and services under the Numericable brand and fiber white label offerings. The B2C segment makes up the largest part of the Numericable Group's revenues, contributing € 864.6 million in revenues for the year ended December 31, 2013 and €826.2 million in revenues for the year ended December 31, 2012 (or 65.8% and 63.4% of the respective Numericable Group totals).

- the B2B segment, which includes services offered to SMEs, large businesses and government entities. The B2B segment is the second largest contributor to Numericable Group revenues, contributing €309.6 million in revenues for the year ended December 31, 2013 and € 323.2 million in revenues for the year ended December 31, 2012 (or 23.5% and 24.8% of the respective Numericable Group totals).

- the wholesale segment, which includes voice, data, infrastructure and DSL white label services for telecommunications operators and Internet access providers. The wholesale segment is the third largest contributor to Numericable Group revenues, contributing €140.0 million in revenues for the year ended December 31, 2013 and €153 million in revenues for the year ended December 31, 2012 (or 10.7% and 11.8% of the respective Numericable Group totals).

The following table provides a breakdown of segment revenues (before elimination of inter-segment sales) for the years ended December 31, 2011, 2012 and 2013. This table follows the breakdown found in Note 5 to the consolidated annual financial statements where eliminations of inter-segment sales are not allocated by segment. The Numericable Group analyzes segment revenues in this Section based on this breakdown, pursuant to which sales and related costs are within the same segment.

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
Revenue			
B2C	835.3	832.6	869.4
B2B	331.1	324.5	312.6
Wholesale	201.1	211.5	200.8
Inter-segment eliminations	(60.6)	(66.1)	(68.6)
Total	**1,306.9**	**1,302.4**	**1,314.2**

In order to reconcile this contribution with each segment's contribution to the Numericable Group consolidated revenue for the year ended December 31, 2013 and the combined revenue for the years ended December 31, 2011 and 2012, the following table allocates inter-segment sales eliminations by segment revenue for the relevant periods:

For the year ended December 31,

	2011	2012	2013
	(in € millions)		
Revenue			
B2C	(5.0)	(6.4)	(4.9)
B2B	(2.9)	(1.3)	(3.0)
Wholesale	(52.8)	(58.4)	(60.8)
Total inter-segment eliminations	**(60.6)**	**(66.1)**	**(68.6)**

The Numericable Group's service and product offerings are supported by an integrated network and are adapted to the characteristics and requirements of each market segment:

- In the B2C segment, the Numericable Group offers television, very-high-speed broadband Internet and fixed-line and mobile telephony services on both a bundled and stand-alone basis, and in both branded and white label form (through its fiber/cable network). The Numericable Group also offers analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers.

- In the B2B segment, the Numericable Group offers data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, as well as voice services, including voice calls, VoIP and Centrex.

- In the wholesale segment, the Numericable Group offers voice and data wholesale carrier services, as well as DSL white label products. Within this segment, the Numericable Group also sells fiber network infrastructure-based wholesale services to other telecommunication operators and to the B2B segment as well.

As of December 31, 2013, the Numericable Group served approximately 1.3 million direct individual subscribers, approximately 1.78 million bulk customers, and approximately 363,000 white label end-users and had approximately 600 large B2B clients, including large corporations such as Auchan, EDF, Caisse des Dépôts et Consignations and public entities such as the French Ministry of the Interior and the Paris municipality, as well as approximately 12,000 medium-sized businesses.

For the year ended December 31, 2013, the Numericable Group's consolidated revenues were €1,314.2 million and EBITDA was € 560.1 million.

Presentation of the Consolidated Annual Financial Statements Included in this Notice

The Numericable Group was formed on August 2, 2013. On November 7, 2013, in the context of the listing of the Numericable's shares on Euronext Paris, two Luxembourg holdings companies, Ypso Holding S.à r.l, parent company of Ypso France, and Altice Lux Holding S.à r.l, parent company of Altice B2B France, were contributed to the Issuer. Prior to the contribution, the Ypso France led the commercial activities of Numericable, being a provider of cable television services through high-end digital channel packages accessible to households with "triple-play" cable network connections and also provided broadband Internet access to the French residential market as well as fixed and mobile telephony services. Altice B2B France, through its main operational entity Completel S.A.S., managed the largest alternative fiber-to-the-office ("FTTO") network in France and is the third largest alternative digital subscriber line ("DSL") network in France. By directly connecting its business customers' sites to fiber and DSL networks, Completel S.A.S. provided the commercial market with a complete range of services that includes data transfer and very high speed Internet and telecommunications services, as well as convergence and mobility services.

This Notice includes the Numericable Group's consolidated financial statements for the year ended December 31, 2013 and combined financial statements for the year ended December 31, 2012. These financial statements were prepared in accordance with International Financial Reporting Standards and adopted in the European Union.

The comparative data presented for the year ended December 31, 2012 corresponds to the combined financial statements of the two sub-groups, Ypso and Altice B2B. Prior to their contribution to Numericable Group on November 7, 2013, these two sub-groups were separate entities under the joint control of the private investment funds Carlyle, Cinven and Altice. As a result, the financial information included for purposes of comparison reflect the historical assets, liabilities, income, expenses and cash flow of the Ypso and Altice B2B sub-groups, which were two separate groups as of December 31, 2012, 2011 and 2010.

Critical Accounting Policies

For a description of the Numericable Group's significant accounting policies and critical accounting estimates, see Notes 2 and 3 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 an English language translation of which is included elsewhere in this Notice.

Significant Factors Affecting Results of Operations

The Numericable Group's operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. In addition to the regulatory and macroeconomic environment, the key factors affecting the ordinary course of the Numericable Group's business and its results of operations include (i) the attractiveness of the Numericable Group's products and services, including relative to the Numericable Group's competitors, (ii) changes in pricing, (iii) customer acquisition and churn, (iv) the Numericable Group's cost structure and cost optimization programs and (v) network upgrades and maintenance. Each of these factors is discussed in more detail below.

The Attractiveness of the Numericable Group's Products and Services

B2C Segment Products and Services

The Numericable Group offers subscribers within its network area television, very-high-speed broadband Internet, fixed-line and mobile telephony services, as an MNVO. The Numericable Group also provides analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers. The B2C segment also includes the Numericable Group's white label business with Bouygues Télécom using the Numericable Group's fiber/cable network. These products compete with those of the Numericable Group's competitors. See "*Risk Factors—Risks Relating to the Group's Industry and Markets—The Group operates in a competitive industry, and competitive pressures could have a material adverse effect on its business*".

The Numericable Group's new B2C customers commit for a period of twelve months. A security deposit (of €75) is required only for subscriptions to packages that include LaBox.

The Numericable Group frequently upgrades its product offerings and service quality, in particular by increasing broadband Internet speeds and expanding its digital television offering and the range of interactive services offered, in order to stay competitive in a highly competitive environment, retain existing customers and attract new customers and increase ARPU (see below). Promotional offers may also include a price reduction (thereby reducing ARPU and related revenue) in a given period.

The Numericable Group's most recent efforts have focused on its triple- and quadruple-play services offered to individual subscribers. The Numericable Group's triple- and quadruple-play offers combine several services into packages, thus enabling subscribers to conveniently order television, broadband Internet and fixed telephony services together and, if desired, mobile telephony services. The Numericable Group believes that its introduction of triple- and quadruple-play packages has been a key factor in its success in attracting new subscribers and retaining existing subscribers. The Numericable Group's progressive upgrading of its network to EuroDocsis 3.0 technology also enables it to offer customers top of market broadband speeds and access services. The Numericable Group also recently introduced a package that includes a tablet or smartphone for €1 extra per month.

In May 2012, the Numericable Group began marketing "LaBox," an integrated set-top box and cable router that it offers to triple-play and quadruple-play customers who subscribe to the Numericable Group's premium packages. Marketing increased significantly in September 2012. The Numericable Group believes that LaBox is one of the most powerful and interactive set-top boxes on the French market, taking advantage of the portion of the Numericable Group's network that has been upgraded to EuroDocsis 3.0 technology. LaBox has generated increasing ARPU for the Numericable Group as the proportion of premium sales (which include LaBox) has increased and has allowed the Numericable Group to attract new customers to its network. Approximately 70% of new customer adds for the period from September 30, 2012 to December 31, 2013 were for the Numericable Group's high-end multi-play offerings, including LaBox. More than 300,000 LaBox units were deployed as of December 31, 2013, representing a penetration rate of 29% of the Numericable Group's multi-play customers.

B2B Segment Product Offerings

The Numericable Group provides business customers with a comprehensive service offering, which includes voice services, including voice calls, VoIP and Centrex, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. This service offering competes with those of the Numericable Group's competitors. See "*Industry and Market Overview—B2B Market*".

As described in "Business—The Group's Business Lines—B2B Segment—Customers," contracts with B2B customers are generally entered into for an initial minimum period of one year (for voice services) and three years (for data services), but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years, following mandatory tender processes.

The Numericable Group's voice and data services offer a complete range of telecommunications services. Voice and data services offerings enable customers to centralize their telephony needs on their principal sites by centralizing all of their equipment and telephone calls and connecting the customer's central site to the Numericable Group's fiber optic network for better quality and to the Numericable Group's SDSL network for remote sites. The Numericable Group believes that such access to its network is a major competitive advantage that has allowed to it to both attract and retain a large customer base. As most of the Numericable Group's customers are located near the Numericable Group's fiber or DSL network, only limited additional investment is needed to connect customer sites.

The Numericable Group has adapted to the changing telecommunications environment by deploying a full range of cloud computing solutions, including external flexible telephony services, messaging and security solutions and hosting services (e.g., servers and platforms). The Numericable Group focuses in particular on providing "infrastructure as a service," which provides customers with the benefits of infrastructure without having to invest in it.

The Numericable Group has made strategic acquisitions in order to bolster the competitiveness and attractiveness of its B2B product offering. For example, in 2010, the Numericable Group significantly enhanced its IP VPN offering by acquiring Altitude Télécom, a French specialist in IP VPN which had close relationships with the public sector, and thereby solidified the Numericable Group's public sector entity customer base. Combining "infrastructure as a service" with the Numericable Group's broadband network uses the power of fiber and contributes to customer loyalty, while leveraging Completel's expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans).

The Numericable Group has a packaged offering for medium-sized companies—Completude—which bundles fixed voice, data and additional services. Completel's premium package, Completude Max, offers broadband Internet at a speed of up to 100 Mbps through the Numericable Group's FTTB network for the same price as DSL access.

Wholesale

In the wholesale market, the Numericable Group provides wholesale voice and data carrier services and network infrastructure-based wholesale services, including IRUs or bandwidth capacity on its network. It provides these services directly or through its subsidiary Sequalum, under a public-private partnership. The segment also includes the Numericable Group's ADSL white label business, which currently consists of services for former Darty customers who have been transferred to Bouygues Télécom (see "*Business—Material Contracts—White Label Contracts*"). The Numericable Group's wholesale business is an opportunistic one; the Numericable Group can use the network in which it has invested for its B2C and B2B businesses and generate higher margins and benefit from growth opportunities. The wholesale segment also benefits from cross-selling opportunities with the B2B segment, when analysis of a customer's requirements indicates that the Numericable Group can better serve it through a wholesale offering to another operator. This service offer competes with those of the Numericable Group's competitors. See "*Industry and Market Overview—Wholesale Market*".

Pricing

B2C Segment Pricing

Pricing in the French B2C market segment is primarily driven by the pricing of multi-play packages, to which the vast majority of customers subscribe. The cost of a multi-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions, the more options, content, and included usage time, the higher the price of the multi-play package in question. For example, the addition of a basic mobile telephony package is currently free for premium triple-play subscribers, while the addition of a premium mobile telephony package raises the subscription price. Subscription fees for stand-alone offerings are also sensitive to the number of options, the content and the included usage time, although pricing for these services tends to be less competitive as the majority of the market competes primarily on the multi-play arena.

The Numericable Group adjusts its pricing policies based on evolving market practices. In the past, the French triple-play market was structured around offers at €30 per month. Accordingly, the initial customer migration from the Numericable Group's "TV-only" offers generally priced at €40 per month to lower-priced triple-play packages negatively affected the Numericable Group's results of operations. Like other operators, the Numericable Group raised the price of its basic triple play package in January 2011. Similarly, in 2012, the Numericable Group made further changes to its pricing structure in response to changing market conditions. In particular, the Numericable Group began offering its basic triple-play package, "Start," and its entry-level package, "iStart," and also lowered the price of its stand-alone mobile telephony services. In the first quarter of 2014, the Numericable Group further modified its pricing structure and slightly raised the prices of its products. See "*Risk Factors—Risk Relating to the Group's Industry and Markets—B2C Market—Triple-and quadruple-play*".

The Numericable Group continues to offer television services on a stand-alone basis to existing subscribers. Where technically possible, the Numericable Group aims to offer these customers a triple-play offering.

The Numericable Group's bulk packages to building managers include a basic television services package and a basic triple-play package that includes a standard digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access up to 2 Mbps and unlimited inbound fixed-line telephone calls. These packages are sold for a fixed subscription fee per apartment, irrespective of whether the services are actually used by the residents. The contracts have an average duration of five years. Most bulk contracts are for only basic television services. Pricing for bulk packages varies by building and by the content provided, with an average price of €3.00 per end-customer per month.

The Numericable Group believes that its current B2C pricing structure, together with the growth in the adoption of additional content-related services such as VOD, should drive growth in revenue and ARPU.

B2B Segment Pricing

Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive, as voice services are highly commoditized, with sophisticated customers and relatively short-term (one year) contracts. The B2B market for data services is less price sensitive, as data services require more customization. In both markets, price competition is strongest in the large corporates segment whereas customer-adapted solutions are an important competitive focus in the medium and smaller business segment.

Wholesale Segment Pricing

Prices for wholesale contracts are either regulated and based on a "cost plus" structure, with the interconnection cost set by the ARCEP or freely negotiated with the Numericable Group's wholesale customers, depending on the service. The Numericable Group's ability to offer competitive prices is a major factor in winning contracts.

Moreover, Sequalum charges fees for various services rendered to operators (see "*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*"), such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network. It also sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of Hauts-de-Seine that is classified as a "dense area" are regulated by the ARCEP. Other fees charged by Sequalum are not regulated.

Churn

B2C Churn

The B2C television, broadband Internet and telephony industries typically exhibit relatively high churn rates as a result of high levels of competition. Churn rates result primarily from changes in the Numericable Group's or its competitors' pricing, the level of customer satisfaction and the relocation of subscribers outside of its network area. Increases in the churn rate may lead to increased costs and reduced revenues. The Numericable Group has implemented initiatives designed to improve its customers' experience. These initiatives include enhanced CRM systems, which enable the Numericable Group to manage new subscribers more efficiently and to identify and offer special retention packages to subscribers identified as at risk of churning.

The following table sets out the B2C segment's churn rates for direct customers (i.e., not including white label end-users or bulk subscribers) for the years ended December 31, 2011, 2012 and 2013. The B2C churn rate (i.e. the discontinuance of services to a customer either voluntarily or involuntary) used herein is the percentage measure of the number of subscribers disconnected during a particular period (either at the subscriber's request or due to a termination of the subscription by the Numericable Group) divided by the number of subscribers at the beginning of the period, excluding transfers between the Numericable Group's products.

Product	For the year ended December 31, 2011	2012	2013
Stand-alone digital television	16.4%	19.0%	18.9%
Analog television	20.1%	18.3%	19.2%
Triple-play	17.3%	17.2%	17.0%
Overall	**19.4%**	**18.6%**	**19.0%**

The overall B2C segment has had higher churn rates as compared to the triple-play market average; the Numericable Group believes this reflects in particular the loss of customers who move outside of the Numericable Group's fiber/cable network area, which connects only approximately 35% of homes in metropolitan France; the Numericable Group believes that this factor accounts for a churn rate of approximately 4%. In order to reduce this type of churn, the Numericable Group launched a new DSL triple-play offering in August 2013 in the non-fiber/cable part of its network.

The Numericable Group believes its improved CRM systems have contributed to a significant reduction in churn. The Numericable Group's analog television churn rate spiked in 2011, with the official transition to DTT broadcasting completed in November 2011. The Numericable Group expects high churn rates to continue in analog television until the service is ultimately phased out. See "*Business of the Numericable Group—The Numericable Group's Business Lines—B2C Market—Analog Television Services*". The increase in stand-alone digital television churn results from migration to triple-play packages, in line with market trends. For a definition of churn as it is used herein, see the Glossary included in this Notice.

B2B Churn

The Numericable Group also tracks the churn rate of its B2B customers. The calculation of this rate differs from that of the B2C churn rate due to the nature of the Numericable Group's business, as the value of B2B customer contracts may vary greatly. The Numericable Group therefore calculates a churn rate based on the relative value of its B2B contracts in a month compared to the value of the same B2B contracts in the prior month, reflecting both the loss of customers and pricing readjustments.

The following table shows the trends of the B2B segment's churn rate in 2011, 2012 and 2013.

Product	For the year ended December 31, 2011	2012	2013
Churn rate	19.0%	25.8%	31.6%

B2B churn rates have been high with respect to voice services, primarily as a result of regulation imposing reduced termination rates, which reduced the Numericable Group's revenues from termination services and led to a decrease in the price of B2B voice services. In addition, given the overall market decline in voice prices, customers tend to be aggressive (such as by organizing successive requests for proposals and changing providers based largely on pricing terms, known as "tariff churn") in negotiating price reductions with respect to voice services. See "*Regulation—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications—Market Analysis—Asymmetric Regulation*". This phenomenon was particularly apparent in the churn rates for the year ended December 31, 2013, taking into account the significant decline in regulated call termination fees. B2B churn rates can also be affected by the loss of personnel, as occurred in the year ended December 31, 2012 in connection with the Numericable Group's relocation of segment engineers from Champs-sur-Marne to Rouen.

Cost Structure and Cost Optimization

The Numericable Group's most significant costs include content costs (including author rights, signal costs and royalties), staff costs, advertising fees, fees for rights of way, rental and leasehold charges and energy costs.

Certain of the Numericable Group's costs, such as a portion of its network operations, customer care, billing and administration costs, are fixed, while a portion of its marketing and content costs are variable. Costs related to the Numericable Group's fiber/cable network are allocated to the B2C segment, whereas costs related to the Numericable Group's backbone and DSL network are allocated to the B2B segment. No network-related costs are allocated to the wholesale segment. The Numericable Group's general and administrative costs are allocated pro rata based on the relative size of the segments.

Since 2010, the Numericable Group has initiated several cost-saving initiatives that have resulted in an improvement of its cost base, despite an increase in marketing over the period. Such initiatives include (i) the renegotiation of content contracts, (ii) the restructuring of the Numericable Group’s sales force, and (iii) measures to reduce bad debt costs. The Numericable Group regularly reviews opportunities to decrease its costs and improve its profitability.

Network Upgrade and Maintenance

In 2011, 2012 and 2013, approximately 6% (€14 million), 12% (€ 33 million) and 15% (€48 million), respectively, of the Numericable Group’s capital expenditures were related to its network, including upgrades, extensions and bandwidth capacity enhancements in relation to its existing network as well as capital expenditures related to DSP 92 (discussed below). The Numericable Group also incurred €91 million, €107 million and €120 million in network operation and maintenance expenses in 2011, 2012 and 2013, respectively.

The Numericable Group’s ability to provide new HD and on-demand digital television services, broadband Internet access at ever higher speeds and telephony services to additional subscribers depends in part on the Numericable Group’s ability to upgrade its network. During each of 2012 and 2013, the Numericable Group deployed fiber on a substantial part of its network and upgraded a portion of it to EuroDocsis 3.0 technology, making substantial capital expenditures in this respect.

The Numericable Group also upgrades and expands the reach of its network through public-private partnerships. The most significant current public-private partnership is implemented through the Numericable Group’s subsidiary Sequalum, which carries out wholesale activities in the “Hauts de Seine” district that includes the “La Défense” business district. Sequalum was established in 2008 to plan, finance, market, deploy and operate an FTTH very-high-speed fiber network under a French law scheme known as délégation de service public (with this one known as the “DSP 92”). Fiber deployment began in October 2009 and continues today; revenues are currently generated and are accounted for in the wholesale segment. Capital expenditures in connection with DSP 92 are included within the Numericable Group’s network capital expenditures. In July 2013, the Numericable Group received notification from the conseil général des Hauts-de-Seine of the approval of Phase II of this project, which is expected to continue until 2016. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Capital Expenditures*”. The Numericable Group expects to pursue similar public-private opportunities to expand its network in the future, which would result in increased capital expenditures.

Going Concern

The Numericable Group’s consolidated annual financial statements have been prepared assuming that the Numericable Group will continue as a going concern. As discussed in Note 1.5 to the consolidated financial statements, the Numericable Group was formed by a series of acquisitions, mainly funded through borrowings. In addition, the construction and subsequent upgrading of the Numericable Group’s network have required substantial investments. These two factors explain the structure of the Numericable Group’s balance sheet the proportion of financial liabilities in relation to total equity, and the significant amount of amortization expenses and net finance costs.

As of the date of this Notice, the Numericable Group services its debt and funds its investments through net cash from operations. Furthermore, as explained in Note 4.1.6, the Group refinanced its senior debt in 2013, rescheduling a large portion of its debt. Under the conditions described in Note 1.5 to the consolidated annual financial statements for the year ended December 31, 2013 included elsewhere in this Notice, and given the updated cash flow projections, Numericable Group management and Board of Directors believes that the Numericable Group will be able to finance its cash requirements for the next twelve months from the date of approval of the consolidated annual financial statements and meet its financial debt obligations during the period. As a result, the Numericable Group’s consolidated financial statements as of December 31, 2013 and the combined financial statements as of December 31, 2012, 2011 and 2010 have been prepared on a going concern basis.

Changes in Scope of Consolidation

The Numericable Group’s results in the periods under review are affected by acquisitions and divestitures.

In the year ended December 31, 2013, the Numericable Group made various acquisitions:

- in March 2013, the Numericable Group acquired Auchan’s television, very high speed Internet access and fixed telephony services business (thereby terminating a white label agreement with Auchan), which represented approximately 5,000 individual subscribers.
- in June 2013, the Numericable Group acquired the French simplified stock company (*société par actions simplifiée*) Valvision, a small regional cable operator in France, with approximately 5,000 individual subscribers and 8,000 bulk subscribers.

- in October 2013, through Altice B2B France, the Numericable Group acquired LTI Télécom SA, a telecommunications operator created in 1998 and present in the B2B market. It provides fixed and mobile telephony solutions and Internet access to small and medium-sized French businesses with 5 to 250 employees.

The Numericable Group did not carry out any significant divestitures in 2012 or 2013.

The Numericable Group made one significant divestiture during the period covered by the financial statements included elsewhere in this Notice: on December 31, 2011, it sold its holdings in Coditel Belgium and Coditel Luxembourg to Coditel Holding S.A., a Luxembourg entity owned by Altice, Deficom and Apax MidMarket. The sale, which generated a gain of €118 million (from a gross sale price of €369 million), was in line with the Numericable Group's strategy to focus exclusively on the French market. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5"):

- the results of Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 statement of income in the line item "Net income resulting from discontinued operations" for all the periods presented;

- the cash flows from Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 cash flow statement in the line item "Net cash flow from discontinued operations" for all the periods presented.

Additional information regarding discontinued operations is provided in Note 30 to the Numericable Group's combined financial statements as of and for the years ended December 31 2012, 2011 and 2010, included elsewhere in this Notice.

Key Performance Indicators

Homes Connected and Number of Individual Subscribers

The Numericable Group tracks the number of customers it can address and the number of digital, analog and bulk subscribers and white label end-users as performance indicators. The Numericable Group also tracks the number of stand-alone and multiple-play customers subscribed to its products. Such metrics allow the Numericable Group to analyze the success of its different offerings and packages of offerings, and adjust its offerings accordingly.

	As of December 31		
Footprint(1)	**2011**	**2012**	**2013**
	(in thousands)		
Homes passed(2)	9,833	9,875	9,940
Triple-play enabled	8,368	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196
Digital individual subscribers	1,238	1,228	1,264
Multi-play(3)	938	972	1,041
Stand-alone television	267	223	193
Other(4)	34	34	31
Fiber white label end-users(5)	206	297	363
Total digital individual users	**1,444**	**1,525**	**1,628**
Analog television individual subscribers	133	103	81
Total individual users	**1,577**	**1,628**	**1,709**
Bulk subscribers(6)	1,837	1,829	1,753
DSL white label end-users (Bouygues ex-Darty)	204	168	120

(1) Operating data related to the Numericable Group's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed "passed" if it can be connected to the distribution system without further extension of the network.

(3) Dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet)

(4) Stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

(5) Fiber white label end-users (i.e., not including DSL white-label end users), in accordance with the financial communication policy of Ypso France, as well as the accounting segments of the Numericable Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).

(6) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

The Numericable Group generates new subscribers through a broad range of sales channels, primarily through its own sales outlets, from other retail outlets, its website, inbound and outbound telesales and door-to-door sales. Sales through the Numericable Group's stores, retail sales points and door-to-door sales typically generate a higher ARPU than web-based sales and telesales, as they are more conducive to the promotion of premium offerings. The Numericable Group maintains a detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction. See "*Business of the Group—The Group's Business Lines—B2C Market—B2C Segment Offers—Sales and Marketing*".

The total number of customers and the mix between subscriptions to lower-range or premium products significantly affect the Numericable Group's revenues, ARPU and EBITDA.

RGUs

The Numericable Group uses RGUs, or "Revenue Generating Units," to track the level of subscription to its B2C services. Each individual subscriber receiving cable TV, broadband Internet, fixed or mobile telephony services over the Numericable Group's network counts as one RGU. Thus, one direct subscriber who receives all of the Numericable Group's services is counted as four RGUs.

RGU is not a measure of financial performance under IFRS, nor is RGU verified by a third party. RGU is derived from management estimates. As defined by the Numericable Group's management, RGU may not be comparable to similar terms used by other companies. See the Glossary included in this Notice. The Numericable Group's RGUs only reflect Numericable brand subscribers and do not include white label end-users or bulk subscribers

The following table summarizes the Numericable Group's RGUs for the dates indicated:[1]

	As of December 31,		
	2011	2012	2013
	(in thousands except RGUs per individual user)		
TV Individual RGUs	1,216	1,163	1,140
Internet Individual RGUs	950	985	1,054
Fixed Telephony Individual RGUs	897	946	1,024
Mobile Telephony Individual RGUs	47	113	186
Total individual RGUs	**3,110**	**3,207**	**3,404**
Number of individual RGUs per individual user	**2.27**	**2.41**	**2.53**

(1) Only Numericable direct individual subscribers (i.e., not including white label end-users or bulk subscribers).

ARPU

The Numericable Group uses the ARPU metric to track the performance of its B2C business. ARPU is not a measure of financial performance under IFRS, nor has ARPU been reviewed by an outside auditor, consultant or expert. ARPU is derived from internal management calculations and assumptions. The definition of the term used by the Numericable Group's management may not be comparable to similar terms used by other companies. See the Glossary included in this Notice.

ARPU is a measure the Numericable Group uses to evaluate how effectively it is realizing potential revenues from its direct digital customers. Monthly ARPU is generally calculated on a yearly and quarterly basis by dividing the Numericable Group's total direct digital subscription-related revenue for the period, excluding installation, carriage, connection and disconnection fees, and deposits, by the average number of the Numericable Group's direct digital subscribers served in that period. Operational data related to gross-adds ARPU and customer-base ARPU presented in this Notice reflect ARPU from the Numericable Group's direct digital subscribers only.

ARPU is highly sensitive to the pricing of the Numericable Group's packages. For example, the Numericable Group saw an increase in ARPU resulting from price adjustments in its triple-play packages and the launch of its quadruple-play packages in 2011, primarily as a result of price increases due to evolving market trends. See "—*Significant Factors Affecting Results of Operations—Pricing*". Recent ARPU increases result from (i) upgrades to the Numericable Group's B2C offers by adding new television channels, new content, new television applications, (ii) customer migration to premium packages, driven primarily by the availability of very high speeds (EuroDocsis 3.0 technology) and LaBox, as well as by price increases, and (iii) an increased mobile telephony penetration rate.

The table below shows the evolution of the Numericable Group's customer-base ARPU (calculated by dividing the Numericable Group's total direct digital subscription related revenue, including paid subscription fees and extra consumption on fixed and mobile telephony and TV options but excluding VOD revenues and installation and carriage fees, for the period by the average number of direct digital customers served in that period) and gross-adds ARPU (calculated based on the subscription revenue from new clients, plus the average value of consumption outside of subscription plans from existing clients, as calculated for the ARPU of the overall subscriber base) for the periods indicated. The operational data relating to gross-adds ARPU and customer-base ARPU presented below reflect ARPU from the Numericable Group's direct digital subscribers only.

	For the year ended December 31,		
	2011	**2012**	**2013**
ARPU per month—new digital individual subscribers (gross-adds)	€41.5	€41.7	€41.3
Monthly ARPU—digital individual subscribers (customer-base)[(1)]	€40.3	€40.7	€41.5

(1) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated.

Gross-adds ARPU decreased slightly by approximately 1.0% to €41.3 for the year ended December 31, 2013 compared to €41.7 for the year ended December 31, 2012, due to a high seasonality effect in the third quarter of 2013 and higher level of sales for the Numericable Group's web and telesales which generate lower gross-adds.

Incremental B2B Contract Monthly Adds

The Numericable Group is focused on growing its B2B business profitably and tracks trends in this segment with an indicator of incremental B2B contract revenue adds, a measure which displays the monthly recurring value of the order intakes in a given period. This indicator includes the incremental revenues of new contracts signed in a period. It is comparable to the product of gross-adds ARPU multiplied by the volume of new customers in the B2C segment.

The following table shows the level of incremental B2B contract revenue adds based on contracts signed in each of 2011, 2012, and 2013.

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € thousands)		
Order intake revenue	5,290.0	5,659.7	6,656.5

The discussion above should be read in connection with the discussion regarding B2B churn rates. See "—*Churn—B2B Churn*".

Subscriber Acquisition Costs

The Numericable Group is focused on growing its business profitably as it increasingly offers new digital products to its customer base. The Numericable Group's ability to profitably market its multi-play service offerings at competitive prices is tied to its end-to-end control of its cable network, its large customer base to which it can sell additional services, and the cost structure of the Numericable Group's business, all of which are key determinants of the payback profile of its incremental multi-play service customers.

The subscriber acquisition costs for B2C fiber/cable products consist of costs for customer premise equipment (set-top boxes), when applicable, in-house and on-site wiring and installation, and the costs per order including marketing, sales, general and administrative and all other costs. Due to the Numericable Group's own extensive local loop network, it is not obligated (unlike other alternative operators) to make payments to Orange to gain access to its last mile network and therefore has a structural cost advantage. Certain acquisition costs (in particular equipment) are capitalized.

The Numericable Group does not follow subscriber acquisition costs for B2B or wholesale customers, but evaluates its return on investment, considering capital expenditures (equipment, installation and wiring at customer sites as well as the creation of fiber links to customer sites) and operating expenditures (mainly commissions paid to its direct and indirect sales force).

Key Income Statement Items

Below is a summary description of certain Numericable Group income statement line items and other metrics used by the Numericable Group.

Revenue

Revenue is generally a function of (i) volume, which depends on the number of subscribers, sites connected or lines provided for subscription packages and the level of usage, and (ii) prices, for subscription packages, minutes, line rentals and other services, which depend on the offer selected.

Revenue recognition principles are described in Notes 2.3 and 2.4 to the Numericable Group's consolidated financial statements for the year ended December 31, 2013 included elsewhere in this Notice.

The structure of segment revenues is summarized below.

B2C Segment Revenues

Revenue in the B2C segment consists mainly of:

- Digital revenue, including (a) recurring monthly subscription fees for the Numericable Group's television, broadband Internet, fixed-line and mobile telephony services, whether sold on a stand-alone basis or bundled into triple- and quadruple-play packages, (b) variable usage fees from VOD, fixed-line and mobile telephony, (c) one-time connection and disconnection fees, (d) telephony termination fees, and (e) fees paid to the Numericable Group by pay-TV channels based on the number of Numericable Group customers who subscribe to their offerings;

- Bulk revenue, including quarterly, semi-annual and annual fees paid by multiple-dwelling unit managers, including subsidized housing, for the provision of basic television or triple-play services to the residents of their buildings. The incremental revenues from subscribers who upgrade to a full triple- or quadruple-play package are counted as digital revenues and not bulk revenues;

- Analog revenue, including recurring monthly subscription fees for the Numericable Group's analog television offering, including related one-time connection and disconnection fees; and

- Fiber white label revenue, in particular recurring monthly fees paid to the Numericable Group under its white label contracts with Bouygues Télécom

B2B Segment Revenues

Revenue in the B2B segment consists mainly of:

- Voice services, including revenue from variable usage fees from telephony (including VoIP and Centrex) services, recurring monthly subscription fees and one-time connection, disconnection and termination fees; and

- Fixed data services, including revenue from recurring monthly subscription fees for services such as point-to-point bandwidth, LAN to LAN, SAN to SAN and IP VPN and hosting and cloud services.

Wholesale Segment

Revenue in the wholesale segment consists mainly of:

- Revenue relating to wholesale voice carrier services;

- Revenue relating to wholesale data carrier services;

- Revenue relating to the sale of infrastructure (dark fiber); and

- DSL white label revenue, including revenue from the Numericable Group's white label contracts with Darty (in the form of both subscription fees and activation fees). Since the end of 2012, such white label customers have, in certain cases, been migrated to the network of Bouygues Télécom (see "*Business—*

Material Contracts—White Label Contracts”). Monthly fees paid to the Numericable Group are based on the number of end-users to whom a white label customer sells the Numericable Group’s triple-play packages, as well as the type of packages. Additional fees are payable by the Numericable Group’s customers who require additional services, such as customer care and billing.

Purchases and Subcontracting Services

Purchases and subcontracting services consist mainly of television content costs, data and broadband Internet interconnection costs and fixed-line telephony interconnection and termination costs (the levels of which are regulated). Other additional purchase and subcontracting services include costs of outsourced work, which primarily relates to outsourced network maintenance, installation work and call centers; advertising costs; fees payable under the Numericable Group’s MVNO contracts with Bouygues Télécom and SFR; utilities, including electricity, and fees paid for rights of way and rental and leasehold charges. See Note 7 to the Numericable Group’s consolidated annual financial statements for year ended December 31, 2013, included elsewhere in this Notice.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses include (i) wages, salaries and bonuses, statutorily required and contractual profit-sharing, social security charges and related taxes, (ii) salaried personnel pension costs and other post-employment benefits, (iii) costs associated with the use of temporary, external and non-salaried personnel, and (iv) costs relating to the stock option plan required to be recognized under IFRS 2.

The Numericable Group’s personnel costs depend on the number and salary levels of its full-time staff and external personnel. The Numericable Group believes that its current personnel levels are adequate and it does not expect to increase its personnel levels significantly in the near future. Salary negotiations are customarily held each year.

Taxes and Duties

Taxes and duties consist mainly of general direct and indirect taxes such as certain business taxes (*imposition forfaitaire annuelle and taxe professionnelle*) and the taxes implemented in replacement thereof (*cotisation sur la valeur ajoutée des entreprises* and *cotisation fonciére des entreprises*), local government taxes (*impôts locaux*), taxes on the Numericable Group’s vehicle fleet (*taxe sur les véhicule de société*), social security taxes (*contribution sociale de solidarité des sociétés*) and taxes on certain advertising expenses (in particular taxes on advertisement leaflets), as well as taxes applicable to telecommunications operators and television providers, such as taxes on television providers, taxes supporting the audio-visual content industry (*cotisation de soutien à l’industrie des programmes audiovisuels*) and taxes on VOD.

This line item does not include corporate income tax (*impôt sur les bénéfices*), which is recorded under the line item “Income tax expense.”

Provisions

Provisions consist mainly of provisions for operational risks, disputes and pensions. See note 23 to the Numericable Group’s consolidated annual financial statements for the year ended December 31, 2013.

Other Operating Income

Other operating income consists mainly of own work capitalized (i.e., related to network upgrade projects and IT product development work staffed with in-house employees), proceeds from disposals of tangible assets, and other income. In 2011, this line item included €10 million paid by France Telecom to the Numericable Group pursuant to a judgment of the Paris Commercial Court. In 2011, this line item included €10 million paid by France Telecom to the Numericable Group pursuant to a judgment of the Paris Commercial Court. See “Business of the Numericable Group—Legal Proceedings—Other Matters—Dispute with Orange Relating to Access to the DSL Market”. See “*Business of the Group—Legal Proceedings—Other Matters—Dispute with Orange Relating to Access to the DSL Market*”.

Other Operating Expenses

Other operating expenses consist mainly of:

- net book value of assets sold;
- advisory fees paid in connection with refinancings;

- management fees paid to the Numericable Group's shareholders Altice, Cinven and Carlyle in relation to certain management, financing and advisory services provided. In and before 2011, such management fees consisted of a variable component based on Numericable Group revenues and a fixed component. In and before 2011, such management fees consisted of a variable component based on Numericable Group revenues and a fixed component. As from 2012, management fees are calculated solely on the basis of a fixed fee. As from 2012, management fees are calculated solely on the basis of a fixed fee; and

- miscellaneous operating expenses.

Operating Income Before Depreciation and Amortization (EBITDA)

Operating income before depreciation and amortization (EBITDA) is one of the main indicators the Numericable Group tracks in order 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. It is calculated as revenues, minus purchases and subcontracting services, staff costs and employee benefits expense, taxes and duties, provisions, other operating income, and other operating expenses.

The Numericable Group believes that this measure is useful to readers of its consolidated financial statements and combined financial statement, respectively, as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortization, enhancing the predictive value of its consolidated financial statements and combined financial statements, respectively, and providing information regarding the results of the Numericable Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in its financial performance.

The Numericable Group's calculation of EBITDA may not be comparable to similarly titled measures used by other entities. Furthermore, this measure should not be considered as an alternative to operating income as the effects of depreciation, amortization and impairment excluded from this measure do ultimately affect operating results. Accordingly, the Numericable Group also presents the line item "Operating income," which encompasses all amounts which affect its operating results.

Adjusted EBITDA

Adjusted EBITDA is equal to EBITDA (i.e., operating income before amortization and depreciation) adjusted for items the Numericable Group considers to be outside of recurring operating activities or that are non-cash. During the period under review, these items consisted of: advisory fees paid in relation to debt refinancing, acquisition-related restructuring costs (in connection with the acquisition of Altitude Télécom), provisions and costs tied to tax and social security audits, commercial penalties, receipt of a litigation-related payment, receipt of a contract early termination payment charges (non-cash) resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers, the transfer of the remaining net accounting value of assets returned to municipal governments in connection with the exiting of DSP contracts, CVAE tax (*cotisation sur la valeur ajoutée des entreprises*) (a French business tax) and the costs relating to the stock option plans.

The Numericable Group believes that this measurement is useful to readers of its consolidated financial statements and combined financial statements as it makes trends more visible and provides more precise information regarding the Numericable Group's operating income and cash-flow generation.

Depreciation and Amortization

Depreciation and amortization consists mainly of regular depreciation and amortization of non-current assets such as network assets.

Finance Costs, Net

Finance costs, net, consists of interest income net of interest expense and other financial expenses. Interest income primarily consists of income in connection with the investment of cash and cash equivalents as well as other interest income. Interest expense primarily consists of interest expense on the Numericable Group's debt facilities (calculated after giving effect to related interest rate derivative instruments) as well as costs on finance leases based on the effective interest rate method. Interest expense also includes the change in the fair value of interest rate derivatives, which do not qualify for hedge accounting and are therefore marked to market. Other financial expense primarily consists of all fees (other than advisory fees, which are included under other operating expenses) paid in connection with the Numericable Group's debt amendment or refinancing, amortization fees paid in connection with implementation of certain new indebtedness facilities and provisions for financial risks.

Income Tax Expense

Income tax expense consists of corporate income tax (*impôt sur les bénéfices*) and provisions for tax audits. It does not include other taxes due by the Numericable Group, which are recorded under the line item "Taxes and duties" discussed above.

The Numericable Group has substantial tax loss carry-forwards (described in Note 12.4 to the consolidated annual financial statements for the three-year period ended December 31, 2013) which by their nature could reduce its corporate income tax burden.

However, the ability to effectively use these losses (and to achieve all or part of the theoretical tax savings they represent) will depend on a number of factors, such as:

- The ability of the Numericable Group or of certain Numericable Group companies to generate taxable profits and the difference between such taxable profits and tax losses; in this respect, it should be noted that (i) a large part of the tax loss carry-forwards (€1,168 million as of December 31, 2013) can currently only be offset against the profits of NC Numericable, an operating company of the Numericable Group (mostly present in the B2C segment); (ii) a part of the tax loss carry-forwards (€148 million as of December 31, 2013) can only be offset against the profits of Completel, an operating company in the B2B and Wholesale segments and (iii) a part of the tax loss carry-forwards (€6 million as of December 31, 2013) can only be offset against the profits of Sequalum; (iv) a portion of the losses (€13 million as of December 31, 2013) can only be offset against the profits of Altice B2B France, a holding company without operating activities; and (v) a portion of the tax loss carry-forwards (€42 million) can only be offset against the profits of Ypso France, a holding company without operating activities. The use of the losses specific to the two holding companies is extremely limited (because they can only be offset against each of these company's profits, respectively, and both these companies are structurally in deficit).

- The two tax consolidation groups formed by Ypso France and Altice B2B France , respectively, remained in place through December 31, 2013. As of December 31, 2013, the Ypso France group had €642 million of tax loss carry-forwards and the Altice B2B France group had €217 million of tax loss carry-forwards. Numericable intends to become the head of a tax consolidation group in accordance with articles 223 A and 223 L 6 i of the French General Tax Code, with effect from January 1, 2014, and including the companies of the Altice B2B France and Ypso France sub-groups. The relevant filings that will be required will be made on March 31, 2014 and will have a retrospective effect as of January 1, 2014. If this occurs, based on the numbers as of December 31, 2013, all of the €642 million of tax loss carry-forwards generated by the Ypso France group and all of the €217 million of tax loss carry-forwards generated by the Altice B2B France group should remain available, subject to certain conditions and limitations, against the profits of the prior scopes of Ypso France and Altice B2B, respectively, which will be included in the scope of the new group.

- The general limitation pursuant to French tax regulations, under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding one million euros is limited to 50% in respect of financial years ending on or after December 31, 2012, as well as certain more specific restrictions with respect to certain tax categories;

- Ypso France's specific tax loss carry-forwards (€42 million) should be considered as lost since the company has not received any favorable tax ruling allowing their transfer;

- The outcome of current or future tax audits and tax-related litigation; and

- Possible changes in applicable laws and regulations.

As of December 31, 2013, given the potential to generate income, the Numericable Group was able to use a portion of the tax loss carry forwards that it had recorded. The Company therefore decided to recognize a deferred tax asset on a basis of €357 million tax losses, (€132.7 million of income tax benefit recognized) or 14%, of the total tax loss carry-forwards.

Net Income from Discontinued Operations

Net income from discontinued operations consists of the net income of Coditel, which the Numericable Group divested in June 2011. Net income from discontinued operations amounted to €126.1 million in 2011.

Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013

The table below shows the Numericable Group's consolidated statement of income for the year ended December 31, 2013 and the combined statement of income for the year ended December 31, 2012, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2012(1)		2013(1)		
	(in € millions)	(as a % of revenues)	(in € millions)	(as a % of revenues)	Change
Revenues	**1,302.4**	**100.0%**	**1,314.2**	**100.0%**	**0.9%**
Purchases and subcontracting services	(602.1)	(46.2)%	(611.0)	(46.5%)	1.5%
Staff costs and employee benefits expense	(141.5)	(10.9)%	(154.6)	(11.8%)	9.3%
Taxes and duties	(32.4)	(2.5)%	(33.9)	(2.6)%	4.6%
Provisions	(6.2)	(0.5)%	(20.5)	(1.6)%	229.1%
Other operating income	89.2	6.9%	86.3	6.6%	(3.3%)
Other operating expenses	(17.2)	(1.3)%	(20.5)	(1.6)%	19.2%
Operating income before depreciation and amortization (EBITDA)	**592.3**	**45.5%**	**560.1**	**42.6%**	**(5.4)%**
Depreciation and amortization	(291.7)	(22.4)%	(304.0)	(23.1)%	4.2%
Operating income	**300.5**	**23.07%**	**256.0**	**19.5%**	**(14.8)%**
Financial income	4.3	0.3%	9.7	0.7%	124.3%
Interest relative to gross financial debt	(183.1)	(14.1)%	(184.8)	(14.1%)	1.0%
Other financial expense	(32.7)	(2.5)%	(148.5)	(11.3%)	354.2%
Finance costs, net	**(211.4)**	**(16.2)%**	**(323.6)**	**(24.6)%**	**53.1%**
Income tax expense	(2.5)	(0.2)%	132.8	10.1%	N/A
Share in net income (loss) of equity affiliates	(0.2)	0.0%	(0.5)	(0.0%)	143.2%
Net income (loss) from ongoing activities	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1)%**
Net income from discontinued operations	—	0.0%	—	—	—
Net income (loss)	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1)%**
Attributable to owners of the entity	86.4	6.6%	64.6	4.9%	(25.3%)
Attributable to non-controlling interests	0.0	0.0%	0.2	0.0%	218.4%

(1) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 an English translation of which included elsewhere in this Notice. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Contribution to revenues

	Year ended December 31,		
	2012	2013	Change
	(in millions of euros)		
B2C	826.2	864.6	4.7%
B2B	323.2	309.6	(4.3%)
Wholesale	153.1	140.0	(8.3%)
Total	1,302.4	1,314.2	0.9%

See "—*Key Performance Indicators*" for a discussion of key performance indicators by segment.

Revenues

Numericable Group revenues increased by €11.8 million, or 0.9% from €1,302.4 million for the year ended December 31, 2012 to € 1,314.2 million for the year ended December 31, 2013. This relative stability reflects that of B2C segment revenues and the increase in wholesale segment revenues, partially offset by the decrease in B2B segment revenues. The following discussion describes the contribution of each segment to the Numericable Group's revenues. For the avoidance of doubt, inter-segment sales have been eliminated for purposes of such discussion.

Of the Numericable Group's activities, B2C's revenues saw an increase of 4.7%, the highest increase compared to our other segments, primarily driven by an increase in our subscriber base. As of December 31, 2013, our B2C subscribers increased by 81,000 subscribers to 1.7 million subscribers compared a subscriber base of 1.6 million as of December 31, 2012, mainly as a result of the growth in the number of multi-play subscribers under the Numericable brand (an increase of 69,000 between December 31, 2012 and December 31, 2013) and in the number of Fibers White Label subscribers (an increase of 66,000 between December 31, 2012 and December 31, 2013). Furthermore, the increase in our B2C revenue can also be attributed to the positive effect of our ARPU, which remained high at €41.90 and €41.5 for the fourth quarter of 2013 and the as of December 31, 2013, respectively. It increased by €1.10 and €0.8 as compared with ARPU for the Numericable customer base for the fourth quarter of 2012 and as of December 31, 2012, respectively. Gross-adds ARPU decreased slightly by approximately 1.0% to €41.3 for the year ended December 31, 2013 compared to €41.7 for the year ended December 31, 2012, due to a high seasonality effect in the third quarter of 2013 and higher level of sales for the Numericable Group's web and telesales which generate lower gross-adds.

B2B revenues decreased by 4.3% from 2012 to 2013. This decrease is primarily the result of (i) the effect of decreases in call termination rates, which in turn led customers (especially large customers) to demand decreases in the rates they paid, and (ii) the impact of administrative and operational difficulties in 2012, which resulted in particular in the issuance of credit notes during the first half of 2013. However, the trend appears to be improving, as the value of new signed contracts grew significantly, from €5.660 million in 2012 to €6.656 million in 2013, an improvement of 17.6%. This growth can be expected to impact 2014 revenues, given the installation delays for new business.

Furthermore, we also experienced a decrease in the Wholesale segment's revenues, also due to the systematic passing through of the decreases in call termination rates. Wholesale revenues decreased by 8.4% in 2013 as compared with 2012. The primary reason for this decrease was the decreases in call termination rates. In the Wholesale segment, these decreases led to an immediate and systematic effect on other operations. In addition, 2013 was marked by a progressive decline in the Bouygues (ex-Darty) White Label DSL customer base. This customer base, which had totaled 168,005 subscribers at December 31, 2012, decreased to 120,261 subscribers at December 31, 2013, a contraction of 28%.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €8.9 million, or 1.5%, from €602.1 million in 2012 to €611.0 million in 2013. This increase is primarily due to an increase in subscriber acquisition costs for new B2C customers relating to the higher volume of new customers, partially offset by a significant decrease in call termination costs in B2C, B2B and Wholesale.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by €13.1 million, or 9.3%, from €141.5 million in 2012 to €154.6 million in 2013. This increase was partly the result of an increase in the number of employees, which went from 1,910 employees (excluding trainees) at the end of 2012 to 2,077 employees (excluding trainees) at the end of 2013. This increase in headcount was predominantly led by the hiring of more sales force personnel during the course of 2013 and was further impacted by the integration of LTI, a company acquired in early November 2013, which had 100 employees at the time of the acquisition. The increase of €13.1 million therefore comes from both an increase in the number of employees and an increase in the level of compensation, with a general salary increase of approximately 1% in 2013 and a significant bonus distribution relating, in particular to increased sales (B2C) and orders (B2B) during the period. Approximately €3.6 million in costs relating to stock options issued in 2013 also contributed to the increase.

Taxes and Duties

Taxes and duties rose by €1.5 million, or 4.6%, from €32.4 million in 2012 to €33.9 million in 2013, due primarily to the impact of the increase in B2C and Wholesale income on the CVAE.

Provisions

Provisions (net of reversals) increased by €14.3 million, from € 6.2 million in 2012 to €20.5 million in 2013. Most of this increase comes from the B2B segment, in which a provision was recorded following a tax audit performed in 2013 relating to the years 2010 and 2011. Following the audit, the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of these assessments for which a provision was recorded is €11.4 million.

Other Operating Income

Other operating income decreased by €2.9 million, from €89.2 million in 2012 to €86.3 million in 2013. This decrease in other operating income primarily reflects a slow-down in costs incurred relating to the DSP 92 project, at a time when the Phase 2 agreement for the project was being discussed and Phase 1 was nearing completion. This slow-down in activity led to a lower level of capitalization of external costs, partly offset by sales of cable networks to municipal governments in connection with the winding up of (public service concession) (*délégation de service public*) contracts. In 2013, this item also includes repayment of a €5.0 million fine assessed by ARCEP in 2012, due to the Constitutional Council's decision to invalidate ARCEP's power to impose sanctions.

Other Operating Expenses

Other operating expenses increased by €3.3 million, from € 17.2 million in 2012 to €20.5 million in 2013. This increase is due to the B2C segment and to expenses related to the termination of certain DSPs, which resulted in a return of certain assets to municipal governments. This return of assets results in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow. The increase in these expenses was partially offset by the decrease in fees paid in connection with refinancing transactions (as the costs incurred in connection with the initial public offering were fully deducted from share premium and were not recorded as expenses) and the decrease in management fees paid to shareholders.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €32.1 million, from €592.3 million in 2012 to €560.1 million in 2013. This decrease reflects both decreases directly related to activity and other decreases that are either non-recurring or have no impact on cash flow, and which are eliminated when calculating adjusted EBITDA (see below). Activity in 2013 was principally characterized by accelerated growth in the B2C business, which generates significant subscriber acquisition costs (sales and marketing expenses). These costs, which are necessary to create dynamic sales, generate expenses in the year during which the new customers are acquired. In 2013 they offset the positive recurring effect of this growth in the B2C business. In the B2B business, the decline in telephony activities and the decision taken in 2013 to issue credit notes to resolve customer management problems related to the service quality problems that occurred in 2012 and 2011 also negatively affected the year's results.

In addition, 2013 was affected by a series of costs that either were non-recurring or had no impact on cash flow, such as the effect of the tax audit in the B2B segment and the related increase on provisions, and the non-cash termination costs of certain DSPs.

Adjusted EBITDA

Once non-recurring items and items that have no impact on cash flow are deducted, adjusted EBITDA for 2013 amounted to €615.9 million, a slight decrease of €5.0 million, or 0.8%, as compared with 2012.

These results primarily demonstrate the accelerating acquisition of new clients in B2C, which decreases profitability in the first year, as well as the effect of the slow-down in B2B voice activities, due to the last regulated decrease in call termination rates as of January 1, 2013. In Wholesale, a return to profitability was achieved by pursuing growth in high-margin fiber and traditional data capacity resale.

See "—*Reconciliation of EBITDA and Adjusted EBITDA*" for details on the components of adjusted EBITDA.

Depreciation and Amortization

Depreciation and amortization expenses increased by €12.3 million, or 4.2%, from €291.7 million in 2012 to €304.0 million in 2013. This increase reflects increased investment in the B2C and B2B segments in recent years to upgrade and modernize the network and connect an increasing number of clients.

Operating Income

Operating income decreased by €44.5 million, or 14.8%, from € 300.5 million in 2012 to €256.0 million in 2013, for the reasons discussed above.

Finance Costs, Net

Finance costs, net increased by €112.2 million, from a net charge of €211.4 million for the year ended December 31, 2012 to a net charge of €323.6 million for the year ended December 31, 2013. The majority of this increase (€81.6 million) is the result of capitalizing the Super PECs (see below). The remainder of the increase (€ 30.6 million) is primarily the result of (i) a €34.2 million increase in Other Financial Expenses, excluding the effect of capitalizing the Super PECs, and (ii) a €1.8 million increase in interest expense, offset by a €5.4 million increase in interest income.

At the time of the restructuring of the Numericable Group's debt in 2009, shareholders of the Numericable Group acquired certain loans under the Ypso France Senior Facility. Ypso Holding S.à r.l. issued equity securities that were subscribed by the shareholders, and in particular 132,664,023 subordinated interest preferred equity certificates (the "Super PECs"), with a nominal value of one euro each. Interest due to shareholders was capitalized.

Cinven, Carlyle and Altice contributed these Super PECs to Numericable Group on November 7, 2013 in connection with the transactions relating to the initial public offering. As a result, this debt was retired, and newly issued equity securities were delivered in consideration. In turn, debt extinction charges ("premium") were recorded in financial expenses for an amount of €81.6 million. This expense has no impact on the Numericable Group's cash flow.

The increase of €34.2 million in Other Financial Expenses, excluding the effect of capitalizing Super PECs of Ypso Holdings, is a result of costs incurred relating to the repayment of various credit lines using the Facility D ,a tranche of the Ypso France Senior Facility, and the capital increase at the time of the initial public offering. The repayment of a portion of the October 2012 Notes and the February 2012 Notes, respectively, led to the payment of a premium to the noteholders. Thus, the Numericable Group paid a total of €28.0 million on certain tranches of the Ypso France Senior Facility (12.375% of the amounts repaid on the C1A Facility tranche, 8.75% of the amounts repaid on their C2A Facility tranche, and 2% on the C2B Facility tranche, which was fully repaid). The early repayments of these facilities, as well as the facilities under Altice B2B's senior facility, resulted in the recording of €15.2 million in costs relating to the initial entry into the cancelled debt, which had initially been recorded at amortized cost. The outstanding amount under the Facility D will repaid as part of the Transaction. See "*Capitalization*"

The increase in interest income relates primarily to two payments totaling €7.1 million received by the Numericable Group following the bankruptcy of Lehman Brothers. The remainder of interest income recorded on the income statement consists of a reversal of provisions for risks of € 1.9 million.

Interest on debt increased primarily as a result of the refinancing in October 2012, but also as a result of the refinancing in February 2012 (to a lesser extent, because it relates only to the first 45 days of the year). The refinancing transactions carried out in the fourth quarter have lowered interest payments only slightly so far, because they closed in December.

Income Tax Expense

The initial public offering and the structural reorganization implemented in November and December 2013 gave the Numericable Group better visibility over its tax structure and its ability to generate, in line with the Numericable Group's future income perspectives, taxable profits enabling the Company to use at least a portion of its available tax loss carryforwards. Given the potential to generate income, it became clear that the Numericable Group was able to use a portion of the tax loss carryforwards that it had recorded. The Company therefore decided to recognize a deferred tax asset for the share of the tax losses that can be used within five years. The result was the recognition of deferred tax income of €132.8 million for 2013. See Note 4.4.6 for a description of the rules governing the use of these losses.

Analysis of Results by Segment for the Years Ended December 31, 2012 and December 31, 2013

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2C segment for the years ended December 31, 2012 and 2013.

	Year ended December 31,

B2C Segment[1]	2012[2]	2013[2]	Change 2013/2012
	(in € millions)		
Revenues	**832.6**	**869.4**	**4.4%**
Digital revenues	650.4	681.5	4.8%
Analog revenues	36.9	28.6	(22.5)%
Bulk revenues	70.1	68.6	(2.1)%
Fiber white label revenues	75.3	90.7	20.5%
Purchases and subcontracting services	(386.1)	(415.1)	7.5%
Staff costs and employee benefits expense	(77.6)	(87.1)	12.2%
Taxes and duties	(19.9)	(20.5)	3.0%
Provisions	(4.5)	(8.6)	91.0%
Other operating income	68.1	65.5	(3.8%)
Other operating expenses	(16.0)	(18.6)	16.3%
Operating income before depreciation and amortization (EBITDA)	**396.6**	**385.0**	(2.9)%
EBITDA margin rate	*47.5%*	*44.3%*	—

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Notice. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Revenues

B2C segment revenues increased 4.4% to €869.4 million for the year ended December 31, 2013, compared to €832.6 million for the year ended December 31, 2012.

The increase in B2C revenues was predominately due to the Numericable brand digital business, which increased by €31.1 million, or 4.8%, from €650.4 million in 2012 to €681.5 million in 2013. Digital revenues comprise revenues generated by sales of digital multi-play packages and options, such as VOD and additional channels. This increase was primarily due to an increase in the digital customer base, which totaled 1.264 million at December 31, 2013, as compared to 1.228 million at December 31, 2012. This increase in the client base primarily reflects the commercial appeal of our Very High Speed and LaBox offerings. LaBox was launched in mid-2012 and was aggressively advertised in the fall of 2012. The increase in the client base was accompanied by an increase of €0.80 in ARPU for existing clients, from an average of €40.70 per month in 2012 to an average of €41.5 per month in 2013.

Fiber white labels constituted the second growth vector, with revenues increasing by 20.4%, or €15.4 million, from €75.3 million in 2012 to €90.7 million in 2013. This increase reflects an approximate 22% increase in the number of fiber white label end users year-on-year, from approximately 297,000 end users as of December 31, 2012 to approximately 363,000 end users as of December 31, 2013, due to the continued commercial roll-out of Bouygues Télécom's white label offering since its launch at the end of 2010.

Analog revenues continued to decrease as anticipated, decreasing by € 8.3 million, or 22.5%, from €36.9 million for the year ended December 31, 2012 to €28.6 million for the year ended December 31, 2013. This decrease is primarily due to a 21% decrease in the Numericable Group's analog customer base, from approximately 103,000 subscribers as of December 31, 2012 to approximately 81,000 as of December 31, 2013. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered.

Bulk revenues decreased slightly by 2.1%, totaling €68.6 million for the year ended December 31, 2013, compared to €70.1 million for the year ended December 31, 2012, reflecting a slight decrease in the Numericable Group's bulk customer base.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €29.0 million, or 7.5%, from €386.1 million in 2012 to €415.1 million in 2013. This increase primarily reflects the marketing and communications efforts made in order to grow the digital subscriber base between 2012 and 2013. Subscriber acquisition costs, which include subscriber acquisition-related marketing and communications costs and commissions paid to external sales networks, increased by almost €17 million, from €73.4 million in 2012 to €90.0 million in 2013.

In addition, energy and network-maintenance costs increased by €1 million, call center costs increased by €2.5 million, and costs of material purchased for resale increased €5 million.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 12.3%, or €9.5 million, from €77.6 million in 2012 to €87.1 million in 2013. This increase reflects the hiring of new sales team members in 2012 and 2013, as well as higher variable compensation paid to marketing staff, tied in part to the number of new customers. Furthermore, wages increased by approximately 1% in 2013.

In addition, the cost of stock options granted in connection with the IPO added costs of €3.6 million.

Taxes and Duties

Taxes and duties increased 3.0%, or €0.6 million, from €19.9 million in 2012 to €20.5 million in 2013. This increase is due to the growth in the Company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE)) in this period, which in turn results from the Company's significant investments in the B2C business and the related increase in both the value of fixed assets and added value.

Provisions

Net provisions increased by €4.1 million, from €4.5 million for the year ended December 31, 2012 to €8.6 million for the year ended December 31, 2013.

Provisions mainly consist of those for commercial and tax litigation, for retirement indemnities and for amounts charged to end users who do not return the Numericable Group's equipment after cancelling their subscriptions with the Numericable Group.

The increase was primarily due to the increase in net provisions for bad debt, for €4 million. The other provisions recorded during the year were offset by reversals during the period.

Other Operating Income

Other operating income decreased by €2.6 million, from €68.1 million for the year ended December 31, 2012 to €65.5 million for the year ended December 31, 2013. This decrease was primarily due to lower capital expenditures on the DSP 92 project, as Phase 1 of the project ended during the year.

Other Operating Expenses

Other operating expenses increased by €2.6 million, from € 16.0 million for the year ended December 31, 2012 to €18.6 million for the year ended December 31, 2013. This increase was the result of two factors.

A significant increase of €7.3 million in expenses related to the completion of certain DSPs, which resulted in a return of certain assets to local governments. This return of assets resulted in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow.

This effect was partially offset by a significant decrease in refinancing fees as compared with 2012, a year in which costs increased strongly as a result of the two note issuances.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €11.6 million, from €396.6 million for the year ended December 31, 2012 to €385.0 million for the year ended December 31, 2013. Compared to 2012 and previous years, where revenue remained relatively stable, the growth in 2013, driven by a more significant capture of new customers, generated higher subscription acquisition costs. In the first year of return to growth, these higher costs more than offset the growth in revenues. However, B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external sales networks) increased from €468.4 million for the year ended December 31, 2012 to €470.0 million for the year ended December 31, 2013.

Moreover, this segment's EBITDA was affected in 2013 by the costs of stock option grants in the amount of €3.6 million, as well as additional charges with no effect on cash flow relating to the completion of DSPs, for €7.3 million.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2B segment for the years ended December 31, 2012 and 2013.

	Year ended December 31,		
B2B Segment[1]	**2012[2]**	**2013[2]**	**Change 2013/2012**
	(in € millions)		
Revenues	**324.5**	312.6	(3.7%)
Voice revenues	133.9	115.5	(13.7%)
Data revenues	190.6	197.1	3.4%
Purchases and subcontracting services	(178.4)	(180.2)	1.0%
Staff costs and employee benefits expense	(57.2)	(60.5)	5.8%
Taxes and duties	(7.6)	(8.1)	6.7%
Provisions	(1.3)	(11.6)	774.3%
Other operating income	21.1	20.8	(1.6)%
Other operating expenses	(1.1)	(1.9)	63.6%
Operating income before depreciation and amortization (EBITDA)	**100.0**	**71.1**	**(28.8)%**
EBITDA margin rate	*30.8%*	22.8%	—

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement

IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Notice. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Revenue

B2B segment revenues decreased by €11.9 million, or 3.7%, from € 324.5 million in 2012 to €312.6 million in 2013. This decrease reflected a decrease in voice revenues, which was partially offset by an increase in data revenues. This decrease in the B2B segment's operating income is due to a decrease in the size of the voice market, primarily as a result of the regulated decrease in interconnection rates, and, to a lesser extent, in volumes.

Voice revenues decreased by €18.4 million, or 13.7%, from € 133.9 million in 2012 to €115.5 million in 2013. This decrease resulted from a gradual passing on to customers of the successive decreases in regulated call termination rates.

Data revenues increased by €6.5 million, or 3.4%, from € 190.6 million for the year ended December 31, 2012 to €197.1 million for the year ended December 31, 2013. This increase reflected the Numericable Group's strategy of focusing on data services, where most new contracts are signed.

In addition, 2013 was also affected by credit notes issued to certain customers in response to customer complaints regarding service quality problems during the integration of Altitude Télécom within Completel. These credit notes primarily affected the first half of the year, for a total of approximately €10 million, the impact of which reduced revenues.

Purchases and Subcontracting Services

Purchases and subcontracting services increased slightly, from €178.4 million in 2012 to €180.2 million in 2013, for an increase of 1.0%. This small increase results from the growth in the Numericable Group's data business, the revenues of which increased 3.4% for the year, generating more purchases of capacity.

This increase was partly offset by a decrease in telephony costs of approximately €4 million from 2012 to 2013 resulting from a decrease in per-unit costs, the effect of the last decrease in regulated interconnection rates, which occurred on January 1, 2013, and of a contraction in volumes of minutes.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 5.8%, from € 57.2 million in 2012 to €60.5 million in 2013. This increase has two main causes. First, additional sales staff was recruited to address the lower-end market and SMEs. Second, new contracts increased strongly in 2013 as compared with 2012 (monthly revenues from new contracts increased from €5.660 million in 2012 to €6.657 million in 2013, representing an increase of 17.6%, the effect of which should be seen essentially in 2014), generating higher bonuses for the sales teams in 2013 than in 2012.

Taxes and Duties

Taxes and duties increased slightly, by €0.5 million, between 2012 and 2013.

Provisions

Provisions (net of reversals) increased by €10.3 million, from € 1.3 million in 2012 to €11.6 million in 2013. Most of this increase comes from a provision recorded following a tax audit performed in 2013 relating to the years 2010 and 2011, following which the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of the assessments for which a provision was recorded is €11.4 million.

Other Operating Income

Other operating income did not change significantly, decreasing €0.3 million, or 1.6%, from €21.1 million in 2012 to €20.8 million in 2013. This other income largely comprises capitalized payroll.

Other Operating Expenses

Other operating expenses increased €0.8 million, from €1.1 million in 2012 to €1.9 million in 2013. This increase is essentially due to fees paid in connection with refinancing transactions in 2013.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €28.8 million, or 28.8%, from €100.0 million in 2012 to €71.2 million in 2013.

This decrease in the B2B segment's operating income was amplified in 2013 by the low level of contract-based orders in 2012, leading to an incremental revenue in 2013 that was weaker than in 2012. The credit notes of close to €10 million issued in the first half of the year also weighed heavily on this segment's profitability in 2013, as did the provision relating to the tax audit, for €11.4 million.

The commercial recovery in 2013, as measured by the value of new contracts signed, which increased 17.6% in 2013 as compared with 2012, as well as the end of the regulated decreases in call termination rates, are positive signs for 2014.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the wholesale segment for the years ended December 31, 2012 and 2013.

	Year ended December 31,		
Wholesale Segment(1)	**2012(2)**	**2013(2)**	**Change 2013/2012**
	(in € millions)		
Revenues	**211.5**	**200.8**	**(5.1%)**
Purchases and subcontracting services	(103.8)	(84.3)	(18.7%)
Staff costs and employee benefits expense	(6.7)	(7.0)	4.3%
Taxes and duties	(4.9)	(5.4)	8.7%
Provisions	(0.4)	(0.3)	(25.5)%
Other operating income	0.0	0.1	—
Other operating expenses	—	0.0	—
Operating income before depreciation and amortization (EBITDA)	**95.7**	**103.9**	**8.6%**
EBITDA margin rate	*45.3%*	51.7%	—

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Notice. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Revenue

Wholesale segment revenues decreased by €10.7 million, or 5.1%, from €211.5 million in 2012 to €200.8 million in 2013. This crease was due to a decrease in the voice business and DSL white labels sale partly offset by the increase in data and fiber whole.

Several factors explain this change. The telephony business had benefited in 2012 from the interconnection traffic between the mobile networks of Bouygues Telecom and Free Mobile. Increasingly, however, traffic is passing directly between these two operators, and less through the Numericable Group's network. This, along with the regulated decrease in interconnection rates, explains a decrease in revenues of €27 million. However, these two effects had only a weak impact on margin value.

In addition, the revenues generated by the Bouygues (formerly known as Darty) white label DSL brands continued to decrease (by €4 million between 2012 and 2013) in correlation with the decrease in the number of customers hosted on the Numericable Group's network, which decreased from 168,005 customers at the end of 2012 to 120,261 in 2013, or a decrease of 28%.

Conversely, revenues from data capacity resales, which are high margin, continued to grow, increasing by approximately €17 million from 2012 to 2013. See "*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—White Label (DSL)*".

Purchases and Subcontracting Services

Purchases and subcontracting services decreased by €19.5 million, or 18.8%, from €103.8 million in 2012 to €84.3 million in 2013.

This decrease resulted from a decrease in volume and value of telephone traffic over the Numericable Group's network. The decrease in volume was the result of a lower volume of minutes exchanged between Bouygues Télécom and Free Mobile using the Numericable Group's network. The decrease in value was the result of the regulated decrease in interconnection rates, which last occurred on January 1, 2013.

The increase in data activity had only a small impact on purchases and subcontracting services, because it primarily includes the resale of capacity on the Numericable Group's network, which does not generate additional external costs. Staff Costs and Employee Benefits Expenses

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 4.2%, or €0.3 million, from €6.7 million in 2012 to €7.0 million in 2013, due primarily to the increase in profit sharing based on income growth in 2013.

Taxes and Duties

Taxes and duties increased by €0.5 million, or 9.3%, from € 4.9 million in 2012 to €5.4 million in 2013. This tax increase is directly correlated with the increase in income generated by Wholesale activities.

Provisions

Provisions (net of reversals) went from €0.4 million in 2012 to € 0.3 million in 2013. Neither the change in provisions nor their absolute value is significant.

Operating Income Before Depreciation and Amortization

EBITDA of Wholesale activities grew by €8.2 million, or 8.6%, between 2012 and 2013, from €95.7 million in 2012 to €103.9 million in 2013.

This increase in EBITDA resulted from a decline in the traditional telephony service resale business, which is lower margin, more than offset by growth in the data service resale business, which is higher margin.

Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012

The table below shows the Numericable Group's combined statement of income for the years ended December 31, 2011 and December 31, 2012, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2011		2012		
	(in € millions)	(as a % of revenues)	(in € millions)	(as a % of revenues)	Change
Revenues	**1,306.9**	**100.0%**	**1,302.4**	**100.0%**	**(0.3)%**
Purchases and subcontracting services	(621.7)	(47.6)%	(602.1)	(46.2)%	(3.2)%
Staff costs and employee benefits expense	(141.0)	(10.8)%	(141.5)	(10.9)%	0.4%
Taxes and duties	(28.3)	(2.2)%	(32.4)	(2.5)%	14.5%
Provisions	(8.0)	(0.6)%	(6.2)	(0.5)%	(21.8)%
Other operating income	80.4	6.2%	89.2	6.9%	10.9%
Other operating expenses	(25.1)	(1.9)%	(17.2)	(1.3)%	(31.5)%
Operating income before depreciation and amortization (EBITDA)[(i)]	**563.2**	**43.1%**	**592.3**	**45.5%**	**5.2%**
Depreciation and amortization	(294.5)	(22.5)%	(291.7)	(22.4)%	(1.0)%

Operating income	**268.7**	**20.6%**	**300.5**	**23.0%**	**11.8%**
Financial income	1.2	0.1%	4.3	0.3%	258.3%
Interest relative to gross financial debt	(177.3)	(13.6)%	(183.1)	(14.1)%	3.3%
Other financial expense	(9.9)	(0.8)%	(32.7)	(2.5)%	230.3%
Finance costs, net	**(186.0)**	**(14.2)%**	**(211.4)**	**(16.2)%**	**13.7%**
Income tax expense	(13.4)	(1.0)%	(2.5)	(0.2)%	(81.3)%
Share in net income (loss) of equity affiliates	(0.3)	0.0%	(0.2)	0.0%	(35.6)%
Net income (loss) from ongoing activities	**69.0**	**5.3%**	**86.4**	**6.6%**	**25.3%**
Net income from discontinued operations	126.1	9.6%	—	0.0%	(100.0)%
Net income (loss)	**195.1**	**14.9%**	**86.4**	**6.6%**	**(53.7)%**
Attributable to owners of the entity	194.9	14.9%	86.4	6.6%	(75.4)%
Attributable to non-controlling interests	0.2	0.0%	0.0	0.0%	NA

(1) Numericable Group has applied IAS 19 Employee Benefits (Revised) (“IAS 19R”) from January 1, 2013, recognizing actuarial gains and losses in “Other comprehensive income”. The application of IAS 19R has resulted in a change in accounting policy that has been applied retrospectively thus resulting in adjusting the comparative financial information for the year ended December 31, 2012. The information presented in the tables below for the year ended December 31, 2011 does not reflect the application of IAS 19R. Please refer to Note 1.3 to the audited consolidated financial statements as of and for the year ended December 31, 2013 for a description of this change in accounting policy and the related impacts.

See “—*Key Performance Indicators*” for a discussion of key performance indicators by segment.

Revenues

Numericable Group revenues remained relatively stable, decreasing by € 4.5 million, or 0.3%, from €1,306.9 million for the year ended December 31, 2011 to €1,302.4 million for the year ended December 31, 2012. This relative stability reflects that of B2C segment revenues and the increase in wholesale segment revenues, partially offset by the decrease in B2B segment revenues. The following discussion describes the contribution of each segment to the Numericable Group’s revenues. For the avoidance of doubt, inter-segment sales have been eliminated for purposes of such discussion.

The B2C segment’s contribution to Numericable Group revenues remained relatively stable, decreasing by €4.1 million, or 0.5%, from € 830.3 million for the year ended December 31, 2011 to €826.2 million for the year ended December 31, 2012. This relative stability reflects an increase in fiber white label revenue and a stable performance in bulk revenue, offset by a decrease in both digital and analog revenues.

The B2B segment’s contribution to Numericable Group revenues decreased slightly by €5.0 million, or 1.5%, from €328.2 million for the year ended December 31, 2011 to €323.2 million for the year ended December 31, 2012. This decrease reflects a decrease in voice revenue, which was partly offset by an increase in data revenue. This decrease also reflects higher churn due in part to the migration of segment engineers to Rouen, which underwent a reorganization in the first quarter of 2012, which resulted in higher churn and a low level of new installations, as well as certain technical issues, which were resolved towards the end of 2012.

The wholesale segment’s contribution to Numericable Group revenues increased by €4.8 million, or 3.2%, from €148.3 million for the year ended December 31, 2011 to €153.1 million for the year ended December 31, 2012. This increase reflects increases in voice and fiber wholesale revenues, partially offset by decreases in data and white label revenues as well as a reduction in regulated interconnection rates.

Excluding one large one-off revenue item recorded in 2011—a € 19 million payment by SFR following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed—Numericable Group revenues would have increased by €14.5 million, or 1.1%, in 2012 as compared to 2011.

Purchases and Subcontracting Services

Purchases and subcontracting services expenses decreased by €19.6 million, or 3.2%, from a total expense of €621.7 million for the year ended December 31, 2011 to a total expense of €602.1 million for the year ended December 31, 2012. This decrease primarily reflects lower expenses in the B2B segment, as a result of synergies following the Altitude Télécom acquisition as well as a reduction in regulated call termination rates and a reduction in content costs in the B2C segment.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses remained stable, increasing by €0.5 million, or 0.3%, from €141.0 million for the year ended December 31, 2011, to €141.5 million for the year ended December 31, 2012. This stability reflects slight increases in headcount, wages and employee profit sharing in 2012, partially offset by staff cost synergies realized following the acquisition of Altitude Télécom.

Taxes and Duties

Taxes and duties increased by €4.1 million, or 14.5%, from € 28.3 million for the year ended December 31, 2011 to €32.4 million for the year ended December 31, 2012, reflecting a general increase in the tax burden of French corporations in 2012.

Provisions

Net provisions remained relatively stable, amounting to €8.0 million for the year ended December 31, 2011 and €6.2 million for the year ended December 31, 2012.

Other Operating Income

Other operating income increased by €8.8 million, or 10.9%, from €80.4 million for the year ended December 31, 2011 to € 89.2 million for the year ended December 31, 2012. This increase reflects an €18.2 million increase in own work capitalized, relating in particular to DSP 92.

Other Operating Expenses

Other operating expenses decreased by €7.9 million, or 31.5%, from €25.1 million for the year ended December 31, 2011 to € 17.2 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders resulting from a change in their calculation methodology, partially offset by debt refinancing-related fees.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA increased by €29.1 million, or 5.2%, from €563.2 million for the year ended December 31, 2011 to €592.3 million for the year ended December 31, 2012. This increase primarily reflects reductions in content-related costs in the B2C segment, as well as synergies derived from the integration of Altitude Télécom (acquired in late 2010) into Completel.

Adjusted EBITDA

Adjusted EBITDA increased by €48.7 million, or 8.5%, from € 572.2 million for the year ended December 31, 2011 to €620.9 million for the year ended December 31, 2012. See "*Summary Financial Information and Other Data*" for an explanation of adjusted EBITDA and its components.

Depreciation and Amortization

Depreciation and amortization expenses remained relatively stable, amounting to €294.5 million for the year ended December 31, 2011 and € 291.7 million for the year ended December 31, 2012.

Operating Income

Operating income increased by €31.8 million, or 14.8%, from € 268.7 million for the year ended December 31, 2011 to €300.5 million for the year ended December 31, 2012. This increase is due to the same factors as the increase in EBITDA.

Finance Costs, Net

Finance costs is a net charge which increased €25.4 million, or 13.7%, from €186.0 million for the year ended December 31, 2011 to €211.4 million for the year ended December 31, 2012. This variation reflects higher interest relative to gross debt and other financial expenses as a result of the Numericable Group's 2012 debt refinancing. The Numericable Group paid substantial waiver fees in connection with such refinancing, and it resulted in a higher blended interest rate. In addition, no mark-to-market gains were recorded in 2012 in relation to the fixed/variable interest rate swap that was terminated in the middle of 2011, after having generated substantial mark-to-market gains in 2011 (€27.0 million). See "*—Liquidity and Capital Resources of the Group—Cash Flows—Net cash used by Financing Activities—Interest paid*".

Income Tax Expense

Income tax expense decreased by €10.9 million, or 81.3%, from € 13.4 million for the year ended December 31, 2011 to €2.5 million for the year ended December 31, 2012. This decrease is a result of a base effect in 2011: the Numericable Group recorded a provision of €11.4 million in respect of tax audits. The effective income tax rate decreased from 16.19% in 2011 to 2.84% in 2012.

Analysis of Results by Segment for the Years Ended December 31, 2011 and December 31, 2012

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2C segment for the years ended December 31, 2011 and 2012.

	Year ended December 31,		
B2C Segment	**2011**	**2012**	**Change 2012/2011**
	(in € millions)		
Revenues	**835.3**	**832.6**	**(0.3)%**
Digital revenues	660.4	650.4	(1.5)%
Analog revenues	51.1	36.9	(27.8)%
Bulk revenues	70.0	70.1	0.1%
Fiber white label revenues	53.8	75.3	40.0%
Purchases and subcontracting services	(385.0)	(386.1)	0.3%
Staff costs and employee benefits expense	(73.5)	(77.6)	5.6%
Taxes and duties	(18.9)	(19.9)	5.3%
Provisions	(5.3)	(4.5)	(14.3)%
Other operating income	60.2	68.1	13.1%
Other operating expenses	(14.4)	(16.0)	11.1%
Operating income before depreciation and amortization (EBITDA)	**398.4**	**396.6**	**(0.5)%**
EBITDA margin rate	*47.7%*	*47.5%*	*(0.2)%*

Revenues

B2C segment revenues remained relatively stable, totaling €832.6 million for the year ended December 31, 2012, compared to €835.3 million for the year ended December 31, 2011.

Digital revenues, consisting of the revenues deriving from the sale of digital multiple play packages and options (VOD, additional channels, etc.) decreased by €10.0 million, or 1.5%, from €660.4 million for the year ended December 31, 2011 to €650.4 million for the year ended December 31, 2012. This decrease was primarily due to a slight reduction in the digital customer base, which totaled 1.228 million at December 31, 2012, as compared to 1.238 million at December 31, 2011. The decrease in the customer base reflected a more difficult first half of the year in 2012 in terms of gross adds and a relatively flat second half of the year. Churn improved in 2012 as compared to 2011. The reduction in the customer base was partly offset by a €0.4 increase in the ARPU of the customer base in 2012 compared to 2011. VOD revenues also increased from €10.0 million in 2011 to €12.0 million in 2012.

Analog revenues decreased by €14.2 million, or 27.8%, from € 51.1 million for the year ended December 31, 2011 to €36.9 million for the year ended December 31, 2012. This decrease was primarily due to a 22.6% decrease in the Numericable Group's analog customer base, from approximately 133,000 subscribers as of December 31, 2011 to approximately 103,000 as of December 31, 2012. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered. The pace of churn in the analog customer base was lower in 2011 when the satellite analog signal was switched-off. See "*Business—The Group's Business Lines—B2C Market—B2C Segment Offers—Analog Television Services*".

Bulk revenues remained stable, totaling €70.0 million for the year ended December 11, 2011, compared to €70.1 million for the year ended December 31, 2012, reflecting the relative stability of the Numericable Group's bulk customer base and slight contractual increases in tariffs.

Fiber white label revenues increased by €21.5 million, or 40.0%, from €53.8 million for the year ended December 31, 2011 to € 75.3 million for the year ended December 31, 2012. This increase reflected an approximately 44% increase in the number of fiber white label end users year-on-year.

Purchases and Subcontracting Services

Purchases and subcontracting services remained relatively stable at € 386.1 million for the year ended December 31, 2012, compared to € 385.0 million for the year ended December 31, 2011. This stability results from a reduction in content-related costs and an increase of other expenses such as externalized door-to-door sales force (for an amount of €4 million) and some rental expenses where the Numericable Group's network equipment is located (for an amount of € 2.5 million). "Subscriber acquisition" costs, which include subscriber acquisition-related marketing, communications and commissions paid to external distribution networks amounted to €73.8 million and € 73.4 million, respectively, for the years ended December 31, 2011 and 2012.

Content-related costs decreased from €103.1 million for the year ended December 31, 2011 to €93.1 million for the year ended December 31, 2012. This decrease is mainly the result of renegotiations that took place at the end of 2011 to renew certain broadcasting contracts with the main TV channels and owners of content rights. In 2012, the Numericable Group negotiated more favorable financial terms for the MNVO contracts entered into with Bouygues Télécom, which terms retroactively apply as from January 1, 2012.

Staff Costs and Employee Benefits Expense

Staff costs increased by 5.6% or €4.1 million, from €73.5 million for the year ended December 31, 2011 to €77.6 million for the year ended December 31, 2012. This increase was due to sales force hirings made in the course of 2012 and 2011, the latter of which having a full-year effect in 2012. In addition, wages increased approximately 1% in 2012 and employee profit sharing expenses increased by €1.5 million.

Taxes and Duties

Taxes and duties increased by 5.3% or €1.0 million, from € 18.9 million for the year ended December 31, 2011 to €19.9 million for the year ended December 31, 2012. This increase is mainly due to a general increase in the tax burden on French corporations in 2012 and the increased profitability of this segment.

Provisions

Net provisions remained relatively stable at €4.5 million for the year ended December 31, 2012 compared to €5.3 million for the year ended December 31, 2011.

Provisions mainly consist of those for commercial and tax litigations, for retirement indemnities and for amounts charged to end-users who do not return the Numericable Group's equipment after cancelling their subscriptions with the Numericable Group.

The slight increase in net provisions in 2012 is primarily due to increases in provisions for retirement indemnities, the calculation of which is affected by discount rates, which decreased between 2011 and 2012 and therefore generated an additional expense in 2012 of €1.3 million compared to 2011.

Other Operating Income

Other operating income increased by €7.9 million, or 13.1%, from €60.2 million for the year ended December 31, 2011 to € 68.1 million for the year ended December 31, 2012. Excluding a one-off payment of €10 million by France Telecom to the Numericable Group in 2011 pursuant to a judgment of the Paris Commercial Court, other operating income increased by €17.9 million. The increase resulted mainly from an increase in own work capitalized, relating in particular to the DSP 92 project.

Other Operating Expenses

Other operating expenses increased by €1.6 million, or 11.1%, from €14.4 million for the year ended December 31, 2011 to € 16.0 million for the year ended December 31, 2012. The increase is primarily a result of €3.9 million in advisory fees incurred in 2012 in connection with the Numericable Group's 2012 debt refinancing.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA decreased by €3.0 million, or 0.8%, from €398.4 million for the year ended December 31, 2011 to €396.6 million for the year ended December 31, 2012. This is tied to the relative stability of revenues, optimization of content-related costs and a number of items included in the table in "Selected Financial and Operating Data—Other Financial Data—Adjusted EBITDA."

B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external distribution networks) increased from €461.8 million for the year ended December 31, 2011 to €468.4 million for the year ended December 31, 2012, an increase of 1.4%.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the B2B segment for the years ended December 31, 2011 and 2012.

B2B Segment	**Year ended December 31, 2011**	**Year ended December 31, 2012**	**Change 2012/2011**
	(in € millions)		
Revenues	**331.1**	**324.5**	**(2.0)%**
Voice revenues	152.2	133.9	(12.0)%
Data revenues	179.0	190.6	6.5%
Purchases and subcontracting services	(196.7)	(178.4)	(9.3)%
Staff costs and employee benefits expense	(61.0)	(57.2)	(6.2)%
Taxes and duties	(5.7)	(7.6)	33.3%
Provisions	(3.3)	(1.3)	(60.6)%
Other operating income	20.1	21.1	5.0%
Other operating expenses	(10.6)	(1.1)	(89.6)%
Operating income before depreciation and amortization (EBITDA)	**74.0**	**100.0**	**35.2%**
EBITDA margin rate	*22.3%*	*30.7%*	*8.4%*

Revenue

B2B segment revenues decreased by €6.6 million, or 2.0%, from € 331.1 million for the year ended December 31, 2011 to €324.5 million for the year ended December 31, 2012. This decrease reflected a decrease in voice revenue, which was partly offset by an increase in data revenue.

Voice revenues decreased by €18.3 million, or 12.0%, from € 152.2 million for the year ended December 31, 2011 to €133.9 million for the year ended December 31, 2012. This decrease resulted from a gradual passing on to customers of successive decreases in regulated termination rates.

Data revenues increased by €11.6 million, or 6.5%, from € 179.0 million for the year ended December 31, 2011 to €190.6 million for the year ended December 31, 2012. This increase reflected the Numericable Group's strategy to focus on data services following the acquisition in late 2010 of Altitude Télécom, an operator that was focused exclusively on data services.

In general, the first half of 2012 was difficult, due to the migration of B2B segment engineers to Rouen and a technical overloading problem at a Completel site in the second quarter of the year, which weighed further on installations. The third quarter was seasonally low in telephony traffic and hence revenues. Sales performance improved in the fourth quarter of 2012, although installations remained low.

Purchases and Subcontracting Services

Purchases and subcontracting services decreased significantly from € 196.7 million for the year ended December 31, 2011 to €178.4 million for the year ended December 31, 2012, representing an € 18.3 million, or 9.3%, decrease. This decrease resulted from the optimization of other purchases and subcontracting services following the full integration and merger of Altitude Télécom within Completel, completed in December 2011, as well as from a gradual passing on to customers of successive decreases in regulated termination call rates.

Cost synergies generated by the integration and the merger of Altitude within Completel amounted to savings of €10 million in 2012 compared to 2011, the majority of which was related to savings in network expenses, which were reduced by €5.2 million, as well as smaller reductions in marketing expenses (-€2.6 million) and general and administrative expenses (-€1.5 million).

Voice-related expenses decreased by €4.6 million between 2011 and 2012, mainly due to reductions in regulated termination rates.

Staff Costs and Employee Benefits Expense

Staff costs decreased by 6.2%, or €3.8 million, from €61.0 million for the year ended December 31, 2011 to €57.2 million for the year ended December 31, 2012. This decrease is primarily the result of the full integration and merger of Altitude Télécom within Completel, completed in December 2011, which allowed for optimization of staff costs in 2012.

Taxes and Duties

Taxes and duties increased by €1.9 million, from €5.7 million for the year ended December 31, 2011 to €7.6 million for the year ended December 31, 2012. This increase of 33.3% is mainly due to a general increase in the tax burden on French corporations in 2012 and is consistent with the increase of segment EBITDA (+34.6%).

Provisions

Net provisions decreased from €3.3 million for the year ended December 31, 2011 to €1.3 million for the year ended December 31, 2012. The decrease is mainly due to the recording in 2011 of a provision for a redundancy plan relating to the acquisition of Altitude Télécom.

Other Operating Income

Other operating income remained relatively stable from €20.1 million for the year ended December 31, 2011 to €21.1 million for the year ended December 31, 2012.

Other Operating Expenses

Other operating expenses decreased by €9.5 million, or 89.6%, from €10.6 million for the year ended December 31, 2011 to €1.1 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders resulting from a change in their calculation methodology.

Operating Income Before Depreciation and Amortization (EBITDA)

EBITDA increased by €25.6 million, or 34.6%, from €74.0 million for the year ended December 31, 2011 to €100 million for the year ended December 31, 2012. This improvement in profitability is mainly due to increased data revenues, as well as decreased purchases and subcontracting services expenses, reflecting synergies captured through the integration of Altitude Télécom into Completel.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortization for the wholesale segment for the years ended December 31, 2011 and 2012.

	Year ended December 31,		
Wholesale Segment	**2011**	**2012**	**Change 2012/2011**
	(in € millions)		
Revenues	**201.1**	**211.5**	**5.2%**
Purchases and subcontracting services	(100.6)	(103.8)	3.2%
Staff costs and employee benefits expense	(6.6)	(6.7)	1.5%

Taxes and duties	(3.7)	(4.9)	32.4%
Provisions	0.6	(0.4)	(166.7)%
Other operating income	0.1	0.0	NA
Other operating expenses	—	—	—
Operating income before depreciation and amortization (EBITDA)	**90.9**	**95.7**	**5.3%**
EBITDA margin rate	*45.2%*	*45.2%*	*0.0%*

Revenue

Wholesale segment revenues increased by €10.4 million, or 5.2%, from €201.1 million for the year ended December 31, 2011 to € 211.5 million for the year ended December 31, 2012. This increase was due to increase in the voice business and fiber wholesale partly offset by the decrease in data and DSL white labels.

Voice revenues increased by €23.2 million from €74.9 million for the year ended December 31, 2011 to €98.1 million for the year ended December 31, 2012. This increase reflected favorable contracts signed with Bouygues Télécom following the unexpected changes in telecommunications operators' needs for voice termination resulting from Free's entry into the mobile market in January 2012. The Numericable Group was able to temporarily provide voice termination services to Bouygues pending the latter's development of its own capacity to interconnect with Free's new mobile customer base. The resulting increase in volume more than offset the decrease in regulated call termination rates in July 2011.

The increase in voice revenues was partially offset by decreases in data and DSL white label revenues.

Data revenue decreased from approximately €41 million in 2011 to €30 million in 2012. Excluding a one-off element in 2011 a payment of €19 million by SFR following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed—segment data revenue for the fiscal year ended December 31, 2012 would have increased by approximately €8 million.

DSL white label revenues decreased by approximately €10 million, from approximately €59 million in 2011 to approximately €49 million in 2012. This decrease is due to a reduction in the number of DSL white label end-users in 2012 following the acquisition by Bouygues Télécom of Darty's telecommunications business in July 2012 and the subsequent migration of certain Darty white label customers from the Numericable Group's network to Bouygues Télécom's network. See "*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—White Label (DSL)*".

Finally, fiber wholesale revenues increased by €8.2 million, essentially driven by a stronger need for fiber in the B2B segment. These intra-group revenues are eliminated in combination.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €3.2 million or 3.2% to €103.8 million, for the year ended December 31, 2012 compared to €100.6 million for the year ended December 31, 2011. This slight increase is a result of the Numericable Group providing call termination services to Bouygues Télécom as described in "—Wholesale Segment" on segment revenue and reflects termination costs paid by the Numericable Group to Free for such services.

Staff Costs and Employee Benefits Expenses

Staff costs remained stable at €6.6 million for the year ended December 31, 2011 compared to €6.7 million for the year ended December 31, 2012.

Taxes and Duties

Taxes and duties increased from €3.7 million for the year ended December 31, 2011 to €4.9 million for the year ended December 31, 2012, primarily as a result of the increased tax burden on French corporations in 2012.

Provisions

Net provisions amounted to €0.4 million for the year ended December 31, 2012 and consisted of provisions for potential service claims.

Operating Income Before Depreciation and Amortization

Operating income before depreciation and amortization increased by € 4.8 million, or 5.3%, from €90.9 million for the year ended December 31, 2011 to €95.7 million for the year ended December 31, 2012, primarily reflecting the increased interconnection business generated by Free's entry into the mobile telephony market.

Reconciliation of EBITDA and Adjusted EBITDA

	Year ended December 31,	
	2012	**2013**
	(in millions of euros)	
EBITDA	**592.3**	**560.1**
Debt-refinancing related advisory fees[(a)]	7.4	4.9
Acquisition-related restructuring costs[(b)]	2.5	1.4
Provisions/costs for tax and social security audits	0.6	11.3
Exceptional charge due to Orange[(c)]	0.1	7.2
Exceptional charge due to Free[(d)]	—	6.1
CVAE[(e)]	11.9	12.7
Accelerated depreciation of equipment[(f)]	5.2	14.7
Penalties[(g)]	1.0	—
Costs related to the share option plan	—	3.6
Adjusted EBITDA	**620.9**	**615.9**

(a) Advisory fees paid in connection with the Numericable Group's refinancing transactions (classified in other operating expenses).

(b) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Télécom (classified in purchases and subcontracting services and staff costs and employee benefit expense).

(c) Exceptional charge recognized in 2012 for the €1million reserved for the litigation in connection with the patching rack rented to France Telecom; Exceptional charge recognized in 2013 for the €1.1 million legal fees paid in respect of litigation against France Telecom at the International Chamber of Commerce.

(d) Exceptional charge recognized primarily in 2013 for the € 6 million penalty relating to the dispute with Free (see Section 20.7.2.3, "Dispute with Free relative to the advertising of mobile services".

(e) As from January 1, 2010, the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*), a French business value-added levy, partially replaced the former local business tax (*taxe professionnelle*) (classified in taxes and duties).

(f) Non-cash charges resulting from (i) the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning customers and (ii) the transfer of the remaining net accounting value of the assets returned to municipal governments in connection with the exiting of DSP contracts.

(g) Penalties payable to SFR as a result of a delay incurred in the deployment of vertical fiber networks pursuant to a fiber deployment agreement entered into in 2008 (classified in purchases and subcontracting services).

Liquidity and Capital Resources of the Numericable Group

The Numericable Group's principal financing needs include its working capital requirements, capital expenditures, interest payments and debt repayments.

The Numericable Group's principal source of liquidity on an ongoing basis has been its operating cash flows. The Numericable Group's ability to generate cash in the future from operations will depend on its operating performance which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Numericable Group's control. The Numericable Group maintains cash and cash equivalents to fund the ongoing requirements of its business. The Numericable Group holds cash only in euro.

As of the date of this Notice, the Numericable Group had €2,638 million of debt outstanding which will be refinanced in connection with the Transactions. Following the completion of the Transactions, the Numericable Group will have €11,640 million of debt comprising €6,040 million (equivalent) of Notes and €5,600 million (equivalent) of borrowings under the Numericable Group Term Loan. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Period ending December 31,

	2014	2015	2016	2017	2018 or later	Total
				(€ in millions)		
Numericable Group Term Loan	—	56	56	56	5,432	5,600
Notes	—	—	—	—	6,040	6,040
Total	—	56	56	56	11,472	11,640

The Numericable Group estimates that its financing needs for 2014 will consist primarily of its working capital requirements (see "—*Financing of Working Capital Requirements*"), capital expenditures, interest payments and debt repayments. Further to the Transactions, the Numericable Group will have available, if required and subject to certain conditions, €750 million under the Numericable Group Revolving Credit Facilities Agreement.

Financial Resources

Overview

In the past, the Numericable Group has principally relied on the following sources of financing:

- Cash flow from operating activities, which amounted to €577.1 million, €531.0 million and €570.3 million in 2011, 2012 and 2013, respectively;

- Cash on hand. Cash and cash equivalents at December 31, 2011, 2012 and 2013 totaled €40.6 million, €8.0 million and € 101.4 million, respectively. See Note 20 "Cash and cash equivalents" to the Numericable Group's consolidated financial statements included elsewhere in this Notice. The significant increase in cash on hand as of December 31, 2013 is tied to the increase in capital in November 2013, of which only a portion was used to repay a portion of the February 2012 Notes and the October 2012 Notes. The remaining cash was used by the Numericable Group for its general financing needs, including its organic growth (in particular the deployment of fiber in the network).

Indebtedness, which currently consists of the Ypso France Senior Facility Agreement (both direct lending by banks and on-lending of the proceeds of bond issuances), NC Numericable's perpetual subordinated notes, finance leases, deposits received from customers and bank overdrafts. See Note 22 to the Numericable Group's consolidated financial statements included elsewhere in this Notice.

Further to the Transactions, the Numericable Group will rely on the following sources of financing:

Perpetual Subordinated Notes

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued a maximum €23.65 million principal amount (excluding capitalized interest) of perpetual subordinated notes (Titres Subordonnés à Durée Indéterminée) ("TSDI") to Vilorex, a subsidiary of GDF Suez of which a €23.7 million principal amount has been subscribed. The TSDI are subordinated by law pursuant to Article L.228-97 of the French Commercial Code and expressly subordinated to part of the financing of the investments referred to below which was made available by NC Numericable S.A.S. The proceeds of the TSDI have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication). The TSDI bear interest at 7% per annum. Interest has been capitalized, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. If those triggers are reached and the TSDI are not prepaid, the interest rate steps up to 9% per annum. The TSDI contain a safeguard clause in connection with these triggers. From September 1, 2015 to September 1, 2019, the parties can call for a meeting to adjust the triggers so as to restore the economic balance which was contemplated at the time of issuance of the TSDI. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice in a minimum amount of €5 million. The TSDI are not transferable without NC Numericable S.A.S.'s consent. NC Numericable has a call option to purchase all of the outstanding TSDI for €1 from September 1, 2035. The TSDI must be prepaid in full if the SIPPREC concessions are transferred to a third party and that third party does not assume all of the rights and obligations of NC Numericable S.A.S. under the TSDI.

Finance Leases

In November 2013, NC Numericable and Completel concluded a general finance lease with BNP Paribas Rental Solution relating to the purchase and the subsequent lease of various equipment provided by telecom equipment providers such as Huaweï, Alcatel or others (aside from Cisco) for a three-year term.

In May and June 2013, NC Numericable S.A.S. entered into a sale-and-leaseback transaction, for a period of 36 months, with respect to LaBox set-top boxes with Lease Expansion for €12.7 million and €5.9 million, respectively.

The Numericable Group entered into a general lease agreement with Cisco in January 2011, which covers most equipment the Numericable Group sources from Cisco (consisting primarily of data network parts and CPEs, such as servers), with a lease term of 3 years.

In 2001, NC Numericable S.A.S. entered into a finance lease with a 15-year term with respect to an office building located in Champs-sur-Marne. The Numericable Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

In addition, several companies of the Numericable Group have entered into various finance leases with respect to real property (for terms generally between 20 and 30 years) and office equipment (typically for terms of four years).

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by a rate of inflation (equal to a specific percentage).

As of December 31, 2013, the Numericable Group's total liability (present value of minimum lease payments) under finance leases amounted to €41.5 million. The average effective interest rate on finance leases was approximately 4.42% for the year ended December 31, 2013 compared to 3.24% for the year ended December 31, 2012. This increase in the average rate is essentially explained by the cost of the new financing entered into with Lease Expansion. See Note 30.2 to the Numericable Group's financial statements included elsewhere in this Notice.

Security Deposits Received from Customers

Security deposits received from customers amounted to € 51.9 million and €44.5 million as at December 31, 2013 and 2012, respectively. These deposits are made when customers receive equipment from the Numericable Group, and the increase in the amount of deposits (already noted in 2012) from December 31, 2012 to December 31, 2013 reflects the increased deposits paid by customers for LaBox due to increased subscriptions including LaBox. Customer deposits are reimbursed when customers terminate their subscriptions, on condition that the customers have paid any outstanding invoices and have returned the equipment. The guarantee deposits are recorded in the balance sheet as items due within more than one year.

Numericable Group Revolving Credit Facilities Agreement

Further to the Transactions, the Numericable Group will have available, if required and subject to certain conditions, €750 million under the Numericable Group Revolving Credit Facilities Agreement. The Numericable Group Revolving Credit Facilities Agreement will require us to maintain compliance with a consolidated senior secured leverage ratio, calculated on a net basis, and only tested at drawdown and to the extent there are loans outstanding under the Numericable Group Revolving Credit Facilities Agreement, at the end of each financial quarter of no more than 4:1 (or 5:1 if certain conditions including the completion of the Acquisition are not met). Furthermore, the Numericable Group's ability to maintain compliance with further financial covenants is dependent on the Numericable Group's ability to maintain or increase EBITDA and to achieve adequate returns on its capital expenditures and acquisitions. In addition, the Numericable Group's ability to obtain additional debt financing is limited by the incurrence leverage covenants, the Numericable Group Revolving Credit Facilities Agreement, the Numericable Group Term Loan and could further be limited by any additional debt instruments the Numericable Group may enter into.

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

Other Financial Liabilities

Shareholder Financing

All of the shareholder financings were cancelled or capitalized at the time of the initial stock market listing of Numericable Group and of the contributions made to the latter. As at December 31, 2013, there was no longer any existing shareholder loan.

The following table presents the net financial debt of the Numericable Group at December 31, 2012 and December 31, 2013:

	At December 31, 2012	At December 31, 2013
	(in € millions)	
Financial debt	3,041.1	2,766.1
Cash and cash equivalents	8.0	101.4
Net financial debt	**3,049.1**	**2,867.5**

Presentation and Analysis of the Main Categories of Use of the Numericable Group's Cash

Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- *Network:* investment in improving, renovating, upgrading capacity, expanding and maintaining the Numericable Group's network (fiber, backbone and DSL), directly or, in the case of certain network upgrades, through public-private partnerships;

- *Customers:* capital expenditures linked to in-home B2C and on-site B2B equipment (high-speed routers and TV decoders) as well as in-home wiring for new B2C clients and the creation of fiber links between B2B sites;

- *Service Platforms:* investment in television and fixed-line telephony platforms; and

- *Other:* capital expenditures in connection with wholesale projects, as well as miscellaneous investments.

The Numericable Group's capital expenditures in 2011, 2012 and 2013 amounted to €242.7 million, €285.7 million and €319.8 million, respectively. For additional information regarding the Numericable Group's historical, ongoing and planned future capital expenditures, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Numericable Group—Capital Expenditures*".

Interest Payments and Debt Repayments

Much of the Numericable Group's cash flow goes to servicing and repaying its significant indebtedness. The Numericable Group made interest payments of €154.8 million, €152.1 million and €180.6 million, respectively, in 2011, 2012 and 2013. It also made debt repayments of € 335.1 million and €957.2 million and €987.4 million, respectively, in 2011, 2012 and 2013. The high level of debt repayments in 2012 reflects the Numericable Group's refinancing of its debt in such year, in which it issued €831.0 million of new debt. Similarly, the high level of debt repayment in 2013 reflects the repayments of the Altice B2B France Sub-Group's debts, certain floating rate notes that were issued on October 25, 2012 and 35% of the October 2012 Notes with the proceeds of the capital increase following the initial public offering and implementation of Facility D.

Financing of Working Capital Requirements

Working capital requirements primarily correspond to the value of inventory plus trade receivables and other receivables minus trade payables and other payables. Structurally, the Numericable Group's working capital requirements reflect differences in its business. In the B2C segment, the Numericable Group releases working capital because its B2C customers have shorter payment terms (generally 5 days) than its suppliers (generally 60 days), while in the B2B segment, the Numericable Group consumes working capital because its B2B customers have longer payment terms. The Numericable Group generally finances its working capital requirements through its cash flow from operations.

In 2011, the Numericable Group released €5.4 million of working capital. In 2012, the Numericable Group consumed €31.9 million of working capital. In the 2013, the Numericable Group released €20.6 million of working capital.

Contractual Obligations

The table below sets out the Numericable Group's contractual commitments and obligations as of December 31, 2013, excluding in particular future interest and commitments relating to employee benefits and equivalent commitments, which are detailed in Note 23 to the Numericable Group's consolidated annual financial statements included elsewhere in this Notice, excluding future interest (*see* "*—Financial Liabilities*").

	< 1 year	**Maturity 1–5 years**	**> 5 years**	**Total December 31, 2013**
		(in thousands of euros)		
Loans and financial liabilities	64,249	2,283,075	418,818	2,766,142
Operating lease arrangements	10,381	34,798	12,978	58,156
Total	**74, 630**	**2,317,873**	**431,796**	**2,824,298**

The Numericable Group does not have any material irrevocable purchase obligations.

The amount on the line "operating lease obligations" corresponds to the amount of the minimum payments due under operating lease agreements that cannot be cancelled by the lessee. They mainly correspond to property and vehicle lease commitments as well as operating leases of TV programs. Leases involving equipment and network IRU (usage rights on local loop, backbone) or other rental contracts (rights of way) were not individually considered material.

In addition, the Numericable Group has given certain guarantees in connection with the Ypso France Senior Facility Agreement, including compliance with financial covenants, conditions regarding the acquisition, disposal, use and control of assets. In addition, all of the assets and shares of the Numericable Group's subsidiaries have been pledged to the lender banks under the Ypso France and Senior Facility Agreement. These guarantees and security will be released in connection with the Refinancing Transactions.

The Numericable Group has also committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France. In addition, through its subsidiary Sequalum, the Numericable Group has committed, subject to certain conditions, to deploy 2,600 km of fiber cables and reach 827,900 apartments and offices in the Hauts-de-Seine department. See "*Business of the Numericable Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*".

To operate telecommunications networks, the Numericable Group needs licenses, authorizations or usage rights to infrastructure in the public and private domain. Consequently, the Numericable Group generally pays fees to the public administration in charge of managing the infrastructure (local authorities) or to the owners. In the course of its normal business activities, the Numericable Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

In 2010, the Numericable Group entered into long-term MVNO agreements for voice and data transmission with Bouygues Télécom, pursuant to which the Numericable Group provides mobile telephony services to B2C customers under the Numericable Group's own brand but through the nationwide network of Bouygues Télécom, pursuant to which the Numericable Group is obligated to pay a flat fee corresponding to a minimum level of consumption. See "*Business of the Group—Material Contracts—MVNO Agreements*". In 2014, we entered into a LT MVNO agreement with SFR.

The Numericable Group has also entered into certain operating leases, including property and vehicle leases, leases involving equipment and network IRUs and operating leases and agreements to purchase TV programs. See note 29 to the Numericable Group's consolidated financial statements included elsewhere in this Notice.

Cash Flows for the Years Ended December 31, 2011, 2012 and 2013

The table below summarizes the Numericable Group's consolidated cash flow for the year ended December 31, 2013 and the combined cash flows for the years ended December 31, 2011 and 2012.

	For the year ended December 31,		
	2011	**2012**	**2013**
		(in € thousands)	
Net cash provided (used) by operating activities	577,127	530,960	570,279

Net cash provided (used) by investing activities	(237,652)	(285,217)	(342,657)
Net cash provided (used) by financing activities	(489,705)	(278,327)	(134,253)
Net cash from discontinued operations*	156,258	—	—
Total net increase (decrease) in cash and cash equivalents	**6,027**	**(32,584)**	**93,369**

* Cash flow from discontinued operations in 2011 reflects revenue from the disposal of certain business in Belgium (gross purchase price of €360 million less Coditel debt).

Net cash provided by operating activities

The table below summarizes the Numericable Group's consolidated net cash provided by operating activities for the year ended December 31, 2013 and the combined net cash provided by the operating activities for the years ended December 31, 2011and 2012.

	For the year ended December 31,		
	2011	2012	2013
	(in € thousands)		
Cash flow from operations before changes in working capital and income tax	570,651	566,213	553,918
Changes in working capital	5,392	(31,911)	20,653
Income tax paid	1,083	(3,342)	(4,292)
Net cash provided by operating activities	**577,127**	**530,960**	**570,279**

Cash flow from operations before changes in working capital and income tax

Cash flow from operations before changes in working capital and income tax decreased by €4.4 million, or 1.2%, from a cash inflow of € 570.7 million in the year ended December 31, 2011 to a cash inflow of €566.2 million in the year ended December 31, 2012. This decrease was driven by a €17.4 million increase in other financial expenses, reflecting fees incurred in connection with the refinancing of part of Ypso's debt in 2012 (including the issuance of the Notes, the establishment of new credit facilities and amendments to, and extension of the maturity of, the Ypso France Senior Facility Agreement), partially offset by a €17.2 million increase in net income from continuing operations resulting from a €29.1 million increase in EBITDA.

Cash flow from operations before changes in working capital and income tax decreased by €12.3 million, or 1.7%, from a cash inflow of € 566.2 million in the year ended December 31, 2012 to a cash inflow of €553.9 million in the year ended December 31, 2013. This decrease was driven by a €28.2 million increase in other financial expenses, resulting from the premiums paid in connection with early repayment of the February 2012 Notes, 35% of the October 2012 Notes and certain floating rate notes that were issued on October 25, 2012, compounded by a decrease in Adjusted EBITDA of € 3.9 million.

Change in working capital requirements

In 2011 and 2012, the Numericable Group made an exceptional working capital investment, related to the termination of a free share plan of Completel Europe NV, which resulted in exceptional cash outflows of €32.8 million in 2011 and €16.4 million in 2012. The free share plan involved grants of free shares for which the pricing and therefore the amount of liabilities were determined in 2009 and recorded in current liabilities. In 2011 and 2012, the Numericable Group made cash payments to the holders to terminate the plan, resulting in the exceptional cash outflows.

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, due to increased customer acquisitions expenses in the B2C segment resulting from a larger client base as well as the €16.4 million outflow related to the termination of the free share plan. In the B2C segment, the acquisition of new clients leads to installation and set-top box-related costs, as well as cash outflows.

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, compared to a cash inflow of €20.5 million in the year ended December 31, 2013. By excluding the cash outflow related to the termination of the free share plan (€16.4 million), the Numericable Group would have recorded a cash outflow limited to €15.5 million in 2012. The year ended December 31, 2012 was exceptional for the change in working capital requirements due to increased subscriber acquisition costs resulting from a larger client base. The cash inflow was exceptionally high in 2013 due to term billing adjustments.

Income tax paid

Income tax paid represented a cash outflow of €1.1 million in 2011 €3.3 million in 2012 and €4.3 million in 2013. The increase in 2012 was primarily due to the increased tax burden on French corporations in 2012 as well as a new limitation on usage of tax loss carry-forwards, and the first taxable profits at the level of Altice B2B France. The Ypso Group also had a negative taxable result in 2012 due in particular to fees in relation to the various 2012 refinancings. The increase is principally due to greater taxes paid by the Altice B2B France Group, while the Ypso France Group did not pay taxes following the various refinancing operations.

Net cash used by investing activities

The table below summarizes the Numericable Group's consolidated net cash provided (used) by investing activities for the year ended December 31 2013 and the combined net cash provided (used) by investing activities for the year ended December 31, 2012 and 2011, respectively.

	For the year ended December 31,		
	2011	**2012**	**2013**
		(in € thousands)	
Net capital expenditures[1]	(237,694)	(281,771)	(314,752)
Net financial investments	41	(3,446)	(27,905)
Net cash (used) by investing activities	**(237,652)**	**(285,217)**	**(342,657)**

(1) Represents the sum of (i) PPaE and intangible assets, (ii) proceeds from disposals of PPaE and intangible assets, and (iii) investment subsidies and grants received.

Net capital expenditures

Net capital expenditures are capital expenditures net of proceeds from the disposal of tangible and intangible assets and investment subsidies and grants received.

Cash used in net capital expenditures increased €44.1 million, or 18.5%, from a cash outflow of €237.7 million in 2011 to a cash outflow of €281.8 million in 2012, due to higher capital expenditures (up €48.4 million) in connection with the launch of LaBox and the acceleration in fiber deployment in 2012 and lower disposal proceeds (down €1.2 million), partially offset by higher subsidies (up €5.6 million) received in connection with the DSP 92 project.

Cash used in net capital expenditures increased by €33.0 million, or 11.7%, from a cash outflow of €281.8 million in 2012 to a cash outflow of €314.8 million in 2013, due to higher capital expenditures (up €30.2 million) in connection with a full year of deployment of LaBox instead of the 5-month deployment in 2012 (launched commercially in the third quarter of 2013) and with the continuous acceleration in fiber deployment in 2013, lower subsidies (down €4.0 million) received in connection with the DSP 92 project, partially offset by higher disposal proceeds (up €1.3 million).

Net financial investments

Net financial investments comprise acquisition of subsidiaries (net of cash received) net of disposals of subsidiaries (net of cash paid), plus acquisitions of other financial assets net of disposals of other financial assets.

Cash used by net financial investments increased by €3.4 million from zero cash inflow in 2011 to a cash outflow of €3.4 million in 2012 due to performance guarantees given in the context of the continuation of DSP 92 network's deployment (see "*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*"). The Numericable Group also bought out the minority shareholders of Sequalum in 2012.

Cash used by net financial investments increased from €3.4 million cash outflow in 2012 to a cash outflow of €27.9 million in 2013. The Numericable Group acquired LTI Télécom in October 2013, as well as Auchan and Valvision's subscribers in March and June 2013, respectively, whereas no acquisitions were made in 2012.

Net cash used by financing activities

The table below summarizes the Numericable Group's consolidated net cash provided by financing activities for the years ended December 31, 2011, 2012 and 2013.

For the year ended December 31,

	2011	2012	2013
		(in € thousands)	
Share capital increase	0	0	236,49
Issuance of debt	172	830,975	797,223
Repayment of debt	(335,085)	(957,189)	(987,42)
Interest rate swap agreements	*(20,962)*	*0*	*0*
Interest on SFA debt excluding the Notes	*(124,189)*	*(106,513)*	*(93,157)*
Interest on Notes	*0*	*(47,412)*	*(84,589)*
Other interest	*(9,640)*	*1,813*	*(2,800)*
Total interest paid	(154,791)	(152,113)	(180,546)
Net cash (used) by financing activities	**(489,705)**	**(278,327)**	**(134,253)**

Issuance of debt

Issuance of debt totaled €0.2 million, €831.0 million and €797.2 million in 2011, 2012 and 2013, respectively.

In 2011, the Numericable Group did not materially draw on any debt instruments.

In 2012, Numericable Finance & Co. S.C.A. issued €831.0 million of debt (net of OID (original issue discount) and fees), comprising issuance of the February 2012 Notes, the October 2012 Notes and certain floating rate notes. The net proceeds of these Notes were used to refinance existing senior debt of Ypso France.

In 2013, the Numericable Group drew €800 million under the Ypso France and Altice B2B France Senior Facility Agreements and entered into new sale-leaseback agreements.

Repayment of debt

The Numericable Group repaid €335.1 million, €957.2 million and €987.4 million of debt in 2011, 2012 and 2013, respectively.

In 2011, the Numericable Group repaid €335.1 million due under the Ypso France and Altice B2B France Senior Facility Agreements, as the Numericable Group made mandatory or voluntary repayments relating to the sale of Coditel. The Numericable Group used the proceeds from the sale of Coditel to finance €156.3 million of the repayments and financed the remainder (€158.3 million) with cash from operations.

In 2012, the Numericable Group repaid €117.1 million under the Ypso France Senior Facility Agreement with cash from operations and € 840 million with the proceeds of the Notes.

In 2013, the Numericable Group repaid €32.8 million under the Ypso France Senior Facility Agreement (in accordance with its obligations), €479.8 million under the Senior Secured Notes and €453.9 million due under a previous senior credit facility, which was cancelled in full.

Interest paid

The Numericable Group paid €154.8 million in interest in 2011.

The Numericable Group paid €152.1 million in interest in 2012, a slight decrease as compared to 2011. This decrease reflected the termination in June 2011 of the cash-consuming variable-to-fixed interest swap and the lower amounts due under the Ypso France and Altice B2B France Senior Facility Agreements following repayments in 2011, partially offset by the increase in EURIBOR between 2011 and 2012, the issuance of the Notes in 2012 and the incurrence of the Additional C1 Facility Loan, which bear higher interest rates than the debt that was repaid with the proceeds thereof, and a margin increase on the Ypso France Senior Facility Agreement following the extension of certain tranches pursuant to the February 2012 refinancing.

The Numericable Group paid €180.5 million in interest in 2013, an increase of €28.4 million as compared to 2012. This increase reflects the general increase in the cost of the Ypso group's debt following the repayment of low margin facilities in 2012 through the issuance of the February 2012 Notes, the October 2012 Notes, certain floating rate notes on October 25, 2012 and an increase in the margin of the Ypso France Senior Facility Agreement following the effectiveness in February 2012 of a September 2011 amendment thereto.

Off-Balance Sheet Commitments

The Numericable Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, results of operations, liquidity, capital expenditure or capital resources.

Capital Expenditures

Historical Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- *Network:* investment in improving, expanding, increasing capacity, extending and maintaining the Numericable Group's network (fiber, backbone and DSL), either directly or, in the case of certain network expansion projects, through public-private partnerships;

- *Customers:* capital expenditures linked to in-home B2C equipment installation and on-site B2B equipment installation (broadband routers and set-top boxes), as well as wiring for new B2C customers and the creation of new fiber links between B2C sites;

- *Service Platforms:* investment in television and fixed-line telephony platforms, and

- *Other:* capital expenditures in connection with wholesale projects, as well as miscellaneous investments, such as the upkeep of the Numericable Group's property and administrative, technical and commercial investments, as well as own work capitalized.

Between 2008 and 2012, the Numericable Group incurred capital expenditures of approximately €1.4 billion. For the year ended December 31, 2012, the Numericable Group incurred capital expenditure of €281.8 million, compared to €237.7 million and €239.1 million (net of subsidies received) during the years ended December 31, 2011 and 2010, respectively. For the year ended December 31, 2013, the Numericable Group incurred capital expenditures of €314.7 million.

The table below sets out the amount of capital expenditures by type: (i) capital expenditures for the maintenance of the network, i.e., "maintenance" capital expenditures (in other words, capital expenditures required regardless of the commercial activity in order to serve existing clients with the same quality and service (e.g., information systems, electrical systems, cooling systems)), (ii) capital expenditures for connecting new customers (customer equipment (e.g., set-top boxes), connection costs, etc.), (iii) capital expenditures for the upgrading and renovation of the network (including the transition to EuroDocsis 3.0 and DSP 92), for the 2011-2013 period.

	Maintenance Capital Expenditures	New Customer Capital Expenditure	Network Upgrade Capital Expenditure
2013	125.4	152.4	42.1
2012	107.4	145.7	32.5
2011	90.5	138.2	14.0

Approximately half of the Numericable Group's capital expenditures are comprised of capital expenditures in the new customer category, which vary depending on the acquisition of new B2C and B2B clients. The Numericable Group's capital expenditures are therefore highly dependent on its business activities as well as the pace of network renovations, in particular with respect to fiber, as well as potential public-private partnerships.

The Numericable Group's main existing public-private partnership is DSP 92, run through its subsidiary Sequalum (see "*Business of the Group—The Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*"). Formed in 2008, Sequalum's purpose is the creation, financing, marketing, deployment and technical and commercial operation of a very high speed FTTH fiber network in the Hauts-de-Seine district. In the first table above, the Numericable Group's capital expenditures in connection with the DSP 92 project, excluding certain development work which is capitalized and included in the "Other" category, are included in the "Network" category.

The Numericable Group has also made acquisitions. See "*Business of the Group—History and Development of the Group*".

Ongoing Capital Expenditures

The Numericable Group expects the annual amount of its capital expenditures excluding network upgrades to be approximately €300 million in 2014.

Acquisition of LTI Télécom

The Numericable Group acquired 100% of LTI Télécom's shares on October 31, 2013. The acquisition price was in the range of €20 to €30 million.

LTI Télécom is a telecommunications operator founded in 1998 and active in the B2B market. It provides fixed and mobile telephony solutions and Internet access to small and medium-sized companies of 5 to 250 employees in France. It relies on the networks of other French operators, including Orange, SFR and Completel. LTI Télécom offers its services through a direct distribution network (4 fully-owned agencies in large cities) and a broad indirect distribution network (about a hundred partners in France).

LTI Télécom has approximately 9,556 clients, 28,000 active fixed lines, 2,800 active high speed links, and 5,000 active mobile lines. The table below sets out LTI Télécom's key operating data:

	2011	2012	2013
ARPU	229.00	241.00	271.00
Number of customers	8,213	8,943	9,553

For the year ended December 31, 2012, LTI Télécom generated revenues close to €30 million and an operating margin (ratio of operating income to revenue) around 10%.

The acquisition of LTI Télécom by the Numericable Group will allow it to pursue the consolidation of the B2B French market, strengthening its position therein with respect to the midmarket, in which the Numericable Group's coverage is currently small, through a partner network complementary to its own. It is expected that capital expenditure LTI Télécom will remain very low in the future, as customers mainly include SMEs, which have very low capital expenditure requirements.

Future Capital Expenditures

The Numericable Group expects to continue to deploy fiber selectively going forward, where a densification of its fiber network is necessary to improve service to customers. The Numericable Group generally upgrades the network to EuroDocsis 3.0 (allowing full triple-play services, including digital TV and VOIP and broadband speed of up to 200 Mbps) at the same time as the network is upgraded to FTTB. The Numericable Group intends to upgrade 700,000 and 800,000 homes to EuroDocsis 3.0 by the end of 2014. The costs of such upgrades vary, but on average amounts to approximately €50 per home passed.

In addition, the Numericable Group will continue to invest in the DSP 92 project, phase II of which began in mid-2013 and should continue until 2016.

The Numericable Group estimates that the average annual amount of capital expenditures excluding network upgrades should be approximately €300 million during the 2014-2016 period with an estimated capital expenditure of €80 million for the year ended December 31, 2013.

Qualitative and Quantitative Analysis of Market Risk

The Numericable Group put in place an internal control department within the Ypso France Group in 2008 and within the Altice B2B France Group in 2009. Since 2012, driven by the Chairman and Chief Executive Officer of the Numericable Group, the Numericable Group has put in place new tools to provide the Numericable Group with greater overall visibility on its key processes. Evaluation of the associated risks and the relevant internal control procedures addressing such risks are a key element of its internal control system.

Exchange Rate Risk

Following the Transactions, the Numericable Group's business will be exposed to fluctuations in currency exchange rates. The Numericable Group's primary transactional currency is the euros, however, following the Transactions, it conducts, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Although the Numericable Group's existing debt is denominated euros, under the Numericable Group Term Loan, it will have debt denominated in U.S. dollars and the amounts incurred in U.S. dollars will not necessarily match the amount it will earn in the corresponding currency. The Numericable Group seeks to manage such transactional foreign currency exposures through its hedging policy in accordance with its specific business needs. As of December 31, 2013, the Numericable Group did not have any derivative instruments outstanding. However, in connection with the Transactions, the Numericable Group expects to enter into derivative instruments to secure foreign currency liabilities and to reduce foreign currency exposure.

Interest Rate Risk

Following the Transactions, the Numericable Group is exposed to the risk of fluctuations in interest rates under the Numericable Group Term Loan and the Numericable Group Revolving Credit Facilities which are indexed to the Euro Interbank Offered Rate ("EURIBOR") and, in the case of U.S. dollar denominated term loans, London Interbank Offered Rate ("LIBOR"), plus an applicable margin. EURIBOR could significantly rise in the future, leading to an increase in the Numericable Group's interest expense and reducing cash flow available for capital expenditures and hindering its ability to service the debt under certain debt instruments. The Numericable Group's debt instruments do not contain covenants requiring it to hedge all or any portion of its floating rate debt. Although the Numericable Group has in the past and expects to continue to enter into interest rate swap agreements and interest rate cap agreements, there can be no assurance that the Numericable Group will be able to adequately manage its exposure to interest rate fluctuations in the future or continue to do so at a reasonable cost.

To manage this risk effectively, the Numericable Group has in the past and expects to continue to, when it deems appropriate, enter into interest rate swap agreements and interest rate cap agreements. As of December 31, 2013, the Numericable Group was party to interest rate cap agreements with a total notional amount of €600 million. Such agreements enable the Numericable Group to mitigate, on one hand, the risk of fluctuating interest rates on the fair value of the Numericable Group's fixed rate debt and, on the other hand, cash flow exposures on the Numericable Group's floating rate debt.

Given the breakdown of the Numericable Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a full-year impact of +/− €13 million on the Numericable Group's net income (loss) for the year ended December 31, 2012.

Given the breakdown of the Numericable Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a half-year impact of +/− €11 million on the Numericable Group's net income (loss) for the year ended December 31, 2013.

Liquidity Risk

The Numericable Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching as much as possible the maturity profiles of financial assets and liabilities.

Credit and/or Counterparty Risk

Credit and/or counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Numericable Group.

Financial instruments that could potentially subject the Numericable Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in each of the consolidated and combined financial statements, respectively, which is net of depreciation, represents the Numericable Group's maximum exposure to credit risk.

The Numericable Group believes that it has an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries and located across France. An analysis of credit risk on net trade receivables past due is provided in note 19 to the consolidated financial statements for the year ended December 31, 2013, included elsewhere in this Notice.

The Numericable Group's policy is to invest its cash, cash equivalents and marketable securities with financial institutions and industrial groups with a long-term rating of A-/A3 or above. The Numericable Group enters into interest rate contracts with leading financial institutions and currently believes that the risk of these counterparties defaulting is extremely low, since their credit ratings are monitored and financial exposure to any one financial institution is limited.

In 2008, at the time Lehman Brothers filed for bankruptcy, part of the Numericable Group's financial liabilities was hedged by interest rate swaps entered into with Lehman Brothers. As a result of the bankruptcy, Lehman Brothers defaulted on the interest rate swaps. The Numericable Group currently has a damages claim against Lehman Brothers for a total amount of €11.2 million. In 2012, the Numericable Group received a first payment of €2.8 million in relation to this claim. In 2013, the Group received payments of €4.5 million and €2.6 million in relation to this claim. A final payment was received in November 2013, and all amounts accepted by the administrator have been paid to Ypso France (a total of 8.9 million pounds sterling, representing approximately 93% of the initial amount claimed). The Numericable Group does not expect any additional payments from the administrator of the Lehman Brothers bankruptcy.

Insurance

The Numericable Group has insurance coverage under a general liability insurance policy (*responsabilité civile générale*) and a property insurance policy covering, among other things, certain operational and business interruption liabilities (*dommages aux biens et pertes d'exploitation*). The Numericable Group does not insure against certain operational risks for which insurance is unavailable or which can only be insured at what the Numericable Group believes to be on unreasonable terms. There is also no protection against customer collection risk. The Numericable Group also maintains various policies covering motor vehicle insurance policies, including third-party liability insurance. The Numericable Group has a directors' and officers' liability insurance policy (*responsabilité civile des mandataires sociaux*). The directors' and officers' liability insurance policy has no deductible. In the Numericable Group's view, the existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection against the risks faced by the Numericable Group in the locations in which it operates, taking into account the costs for the insurance coverage and the potential risks to business operations. However, the Numericable Group cannot guarantee that no losses will be incurred or that no claims will be filed against the Numericable Group which go beyond the type and scope of the existing insurance coverage. *See* "*Risk Factors—Risks Relating to the Numericable Group's Industry and Markets—The continuity of the Numericable Group's services is highly dependent on the proper functioning of its IT infrastructure and any failure in such infrastructure could materially adversely affect the Numericable Group's business, financial condition or results of operations*".

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SFR

The following discussion and analysis is intended to assist in providing an understanding of SFR’s financial condition, changes in financial condition and results of operations. The discussion is based on SFR’s audited combined financial statements as of and for the twelve months ended December 31, 2011, 2012, and 2013, in each case, prepared in accordance with IFRS as issued by the IASB.

Except as the context otherwise indicates, when discussing historical results of operations under “Business, Market Overview and Management’s Discussion and Analysis of Financial Condition and Results of Operations of SFR”, “SFR”, “it” and other similar terms are generally used to refer to the business of SFR.

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

Presentation of Financial Information

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited combined financial statements of SFR for the periods ended December 31, 2011, 2012 and 2013 (the “Combined Financial Statements”). The Combined Financial Statements cover the following parameters: (i) the Company (ii) telephony companies in France (iii) entities held directly or indirectly by SFR and its subsidiaries (iv) and Vivendi SA’s (“Vivendi”) participation in the telecommunications products and services distribution activity (which will be transferred to the Numericable Group as part of the Transactions).

The Combined Financial Statements are created in accordance with IFRS standards that require the management of SFR to take into account the estimates and assumptions that could affect the book value of certain assets and liabilities and charges of SFR, as well as the information given in the appended notes. The management of SFR revises its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Depending on changes in these assumptions, the items in future financial statements of SFR could be different based on changes in estimates. The impact of the changes in accounting estimates is evaluated during the period of the change and future periods affected.

The principal estimates made by the management of SFR for the preparation of the Combined Financial Statements concern the following:

- certain elements of revenue, particularly identification of the separable elements of a packaged offer and the duration of decreases in revenue linked to costs of access to the service;
- the amount of the provisions for risks and other provisions linked to the business of SFR;
- the assumptions used for calculating the obligations linked to staff benefits;
- the methods of valuation and impairment of goodwill;
- recognition of the deferred tax assets; and
- duration of the utility of intangible and tangible fixed assets.

In addition, SFR has historically operated as a division within Vivendi. Accordingly, the Combined Financial Statements do not necessarily represent the results of operations, statement of financial position or cash flows of SFR if it had operated as a stand-alone consolidated group during the periods under review.

The estimates and management assumptions used by the management of SFR in the framework of the preparation of the Combined Financial Statements are described in detail in note 1.3 of the Combined Financial Statements.

As SFR's activity evolves towards increased convergence of the activities of the mobile telephone and broadband internet, and fixed revenue services, it will continue to move towards global and unified operations. The chief operating decision-maker checks the results and operating plans, and decides on the distribution of resources at the group level. The group has therefore identified one individual operating sector that corresponds to the criteria of IFRS 8 standard. Similarly, in view of the fact that virtually all of SFR's activity is on French territory, a single geographic segment has been retained. This presentation could be modified in future periods in response to the development of SFR's activities and operating criteria.

Key Factors Affecting SFR's Business

The main factors having an impact on the normal course of SFR's activities and its results include: (i) economic and financial developments in France, (ii) competitive pressures, (iii) large investment expenditure linked in particular to purchase of licenses, (iv) changes in regulatory tariff prices and (v) the implementation of a long-term transformation plan. These factors are further described below.

Economic and Financial Environment in France

SFR generates almost all its revenue in France and is therefore strongly exposed to economic and financial developments in France. The 2011 to 2013 financial periods were marked by almost no economic growth in France, accompanied by a drop in the purchasing power of households and a reduction in corporate expenditure. These elements have affected the results of SFR over this period.

Competition

SFR carries out all its business in the telecommunications sector in France, which is marked by intense and growing competition. In particular, at the start of the 2012 financial period, the French mobile market experienced a significant increase in competition as a result of an entry of a fourth operator, the Iliad Group, which led to a significant increase of low-price offers in the French mobile telecommunications sector. The entry of Iliad Group into the market negatively affected the pricing for our mobile products and the churn rate, as well as our ability to attract new customers during the 2012 and 2013 financial periods.

Network Expenditures

SFR's business requires significant investments for maintenance, modernization and development of its network. In order to develop SFR's businesses and to improve the performance of its network, SFR acquired frequencies granted by the French authorities. The 2011 and 2012 periods were therefore marked by acquisition costs for 4G licenses (the bands 2.6 GHz and 800 MHz); in 2012 these costs represented an amount of €1,065 million. In addition, during the last three financial periods, SFR had to pursue its investments linked to the commitments for the coverage and deployment of the network for its mobile licenses. SFR's capital expenditures in 2011, 2012 and 2013 were €1,809 million, €2,736 million and €1,610 million respectively. For further information, see note 25 of the "Combined Financial Statements" contained elsewhere in this Notice.

Regulatory Tariffs

An important component of SFR's revenue (accounting for approximately 10% of revenue for 2013, a share which is diminishing) is subject to changes in regulations applicable to the telecommunications sector. This is mainly related to the decrease in income from call termination tariffs on the mobile network of SFR, which are set by ARCEP, and the revenue linked to roaming tariffs in Europe, which are subject to European regulations. The decreases in tariffs implemented by the regulators over the three years 2013, 2012 and 2011 are as follows:

- decrease in regulated prices for mobile call tariff terminations: of 33% on July 1, 2011, of 25% on January 1, 2012, of 33% on July 1, 2012 and of 20% on January 1, 2013;
- decrease in tariffs for mobile roaming on July 1, 2011, 2012 and 2013;
- decrease in prices for SMS call termination tariffs of 25% on July 1, 2011 and of 33% on July 1, 2012; and
- decrease in price of fixed line call terminations of 40% on October 1, 2011, of 50% on July 1, 2012 and of 47% on January 1, 2013.

The table below shows the impact of the regulatory measures on SFR's combined revenue:

	2013	2012	2011	% variation 2013 in comparison with 2012	% variation 2012 in comparison with 2011
	(in millions of euros)				
Combined revenue	10,199	11,288	12,183	−9.7%	−7.3%
Variation excluding regulatory impacts[(a)]				*−7.2%*	*−3.3%*

(a) Excluding price effect of the decreases in the regulated tariff prices detailed above

SFR's Long-Term Transformation Plan

SFR initiated a global transformation plan in 2012 aimed at adapting to developments in the telecommunications market and anticipating the challenges for its business. SFR pursued this transformation plan in 2012 and 2013, adapting its organization to the market developments and retaining its investment capacity in the high speed and mobile sectors. This plan has also contributed to a reduction in the operating costs of SFR by more than € 1 billion between the end of 2011 and the end of 2013.

Key Operating Measures

SFR uses several key operating measures, including total mobile customers, total internet customers, mobile acquisition costs and mobile retention costs. None of these terms are measures of performance under the IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financing systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

Operating data

	2013	2012	2011	% of change in 2013 from 2012	% of change in 2012 from 2011
Group					
Total mobile customers (in thousands)[(a)]	21,354	20,690	21,463	+3.2%	−3.6%
Total Internet customers (in thousands)[(b)]	5,257	5,075	5,019	+3.6%	+1.1%
Mobile acquisition costs (in €m)	430	497	602	−13.4%	−17.5%
Mobile retention costs (in €m)	541	634	645	−14.7%	−1.8%
B2C[(c)]					
Total mobile customers (in thousands)[(a)]	14,555	15,057	16,578	−3.3%	−9.2%
Total mobile subscribers (in thousands)[(d)]	11,381	11,194	11,961	+1.7%	−6.4%
Smartphone penetration rate[(e)]	64.1%	51.2%	42.1%	+12.9 pts	+9.1 pts
12-month rolling Mobile ARPU (€ per month)[(f)]	24.1	28.3	31.4	−15.0%	−9.6%
Number of broadband Internet customers (in thousands)[(b)]	5,209	5,039	4,994	+3.4%	+0.9%
Of which FTTH customers (in thousands)	197	126	97	+55.6%	+29.7%
Of which quadruple-play customers ("MultiPack") (as % of customer base)	45%	35%	24%	+9.8 pts	+11.9 pts
12-month rolling Broadband Internet ARPU (€ per month)[(f)]	32.5	33.3	34.1	−2.6%	−2.1%

(a) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP's definition. The base as at December 31, 2013 integrates a 2013 technical purge of 92 thousand inactive lines, which was related to a migration of SFR's invoicing system (without impact on revenues). The base as at December 31, 2012 is the published base (before the technical purge).

(b) The broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo 1P and 2P customers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Reunion and Mayotte.

(d) Total Mobile subscribers is equal to post-paid subscribers.

(e) Number of customers equipped with a smartphone in relation to the total mobile customer base (excluding remote access).

(f) Mobile ARPU is the average monthly revenue per customer. It is calculated by dividing the B2C Mobile Revenue (excluding equipment) generated over the last twelve months by the average number of customers (excluding machine to machine customers, multi-SIM and backup keys) over the same period. The ARPU is expressed in monthly revenue by line. Broadband Internet ARPU is the average monthly revenue per B2C Broadband internet line. It is calculated by dividing the average monthly revenue, based on the last twelve months, by the average number of B2C Broadband internet lines over the same period. The average number of customers is the average of the monthly averages during the period concerned. The monthly average is the arithmetic mean of the number of customers at the beginning and the end of the month.

Key Income Statement Items

Revenue

SFR's revenue is principally comprised of the provision for services and equipment sales. The principles for recognition of revenue are described in note 1.3.4 of the appendix to the Combined Financial Statements.

B2C Revenue

B2C Revenue is principally comprised of pre-tax income from sale of retail services and equipment to consumers (fixed and mobile) in metropolitan areas of France and call termination income for traffic to consumer customers of SFR.

B2B Revenue

B2B Revenue comprises pre-tax income from the sales of services to SMEs/VSBs, large businesses and public administrations in metropolitan areas of France, including:

- 3G/4G voice and data mobile services for smartphones, tablets and PCs;
- fixed data services via xDSL technologies or fiber, and business network offers (Virtual Private Networks) which enable connection to the sites of single-site or multi-site businesses;
- fixed telephony services for businesses;
- the Business Entrepreneurs Pack for VSBs, the Business Enterprises Pack for SMEs and the Business Corporate Pack (for large businesses) within the range of unified communications solutions;
- value-added hosting services intended for large account customers, or cloud services intended for SMEs; and
- the revenue associated with communicating objects (Machine to Machine).

Wholesale and Other Revenue

The Wholesale and Other revenue is principally comprised of the following elements:

- revenue generated by the operators division of SFR which covers:
- revenue generated with virtual mobile operators, who are customers of SFR;
- revenue generated by roaming foreign visitors on the SFR mobile network ("roaming in"); and
- revenue from fixed activities including the collection and termination of voice, data and special number traffic on behalf of national and international operators, the resale of national and international connections, or the sale of end-to-end voice services;
- revenue generated by SRR which conducts its activity as fixed and mobile operator in Reunion and Mayotte for consumers and businesses;
- revenue generated by SFR Collectivités and its subsidiaries from regional authorities. The role of SFR Collectivités is to support the strategy of deploying SFR networks and services complementing the needs of the regional authorities; and
- intersegment eliminations.

Costs

The costs of sales are comprised of the purchase of goods, interconnection costs, network operating and maintenance costs, and of the share in staff expenses and associated taxes and duties. Purchases of goods include purchases of mobile handset devices. Commercial and distribution costs include the costs of acquiring customers and developing their loyalty, excluding the mobile handset devices subsidy costs deducted from the revenue, namely distributor remunerations, customer service, advertising and marketing costs. Overhead costs primarily consists of information systems costs, cost structures, and taxes not associated with the costs of sales.

EBITDA

EBITDA, a non-accounting indicator, is considered to be a measure of performance. EBITDA shows the profit generated by SFR's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by SFR corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

Operating Income

The combined operating result corresponds to the combined EBITDA for SFR, less depreciation and amortization on intangible and tangible assets, other operating expenses, and other operating income, which includes the amortization of subscriber bases recognized during the combining of businesses and restructuring costs.

Financial Expense

The combined financial expense includes financing cost that is composed of interest expenses on loans, which depend on the level of the debt and the average applicable rates. For the periods 2011, 2012 and 2013, this relates primarily to the financial expenses in respect of the shareholder loan for Vivendi. The combined financial result also includes interest income from cash that is primarily comprised of income from investments in cash and cash equivalents and other financial income. Expenses are comprised of default interest, changes in the value of derivative instruments and the effects of accretion connected to debts and provisions (particularly on debt connected to the GSM license, the provision for post-employment benefits and the provision for the refurbishment of sites).

Discussion and Analysis of Our Results of Operations

	2013	**2012**	**2011**
	(in millions of euros)		
Revenues	**10,199**	**11,288**	**12,183**
Cost of sales[(a)]	(4,851)	(5,113)	(5,681)
Commercial and distribution costs[(a)]	(1,928)	(1,965)	(1,864)
Selling, general and administrative expense[(a)]	(654)	(909)	(838)
EBITDA	**2,766**	**3,299**	**3,800**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(1,508)
Other operating income	2	11	14
Other operating expense	(169)	(270)	(84)
Operating result	**1,005**	**1,530**	**2,222**
Net financing cost	(229)	(217)	(208)
Other financial income	2	2	8
Other financial expense	(24)	(34)	(70)
Financial income	**(251)**	**(249)**	**(270)**
Income from equity affiliates	(12)	(13)	(17)
Pretax income from continuing operations	**742**	**1,267**	**1,935**
Income tax	(315)	(516)	(535)
Net earnings	**426**	**752**	**1,400**
of which			
Attributable to shareholders	**420**	**746**	**1,399**
Net earnings from continuing operations	420	746	1,399
Net earnings from operations sold or being sold	—	—	—
Attributable to non-controlling interests	**6**	**6**	**1**
Net earnings from continuing operations	6	6	1
Net earnings from operations sold or being sold	—	—	—

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Analysis and comparison of results for the financial periods ended December 31, 2012 and December 31, 2013

The table below shows the combined income statement of SFR for the financial periods ended December 31, 2012 and December 31, 2013, in millions of euros.

	2013	2012	Variation	Variation in %
	(in millions of €)			
Revenues	**10,199**	**11,288**	**(1,089)**	**−9.7%**
Cost of sales[(a)]	(4,851)	(5,113)	263	−5.1%
Commercial and distribution costs[(a)]	(1,928)	(1,965)	38	−1.9%
Selling, general and administrative expense[(a)]	(654)	(909)	255	−28.1%
EBITDA	**2,766**	**3 299**	**(533)**	**−16.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating income	2	11	(9)	−80.6%
Other operating expense	(169)	(270)	102	−37.6%
Operating result	**1,005**	**1,530**	**(525)**	**−34.3%**
Net financing cost	(229)	(217)	(12)	5.5%
Other financial income	2	2	(0)	−16.6%
Other financial expense	(24)	(34)	10	−30.2%
Financial income	**(251)**	**(249)**	**(2)**	**0.8%**
Income from equity affiliates	(12)	(13)	1	−8.5%
Pretax income from continuing operations	**742**	**1,267**	**(526)**	**−41.5%**
Income tax	(315)	(516)	200	−38.8%
Net earnings	**426**	**752**	**(325)**	**−43.3%**
of which				
Attributable to shareholders	**420**	**746**	**(326)**	**−43.7%**
Attributable to non-controlling interests	**6**	**6**	**—**	**6.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

The combined revenue of SFR decreased by €1,089 million (a decrease of 9.7%) from €11,288 million for the period ended December 31, 2012 to €10,199 million for the period ended December 31, 2013. This decrease primarily reflects the impact of decreases in mobile prices linked to severe competition and decreases in tariffs imposed by ARCEP. Excluding the impact of lower tariffs, decided by ARCEP the revenue would have diminished by 7.2%.

As of December 31, 2013, the total number of mobile customers of SFR amounted to 21.4 million, an increase of 756,000 from December 31, 2012. The total number of residential customers subscribing to the broadband Internet rose by 182,000 customers to 5.3 million at December 31, 2013.

Information by market

The changes in combined revenue by market are as follows:

	2013	2012	% variation 2013 in comparison to 2012
	(in millions of euros)		
B2C	6,873	7,974	−13.8%
B2B	1,789	1,871	−4.4%
Wholesale and Other	1,536	1,442	+6.5%
Combined revenue	**10,199**	**11,288**	**−9.7%**

The performance indicators have changed in the following way:

	2013	2012	% variation 2013 in comparison to 2012
Group			
Total mobile customers (in thousands)[(a)]	21,354	20,690	+3.2%
Total internet customers (in thousands)	5,257	5,075	+3.6%
Mobile acquisition costs (in M€)	430	497	−13.4%
Mobile retention costs (in M€)	541	634	−14.7%
B2C[(c)]			
Total mobile customers (in thousands)[(a)]	14,555	15,057	−3.3%
Total mobile subscribers (in thousands)[(b)]	11,381	11,194	+1.7%

Smartphone penetration[d]	64.1%	51.2%	+12.9
12-month rolling Mobile ARPU[e] (€ per month)	24.1	28.3	−15.0%
Number of broadband internet customers (in thousands)	5,209	5,039	+3.4%
Of which FTTH customers (in thousands)	197	126	+55.6%
Of which quadruple-play customers ("MultiPack") (in % customer base)	45%	35%	+9.8
12-month rolling broadband Internet ARPU[e] (€ per month)	32.5	33.3	−2.6%

(a) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP definition. The total at December 31, 2013 includes a technical purge made in 2013 of 92,000 inactive lines linked to a migration of the invoicing system (without any impact on revenue). The total at December 31, 2012 is the published total (before technical purge).

(b) Total Mobile Subscribers is equal to post-paid subscribers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in Reunion and Mayotte).

(d) Number of customers equipped with smartphones in relation to the total mobile customer base (excluding remote access)

(e) Mobile ARPU is the average monthly revenue per customer. It is calculated by dividing the B2C Mobile Revenue (excluding equipment) generated over the last twelve months by the average number of customers (excluding machine to machine customers, multi-SIM and backup keys) over the same period. The ARPU is expressed in monthly revenue by line. Broadband Internet ARPU is the average monthly revenue per B2C Broadband internet line. It is calculated by dividing the average monthly revenue, based on the last twelve months, by the average number of B2C Broadband internet lines over the same period. The average number of customers is the average of the monthly averages during the period concerned. The monthly average is the arithmetic mean of the number of customers at the beginning and the end of the month.

B2C

B2C segment revenues decreased by 13.8% to €6,873 million for the year ended December 31, 2013 from €7,794 for the year ended December 31, 2012.

	2013	**2012**	**% variation 2013 in comparison to 2012**
	(in millions of €)		
B2C			
Revenue	**6,873**	**7,974**	**−13.8%**
Mobile	4,741	5,809	−18.4%
Landline	2,132	2,165	−1.5%

At the beginning of 2013, SFR implemented a marketing strategy to attract retail mobile customers to new tariff offers. This resulted in a net decrease in churn rate as well as a decrease in revenue linked to the drop of the ARPU, which decreased by 15% between 2013 and 2012.

The lower revenue is attributable to (i) the repositioning of mobile subscribers to new and more competitive tariffs in 2013 (at December 31, 2013, 85% of B2C mobile subscribers are subscribed to offers launched after January 2012) and (ii) the effect in 2013 of the churn of customers during 2012 after the arrival of the fourth mobile telephone operator in January 2012.

In the B2C mobile market, the net growth of subscribers amounted to 279,000 subscribers in 2013. At December 31, 2013, the total number of post-paid mobile subscribers was 11.4 million customers, a growth rate of 2.5%, which is net of a technical purge of 92,000 inactive lines linked to a migration of the invoicing system (with no impact on revenue) compared to December 31, 2012. In the B2C post-paid subscribers segment, SFR recorded in the fourth quarter of 2013 its best net sales performance since the fourth quarter of 2011 and its best month of December for three years. Approximately 80% of gross recruitments in the fourth quarter were "Carré" premium offers, particularly the September 2013 launch of an innovative range of customer contracts. For example, 4G contract customers were able to choose an "Extra" amongst five premium services and content, enabling customers to benefit fully from mobile high speed: iCoyote (driving aid), Napster (music), CanalPlay (films), Gameloft (gaming) and SFR Presse (press). SFR also supported the development of no-frills offers: the "Red" offer, a no-frill offer, accounted for more than 1.7 million customers at the end of 2013. Including pre-paid customers, the total number of B2C mobile customers of SFR as of December 31, 2013 amounts to 14.6 million, compared to 15.1 million as of December 31, 2012.

The growth of mobile internet usage continued in 2013: 64% of B2C customers had smartphones as of December 31, 2013 (compared to 51% as of December 31, 2012) and SFR, which covers more than 40% of the French population with this technology, accounted for more than 1 million 4G customers at December 31, 2013.

In the B2C market for landline telephones, the total number of SFR's residential customers in metropolitan areas of France subscribing to high-speed internet amounted to 5.2 million at December 31, 2013, an increase of 170,000 customers compared to December 31, 2012, with an increased take-up of services on SFR's fiber network representing 42% of net sales over the period. The total number of fiber customers amounted to 197,000 customers as of December 31, 2013. SFR has also strengthened the attractiveness of its sales offer with the launch of the TV SFR decoder with Google Play, giving access to the TV services of SFR as well as to the Google services on television to customers who were not at that time eligible for TV by ADSL. In the field of home automation, the number of customers subscribing to the Home offer by SFR reached over 20,000 customers at December 31, 2013.

Finally, SFR has been pursuing its home equipment strategy, the "SFR Multi-packs" offer. This offer gives a connection discount to customers registering for a high-speed internet offer and a mobile subscription at the same time customers subscribing to this offer accounted for 2.4 million customers at December 31, 2013, representing 45% of SFR's total broadband Internet customers compared to 1.8 million customers at December 31, 2012, i.e. 35% of the broadband Internet customers total.

B2B

B2B segment revenue decreased by 4.4% to €1,789 million for the year ended December 31, 2013 from €1,871 million for the year ended December 31, 2012. The sales dynamics of the B2B market remained strong, with strong gross adds over the period (particularly for connected objects); however, the economic environment has had an unfavorable effect on the attrition rate. Similarly, prices were affected by a difficult macroeconomic environment, where business customers sought to decrease their telecommunications expenses. In particular, smaller firms sought to renegotiate prices following the arrival of the fourth entrant in the mobile market.

In 2013, SFR focused on offers and services targeting medium and small enterprises, while continuing to widen its offers to large business customers. In particular, SFR added 4G to its contract offers as well as security services and device management. Further, SFR created the "*Pack Business Entrepreneurs*" (for small businesses), the "*Pack Business Corporate*" (for large firms) and "*Pack Business Enterprises*" (for medium enterprises), which offers a complete range of unified communications solutions. SFR has developed hosted value-added services for the largest accounts, as well as the use of cloud computing technologies and SAAS (Software as a service, which enables surfers to access the firm's applications via an interface) to provide simple services for medium enterprises. SFR's cloud services offers rely on an innovative storage technology, enabling a quick response to increasing capacity requirements.

As the leader for connected objects (such as Machine to Machine), SFR has increased its initiatives enabling its customers to improve their efficiency with notably the launch of m-alert, a solution dedicated to the securitization of persons and tracking of goods.

Wholesale and Other

The Wholesale and Other revenue segment was €1,536 million, showing growth of 6.5%, when compared to 2012 reflecting the good sales performance of the Wholesale business as well as a drop in inter-segment elimination, partly offset by the unfavorable evolution of SRR revenue of metropolitan areas of France.

In particular, the revenue of the Wholesale business has increased slightly, both for fixed and mobile business, in spite of the drop in regulated roaming tariffs on prices of the mobile wholesale segment, and the collateral effect from the drop in prices in the Retail mobile market following the arrival of the fourth mobile operator. In addition, SFR hosts on its mobile network the main MVNOs, including *La Poste Mobile* (in which it has a holding of 49%), which had attracted 943,000 customers by the end of December 2013, as well as Virgin Mobile and NRJ Mobile, with which it has signed Full MVNO agreements.

EBITDA

	2013	2012	Variation	Variation in %
	(in millions of €)			
Revenue	**10,199**	**11,288**	**(1,089)**	**−9.7%**
Cost of sales[(a)]	(4,851)	(5,113)	263	−5.1%
Sales and distribution costs[(a)]	(1,928)	(1,965)	38	−1.9%
General expenses[(a)]	(654)	(909)	255	−28.1%
EBITDA	**2,766**	**3,299**	**(533)**	**−16.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

The combined EBITDA of SFR has decreased by €533 million, or 16.2%, from €3,299 million for the period ended December 31, 2012 to €2,766 million for the period ended December 31, 2013. This decrease reflects the decrease in revenue of €1,089 million offset partly by the decrease in costs. In total, excluding non-recurring items (€15 million of net non-recurring charges in 2012) costs decreased by €541 million in comparison with 2012.

This significant decrease in costs for the 2013 period was caused by the decrease in inter-connection costs, mainly due to the reduction of certain regulated tariffs (decrease of €128 million between 2013 and 2012), expenses for the acquisition and loyalty of mobile customers linked to the implementation of a more selective policy and other costs linked to the improvement of operational efficiency enabled by the optimization of the process and development of performance tools, particularly due to ongoing implementation of the transformation plan. This long-term plan, started in 2012, aims to adapt the organization of SFR to market developments and to preserve its investment capacity in the very high-speed fixed and mobile sectors. Since the end of 2011, the costs, both fixed and variable, have decreased by more than €1 billion. In addition, after the voluntary departure plan initiated in 2012 and completed in August 2013, 873 staff members chose to leave SFR.

Combined operating profit

	2013	2012	Change	% Change
	(in millions of euros)			
EBITDA	**2,766**	**3,299**	**(533)**	**−16.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating profits	2	11	(9)	−80.6%
Other operating costs	(169)	(270)	102	−37.6%
Operating profit	**1,005**	**1,530**	**(525)**	**−34.3%**

The combined operating profit of SFR decreased by €525 million in 2013 compared to 2012 (i.e. a reduction of 34.3%), decreasing from € 1,530 million for the financial year ended December 31, 2012 to € 1,005 million for the financial year ended December 31, 2013.

This reduction reflects the decrease in EBITDA of €533 million and an increase in net depreciation expenses and provisions on intangible and tangible assets for €84 million, which reflects the increase in investments in recent years and the start of the amortization of the 4G licenses (2600 Mhz and 800 Mhz). The other operating charges decreased by €102 million compared to 2012 as a result of the decrease in restructuring costs linked in particular to the voluntary departure plan referred to above, which decreased from €187 million in 2012 to €93 million in 2013.

Combined financial expenses

The combined financial expense of SFR increased by €2 million in 2013 compared to 2012 (i.e. an increase of 0.8%), increasing from a cost of €249 million for the financial year ended December 31, 2012 to a cost of €251 million for the financial year ended December 31, 2013.

This increase reflects the increase in the net financing cost of € 12 million which is offset in part by smaller allowances for provisions for financial assets in 2013 compared to 2012. The increase in the net financing cost is explained by the increase in the average interest rate, which increased from 2.58% in 2012 to 2.80% in 2013. This compensates for the average net reduction in financial net debt which decreased from €8,397 million in 2012 to €8,160 million in 2013.

Income Tax on combined profits

The tax on the combined profits of SFR decreased by €200 million in 2013, decreasing from €516 million for the financial year ended December 31, 2012 to €315 million for the financial year ended December 31, 2013.

This reduction reflects the decrease in the profit of activities before tax, offset by the effect of the increase in the statutory rate of tax which rose from 36.1% to 38% for large companies such as SFR. The effective rate of tax is therefore fixed at 42.5% for the financial year ended December 31, 2013 as against 40.7% for the financial year ended December 31, 2012.

Combined net profit

The combined net profit of SFR decreased by €325 million in 2013 (i.e. a reduction of 43.3% compared to 2012), decreasing from €752 million for the financial year ended December 31, 2012 to €426 million for the financial year ended December 31, 2013. This reduction reflects the decrease in the net operating profit after tax.

Analysis and comparison of results for the financial years ended December 31, 2011 and December 31, 2012

The following table sets out the combined profit account of SFR for the financial years ended December 31, 2011 and December 31, 2012, in millions of euros.

	2012	**2011**	**Change**	**% Change**
	(in millions of euros)			
Revenues	**11,288**	**12,183**	**(895)**	**−7.3%**
Cost of sales[(a)]	(5,113)	(5,681)	568	−10.0%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(102)	5.5%
Selling, general and administrative expense[(a)]	(909)	(838)	(72)	8.6%
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating income	11	14	(3)	−19.0%
Other operating expense	(270)	(84)	(186)	220.2%
Operating result	**1,530**	**2,222**	**(692)**	**−31.1%**
Net financing cost	(217)	(208)	(9)	4.2%
Other financial income	2	8	(6)	−72.2%
Other financial expense	(34)	(70)	35	−50.8%
Financial income	**(249)**	**(270)**	**21**	**−7.7%**
Income from equity affiliates	(13)	(17)	3	−19.8%
Pretax income from continuing operations	**1,267**	**1,935**	**(668)**	**−34.5%**
Income tax	(516)	(535)	19	−3.6%
Net earnings	**752**	**1,400**	**(649)**	**−46.3%**
Of which				
Attributable to shareholders	**746**	**1,399**	**(653)**	**−46.7%**
Attributable to non-controlling interests	**6**	**1**	**4**	**na**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

The combined revenue of SFR decreased by €895 million, or 7.3% from €12,183 million for the financial year ended December 31, 2011 to €11,288 million for the financial year ended December 31, 2012.

This decrease reflects the impact of price decreases linked to severe competition and decreases in tariffs imposed by the regulators. Excluding the impact of the tariff reductions introduced by the regulators, revenue would have decreased by 3.3%.

Given the competitive environment marked by the arrival of a fourth mobile telephone operator in France at the beginning of 2012, which increased to a significant degree the intensity of competition in the French market, SFR adapted and simplified its offers:

- launch in September 2012 of new simplified “Formules Carrées”, with six pricing plans structured around data and innovations dedicated to a high speed mobile service and a new accompanying segmented approach, “Services Carrées”; and

- adaptation of the content and prices of the “Séries RED” offers, requiring no commitment, distributed mainly over the internet and aimed at the low price segment.

At the end of 2012, the total number of mobile customers of SFR amounted to 20.690 million, a decrease of 773,000 compared to December 31, 2011. The number of customers subscribing to broadband internet increased by approximately 56,000 customers to 5.075 million at the end of December 2012.

Information by market

The combined revenue by market is as follows:

	2012	2011	% change 2012 compared to 2011
	(in millions of euros)		
B2C	7,974	8,982	−11.2%
B2B	1,871	1,868	+0.2%
Wholesale and Other	1,442	1,333	+8.2%
Combined revenue	**11,288**	**12,183**	**−7.3%**

The performance indicators have changed in the following way:

	2012	2011	% variation 2012 in comparison to 2011
Group			
Total mobile customers (in thousands)[(a)]	20,690	21,463	−3.6%
Total internet customers (in thousands)[(b)]	5,075	5,019	+1.1%
Mobile acquisition costs (in M€)	497	602	−17.5%
Mobile retention costs (in M€)	634	645	−1.8%
B2C[(c)]			
Total mobile customers (in thousands)[(a)]	15,057	16,578	−9.2%
Total mobile subscribers (in thousands)[(d)]	11,194	11,961	−6.4%
Smartphone penetration[(e)]	51.2%	42.1%	+9.1 pts
12-month rolling Mobile ARPU (€ per month)[(f)]	28.3	31.4	−9.6%
Number of Broadband internet customers (in thousands)	5,039	4,994	+0.9%
Of which fiber customers (in thousands)	126	97	+29.7%
Of which quadruple-play customers (“MultiPack”) (in % customer base)	35%	24%	+11.9 pts
12-month rolling Broadband Internet ARPU[(f)] (€ per month)	33.3	34.1	−2.1%

(a) Total Mobile Customers is equal to the net number of lines or SIM cards in compliance with ARCEP’s definition.

(b) The broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo IP and 2P customers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Réunion and Mayotte.

(d) Total Mobile Subscribers is equal to post-paid subscribers.

(e) Number of customers equipped with a smartphone in relation to the total mobile customer base (excluding remote access)

(f) Mobile ARPU is the average monthly revenue per customer. It is calculated by dividing the B2C Mobile Revenue (excluding equipment) generated over the last twelve months by the average number of customers (excluding machine to machine customers, multi-SIM and backup keys) over the same period. The ARPU is expressed in monthly revenue by line. Broadband Internet ARPU is the average monthly revenue per B2C Broadband internet line. It is calculated by dividing the average monthly revenue, based on the last twelve months, by the average number of B2C Broadband internet lines over the same period. The average number of customers is the average of the monthly averages during the period concerned. The monthly average is the arithmetic mean of the number of customers at the beginning and the end of the month.

B2C

The revenue for B2C activity was €7,974 million in 2012, decreased by 11.2% compared to 2011:

	2012	2011	% change 2012 compared to 2011
	(in millions of €)		
B2C			
Revenue	**7,974**	**8,982**	**−11.2%**
Mobile	5,809	6,750	−13.9%
Fixed	2,165	2,232	−3.0%

This reduction is mainly caused by the loss of mobile customers and the price erosion following the arrival of the fourth mobile operator in January 2012.

The monthly B2C mobile customer ARPU thus decreased by 9.6% in 2012 decreasing from €31.4 euros in 2011 to €28.3 euros in 2012. The total number of B2C mobile customers (post-paid subscribers and pre-paid) amounted to 15.057 million, a reduction of 9.2%. This reduction was caused in major part by a decrease in the number of pre-paid customers, pre-paid offers being less attractive owing to the development of “no frills” offers: the Red offer, launched at the end of 2011 had about 700,000 customers at the end of 2012. At the end of December 2012, the number of mobile (post-paid) subscribers amounted to 11.194 million customers, a decrease of 6.4% compared to the end of December 2011, predominantly due to the entry of the fourth mobile operator Free in 2012.

The year 2012 was also marked by continued growth in mobile data usage, brought about by the new generation of smartphones. At the end of the 2012 financial year, 51% of B2C mobile customers had smartphones (compared to 42% at the end of December 2011).

In the B2C fixed market, the number of SFR’s residential customers subscribing to broadband internet amounted to 5.039 million at the end of December 2012, an increase of approximately 45,000 customers compared to December 31, 2011. The “SFR Multi-Pack” offer had 1.8 million customers at the end of December 2012, i.e. 35% of high speed customers had at the same time a subscription to a high speed internet offer and a mobile subscription.

B2B

The revenue of activity for the B2B segment was €1,871 million in 2012, a slight increase over the year (+0.2%), due to growth in fixed products and services which was offset by the decrease in mobile products and services.

In 2012, SFR’s goal in the fixed segment was to become a leader in cloud computing for businesses. In September 2012, SFR founded, alongside the Caisse des Dépôts et Consignations and Bull, Numergy to deploy and operate a “trusted digital factory” and provide virtualized computer equipment solutions. SFR entered into a trade agreement with HP regarding new services to facilitate the adoption of cloud computing by businesses. Moreover, thanks to being granted an approval for the hosting of health data, “health host”, SFR is positioning itself as an e-health expert. Lastly, SFR signed the “Contact 14 contract” with EDF (customized multi-site, multi-channel and multi-skills virtual contact center).

On mobile segment, SFR is the leader in connectivity for connected objects (Machine to Machine). In addition, SFR has continued deployment of 150,000 lines under the Opache contract (mobile communications voice and data solution, supply of terminals for French ministries and institutions). Lastly SFR launched a new range of streamlined and modular mobile telephony and a collaborative on-demand messaging solution to its customers.

Wholesale and Other

The revenue for operators and others was €1,442 million, an increase of 8.2%, reflecting sound commercial performance on the MVNO market. In the 2012 financial year, SFR developed its wholesale activities with:

- Virgin Mobile, as a result of the strengthening of the partnership begun in 2011 in ADSL and Mobile.

- La Poste Telecom, virtual mobile operator in the retail market for mobile telephony and which offers a whole range of mobile telephony services, marketed under the trademark La Poste Mobile thanks to the La Poste sales network. At the end of December 2012 the number of its customers was 643,000.

Combined EBITDA

	2012	2011	Change	% Change
	(in millions of €)			
Revenue	**11,288**	**12,183**	**(895)**	**−7.3%**
Cost of sales[(a)]	(5,113)	(5,681)	568	−10.0%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(102)	5.5%
General expenses[(a)]	(909)	(838)	(72)	8.6%
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

The combined EBITDA of SFR decreased by €501 million in 2012 (i.e. a reduction of 13.2% compared to 2011), decreasing from € 3,800 million for the financial year ended December 31, 2011 to € 3,299 million for the financial year ended December 31, 2012. Excluding non-recurring profits and costs (€15 million non-recurring net costs in 2012 and €93 million non-recurring profits in 2011) the EBITDA would have decreased by 10.6%.

This reduction in Combined EBITDA reflects the reduction in revenue of €895 million due to the factors described above, partially offset by the €502 million reduction in costs excluding non-recurring items, particularly the reduction in interconnection costs owing mainly to the reduction in certain regulated tariffs (reduction of €257 million between 2012 and 2011), acquisition costs and customer loyalty management of mobile customers associated with the introduction of a more selective policy and other costs linked to the improvement in operational effectiveness made possible by the launch of the transformation plan in 2012. In particular, in 2012 SFR began a transformation plan in order to adapt its organization to market developments.

Combined operating profit

	2012	2011	Change	% Change
	(in millions of €)			
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating profits	11	14	(3)	−19.0%
Other operating costs	(270)	(84)	(186)	220.2%
Operating profit	**1,530**	**2,222**	**(692)**	**−31.1%**

The combined operating profit of SFR decreased by €692 million in 2012 (i.e. a reduction of 31.1% compared to 2011), decreasing from € 2,222 million for the financial year ended December 31, 2011 to € 1,530 million for the financial year ended December 31, 2012.

This reduction reflects:

- the decrease in the combined EBITDA of €501 million; and
- the impact of restructuring costs associated with the voluntary departure plan started in 2012 for which an allowance of €169 million was accrued in “other operating costs” in the course of the financial year ended December 31, 2012.

Combined financial expense

The combined financial expense decreased by €21 million in 2012 (i.e. a decrease of 7.7% compared to 2011), changing from a cost of € 270 million for the financial year ended December 31, 2011 to a cost of €249 million for the financial year ended December 31, 2012.

The net financing cost increased by €9 million, as a result of the increase of average financial net debt, which increased from €6,400 million in 2011 to €8,397 million in 2012, offsetting the reduction in the average interest rate (2.58% in 2012 compared to 3.25% in 2011 in line with the decrease in interest rates). The decrease in the other financial expense is explained essentially by the non-recurrent charge in 2011 linked to the net cost of unwinding swaps for €42 million.

Income Tax on combined profits

The tax on the combined profits of SFR decreased by €19 million in 2012, decreasing from €535 million for the financial year ended December 31, 2011, to €516 million for the financial year ended December 31, 2012. The effect of the tax burden on the decrease in profit from activities before tax of €668 million was to a large extent offset by the following items:

- a tax saving of €130 million in 2011. On December 12, 2011 a sum of €452 million in tax deficits was transferred to SFR in the context of a merger with Vivendi Telecom International. These tax deficits were fully used by SFR in the 2011 financial year;

- an additional tax cost of €32 million in 2012 linked to the introduction of an 85% ceiling on the amount of financial costs that can be deducted.

Combined net profit

The combined net profit of SFR decreased by €649 million (i.e. a reduction of 46.3%), decreasing from €1,400 million for the financial year ended December 31, 2011 to €752 million for the financial year ended December 31, 2012. This reduction essentially reflects the reduction in the operating profit of €692 million.

Liquidity and Capital Resources

The principal financing requirements of SFR comprise its working capital requirements, its operating and financial investments, its interest payments, loan repayments, and the payments of dividends to its shareholders. SFR has met these financing requirements principally through the cash flow generated by its operating activities and by current account advances and loans granted by Vivendi, its principal shareholder.

The capacity of SFR to generate cash in the future through its operating activities will depend on its future operating performances, themselves dependent to a certain extent on economic, financial, competitive, market, regulatory and other factors, most of which are outside of the control of SFR.

SFR estimates that its financing requirements in 2014 will principally comprise its working capital requirements, its operating and financial investments, its interest payments and its loan repayments.

Cash and Debt Profile

During the financial years ended December 31, 2013, 2012 and 2011, the sources of finance of SFR were principally the following:

- *net cash flow from operating activities:* these respectively represented €1,960 million, €2,892 million and €3,197 million for the financial years ended December 31, 2013, 2012 and 2011, respectively;

- *available cash:* the amounts of cash and cash equivalents were respectively €394 million, €267 million and €228 million as at December 31, 2013, 2012 and 2011, respectively (see note 15 "Cash and cash equivalents" of the Combined Financial Statements); and

- *borrowing and financial debts:* these notably comprise the shareholder debt contracted by SFR with Vivendi via current account advances and loans, being €8,672 million, €7,609 million and € 5,461 million as at December 31, 2013, 2012 and 2011, respectively.

As a result of the Transactions, the shareholder debt contracted by SFR with Vivendi will be repaid and will be replaced with a new shareholder loan between Numericable Group and SFR in an amount expected to be up to € 5,095 million.

The table below presents the amount of the net financial debt of SFR, corresponding to the net borrowing and financial debts of the cash and cash equivalents, as at December 31, 2013, 2012 and 2011:

	2013	2012	2011
	(in millions of €)		
Borrowing and financial debts	9,094	8,067	7,385
Cash and cash equivalents	394	267	228
Net financial debt	**8,699**	**7,800**	**7,157**

The financial net debt of SFR amounted to €8,699 million as at December 31, 2013, as compared with €7,800 million as at December 31, 2012. This increase of €900 million can principally be explained by the cash flow linked to the net operating investments in the sum of €1,610 million, the interest paid in the sum of €229 million and the dividends paid to the shareholder in the sum of €985 million, which more than offset the net cash flow from operating activities of €1,960 million and which was financed by way of an increase in shareholder debt.

The net financial debt increased by €643 million between December 31, 2011 and December 31, 2012, from €7,157 million as at December 31, 2011 to €7,800 million as at December 31, 2012. This increase can principally be explained by the net operating investments in the sum of €2,736 million (including €1,065 million for 4G licenses), net interest paid in the sum of €217 million, and dividends paid to the shareholder in the sum of €538 million, which more than offset the net flow from operating activities of €2,892 million and which was financed by way of an increase in shareholder debt.

The table below presents the maturities of the financial debt of SFR as at December 31, 2013:

	Book value as at December 31, 2013	Schedule of disbursements: Under one year	Two to five years	Over five years
	(in millions of €)			
Shareholder debt	8,672	7,472	1,200	—
Bond loan	300	300	—	—
Borrowing relative to finance leasing	11	3	6	2
Other financial debts(*)	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

(*) including bank facilities

The principal debts for which the repayment maturities are provided at under one year are the shareholder debt and the bond, which represented respectively €7,472 million and €300 million as at December 31, 2013.

Consolidated Cash Flow Statements

The table below summarizes the cash flows of SFR for the financial years ended December 31, 2013, 2012 and 2011 presented in the Statement of Cash Flow:

	2013	2012	2011
	(in millions of €)		
Net cash flow from operating activities	1,960	2,892	3,197
Net cash flow from investment activities	(1,638)	(2,765)	(1,903)
Net cash flow from financing activities	(195)	(89)	(1,155)
Changes in cash and cash equivalents	**128**	**38**	**139**

SFR considers the Cash Flow From Operations ("CFFO"), a non-accounting measurement, to be a pertinent indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, adjusted for corporate income tax payments.

The table below presents the CFFO together with the net operating cash flow for the financial years ended December 31, 2013, 2012 and 2011:

		2013	2012	2011
		(in millions of €)		
EBITDA	(a)	2,766	3,299	3,800
Adjusted change to WCR (not linked to net investments)	(b)	(305)	154	59
Restructuring costs disbursed	(c)	(179)	(27)	(23)
Other items	(d)	(22)	4	5
Cash Flow From Operations (before Investments) (I) (a)+(b)+(c)+(d)		**2,260**	**3,429**	**3,840**
Tangible and intangible investments (excl. licenses)		(1,665)	(1,658)	(1,695)
Sale of tangible and intangible assets		17	13	13
Net investments from sales (excl. licenses)		***(1,649)***	***(1,644)***	***(1,682)***

Change in WCR linked to net investments		38	15	23
Investments (excl. licenses) net of WCR change	(e)	**(1,610)**	**(1,629)**	**(1,659)**
Cash Flow From Operations (before licenses II) (I) + (e)		**649**	**1,800**	**2,182**
Acquisition of licenses and associated spectrums	(f)	—	(1,107)	(150)
Cash Flow From Operations (III) (II) + (f)		**649**	**694**	**2,032**

The table hereunder gives the link between the cash flow generated by the operating activities of SFR presented in the statement of cash flow and the table above presenting the Cash Flow From Operations (before investments):

	2013	2012	2011
	(in millions of €)		
Cash Flow From Operations (before investments)	**2,260**	**3,429**	**3,840**
Taxes paid	(299)	(537)	(643)
Net flow from operating activities	**1,960**	**2,892**	**3,197**

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

The cash flow from operations (before investments) amounted to € 2,260 million for the financial year ended December 31, 2013, as compared with €3,429 million for the financial year ended December 31, 2012. This reduction of €1,169 million can principally be explained by the decrease in net flow generated by the activity (EBITDA), the negative change in working capital requirements of €305 million, and the rise in restructuring costs disbursed.

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

The cash flow from operations (before investments) amounted to €3,429 million for the financial year ended December 31, 2012, as compared with €3,840 million for the financial year ended December 31, 2011. This decrease of €411 million can notably be explained by the decrease in net cash flow generated by operations (EBITDA), partly offset by the positive change in working capital requirements of €154 million.

Working Capital

The working capital requirements of SFR correspond principally to the value of the stocks (composed mainly of mobile handsets, boxes, decoders and accessories), the increase in trade accounts receivable and other receivables and decrease in trade accounts payable and other payables. The working capital requirements of SFR result from the specificities of each of its markets.

With respect to the B2C market, SFR generates working capital in connection with the shorter client payment periods (generally 30 days) than those of the suppliers (generally 60 days), while with respect to the B2B and Wholesale market, SFR consumes working capital because the B2B and Wholesale and Other clients benefit from longer payment periods.

SFR generally finances its working capital requirements by means of cash flow generated by its sales. The change in working capital requirements of SFR can be broken down as follows over the financial years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
	(in millions of €)		
Change in working capital requirements in the Statement of Combined Cash Flow	**(305)**	**143**	**54**
Inventories	6	111	(41)
Trade accounts receivable	69	203	126
Other receivables	(84)	198	(49)
Trade accounts payable	(84)	(191)	(80)
Other payables	(212)	(178)	97
Adjustments		11	6
Adjusted change in working capital requirements	**(305)**	**154**	**59**

The change in working capital requirements of SFR engendered a cash requirement of €305 million during the financial year ended December 31, 2013.

This change is principally due to:

- a reduction in the item “Trade accounts receivable”, in connection with the decrease in revenue of the B2C activity;

- an increase in the “Other receivables”, and particularly the tax receivables (other than corporate income tax and VAT) and a decrease in “Other payables”, and notably tax debts in relation to the financial year ended December 31, 2012. This is linked to the merger of SFR with Vivendi Télécom International which took place in 2011 and which led to deferring from the financial year 2012 to the financial year 2013 the settlement and payment of interim taxes such as the Contribution on Value Added of Companies (“CVAE”) and the Tax on Electronic Communications; and

- a decrease in the “Trade accounts payable”, in line with the decline in the B2C activity.

For the financial year ended December 31, 2012, the change in working capital requirements generated a cash contribution of €154 million, which can be explained by the following elements:

- the reduction in “Inventories”, resulting from better management;

- the reduction in the “Trade accounts receivable”, linked to the decrease in the revenue of the B2C activity;

- the reduction in “Other receivables”, and notably those of tax receivables, linked to a lower amount of interim payments on the CVAE and the Tax on Electronic Communications paid in 2012 following the merger with Vivendi Télécom International mentioned above; and

- the decrease in “Trade accounts payable”, in line with the decline in activity.

Capital Expenditures

The net total operating investments made by SFR represented respectively €1,610 million, €2,736 million and €1,809 million as at December 31, 2013, 2012 and 2011.

The table below shows the distribution of the operating investments of SFR between acquisition of the tangible and intangible assets for the financial years ended December 31, 2013, 2012 and 2011:

	2013	**2012**	**2011**
	(in millions of euros)		
Acquisition of intangible assets—licences	—	(1,107)	(150)
Acquisition of intangible assets—other	(586)	(578)	(568)
Acquisition of tangible assets	(1,079)	(1,080)	(1,127)
Acquisitions of tangible and intangible assets	**(1,665)**	**(2,765)**	**(1,845)**
Sales of tangible and intangible assets	(17)	(13)	(13)
Operating investments net of sales	**(1,649)**	**(2,751)**	**(1,832)**
Change in working capital requirements linked to operating investments	(38)	(15)	(23)
Operating investments	(1,610)	(2,736)	(1,809)

The investments principally related to the priorities of the SFR Group detailed below.

Acquisition of licences

The evolution over the last three years is marked by considerable investments in the context of the LTE (4G) licences, with regard to acquisition of these licences with respectively €150 million in October 2011 (2.6 GHz band) and €1,065 million in January 2012 (800 MHz band).

Investments excluding licenses

Excluding licenses, the principal categories of investments are:

- fixed and mobile networks;

- information systems;

- equipment installed at clients’;

- other investments: real estate, investments in the commercial distribution network;
- the distribution of our investments excluding licenses in 2013 consists of: 60% network, 24% client equipment, 14% information systems, and other.

Investments in the network:

Continuation of rollout of 3G

As at December 31, 2013, the SFR GSM/GPRS network (2G) covered over 99.7% of the French population, and the UMTS/HSPA network (3G/3G+) over 99%.

SFR continued to increase the capacity of its network to support the new uses of mobile internet, with 3G+ and 4G data traffic having increased by over 40% in 2013.

Beyond the increase in speeds, SFR continued to invest in the densification of its 3G+ network and, in the densely populated areas, is rolling out 3G+ over the 900 MHz frequency band, notably in Lyon, Marseille and Toulouse. This technology contributes to improving the quality of voice and mobile internet services.

To assure better coverage in terms of very high speed mobile, SFR has also devoted part of its investments to extending the Dual Carrier technology (latest evolution of 3G), thus covering over 70% of the population and making it possible to double download speeds.

Acceleration of 4G rollout

At the end of 2013, the acceleration in 4G rollouts enabled SFR to offer 4G coverage to over 40% of the French population, with a presence in 1,200 towns. SFR was also the first in France to invest in LTE-Advanced technology, evolution of the 4G standard making it possible to provide higher speeds.

The wide rollout of 4G in the 800 MHz frequency band (known as “gold frequencies”) furthermore enables more efficient coverage with better service quality, notably inside buildings. At the same time, the rollout of 4G in the 2,600 MHz frequency band in densely populated areas enables mobile internet customers to have access to download speeds of up to 115 Mbits/s.

Fixed: unbundling and rollout of fiber optic (FTTH)

At the end of 2013, SFR held the largest alternative fixed network in France. With almost 6,200 NRA (Subscriber Connection Nodes) unbundled, SFR had over 5 million homes subscribed to ADSL. During the financial year ended December 31, 2013, more than 800 NRAs were unbundled, being the biggest annual volume since the start of unbundling in France in 2001.

SFR has also made investments in the sector of very high speed fixed. During the financial year ended December 31, 2013, SFR invested in the development of fiber to the home (FTTH), making more than 1.5 million homes in metropolitan France eligible for fiber optic (as compared with 1.1 million at end 2012).

Following the strategic agreement signed with the Incumbent to roll out fiber in the less densely populated areas, at the end of 2013, SFR initiated the marketing of FTTH in over 30 towns.

Investments in information systems

Within the framework of its ONE transformation plan, SFR is putting in a considerable effort to renew its information systems (14% of investments excluding licences in 2013, which is over 200 million euros). These investments have the purpose of rationalising the existing systems by simplifying the architecture and reducing the number of applications subsystems. This investment strategy meets a twofold objective: simplify the operation and thus generate savings in maintenance costs, and improve customer service quality of SFR over all points of contact (physical distribution network, call centres, internet).

Investments in customer equipment

These investments cover the equipment provided to customers and which is owned by SFR, being essentially:

- the costs of modems and internet decoders provided to ADSL and fiber optic customers on the B2C segment;
- the incidental costs associated with the connection of internet clients, including notably the logistics costs of shipping the equipment and the access fees to the service billed by the Incumbent;
- the connection costs of fibre optic customers;
- SIM cards;
- the *Femto Cell* equipment offered to improve coverage inside the home; and
- the telecoms equipment provided to companies (modems, routers, PABX, etc.).

The majority of these investments correspond to the equipment and costs associated with marketing of the ADSL and fiber optic ranges on the B2C market.

Net flow from financial investment activities

The financial investments made by the SFR represented €28 million, €29 million and €94 million as at December 31, 2013, 2012 and 2011, respectively.

	2013	2012	2011
	(in millions of euros)		
Net flow from combined entities net of cash acquired	7	(17)	(28)
Net flow from other financial assets	(34)	(11)	(66)
Net flow from financial investment activities	***(28)***	***(29)***	***(94)***

In 2013, these financial investments mainly concerned equity and current account advances of the companies Foncière Rimbaud (1 to 4) that SFR holds at the level of 50% with Vinci within the framework of the construction of the headquarters of the Group in Saint-Denis.

In 2012, the SFR gained a stake of 46.7% in Numergy. As of the date of this Notice, SFR's stake is €26 million of the total amount of €105 million, or 25%.

The financial investments in 2011 principally concerned the stake of 49% taken in Poste Telecom.

For further information, see note 11 to the Combined Financial Statements of SFR.

Contractual Obligations

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €889 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

The schedule of these commitments is as follows:

	Minimum future payments	Less than one year	2-5 years	More than 5 years	2012	2011
			(in € million)			
Commitments related to Public Services Concessions	72	27	22	23	262	336
Commitments on MDPA[(a)]	216	19	99	99	8	—
Other investments[(b)]	600	582	19	—	702	1,776
Investment commitments	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the rollout of the FTTH (Fiber-To-The-Home) within the Moderately Densely Populated Areas (MDPA).

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

In addition, SFR has the following list of commitments linked to telecommunication licenses:

Commitments given	Amount	Maturity
(a) UMTS license on French territory..	1% of revenues generated	2021-2030
(a) GSM license on French territory	1% of revenues generated	2021
(a) LTE license on French territory	1% of revenues generated	2031-2032
(b) 3G network coverage	Not costed	2013
(c) 4G network coverage..	Not costed	2023-2027

Commitments received	Amount	Maturity
(a) Network operating and telecommunications service provision authorizations on French territory	Not costed	2021/2032

(a) The Group is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE),
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(b) On November 30, 2009, the ARCEP called on the Group to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the metropolitan population of 99.3%.

As of December 31, 2013, with 99.3% of the population covered, the Group had fulfilled its coverage obligations.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, the Group undertook to respect the rollout obligations for very high-speed mobile in accordance with the timeline below:

- 25% of the metropolitan population by 11 October 2015;
- 60% of the metropolitan population by 11 October 2019; and
- 75% of the metropolitan population by 11 October 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by the Group.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, the Group was allocated 2*10 MHz in the 800 MHz band for the sum of €1,065 million. The commitments linked to this allocation are as follows:

- The Group undertook to fulfill the following obligations for rollout of very high-speed mobile:
- coverage of 98% of the metropolitan population by January 17, 2024 and 99.6% of the metropolitan population by January 17, 2027;
- coverage in the priority rollout area (around 18% of the metropolitan population and 63% of the territory): the Group must cover 40% of the population of this priority rollout area by January 17, 2017 and 90% of the population of this same area by January 17, 2022; and
- departmental coverage: the Group must cover 90% of the population of each French département by January 17, 2024 and 95% of the population of each département by January 17, 2027.
- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority rollout area.
- The Group has an obligation to host Free Mobile roaming in the priority rollout area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.
- The Group must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the “white areas” program (above 98% of the population) within a maximum period of 15 years.

SFR's contractual commitments on long-term contracts concern mainly telecommunications network maintenance contracts are as follows:

	Minimum future payments 2014	Less than one year	2-5 years	More than 5 years	2012	2011
			(in € million)			
Commitments given	178	62	79	37	172	63
Commitments received	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

SFR's other contractual commitments are as follows:

	2013	Maturity According to construction	2012	2011
		(in € million)		
(a) GSM-R bank guarantees, joint and several bank guarantee	105		92	66
Other bank deposits and guarantees	65	2026	64	90
(b) Share purchase commitments	16	2026	16	18
Pledges	84	2017	51	46
Commitments made	**269**		**223**	**219**
Other bank deposits and guarantees	(1)		(1)	(1)
Commitments received	**(1)**		**(1)**	**(1)**

(a) This is the Public/Private Partnership (PPP) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (RFF).

(b) The Group has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

Commitments linked to operating lease agreements

The amount of the minimum future rents for operating lease agreements is detailed in the table hereunder:

	Minimum future rents	Schedule: Under one year	Schedule: Two to five years	Schedule: Over five years	2012	2011
			(in millions of euros)			
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	*566*	*61*	*206*	*299*	*521*	*585*
technical premises	*1,273*	*226*	*692*	*356*	*1,181*	*952*
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical rents	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of fiber optics. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

Related Party Transactions

For the period under review, the related parties of the Group are:

- all companies included in the scope of combination, whether fully integrated or accounted for by the equity method;
- Vivendi S.A. and its consolidated entities (the "Vivendi Group");

- the Vodafone Group up to June 16, 2011, when Vodafone sold its 44% holding in SFR to Vivendi S.A.;
- all members of the executive committee of SFR S.A.; and
- all companies in which a member of the executive committee exercises control, participates in the joint control, exercises a significant influence, or is one of its principal directors.

The transactions between the companies fully integrated within the scope of combination were eliminated when preparing the combined accounts. The breakdown of operations between the Group and the other related parties is presented below.

	Associated enterprises			Joint Ventures		
	2013	2012	2011	2013	2012	2011
	(in € millions)					
Assets	**66**	**54**	**52**	**53**	**24**	**22**
Non-current assets	—	—	—	43	18	17
Current assets	66	54	52	10	6	5
Liabilities	**80**	**79**	**15**	**5**	**—**	**—**
Current liabilities	18	16	15	5	—	—
Non-current liabilities	63	63	—	—	—	—
Net earnings	**67**	**76**	**77**	**21**	**20**	**17**
Operating income	67	76	77	25	20	17
Operating expenses	—	—	—	(4)	—	—
Off-balance sheet commitments	**56**	**79**	**70**	**569**	**319**	**303**
Operating	—	—	—	413	228	228
Financial	56	79	70	86	58	50
Pledges	—	—		70	34	25

Off Balance Sheet Arrangements

As of December 31, 2013 SFR was party to a number of off balance sheet arrangements as set out in this Notice or in the notes to the Combined Financial Statements of SFR included in this Notice.

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

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

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

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

Overview of ODO's Business

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

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

ODO provides the following products and services:

- *Mobile.* ODO offers residential and business mobile subscribers a variety of pay-as-you-go plans and monthly rate plans through its 2G and 3G networks. In the residential segment, ODO has approximately 3.1 million mobile subscribers of which approximately 2.7 million subscribe through pre-paid plans as of December 31, 2013. Approximately 431,000 residential mobile customers subscribe through post-paid plans, as of December 31, 2013 with a choice between different offers and more tailored solutions. In the B2B segment, ODO offers services to over 190,000 customer lines, with over 70% of business customers taking up plans aimed at SOHOs as of December 31, 2013. ODO also offers plans to over 2,600 SMEs and large companies. In the past, ODO's most successful offerings have been in the pre-paid consumer business; however, ODO is growing its post-paid and business offerings and continues to roll out new products and services. ODO set up a dedicated business customer team in January 2011 and since 2012 has expanded its offerings to include data packages for pre-paid, new post- paid tariffs including unlimited data and launched value-added services; ODO has also expanded its business services with features such as mobile-to- mobile (M2M) connection services, enhanced data security and telepresence.

- *Broadband Internet.* ODO offers a range of wireless broadband Internet services through nomadic broadband Internet (through dongles and WiFi devices) and Flybox, its customer premises equipment (CPE) as well as capacity based plans and voice and data bundles on 3G and 4G LTE. Approximately 86,000 residential customers take up broadband Internet services through postpaid capacity-based plans. In the business segment, ODO also offers fixed broadband Internet services, although this is relatively limited. ODO offers both pre-paid and post-paid packages to business customers, as well as digital services, including in-house platform agnostic applications development, fixed voice and Internet and other data offerings such as cloud services, mobile-to-mobile and premium non-voice services, post-paid. Approximately 54,000 business customer lines subscribe to broadband Internet services offered by ODO as of December 31, 2013, of which approximately 40% are SMEs and large companies, which can also benefit from ODO's fiber and WiMax technologies and other value added services.

- *Carriers Wholesale.* To service the Dominican Republic's significant tourist traffic, ODO provides users of foreign mobile connections with international roaming services. ODO has entered into roaming agreements with various international telecom service providers for voice, Internet, data, pre-paid, roaming hub and 3G services. Currently, ODO has agreements in place with leading international telecom companies from over 140 countries. ODO also attracts international incoming traffic through its long distance business, providing international call termination to other local operators.

- *Fixed Voice.* ODO currently provides selected SMEs and large business customers with fixed voice via SIP trunking (VoIP, and plans to provide SOHO customers with similar services in the future.

Network

Mobile Access Network

Based on a publicly available analysis of an independent consultancy, ODO owns the highest quality 3G mobile network in the Dominican Republic. Our previous capital expenditures have resulted in what we believe to be superior coverage and network reliability. ODO offers mobile services through its 2G GSM/GPRS, 3G UMTS/HSPA and 4G LTE mobile access network comprising as of December 31, 2013 approximately 1,200 antenna sites with approximately 1,200 2G GSM/GPRS base stations (BTS), approximately 820 3G UMTS/HSPA base stations (node-B) and 180 4G LTE mobile base stations. ODO has nationwide coverage through its high quality 2G network (96% population coverage as of December 2013), which is fully EDGE capable. ODO installed 77 new 2G sites during 2013, with additional sites identified for future installations. In addition, ODO achieved 76.9% population coverage as of December 31, 2013 through its 3G network, offering download speeds of up to 42 Mbps. The roll-out of the 3G network is on-going and ODO aims to cover 96% of the population by 2016. In July 2012, ODO became the first operator in the Dominican Republic to commercially launch its 4G/LTE network, although certain spectrum capacity issues with competitors and Indotel have slowed down the Company's deployment plans. See "*Risk Factors—Risks Related to our Business, Technology and Competition—ODO's ability to provide 4G/LTE services may be limited by the need for additional frequencies which are unavailable due to the restrictions imposed by Indotel and the delay in the public auction of additional frequencies*". ODO currently has 180 mobile sites that are 4G/LTE enabled, offering coverage to approximately 5% of the population as of December 31, 2013. ODO plans to increase its population coverage, subject to favorable resolution of the spectrum capacity issues. ODO benefits from a scalable multimode 3G network, which is easily upgradable to 4G. The LTE roll-out has been predominantly driven by demand in the B2B segment, with focus of coverage being centered on the Santo Domingo and Santiago regions, where a majority of clients are based.

Transmission Network

Our mobile transmission network comprises a radio access network ("RAN")/metro backhaul network, a multi protocol label switching ("MPLS") backbone backhaul network and a core network with value added systems.

Fixed Network

We are rolling out a backbone transmission optic fiber to connect high density areas and progressively decommission the SDH microwave links while sustaining future traffic growth. ODO also owns an optical backbone that management believes will allow the Company to meet future increases in data traffic. Its transmission backbone includes underground fiber along the main communication axis in the Dominican Republic (Santo Domingo, Santiago and Puerto Plata). ODO has been opportunistically deploying fiber to support the 4G/LTE roll-out and to be in a position to offer fixed services to targeted B2B clients. As an example, ODO began to offer B2B services in the Eastern area of the Dominican Republic in Bavaro/Punta Cana following the roll-out of fiber along the East route to Punta Cana, which was finalized at the end of 2013. In addition, ODO has identified other high density traffic locations to be connected with fiber in the future. Fiber is being rolled-out both below and above ground, in an on-going effort to optimize cost and deployment time. At the same time, in remote areas where the deployment of fiber is expensive, ODO is making use of microwave backhaul.

ODO is also developing IT and network infrastructure redundancy, in order to ensure a high level of reliability to its customers. In addition, ODO has focused on IP multimedia (IMS) projects to support fixed-line services (GSM technology-based fixed offers e.g. GSM deskphone) and new multimedia services, including fixed-line voice services for B2B customers, Rich Communication Services, voice-over-LTE and other collaborative multimedia. The B2B segment has been a key focus area for ODO since it first launched dedicated services to business customers in January 2011 and the Company is currently in the process of moving from a mobile centric offering to a full-service provider with various enhancements being made to its network.

Distribution Channels and Brand

ODO benefits from what we believe to be efficient distribution channels through its homogeneous store network across the Dominican Republic, comprising more than 500 shops and 44,000 top-up points of sale. We believe ODO's strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. ODO also benefits from strong brand recognition and a focus on customer service. ODO captured approximately 38% share of mobile gross-adds for the twelve months ended December 31, 2013 based on management estimates, while only operating 18+% of the approximately 3,000 points of sale in the Dominican Republic. In connection with the ODO Acquisition, we have entered into a Brand License Agreement providing for the right for ODO to continue to use the "Orange" brand for a period of three to five years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO.

Credit Management and Billing

We bill our post-paid mobile subscribers directly. SIM cards, mobile phones and other devices can either be purchased directly from us or from one of our indirect distributors who, in turn, purchase them from us. We send monthly bills to our post-paid mobile customers, payable within 7-25 days, and we monitor customer collections and payments. Overdue receivables in excess of 120 days are transferred to a third-party factoring agency. We maintain a bad debt provision for our post-paid mobile subscribers for estimated credit losses, based on a percentage of risk of payment default with reference to aging of overdue invoiced amounts. In particular, the provisions foresee different levels of risks for consumer and business customers, sales partners and distributors, operators, and roaming partners. Our write-offs of such bad debt provisions constituted 2.03% of total post-paid revenues in the twelve months ended December 31, 2012 and decreased to 1.51% the twelve months ended December 31, 2013. We also offer direct debit and e-payment.

Pre-paid mobile customers purchase SIM cards, mobile phones and other devices directly from us or from retailers and dealers who, in turn, purchase them from us. We bill these retailers, dealers and distributors shortly after we deliver these products. These customers then have the ability to top-up their accounts through a number of payment channels, either directly with us (through the Internet or in one of our stores), via Unstructured Supplementary Service Data (USSD), or through any of our indirect distribution partners.

IT Systems and Infrastructure

Our information technology systems are highly integrated into every aspect of our business providing capabilities for a variety of purposes in relation to customer front-ends, middleware and back-ends and cover, among other things, the following fundamental areas:

- Billing, customer relationship management;
- Point-of Sales support, commissioning, sales force automation;
- Supply chain management;
- Online services;
- Data warehousing;
- Controlling, Finance; and
- Human resources.
- The systems are mainly hosted in two data centers.

Licenses

We believe that we hold all necessary licenses to operate our business. On July 15, 1996, ODO was awarded a twenty-year universal telecom concession, which allows it to provide telecom services without any technological restrictions (e.g. fixed / wireless technologies, television, Internet). An automatic twenty-year renewal process is set forth in the concession agreement. The process begins in August 2014. If the submission for renewal is accepted, the concession will be renewed in August 2015. All of our frequency licenses are valid until August 1, 2015 but will have to be renewed at the same time as our concession agreement.

The economic environment and the telecommunication market

Certain Contracts Relating to the Operation of Our Business

We are a party to a number of agreements that are important to our business, including those set out below. In addition, in connection with the ODO Acquisition, we will enter into a Transitional Agreement and a Brand License Agreement.

Service Agreements

We have entered into agreements with a variety of service and outsourcing suppliers to conduct our ongoing business. These services include supply of software licenses, call center support, data management and human resources consulting, among others. Certain of these agreements will terminate upon the consummation of the ODO Acquisition due to change-of-control clauses included therein. We expect to review the applicable supplier relationships and either renegotiate these contracts or switch to new suppliers. The service agreements with TechComm and Transunion S.A. do not contain a change in control but both agreements require us to notify TechComm and Transunion S.A., respectively, in the event of a change of control in our corporate structure, which we plan to do upon the consummation of the ODO Acquisition.

Supply Agreements

On our behalf, Orange S.A. has entered into supply agreements with Alcatel, Apple Gemalto, Huawei, Motorola, LG, Nokia, Oberthur, RIM, Samsung, Sony Ericsson and ZTE for the supply of handset devices. After the completion date of the ODO Acquisition, we will no longer benefit from such agreements. However, these handset supply agreements contemplate a three to six month grace period after a change of control during which ODO's buyer could enter into a new agreement with these suppliers.

Intercompany Agreements

We have entered into three intercompany agreements with Orange S.A.: (i) the corporate framework agreement, (ii) the management fee agreement and (iii) the ASP interco agreement. These agreements will all automatically terminate after the completion date of the ODO Acquisition.

Environmental Matters

We are subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise, and historical and artistic preservation. We could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Our operations are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

Our objective is to comply in all material respects with applicable environmental and health control laws and all related permit requirements. We believe that the principal environmental risks arising from our current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. In extreme cases, the penalty for repeat violations of the applicable environmental laws in the Dominican Republic could result in administrative sanction, suspension and even revocation of our license.

We use different network infrastructure strategies to achieve radiation emission ranges lower than the maximum levels permitted by applicable Dominican Republic regulations. If the Dominican Republic government or regulator were to set limits on electromagnetic emissions that are stricter than those currently in effect, we could be required to upgrade, move or make other changes to our mobile telephone infrastructure.

We have enacted various guidelines—in particular with regard to the quality of antenna sites and minimization of safety risks in connection with non-ionising radiations—as well as a health and safety policy. We have further obtained ISO 9001:2008 system certifications in connection with the circular of the Federal Office for the Environment regarding the quality assurance for compliance with the limits of antenna radiation dated January 16, 2006.

Intellectual Property

Orange Brand License Agreement

In November, 2013 in connection with the entry into the ODO Acquisition, we entered into a brand license agreement with Orange Brand Services Limited that has now become effective as of the completion of the ODO Acquisition. Under the terms of the agreement, we will have a license to use the Orange brand for several years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO. We currently intend to continue to use the Orange brand and to carry out a rebranding process within approximately eighteen months of the Completion Date. Royalties under the brand license agreements will be paid to Orange S.A. on a quarterly basis but the accounting treatment of such royalties has not been confirmed. See "*Description of Our Business—Material Contracts—Dominican Republic Acquisitions*."

The brand license agreement may be terminated by either party in certain circumstances, including if we or Orange Brand Services Limited commit a material breach of the agreement, if we do not satisfy certain minimum investment requirements in the Orange brand, if we undergo certain change of control events or if a competitor purchases shares in us.

Insurance

We maintain insurance coverage in amounts that we believe are sufficient to insure appropriately our risks, including insurance for third-party liability, property damage/business interruption, global crime, buildings, construction and erection, special technical equipment and various other insurances.

A number of these insurance policies are linked to global Orange Group insurance policies. Accordingly, coverage under these insurances will or may terminate as a result of the ODO Acquisition. Our intention is to maintain insurance coverage consistent with industry standards, although the coverage may be somewhat reduced compared to the coverage we currently have under the Orange Group and we expect that the premiums for these insurances may be higher.

Employees and Pension Obligations

As of December 31, 2013, we had 1,233 full-time employees and 208 FTE employees.

We deliver substantial benefits to all of our employees through a combination of attractive compensation, health insurance and mobile phone plans. Our employees follow the guidelines established under Dominican Republic law with regards to work hours. Standardized employee contracts contain provisions that limit the hours an employee can work. Employees are required to fill out monthly time reports in which we verify that the employee is compliant with the company policies and with applicable labor laws.

We believe that our employee relations are good. We have been recognized as a "great place to work" according to surveys conducted inside and outside the company. We have not experienced any labor-related work stoppages during the past three years.

Property and Leases

We own, lease and occupy a wide range of properties in connection with the operation of our antennas and commercial retail locations. Many of our properties must undergo an administrative process in order to be recognized by the Title Registry office as valid deeds.

We have also entered into a long-term lease agreement for Torre Orange, the location of our headquarters in Santo Domingo.

Antenna installation is subject to approval by several governmental institutions, which perform the appropriate inspections and confirm that the project does not interrupt radio-electrical frequencies or risk the safety of the environment, community or local airports. Prior to 2010, the Dominican Institute of Civil Aviation ("IDAC") issued one permit per project and municipalities issued one permit per several antennas within their jurisdiction. Other institutions followed similar guidelines and therefore antenna site permits are not uniformly provided.

Overview of Tricom's Business

Tricom is the second largest landline service provider in the Dominican Republic after the incumbent operator, Claro. It provides pay television, broadband Internet and fixed-line telephony services through its HFC cable, xDSL and GPON networks as well as mobile telephony services through its mobile network. Tricom is the second largest pay television operator (number one in cable television) and the second largest broadband Internet and fixed-line telephony provider with a national market share of approximately 25% (fixed broadband Internet market) and 23%, with respect to the above products, according to Indotel and Analysys Mason. Tricom's pay television offering, which is available through three plans, includes over 250 channels with 82 channels available in HD, which is the most extensive HD offering currently available in the Dominican Republic. Tricom provides Internet access primarily through its xDSL network, although its cable broadband Internet product is currently experiencing strong growth, and it has launched mobile broadband Internet services leveraging on its recent 4G/LTE launch. Tricom offers both prepaid and postpaid fixed-line telephony plans, which include unlimited calls within its network. While Tricom continues to utilize its xDSL network to provide fixed-line telephony services, it also offers VoIP to homes passed by its cable network. Tricom also leverages its wireless network to transmit fixed-line voice services. Tricom benefits from the opportunity to up-sell its mobile service offering to its fixed-line subscriber base, particularly following the launch of 4G services in May 2013, which we believe provides it with a competitive advantage. Tricom's mobile offering includes 3G as well as 4G/LTE plans (depending on the handset) and mobile customers who subscribe to one of Tricom's triple-play offers benefit from a free 4G-enabled smartphone under the current service plan.

As of December 31, 2013, Tricom's cable network passed approximately 456,240 one-way and two-way homes and businesses and Tricom had approximately 108,046 pay television subscribers, 127,047 broadband Internet subscribers (including xDSL and cable), 274,438 fixed-line telephony subscribers (including DSL, VoIP, fiber and WLL) and 344,403 (including Internet mobile) mobile subscribers.

In the B2B segment, which accounted for just under 18% of its revenue in 2013, Tricom mainly offers fixed-line services but is also present in the broadband Internet, data, pay television and wireless segments. Tricom serves a large portfolio of over 10,000 corporate clients including banks, international telecom operators and government offices. Tricom has a well- diversified customer portfolio with its top ten customers accounting for less than 15% of its B2B revenue in 2013.

With respect to fixed services, Tricom benefits from an integrated platform which includes networks based on HFC, copper and fiber technologies while it prioritizes the modernization and expansion of its entirely digital cable network. As of December 31, 2013, Tricom has upgraded 77% of its cable network to bi-directional capability, with a substantial majority of homes passed on 750 MHz or 1,000 MHz. Up to a maximum of 750 homes are served by each optical node in Tricom's network. Tricom's entire cable network is digital and capable of supporting HD and DVR services. Tricom is continuing the expansion of its cable network into key cities that are still underpenetrated and where proprietary fiber optic is already present, meaning significant growth potential. To this end, it relies on an in-house team which designs approximately 150 kilometers of network each month, as well as third party construction teams which implement in-house design and build approximately 80 kilometers of network each month. Tricom has in-house capability to activate, and perform quality control procedures on its network. In addition, Tricom has focused on maintaining its xDSL network to serve customers in areas not reached by its cable network.

Tricom provides its mobile telephony services through its wireless network and has 25 MHz of spectrum in the 850 MHz frequency, allowing it to offer its customers 3G mobile services, and 30 MHz of spectrum in the 1,900 MHz frequency, allowing it to offer 4G/LTE mobile services. Tricom has an additional 30 MHz of spectrum in the 3,500 MHz frequency where it offers some WiMAX coverage (East coast). Tricom launched 4G mobile services in May 2013. Tricom's network in the 850 MHz and 1,900 MHz frequencies cover approximately 65% and 25% of the Dominican

Republic population, respectively. Tricom's 4G and 3G services are capable of supporting mobile download speeds of up to 70 Mbps and 3 Mbps, respectively.

At the core of Tricom's fixed-line services strategy is a focus on triple-play packages which provides an attractive value proposition to its residential customers. In addition, Tricom leverages its 4G mobile services to provide integrated quadruple-play services. Multiple-play subscribers currently receive a discount on fixed-line services and on mobile services when such services are purchased as part of a bundle. As a result of this strategy, the percentage of Tricom's triple-play customers has increased from 7% in 2010 to 17% as of December 2013.

Tricom has developed a multi-channel distribution approach to provide its range of services to residential and business clients. It owns a network of 18 stores throughout the Dominican Republic which plays a critical part in its distribution strategy relating to its re-launched wireless business services. Approximately 131 dealer stores, with which Tricom has partnered up, account for the vast majority of its wireless services sales. The two key distribution channels for fixed services are (i) telemarketing where a dedicated team reaches out to clients to offer Tricom's services and products and (ii) door-to-door sales where the sales force of approximately 100 physically visit clients at their homes and offices. Although still a minor channel, online sales are expected to grow rapidly as traffic on Tricom's website has been experiencing strong growth.

For the twelve months ended December 31, 2013, Tricom generated revenues of approximately $211 million and Adjusted EBITDA of approximately $67 million and had capital expenditures of close to $35 million, in each case based on unaudited and unreviewed management accounts. Tricom defines Adjusted EBITDA as earnings before interest, tax, depreciation and amortization and before management fees, other non-recurring expenses, impact of tower sale and leasebacks and installation costs relating to network roll-outs. Tricom prepares its financial statements under U.S. GAAP.

Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO

Presentation of Financial Information

The standalone financial statements of the Company for the twelve months ended December 31, 2012 and 2013 have been prepared in accordance with IFRS as issued by the IASB. The preparation of the financial statements did not therefore require any material allocation of assets and liabilities and income and expense items between Orange S.A., as indirect owner of the Company prior to the ODO Acquisition, and the Company.

Key Factors Affecting Results of Operations

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on our results are set forth below. For further discussion of the factors affecting our results of operations, see "*Risk Factors*."

One of the key constituents of our revenue is network revenue, which contributed 87.7% and 86.7% of our total revenue for the twelve months ended December 31, 2012 and 2013, respectively. A major contributor to our network revenue is mobile subscriber revenue, which is principally driven by the number of mobile subscribers on our network (our mobile subscriber base), and the ARPU, or average revenue per user (see "*—Mobile ARPU*"), that they generate. Our subscriber base evolution is driven by market dynamics (including demographics, penetration rate, technical innovation and changing customer behavior), gross connections market share (our ability to capture new subscribers). A key recent factor that has impacted our mobile subscriber revenue is the increasing use of data services linked to the popularity of smartphones and mobile computing devices, and our ability to successfully address this increasing demand. Furthermore, our mobile revenues are affected by macroeconomic trends, such as competition-driven price evolution and general macro-economic conditions. Network revenue also includes revenues from incoming voice traffic of other domestic and international operators, as well as roaming charges, and non-voice.

Our mobile costs of sale include (i) mobile termination rates payable to other operators for calls made by our subscribers that are terminated on networks belonging to other operators, (ii) subscriber acquisition and retention costs, which are costs associated with acquiring a new mobile subscriber and retaining existing subscribers (prolonging the contract of an existing mobile subscriber, mobile "renewal" for pre-paid residential subscribers, (iii) network and IT expenses and (iv) other commercial expenses relating to advertising, promotion and other selling fees.

Our primary subscriber acquisition and retention costs include agent commissions related to sales generated by dealers including franchises and wholesalers (together forming our indirect distribution channel) and the cost of handsets sold to our post-paid residential subscribers. Handsets are typically sold to our post-paid subscribers at a discount reflecting the incentive that we provide subscribers to subscribe or renew their subscription. The level of distributor commission paid varies depending on distribution channels (direct or indirect). Our distributor commissions are generally lower for pre-paid residential customers, due to lower ARPU and lower loyalty of pre-paid subscribers, compared to the distributors' commissions for post-paid business customers reflecting the higher lifetime value of these subscribers. Commissions, which are an operating expense, are paid for both, new and retained post-paid subscribers solicited through indirect distribution channels. In the direct distribution channel, incentives and bonuses are paid out to the sales force in relation to their subscriber acquisition and retention performance and such costs are expensed in labor costs. Our direct channels focus on high value customers and providing them with a high quality customer experience and services.

Mobile Subscriber Base

The table below sets forth selected mobile subscriber data for the periods indicated, including an analysis by subscriber segment. Mobile subscribers consist of subscribers for voice services (including incoming and outgoing calls) and non-voice services (including SMS, MMS and data services for handsets).

	Mobile subscriber base	
	For the twelve months ended December 31,	
	2012	**2013**
	(subscribers in thousands)	
Post-paid subscribers[(1)(2)(4)(5)]	589	624
Pre-paid residential subscribers[(1)(3)(4)]	2,504	2,647
Subscribers at end of period[(1)]	**3,093**	**3,271**

(1) Includes subscribers through reseller (dealers and franchises) as we enter into direct contractual arrangements with customers of resellers

(2) All post-paid subscribers are considered as active

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

(4) Includes exclusively mobile subscribers. Mobile broadband Internet subscribers excluded and analyzed separately in this section

(5) Includes both post-paid residential subscribers and post- paid business subscribers

We provide mobile services to pre-paid residential customers, post- paid residential customers and post-paid business customers, constituting 80.9%, 13.2% and 5.9%, respectively, as of December 31, 2013 of our mobile subscriber base. For the twelve months ended December 31, 2013, pre-paid residential subscribers formed the largest segment of our customer base, contributing 53.1%, as compared to 28.1% for post-paid residential subscribers and 9.1%, for post-paid business subscribers. Since contributions to revenue of subscribers in different segments are disproportionate (due to their different level of ARPU, see "*—Mobile ARPU*"), changes in the composition of our subscriber base in any financial period may have an impact on our revenue for such period.

Our mobile subscriber base increased by 5.8% for the twelve months ended December 31, 2013 as compared to the twelve months ended December 31, 2012. The key drivers of this sustained growth are: (i) favorable market dynamics, (ii) increased market share, due to the positive perception of the "Orange" brand and the quality of our service, (iii) on-going network improvements, with the continuous roll-out of 2G, 3G and 4G sites, (iv) competitive pre-paid and post-paid offers with the continuous expansion of our enterprise line, (v) anti-churn incentives geared at our pre-paid residential subscribers to reduce the number of inactive customers, including automated reminders prompting the subscriber to top-up, simplified SIM swaps for customers who have lost their SIM cards and an automated credit top-up by us where a "zero balance" has been reached, and (vi) the strategic plan by our management to develop the business lines for our post- paid business subscribers with a sales team dedicated to this customer base as well as targeted offers.

As a result of the aforementioned factors, for the twelve months ended December 31, 2013, our post-paid business subscribers increased by 4.1% and our pre-paid residential subscribers 5.7%. We estimate that our total mobile market share in the Dominican Republic by number of subscribers was 40% as of December 31, 2013.

Due in part to the improvement of our post-paid residential offer, our post-residential subscribers increased by 6.9% for the twelve months ended on December 31, 2013 compared to the same period last year. The revamped offer, which began in September 2013, introduced a more varied portfolio of price plans, allowing customers to add on additional services at their option while giving them the freedom of paying a low monthly fee on a post-paid basis. Because the difference between the monthly top-up and post-paid subscription fee is very small, we believe that users of pre-paid mobile phones will continue to migrate to a post-paid subscription. Furthermore, we offer substantial handset subsidies to our post-paid subscribers, which enable us to promote the usage of smartphones and with that voice and data usage. We aim to increase our market share in the post-paid residential segment in the future, especially in light of the increase in smartphone and data usage, and higher returns and retention rates in the long term.

Mobile ARPU

ARPU (average revenue per user), represents the overall revenue for a specific segment divided by the number of subscribers for a given period. Since there may be disconnections and connections over a defined period, the overall revenue is divided by the average subscriber base for that particular period.

ARPU is primarily driven by prices of our services, traffic volume, data services utilization and revenue from interconnection rates for incoming calls. Our monthly ARPU for the twelve months ended December 31, 2013 increased slightly to DOP 533.1, from ARPU of DOP 532.9 for the twelve months ended December 31, 2012 despite termination rates decreasing by 2% semi- annually. The table below sets out our ARPU for our pre-paid and post- paid mobile subscribers:

	Mobile ARPU	
	For the twelve months ended December 31	
	2012	**2013**
	(in DOP per month/percentages)	
Post-paid ARPU	1,126	1,146
Increase/(decrease) from prior equivalent period	(−7.6)%	1.7%
Pre-paid residential ARPU	393	394
Increase/(decrease) from prior equivalent period	0.5%	0.2%
Total ARPU(1)	**533**	**533**
Increase/(decrease) from prior equivalent period	(−0.4)%	0.1%

(1) We define total ARPU as the measure of the sum of our mobile revenues in the relevant period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

For the twelve months ended December 31, 2013, our post-paid ARPU increased by 1.7% to DOP 1,146 from DOP 1,126 for the twelve months ended December 31, 2012. This increase was predominantly driven by an increase of our post-paid residential subscriber ARPU by 5.0% (or DOP 62 per month) to DOP 1,312 for the twelve months ended December 31, 2013. This increase can be attributed to an increase in higher value plans.

As of December 31, 2013, we have been able to maintain our pre-paid residential subscriber ARPU at DOP 394, as compared to DOP 393 as of December 31, 2012.

Termination Rates

Mobile termination rates (MTR) contribute to our mobile revenues and costs. Fixed termination rates (FTR) contribute to our revenue and costs for our fixed line services. We receive revenues from other operators for calls terminated on our network and we are required to pay fees to other operators for calls terminated on their networks for both, domestic and international calls.

Domestic MTR, local FTR and SMS termination rates result from negotiations between us and the three other main Dominican mobile operators. Indotel has the authority to challenge and/or validate these bilateral agreements. Domestic operators agreed to decrease national MTR and local FTR by 2% semiannually (in dollars), between 2010 to 2013. SMS termination rates remained unchanged between 2010 to 2013 at $0.018 per SMS.

	Year ended December 31,			
	2010	**2011**	**2012**	**2013**
	USD $			
MTR	0.069	0.066	0.064	0.062
FTR local	0.018	0.018	0.017	0.016
SMS	0.018	0.018	0.018	0.018

Internet

For the twelve months ended December 31, 2013, Internet revenues increased by 27% to DOP 644 million compared to DOP 507 million for the twelve months ended December 31, 2012. We consider Internet services used by our post- paid business subscribers as a commercial lever to cross-sell post-paid business mobile subscription.

Our total number of Internet subscribers increased by 16% from 121,000 for the twelve months ended December 31, 2012, to 140,000 for the twelve months ended December 31, 2013. This was mainly driven by an increase in the number of our post-paid residential subscribers by 51% in 2013 due to (i) higher laptop penetration and (ii) the expansion of Internet services into new geographic regions. Although we had an increase in our total subscriber number, we saw a decrease in our post-paid business subscribers due to an internal adjustment made to the computation of this subscriber base in 2013.

The table below shows our Internet subscriber base for the twelve months ended December 31, 2012 and 2013, respectively:

	Internet subscriber base	
	For the twelve months ended December 31,	
	2012	**2013**
	(in thousands subscribers)	
Post-paid residential subscribers(1)	62	86
Post-paid business subscribers(1)	59	54
Subscribers at end of period(1)	**121**	**140**

(1) All post-paid subscribers are considered as active

Mobile Network Upgrade

With the growing penetration of smartphones and the increasing demand in data services, upgrading and maintaining our network is key to the improvement of the services we offer to our customers. The perception of the network quality is an important factor in retaining our subscribers and is therefore a key element in preventing and reducing churn and attracting new customers.

The upgrade and maintenance of our network has a direct impact on the level of our expenses and the capital expenditures we incur each year. The 4G LTE roll-out which began in the first quarter of 2012 has been focused on certain regions with higher number of medium and large businesses. We believe that our infrastructure will be able to cope with the expected increased data-led capacity requirements and that architecture is scalable to support future traffic growth.

Effects of Change of Control Transaction and Separation

On November 26, 2013, Altice Bahamas S.à r.l. (a wholly owned subsidiary of Altice International S.à r.l.) entered into agreements to acquire ODO in the Dominican Republic. The transaction has been completed on April 9, 2014. See "*Description of Our Business—Material Contracts—Dominican Republic Acquisitions—ODO Acquisition*".

The impact of the ODO Acquisition on our income statement and capital expenditures will depend on the synergies and measures undertaken. Links to Orange S.A. are at both operational and support levels, and are governed by group or bilateral agreements. Operational agreements are based on specific group terms while recharge agreements are usually based on a "cost plus" mechanism. Intragroup costs primarily include DOP 628 million of corporate fees such as brand fees and management fees (DOP 377 million for brand fees and DOP 252 million for management fees in 2013). Pursuant to the ODO Acquisition Agreement, ODO and Orange S.A. entered into a transitional services agreement on November 26, 2013. Specific terms relating to the services to be rendered thereunder are currently being negotiated and are to be finalized prior to the completion of the ODO Acquisition, with the aim to tailor the services to the contemplated synergies between ODO, Tricom and the Altice International Group.

Key Income Statement Line Items

Revenue

Revenue from our activities includes:

- Mobile revenue, which consists of revenue from voice (including ingoing and outgoing calls) and non-voice (including SMS, MMS and data services for handsets);
- Internet revenue, which consists of mobile broadband Internet facilities delivered to post-paid residential subscribers or business post-paid subscribers;
- Wholesale revenue, which consists of: (i) transit revenue consisting of fees charged to foreign competitors connecting to and using our telecommunication path and network to transit voice or data to another operators, and (ii) visitor roaming revenue representing revenue received from our roaming partners for their customers' use of services on our network. Roaming rates charged by various operators are determined according to the inter-operator tariffs (IOT) agreements between operators;
- Other revenue primarily includes (i) the sale of non-subsidized handsets (ii) fixed-data revenue corresponding to calls realized through IPVPN technology, which are primarily fixed calls for business subscribers, and to a lesser extent, (iii) global services revenue (mainly machine-to- machine (M2M) solutions e.g. industrialized private access point names (APN)) as well as other minor components;
- Equipment revenue consists of the sale of subsidized handsets and, to a lesser extent, mobile accessories.

Operating costs

Our operating costs include:

- Cost of equipment sold primarily consists of the costs arising from equipment sold to terminals, the sale of SIM cards and accessories, and import duties and freight costs;
- Selling, distribution and traffic costs mainly consist of access backbone and termination fees corresponding to costs incurred for terminating a call on another operator's network. Cost is calculated based on the MTR or FTR tariffs which are agreed between operators;
- Advertising and sponsoring costs;
- Offices and technical sites costs;

- Labor expenses, which include salaries and wages, social contributions, individual incentive/bonus plans and the cost of post-employment benefits;

- Corporate fees consist of (i) management fees, and (ii) brand fees based on the terms of the agreement with Orange S.A. regarding the rights to use the "Orange" brand;

- Maintenance costs;

- Other costs and income which include (i) purchase of services (ii) consulting fees (iii) network energy costs and (iv) bad debt expenses;

- Depreciation and amortization of fixed assets.

Non-operating income/expense

Non-operating income/expense mainly include financial items such as (i) foreign exchange gains and losses (mainly corresponding to unrealized translation gains on cash and cash equivalents) (ii) interest on net cash, and on the Orange group current account (decreasing in line with cash and cash equivalents) and (iii) other financial charges concerning the discounting effect of the Asset Retirement Obligation ("ARO") provision, whereby a discount is applied to the costs incurred in relation to the future dismantling of technical sites (the rate is calculated through applying intra-group measures and a discount set by the Dominican Central Bank).

The table below shows our results of operations for the twelve months ended December 31, 2012 and 2013, respectively:

	For the twelve months ended December 31,	
	2012	2013
	(in DOP million)	
Revenues	22,754	24,405
Cost of equipment sold	(3,000)	(3,259)
Selling, distribution and traffic costs	(5,861)	(6,263)
Advertising and sponsoring costs	(937)	(875)
Offices and technical sites costs	(564)	(623)
Labor expenses	(1,175)	(1,234)
Corporate fees	(583)	(628)
Maintenance costs	(332)	(329)
Other costs and income	(2,573)	(2,344)
Depreciation and amortization	(3,509)	(3,518)
Total costs and operating expenses	(18,533)	(19,073)
Operating income	4,221	5,332
Bank commissions	(71)	(76)
Interest income	37	18
Foreign currency exchange gains (losses)	70	26
Other	(20)	(13)
Non-operating income (expenses)	15	(45)
Profit before income tax	4,236	5,287
Income tax	(790)	(1,390)
Net income	3,446	3,897
Other comprehensive income	—	—
Total comprehensive income for the year	3,446	3,897

Twelve Months Ended December 31, 2013 as compared to Twelve Months Ended December 31, 2012

Our total revenue increased by DOP 1,651 million (+ 7.3%) from DOP 22,754 million for the twelve months ended December 31, 2012 to DOP 24,405 million for the twelve months ended December 31, 2013, driven by an increase in our pre-paid subscriber base together with the favorable effect of increased data usage.

	For the twelve months ended December 31,				Variation	
	2012	% of total revenue	2013	% of total revenue	Amount	%
	(in DOP million)					

Mobile	19,436	85.4%	20,503	84.0%	1,067	5.5%
Wholesale	1,662	7.3%	1,816	7.4%	154	9.3%
Internet	507	2.2%	644	2.6%	137	27.0%
Equipment	866	3.8%	1,151	4.7%	285	32.9%
Other	283	1.2%	291	1.2%	8	2.8%
Total revenue	22,754	100%	24,405	100.0%	1,651	7.3%

	For the twelve months ended December 31,				Variation	
	2012	% of total revenue	2013	% of total revenue	Amount	%
			(in DOP million)			
Post-paid residential subscribers	6,084	31.3%	6,372	31.1%	288	4.7%
Pre-paid residential subscribers	11,580	59.6%	12,350	60.2%	770	6.6%
Post-paid business subscribers	1,772	9.1%	1781	8.7%	9	0.5%
Mobile revenue	19,436	100.0%	20,503	100.0%	1,067	5.5%

Mobile revenue

Mobile revenue was DOP 20,503 million for the twelve months ended December 31, 2013, an increase of DOP 1,067 million, or 5.5%, from DOP 19,436 million for the twelve months ended December 31, 2012.

Post-paid residential subscribers revenue increased by 4.7% in the twelve months ended December 31, 2013 to DOP 6,372 million primarily driven by flexible monthly plans, including low monthly rate subscriptions with the ability to add-on additional services such as data through promotional offers.

Pre-paid residential subscribers revenue increased by 6.6% in the twelve months ended December 31, 2013 to DOP 12,350 million primarily driven the “anti-churn” incentives.

Post-paid business subscribers revenue increased by 0.5% in in the twelve months ended December 31, 2013 to DOP 1,781 million primarily driven by a stronger penetration strategy and sales staff dedicated to soliciting more subscribers. We also benefited from an overhaul in and an increase of the portfolio of services and integrated solutions we were able to offer to a broad variety of businesses (SMEs as well as larger business).

Wholesale revenue

Wholesale revenue was DOP 1,816 million for in the twelve months ended December 31, 2013, an increase of DOP 154 million, or 9.3%, from DOP 1,662 million for the twelve months ended December 31 2012. This increase can be attributed to an increase in transit revenues by 37.1% to DOP 1,192 million for the twelve months ended December 31, 2013, as a result of increased traffic of international telephone calls on our network, resulting in higher terminations. This trend was offset by a decrease in visitor roaming revenue—of 21.4% to DOP 623 million for the twelve months ended December 31, 2013, as result of the increase in tariff competition thereby pushing down global inter-operator roaming rates, as well as international macro-economic conditions.

Internet revenue

Internet revenue increased by 27.0% to DOP 644 million in the twelve months ended December 31, 2013 mainly due to the increase in the average subscriber base driven by the expansion of Internet services into new geographic regions, our 3G roll-out and the resulting increase in the higher quality offering over a larger service area, resulting from the speed of our network.

Equipment revenue

Equipment revenue was DOP 1,151 million for the twelve months ended December 31, 2013, an increase of DOP 285 million, or 32.9%, from DOP 866 million for the twelve months ended December 31, 2012, due to an increase in our post-paid subscribers retention rate, which resulted in higher amounts of handset subsidies .

Other revenue

Other revenue was DOP 291 million for the twelve months ended December 31, 2013, an increase of DOP 8 million, or 2.8%, from DOP 283 million for the twelve months ended December 31, 2012 as a result of an increase in our post-paid business segment, leading to an increase in M2M revenue of 123% and other operating revenue of 62%.

Operating costs

Cost of equipment sold

Cost of equipment sold were DOP 3,259 million for the twelve months ended December 31, 2013, an increase of DOP 259 million, or 8.6% from DOP 3,000 million for the twelve months ended December 31, 2012. The increase in cost of equipment sold was mainly due to an increase in smartphone penetration as part of our retention strategy relating to our post-paid residential subscribers.

Selling, distribution and traffic costs

Selling, distribution and traffic costs were DOP 6,263 million for the twelve months ended December 31, 2013, an increase of DOP 402 million, or 6.9%, from DOP 5,861 million for the twelve months ended December 31, 2012. The increase was mainly due to an increase in commissions paid to indirect distributors for high retention rates of post-paid subscribers.

Advertising and sponsoring costs

Advertising and sponsoring costs decreased DOP 62 million, or 6.6%, from DOP 937 million for the year ended December 31, 2012 to DOP 875 million for the year ended December 31, 2013 primarily due to measures implemented by management to optimize advertising costs and communication methods.

Offices and technical sites costs

Offices and technical sites costs were DOP 623 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 10.45%, from DOP 564 million for the twelve months ended December 31, 2012. The increase in technical expenses was primarily driven by network extension (site roll-out), partially offset by some savings initiatives (notably regarding base station / antenna power savings through investment in solar panels).

Labor expenses

Labor expenses were DOP 1,234 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 5.0%, from DOP 1,175 million for the twelve months ended December 31, 2012. The increase in labor expenses was primarily attributable to an increase in average total labor cost per employee driven annual salary increases and impacted by the recruitment of more experienced employees.

Corporate fees

Corporate fees were DOP 628 million for the twelve months ended December 31, 2013 increasing from DOP 583 million, or 7.7% for the twelve months ended December 30, 2012 due to revenue growth.

Maintenance costs

Maintenance costs were DOP 329 million for the twelve months ended December 31, 2013 a decrease of DOP 3.0 million, or 0.9%, from DOP 332 million for the twelve months ended December 31, 2012. The decrease is mainly attributable to volume discounts relating to network extension.

Other costs and income

Other costs and income decreased to DOP 2,344 million for the twelve months ended December 31, 2013, a decrease of DOP 229 million, or 8.9%, from DOP 2,573 million for the twelve months ended December 31, 2012. This decrease was mainly due to (i) a reduction in the provision for legal claims from DOP 165 million in the twelve months ended December 31, 2012 to DOP 115 million for the twelve months ended December 31, 2013, due to a judgment dismissing the payment of certain costs and (ii) a decrease in withholding taxes of DOP 51 million as a result of improved negotiations with our suppliers and the Group.

Depreciation and amortization

Depreciation and amortization were DOP 3,518 million for the twelve months ended December 31, 2013, a slight increase of DOP 9 million, or 0.3%, from DOP 3,509 million for the twelve months ended December 31, 2012. The increase in depreciation and amortization was primarily attributable to the increase of network assets with improvements in network coverage, as well as the roll-out of additional 2G/3G/4G-LTE sites. Furthermore, ODO performed an inventory of its fixed assets relating to its technical sites (which account for 83% of total fixed assets) between April 2013 and December 2013 which lead to an increase of DOP 23 million in depreciation.

Operating income

As a result of the foregoing factors, our operating income was DOP 5,332 million for the twelve months ended December 31, 2013 compared to DOP 4,221 million for the twelve months ended December 31, 2012, representing an increase in operating margins by 26.3% for the twelve months ended December 31, 2013 as compared to 2.5% for the twelve months ended December 31, 2012.

Non-operating income/expense

Non-operating expenses increased to DOP 45 million for the twelve months ended December 2013, compared to non-operating income of DOP 15 million for the twelve months ended December 31, 2012. The decrease in non-operating income/expense for the twelve months ended December 31, 2013 was due to (i) DOP 76 million of bank commissions as a result of a higher volume in connections for our post paid segment (compared to DOP 71 million for the twelve months ended December 31, 2012), (ii) DOP 18 million from the twelve months ended December 31, 2013 of interest income compared to DOP 37 million for the year ended December 31, 2012 as a result of the reduction of interest rates by the Dominican Central Bank in 2013 and (iii) an increase in foreign currency exchanges which led to a decrease in gains to DOP 26 million for the twelve months ended December 31, 2013, compared to DOP 70 million for the twelve months ended December 31, 2012.

Income Tax

The following table sets forth our income tax expense for the twelve months ended December 31, 2013 as compared to the twelve months ended December 31, 2012:

	For the twelve months ended December 31,		Variation	
	2012	**2013**	**Amount**	**%**
	(in DOP million/percentages)			
Current tax expense in respect of the current year	(1,123)	(1,574)	(451)	40.2%
Deferred tax income/(expense)	333	184	(149)	(44.7)%
Total income tax	**(790)**	**(1,390)**	**(600)**	**75.9%**

Income tax increased by DOP 600 million from DOP 790 million for the twelve months ended December 31, 2012 to DOP 1,390 million for the twelve months ended December 31, 2013 primarily driven by a change in dividend credits. Dividend credits decreased from DOP 330 million for the twelve months ended December 31, 2012 to nil in the twelve months ended December 31, 2013. Such dividend credits relate mainly to the refund of dividend withholding tax which terminated with the change in certain tax regulations in the Dominican Republic in November 2012. Furthermore, the increase can be attributed to an increase in profit before tax for the twelve months ended December 31, 2013.

Liquidity and Capital Resources

Capital Resources

Our principal source of liquidity is cash flow generated from our operations.

Cash Flows

The table below sets out information related to our cash flows:

	For the twelve months ended December 31,	
	2012[(1)]	**2013**
Operating activities		
Net income	3,446	3,897
Adjustments to reconcile net profit to cash provided by operating activities		
Depreciation and amortization	3,509	3,518
Gains (losses) on disposal	1	14
Change in provisions (Litigations)	68	(87)
Change in working capital		
Income tax	(333)	(184)
Decrease (increase) in inventories, net	105	(151)
Decrease (increase) in trade receivables,	(59)	105
Decrease (increase) in other receivables,	(3)	(2,343)
Decrease (increase) in trade payables	(483)	(239)
Other changes in working capital		
Decrease (increase) in pre-paid expenses	25	(58)
Decrease (increase) in other non-current assets	(2)	0
Decrease (increase) in other non-current liabilities	8	23
Decrease (increase) in other current	47	23
Deferred income	42	(118)
Income tax paid	625	533
Net cash provided by operating activities	6,997	4,933
Investing activities		
Purchase of PPE and intangible assets	(3,637)	(3,199)
Net cash used in investing activities	(3,637)	(3,199)
Financing activities		
Dividends paid	(3,345)	(1,855)
Net cash used in financing activities	**(3,345)**	**(1,855)**
Net increase (decrease) in cash and cash	15	(121)
Cash and cash equivalents—opening	1,145	1,160
Cash and cash equivalents—closing	**1,160**	**1,039**

(1) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of netting between trade receivables and trade payables for an amount of DOP 633 million.

Twelve Months ended December 31, 2013 as compared to twelve months ended December 31, 2012

Net cash provided by operating activities

Net cash provided by operating activities for the twelve months ended December 31, 2013 was DOP 4,933 million. Our net cash provided by operating activities for the twelve months ended December 31, 2013 included net income of DOP 3,897 million and depreciation and amortization of DOP 3,518 million. Change in net working capital was negative DOP 2,628 million for this period, principally reflecting an increase in other accounts receivables of DOP 2,343 million. The account receivables significant increase is predominantly due to the cash pooling at the Orange Group's level (DOP 2,567 million in December, 2013 compared to DOP 136 million in December 2012). As per the internal accounting rules of the Orange Group, cash pooling is registered at ODO's account receivables with the group, subsequently impacting the total account receivables balance. ODO made dividend payments of USD 45 million (DOP 1,855 million with an exchange rate of DOP 41,23 = US$1.00 (as of May 24, 2013) during 2013, compared to USD 84 million (DOP 3,345 million with an exchange rate of DOP 39,82 = US$ 1.00 (at an average rate at the relevant payment dates (April, September, November 2012). We define net working capital as the sum of inventories, trade receivables, trade payables and other receivables.

Net cash used in investing activities

Net cash used in investing activities for the twelve months ended December 31, 2013 and 2012 was DOP 3,199 million and DOP 3,637 million, respectively. Net cash used in investing activities during this period principally related to our network and IT capital expenditure plans.

Net cash used in financing activities

Net cash used in financing activities for the twelve months ended December 31, 2013 and 2012 was DOP 1,855 million and DOP 3,345 million, respectively. This decrease was due to a decision by the Board of ODO to limit the dividends payment at USD 45 million (DOP 1,855 million with an exchange rate of DOP 41.23 = US$1.00 (at May, 2013) (reflecting the date of ODO's board meeting) in the second half of 2013).

Off balance sheet commitments

The following table summarizes our contractual commitments that we believe are likely to have a material effect on our current or future financial position as of December 31, 2013. The information presented in this table reflects, in part, management's estimates of the contractual maturities of our obligations, which may differ significantly from the actual maturities of these obligations:

	As of December 31, 2012		As of December 31, 2013	
	(in DOP million/percentages)			
Rental commitments[(1)]	1,975	49%	2,374	55%
Orders related to handset purchase	632	16%	405	9%
Other Open commitments	459	11%	430	10%
Open commitments	3,065	76%	3,209	74%
Capex commitments	966	24%	1,127	26%
Total off-balance sheet commitments	**4,031**	**100.0%**	**4,336**	**100.0%**

(1) Rental commitments primarily relate to rental commitments in respect of sites, premises (headquarters), shops, franchises, parking spaces and houses

Capital Expenditures and Investments

The table below shows our capital expenditures defined as additions of network, customers, IT, shops and other items for the twelve months ended December 31, 2012 and 2013:

	For the twelve months ended December 31,			
	2012		2013	
	(in DOP million / % of weight)			
Network	2,521	69.3%	2,183	68.2%
Customers	404	11.1%	229	7.2%
IT	443	12.2%	586	18.3%
Shops	98	2.7%	61	1.9%
Other (incl. GSM licenses)	171	4.7%	140	4.4%
Total capital expenditure	**3,637**	**100.0%**	**3,199**	**100.0%**
CAPEX as % of Revenue	**16.0%**		**13.1%**	

For the twelve months ended December 31, 2013, our total capital expenditure amounted to DOP 3,199 million, of which DOP 2,183 million related to our network. Most 2G capital expenditure was related to the construction of new sites (civil works, towers, antennas and base transceiver stations) to complete 2G coverage and improve network quality, while 3G and 4G capital expenditure were done to increase transmission capacity, network coverage, support data traffic growth and create competitive advantage though innovation and 4G services (notably following the rise of the data revenue stream resulting from increasing penetration of smartphones). We have also invested in new platforms, international capacity, core upgrades, and generators.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

Foreign Exchange Rate Risk Management

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments.

We are a net buyer of foreign currencies (in particular USD and euro via management and brand fees paid to the Orange Group). Our local interconnection costs are considered in both revenue and operating expenses in USD which typically limits our exposure due to a netting effect. A significant proportion of capital expenditure is denominated in foreign currency, mainly euro.

Credit Risk Management

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We believe that we have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential, and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognized net book value. Our gross trade receivables amounted to DOP 2,294 million as of December 31, 2013 and DOP 2,425 million as of December 31, 2012. We have certain provisions in place relating to bad debt, which are split between a provision for dealers and others amounting to DOP 461 million as of December 31, 2013 and DOP 488 million as of December 31, 2012. We also have provisions for our postpaid subscribers, whereby we use certain statistics relating to the outstanding amount due and ageing analysis to establish the risk, with 210 days being the threshold for categorizing outstanding trade receivables as bad debt.

Prior to the ODO Acquisition, cash was historically centralized at the Orange Group level through cash pooling.

We seek to minimize credit risk through a preventative credit check process that aims to ensure that all subscribers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk, however, the use of direct debit is generally unpopular in the Dominican Republic market.

We additionally exercise timely pre- and post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate default payment, different measures may be implemented such as requiring deposits or advance payments of or limiting to prepaid offers;

- sending payment reminders to subscribers;

- employing measures for the collection of overdue receivables, separated by strategy, portfolio and subscriber profiles (such as penalties, or reconnection letters with an option for a new contract); and

- measuring and monitoring debt collection status through our internal reporting tools.

The following table provides the ageing analysis of billed trade receivables as of December 31, 2013 and December 31, 2012 for both dealers and postpaid residential subscribers:

	Dealers and others			
	As of December 31, 2012[1]		**As of December 31, 2013**	
	(in DOP million/percentages)			
Not due or less than 30 days	779	54%	614	50%

Between 31 and 60 days	533	37%	198	16%
Between 61 and 90 days	49	3%	80	7%
More than 91 days	87	6%	325	27%
Total gross trade receivables past due	**1,448**	**100%**	**1,216**	100
Provisions for bad debt	(299)	—	(284)	—
Net receivables	**1,149**	**—**	**932**	**—**

(1) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of a netting between trade receivables and t trade payables for an amount of DOP 633 million.

	Post-paid residential subscribers			
	As of December 31, 2012		**As of December 31, 2013**	
	(in DOP million/percentages)			
Not due or less than 30 days	605	62%	825	77%
Between 31 and 60 days	116	12%	41	4%
Between 61 and 90 days	40	4%	27	2%
More than 91 days	216	22%	184	17%
Total gross trade receivables past due	**977**	**100%**	**1,078**	**100%**
Provisions for bad Debt	(189)	—	(177)	—
Net receivables	**788**	**—**	**901**	**—**

We also receive guarantees, including sureties issued by primary banks, as collateral for the obligations resulting from supplies to, and receivables from, dealers.

Due to the diverse portfolio of products and services we provide, we believe concentration of credit risk is limited.

On the dealer side, we have a certain degree of concentration offset by bank guarantees, credit limits delivered by credit insurers and the timing of payment of commissions after the activation of a new subscriber. Our assessment of bad debt provision is performed based on an individual basis. A 100% provision is recorded in the case of litigation with a supplier. As of December 31, 2013, such provision amounted to DOP 284 million.

On the postpaid residential subscriber side, concentration of credit risk relating to accounts receivable from subscribers is limited due to our high volume of customers. Provision for postpaid residential subscribers' receivables is performed based on a statistical method, where a rate is applied according to the number of days overdue.

Credit risk relating to cash and cash equivalents, financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible, we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated on our balance sheet.

Liquidity Risk

We do not have any financial liabilities, derivatives, hedging instruments or finance leases. Liquidity risk arises mostly in connection with all of our payment obligations that result from our business activities.

In general, we manage our liquidity risk by monitoring our cash flow and using a rolling liquidity reserve forecast. Nevertheless, the prime objective of our policy is to minimize risks and not to create or maximize interest earned on cash held in bank accounts. Accordingly, we transfer cash to the current account held by Orange Group, without incurring any additional costs. We have a limited policy for investments with banks, and deposits must be made in the functional currency; with foreign currency deposits made to set up a natural hedge. We manage our cash forecasting to determine a currency split of total cash in each currency in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

Critical Accounting Estimates

In preparing the financial statements, we make estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information. Consequently, such estimates made as of December 31, 2013 and 2012, may subsequently be changed.

We also use our judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

Estimate	Nature of estimate
Revenue	(i) Identification of separable components of a bundled offer based on the individual components' relative fair value. (ii) Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship. (iii) Reporting of revenue on a net versus gross basis (depending on an analysis of ODO's involvement as either principal or agent).
Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement.
Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments
Income tax	(i) Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions (ii) Assumptions used for recognition of deferred tax assets arising

INDUSTRY AND MARKET OVERVIEW

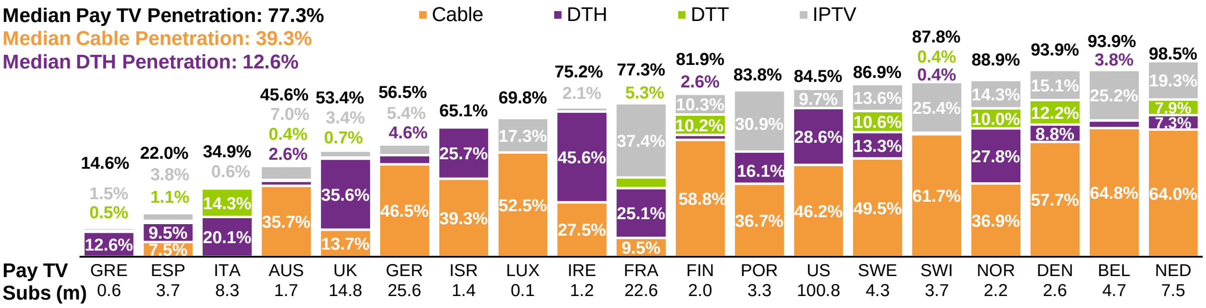
Introduction

We mainly provide cable based services comprising high quality pay television, high speed broadband Internet and fixed-line telephony to residential customers, and, in certain countries, corporate customers. Across geographies, we benefit from an attractive competitive environment given the superiority of the offering we can provide through our highly invested cable networks. This has enabled us to develop strong positions in multiple-play segments as selling various services as part of bundles has become a growing trend in the markets in which we operate (Israel, Western Europe and the French Overseas Territories).

Pay television

Cable is the leading platform to distribute pay television in Western Europe and the United States, with a few exceptions (notably France where IPTV represents approximately 37.4% of the subscriber base, or Italy where cable has never been rolled out for certain specific reasons). Competing technologies are satellite, IPTV, over-the-top television and DTT. We believe that cable has certain advantages over these technologies, notably in terms of availability of interactive features, image quality and number of channels.

2013E Pay TV Platforms—Western Europe and the US



Source: IHS Screen Digest

Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers require a satellite dish, a satellite receiver and a set-top box. Pay television services provided via satellite typically require the viewers to use a conditional access smart card. Satellite providers of free-to-air satellite services typically do not have strong relationships with the viewers using their service as they do not receive subscription or other fees from them. Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programs available to a wider geographic area, especially rural areas. However, given the lack of an integrated return path, satellite struggles to deliver easy-to-handle interactive television services, including VoD services, to subscribers who do not have a broadband Internet connection. We believe that satellite has the following additional disadvantages compared to cable: (i) the higher up-front cost of procuring and installing a satellite dish, as compared to the "plug-and-play" convenience of cable television; (ii) the lack of an on-going maintenance service, which cable network operators can offer to their subscribers and (iii) the exposure of satellite reception to external interference, such as adverse weather conditions.

DTT-based pay television packages benefit from the wide coverage of the terrestrial platform but suffer from the structurally limited number of channels available on DTT and the lack of interactive features. This explains why the success of pay DTT has so far been limited, even in geographies where free DTT is the primary television platform.

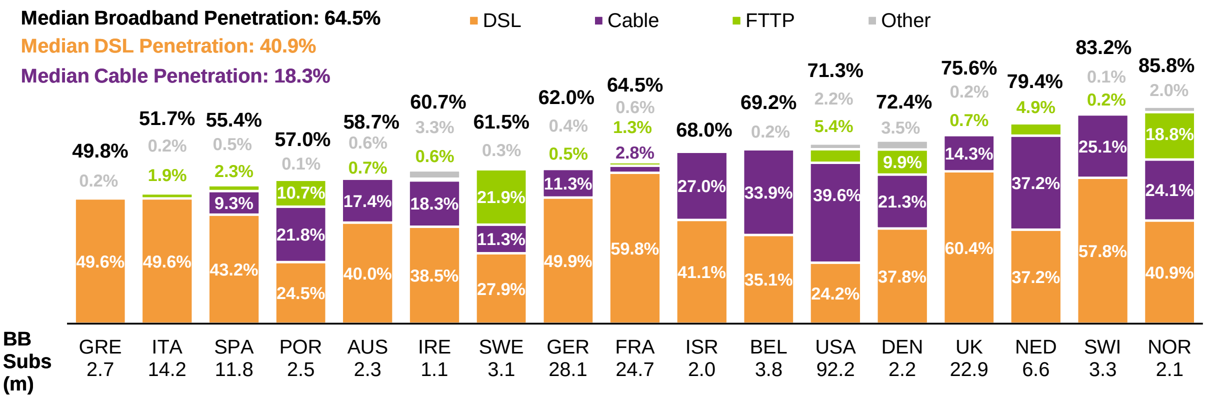
IPTV and over-the-top television typically rely on DSL networks which present a number of disadvantages compared to cable: adding television services over a DSL network strains the network and decreases the amount of capacity available for other service offerings, particularly bandwidth-intensive broadband Internet. Under currently available technology, we believe that DSL-based triple-play providers will have difficulty providing the same level of services that can be provided over fiber networks (in particular, for HDTV, viewing of TV and VoD on multiple screens, TV and VoD simultaneous viewing and recording) without making significant investments in extending fiber closer to the subscriber's home.

Services provided via cable networks are characterized by easy-to-use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Given the trend towards offering bundled media and telecommunications services, the market share of pay television distribution is expected to benefit from cable's ability to deliver triple-play services with high bandwidth, high speed and bi-directional capacity. On a standalone basis, namely without a broadband Internet connection, the number of advantages of bi-directional capabilities of digital cable television over DTH are substantial for both the users and the cable operator. Digital cable subscribers can order VoD products and use interactive television while the cable operator is able to track usage patterns and enable their customers, the television channels, to target advertising to customers more efficiently.

Broadband Internet

The main broadband Internet access technologies are DSL and cable, with DSL being the leading platform in a number of countries for historical reasons stemming from the fact that Internet access was initially provided on telephony copper networks. We believe that increasing demand for very high speed broadband Internet to cope with advanced applications (multi-screen, multimedia) requiring higher bandwidth and greater download speeds offer a sizable growth opportunity for cable-based technologies in the near term. We expect substantial growth in demand for very high speed Internet and believe that we are well positioned to benefit from this trend, given that cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint. According to IDC, demand for high-speed broadband Internet will increase 3.7 times between 2012 and 2015, a leap which we expect our networks can handle with limited additional upgrades while many DSL-based operators would need to make substantial investments in fiber to be able to match customer needs.

2013 Fixed Broadband Platforms—Western Europe and the US



Source: IHS Screen Digest

Existing DSL infrastructure offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of up to approximately 300Mbps on U.S. Docsis 3.0 and 360 Mbps on Euro Docsis 3.0. The speeds effectively provided by DSL are, for most users, lower than the headline maximum speed possible as these are driven by the distance between the end users' premises and DSL hubs. Furthermore, the maximum download speed of DSL networks has to be shared between broadband Internet and competing simultaneous users of the line such as IPTV. According to the "Quality of Broadband Services in the EU" report by the European Commission, cable is estimated to achieve 91.4% of advertised headline download speed, DSL-based services have, in certain instances, achieved only 63.3% of advertised download speed.

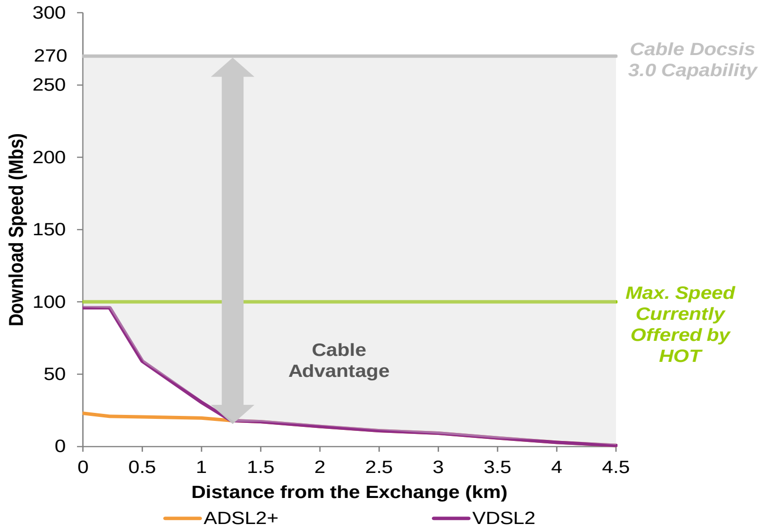
FTTH technology upgraded from DSL, which requires a direct fiber connection to the home of the user, currently offers consumers maximum speeds of 1 Gbps, with an estimated achievement of 84.4% of advertised download speeds according to the "Quality of Broadband Services in the EU" report by the European Commission. A substantial challenge facing the expansion of FTTH or FTTB is that such technology is capital and time intensive, requiring significant digging and rewiring.

Cable networks are able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. We currently offer download speeds of at least 100 Mbps to all Docsis 3.0 enabled homes passed in our footprint.

The Docsis 3.1 standard, which is being developed by CableLabs, is a new Docsis specification enabling higher spectral efficiency support of up to 10 Gbps downstream and 1 Gbps upstream speeds. Docsis 3.1 is expected to work on existing hybrid fiber-coaxial (HFC) plant and be backwardly compatible with previous Docsis standards. This double backward compatibility will allow a smooth migration strategy and no plant changes required to deploy Docsis 3.1 equipment. Furthermore, limited investment will be needed to further maximize the capacity in the future. Trials are planned for 2014 and commercially available products are expected in 2015.

VDSL2 is the latest and most advanced technology for DSL broadband Internet wireline communications. It was originally designed to support the wide deployment of triple-play services such as voice, video, data, HDTV and interactive gaming and was intended to enable operators and carriers to gradually, flexibly, and cost-efficiently upgrade existing xDSL infrastructure. VDSL2 allows the transmission of asymmetric and symmetric aggregate data rates of up to 200 Mbps downstream and upstream on twisted pairs using a bandwidth up to 30 MHz and further, allows for significantly lower signal deterioration caused by the distance between the cabinet and the customer's premises when compared to older DSL technologies.VDSL2-enabled networks could theoretically allow for up to 100 Mbps at 0.4 km, 40-50 Mbps at 0.7km and approximately 30 Mbps at 1 km.

Cable allows parallel usage of Broadcast TV and High Speed Broadband Internet



Fixed-Line Telephony

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now essentially bundled into multiple-play packages. Fixed-line services have therefore become dependent on the quality of the broadband Internet offering. Flat-rate pricing for fixed-line telephony has become the market standard.

Mobile Telephony and Mobile Broadband Internet

Consumption of mobile telephony and data services has continued to rise globally, driven by a growing penetration and a wider availability of smart phones. Mobile Internet traffic is forecasted to grow at an average rate of 66% between 2012 and 2017 according to the Cisco VNI 2013 study, mainly driven by the development of smartphone devices supporting multiple wireless technologies. As mobile Internet usage is mainly in vicinity of home or office, we believe that operators' success in the mobile telephony services business will largely rely on their ability to access a high capacity backbone with compelling mobile tower backhaul offload solutions and a strong integration of their mobile telephony offers with residential broadband-based offload capabilities to cope with increasing data consumption.

Despite this general trend, each mobile telephony market has a different structure and dynamic, depending on a variety of factors including, among other factors, the number of mobile network operators versus mobile virtual network operators, penetration of post-paid vs. pre-paid subscription, regulation, available spectrum, commercial strategies of operators such as handset subsidies. The success of mobile operators in the various markets is largely dependent on the overall environment and its competitive advantages to its competitors.

In light of the various trends and the importance of the market structure for successful mobile operations, in order to reliably take advantage of the fixed-mobile convergence, we have decided to implement a versatile mobile strategy by owning and operating a mobile network in Israel and by acquiring a mobile network in the French Overseas Territories that, in each case, we expect to benefit from synergies with our scalable cable networks in these countries, and by complementing our fixed-line products with mobile offerings through an MVNO arrangement in Belgium.

France

The French telecommunications market is the third largest in Europe, with total revenues of approximately €48 billion in 2013 (Source: IDC, ScreenDigest). While we operate in all segments of the French telecommunications market, our core focuses are on the most attractive sectors: very-high-speed fixed broadband, pay-TV, mobile and next generation B2B services. France is one of the largest fixed broadband Internet access markets in Europe, with approximately 24.9 million fixed broadband subscriptions as of December 31, 2013 (Source: ARCEP). Higher bandwidth is becoming more important to B2C and while only 10% of broadband lines in France were very high speed as of December 31, 2013 (Source: IDC), which remains low, however, compared to other European markets, the penetration rate for very-high-speed broadband (including fiber and cable connections) is expected to increase at an average annual rate of 31% between 2013 and 2017 and to reach 28% of broadband lines in France expected by 2017 (Source: IDC). In mobile, the total number of customers excluding French overseas territories has been continuously increasing, from 70 million as of December 31, 2012 to 74 million as of December 31, 2013 (Source: ARCEP), supported by the dynamism of the market in France: increasing mobile, smartphone or tablet equipment penetration rate as well as growth in quadruple-play offerings. However the mobile market has been slightly declining in value, with subscription prices under pressure, following the disruptive entrance of a fourth mobile operator at the beginning of 2012. Mobile subscription prices in France have now reached levels that are among the lowest in Europe for comparable offers (please see source data below). In the B2B telecommunications segment, data consumption has increased and data needs have become more complex, with the next generation services increasingly sought in the market requiring higher broadband speeds and bandwidth. B2B data consumption is expected to continue to grow (Source: IDC).

B2C Market

We operate in metropolitan France, which as of December 31, 2013 had a population of approximately 66 million inhabitants and approximately 29 million households (Source: IDC). As of December 31, 2013, Numericable's network passed approximately 9.9 million homes, or 35% of French homes, while SFR had a near nationwide DSL network covering approximately 23 million French households.

The French B2C broadband market is a mature market, with 24.9 million broadband connections as of December 31, 2013 (Source: ARCEP), representing approximately 87% of French households. In terms of access to very high speed broadband, defined by the ARCEP as broadband allowing for speeds above 30 Mbps, however, the French market is underpenetrated, with only approximately 8% of households having access to very high speed broadband in as of December 31, 2013 (Source: ARCEP). This level of penetration is low compared to France's neighbors; as of 2013, the rate was 58% in Belgium, 59% in the Netherlands and 24% in Western Europe, respectively (Source: IDC). We believe that such under-penetration presents an attractive growth opportunity as residential customers look increasingly for higher speed and bandwidth capacity in their Internet consumption. This opportunity is all the more attractive given that the use of cable and fiber lines in France is estimated to grow 34% per annum between 2013 and 2017 (Source: IDC).

The French fixed broadband market is one of the most competitive in Europe, with high unbundling and strong historic competitors. Orange's fixed-line network includes a local loop covering all of the French population, and unbundling provides competitors such as Bouygues Télécom and Iliad (Free) with access to it at a price regulated by a French regulatory agency. According to an April 2013 ARCEP press release, 86.3% of the French population was able to access competitive retail services due to unbundling, which makes France one of the European leaders in unbundling. All operators with significant market power must offer unbundled access to their local loop and associated facilities under non-discriminatory conditions, which increases competitive pressure in the market.

The French B2C mobile market is a mature market, although it has experienced significant changes over the past years with the entry of a fourth mobile operator in January 2012. Mobile telephony penetration in France has been increasing steadily, from a penetration rate for the total population of approximately 105% in 2011, to 112% in 2012 and 117% in 2013 (Source: ARCEP). The increase in data consumption on mobile devices has also accelerated, with consumer mobile data revenues in France rising from approximately €8.3 billion in 2011, to €9.0 billion in 2012 and to €9.4 billion in 2013 (Source: IDC). In 2013, SFR's 3G network covered more than 99% of the French population, while its 4G network covered 40% of the population.

Industry Convergence

The French B2C media and telecommunications markets have converged as customers seek to receive their media and communications services from a single provider at an attractive price. In response, providers offer television, broadband Internet, fixed-line and mobile telephony services bundled into integrated offerings. France is one of the most advanced quadruple-play markets in Europe, given the fully integrated and convergent nature of its four major operators. "Quadruple-play" offerings have been available in the French market since 2009 (Bouygues Télécom). SFR and Orange introduced quadruple-play offerings in 2010 and Numericable followed in 2011 and Free in 2012.

The size of the French B2C broadband Internet market in 2013 was approximately 4.2 billion euros (Source: IDC). We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment needs, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced. We believe that we have benefitted and should continue to benefit from opportunities to induce our existing cable television customers to purchase complementary services such as broadband Internet, telephony and digital television.

In the French market, triple-play services are provided through two major technological distribution platforms: Numericable's fiber/cable network and the DSL-based networks of Orange, Iliad and SFR. Bi-directional fiber/cable networks are particularly well suited for the provision of triple-play services with high bandwidth requirements. Because it was originally designed for the transmission of large amounts of data, Numericable's hybrid fiber coaxial network based on FTTB technology enables it to deliver high speeds irrespective of the distance to the customer. Conversely, the actual speed of DSL-based networks varies based on the distance to the local exchange, with speed decreasing as the customer's distance from the exchange increases (maximum announced speeds are for customers located less than one kilometer from the nearest local exchange). To increase and harmonize network speed, Orange has begun investing in the build-out of an FTTH network. Iliad and SFR have also begun deploying FTTH networks. As of December 31, 2013, approximately 540,000 subscribers were connected to FTTH networks (Source: ARCEP). We believe that our FTTB technology represents an advantage over the FTTH technology prioritized by many of our competitors. FTTB technology allows for fiber deployment to generally reach the boundary of our subscribers' buildings, such as the basement in a multi-dwelling unit, with the final connection to the individual living space being made via an alternative, non-optical means, typically a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows us to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. To date, FTTH technology deployment has been slow and costly in comparison to that of FTTB. On average, we incur a capital expenditure of 50 euros per plug to deploy FTTB.

As of December 31, 2013, Numericable had a market share of approximately 4% of the broadband market based on the total number of subscribers in France (Source: ARCEP) while SFR's market share was approximately 21% leading to a combined market share of SFR and Numericable of approximately 25%. As of the same date, Orange, Free (Iliad), and Bouygues Télécom reported broadband customers of 9.7 million, 5.6 million and 2.0 million, respectively (Source: company 2013 respectively).

Broadband Internet

(a) Introduction

Broadband Internet access, often shortened to "broadband," is high data rate Internet access. The International Telecommunication Union Standardization Sector recommendation I.113 has defined "broadband" as a transmission capacity that is faster than primary rate ISDN at 1.5 or 2 Mbps. France is one of the largest broadband Internet access markets in Europe, with approximately 24.9 million broadband subscriptions as of December 31, 2013 (Source: ARCEP). In terms of access to very high speed broadband, however, the French market is underpenetrated accounting for only 8% of total broadband connections as of December 31, 2013. We believe that such under-penetration is an attractive growth opportunity for it as a provider of very high speed reliable broadband Internet: as smartphones and tablets have proliferated and are used increasingly for multimedia functions, B2C customers require both higher bandwidth (to accommodate the increase in average number of screens per household) and greater download speeds (to accommodate multimedia usage).

The main broadband access technologies are DSL and fiber/cable. Analog dial-up modems, Internet access via powerline and wireless local loop technology are also available, although to a lesser extent, in France. While the current broadband penetration rate in France per number of households is in line with other European markets, the growth of broadband penetration rates tends to be faster. The broadband penetration rate, based on number of households, has increased significantly over the last five years, to approximately 87% as of December 31, 2013, compared to approximately 50% as of December 31, 2007 (Source: IDC). As of December 31, 2013, Orange, SFR, Iliad and Bouygues reported total broadband connections of 10.1 million, 5.2 million, 5.6 million and 2.0 million respectively (Source: Numericable FY 2013 reporting).

(b) Primary Distribution Platforms—DSL, Fiber and Cable

DSL is the leading broadband Internet access platform in France, with 22.4 million subscriptions as of December 31, 2013 and representing approximately 90% of the total French high speed and very high speed Internet market (Source: ARCEP). This results from several factors: the regulatory environment that has encouraged DSL competition through unbundling and regulated wholesale prices; the relatively recent consolidation of the cable industry in France and low level of cable connection (only 35% of French households); the fact that the cable network upgrade is relatively recent; and the relatively low levels of fiber deployment.

DSL currently offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of 200 Mbps. However, the speeds of such technologies in practice may be lower. Whereas cable is estimated to achieve 91.4% of advertised headline download speed, DSL-based services have, in certain instances, achieved only 63.3% of advertised download speed (Source: European Commission). In practice, DSL speeds depend on the distances between the local exchange and the home.

FTTH technology, which requires a direct fiber connection in the home of the user, currently offers consumers maximum speeds of 200 Mbps, with an estimated achievement of 84.4% of advertised download speeds (Source: European Commission). The main difference between FTTH networks and our fiber/cable (FTTB) networks is that for FTTB networks the vertical connection (in the building) to the subscriber uses the existing coaxial cable. FTTH speeds are in theory infinite, limited only by the equipment used to deliver broadband, and not by any inherent limitations in fiber cables. FTTB speeds are, however, limited by the number of users using the connection in a building, with higher numbers of users requiring fiber deployment in the building in order to continue to achieve the same high speeds as those offered by FTTH.

FTTH deployment in France has begun slowly. The installation of such technology is capital- and time-intensive, requiring significant engineering and rewiring, both horizontally to increase the number of cities covered and vertically within buildings. The French government considers FTTH to be a significant part of its long-term investment plan and in February 2013 announced a €20 billion deployment plan and goals of 50% of the population having very high speed internet access by 2017 and 100% by 2023. The government has promised €3 billion in subsidies to local authorities in connection with FTTH deployment (Source: Investissements d'avenir—développement de l'économie numérique (Future Investments—Digital Economy Development)). Several municipalities have offered subsidies to network operators that build FTTH connections. This trend is expected to continue, due to the fact that some municipalities, districts (départements) and regions, such as Hauts-de-Seine, Amiens, and Louvin, for example, have entered into public—private partnerships to stimulate such investment. As of December 31, 2013, FTTH broadband Internet subscribers stood at approximately 540,000, accounting for approximately 26% of the French very-high-speed broadband Internet market, and approximately 2.6 million homes were FTTH-connectable (Source: ARCEP). Both SFR and Iliad have signed agreements with Orange regarding deployment of fiber in France's less dense areas. In line with the conditions set forth by the ARCEP, other operators will also be able to obtain access to the infrastructure deployed by an operator, including through co-financing projects, for their own very-high-speed broadband offers. However, FTTH deployment involves a heavy investment by operators (estimated by the ARCEP at approximately € 400 to €2,000 per FTTH-connected household), as vertical deployment must be made in each target building and home. Complexities often ensue as operators must obtain the consent of (and hence work closely with) the housing associations, coop boards and/or building managers. Such complexities coupled with the financial pressure currently experienced by the Combined France Group's competitors as a result of the price war in the mobile market could delay fiber deployment in France.

VDSL2 is a conceivable intermediate, albeit partial, solution. DSL-based networks may be upgraded to VDSL2, which was authorized for use by the government in April 2013 and provides average bandwidth speeds of up to approximately 50 Mbps (Source: ARCEP). Orange has announced that it will run a beta test of VDSL for certain B2C subscribers on its network beginning in September 2013. Free (Iliad) has also announced that it would make its current offerings upgradeable to VDSL should the technology become available in a subscriber's location (which depends on whether Orange rolls it out on its local loop). Like all DSL-based technology, however, and to even greater extent than DSL, VDSL2 speed depends on the distance to the local exchange. It is estimated that for distances above one kilometer, VDSL2 bandwidth speeds will be similar to that of traditional DSL networks (Source: ARCEP). Based on this distance, ZDnet has estimated that only 16% of French households would be in a position to benefit from increased transmission speeds under VDSL2 currently and only 6% would see download speeds greater than 30Mbps. Given the expected geographic and technical coverage of VDSL2, we believe that in the zones covered by our own fiber/cable network less than 8% of DSL lines will benefit from speeds higher than what is currently provided by ADSL2+.

Fiber or cable technology is becoming an increasingly important broadband Internet access platform in France as a result of our strategy to upgrade our networks, provide new digital services to customers, leverage existing customer relationships and drive branding initiatives. As of December 31, 2013, very high speed subscribers represented approximately 10% of total broadband Internet connections, and we were the dominant player within this market (Source: ARCEP). We currently offer cable customers Internet speeds of up to 200 Mbps, and our updated network and set-top boxes have the ability to offer speeds of up to 400 Mbps with limited additional capital expenditures by us.

The following table shows the breakdown between high-speed and very-high-speed broadband services in France from 2011 to 2013 (Source: ARCEP):

	As of December 31,		
	2011	**2012**	**2013**
	(in thousands)		
Total number of high speed and very high speed subscribers on fixed lines	**22,737**	**23,975**	**24,905**
Number of high speed subscribers	**21,389**	**22,369**	**22,855**
Of which xDSL	20,984	21,981	22,450
Of which other high speed access	405	388	405
Number of very high speed subscribers	**1,348**	**1,605**	**2,050**
Of which very high speeds ≥30 and <100 Mbps	685	670	745
Of which very high speeds ≥100 mbps	466[(2)]	621[(2)]	765[(2)]

Of which FTTH	197(3)	314(3)	540(3)
Variation in the total number of high and very high speed subscribers			
Net increase in one year *(thousands)*	1,390	1,238	930
Net increase in one year (%)	6.5%	5.4%	4.0%

In the above table, our subscribers appear in the lines "of which very high speeds ≥ 30 and < 100 Mbps" and "of which very high speeds ≥ 100 mbps." As of December 31, 2013, Numericable had 1,040 thousand very high speed broadband RGUs while SFR had 197 thousand FTTH subscribers representing a combined market share of the very high speed broadband market of approximately 60%. Adding Bouygues Telecom's 363 thousand subscribers who are white label subscribers of Numericable's fiber market, our market share reached to approximately 78%. At that date, Orange reported 319 thousand very high speed broadband subscribers.

The following table presents a comparison of our monthly prices for certain triple- and quadruple-play offers and those of our competitors.

	Triple-Play	**Quadruple-Play**
Bouygues Télécom BBox Sensation Fiber	€37.90	€60.89 (1 month free + 3 months reimbursed)
Free Freebox revolution fiber (Iliad)	€37.97	€53.90
SFR Fiber	€40.99	€60.98 (€47.98 for 1 year)
Orange LiveBox Play Fiber	€42.90	€67.90
Numericable Power 4 Fiber	€44.90 (€37.90 for 1 year)	€53.90

The offers of our competitors noted above do not include CanalSat channels, which must be subscribed separately through Groupe Canal+.

In addition, alternative access technologies may be introduced in the future that could further increase competition or could lead operators to increase capital expenditure for additional upgrades. Competition, including price competition, from these alternative technologies may increase in the future.

Pay-TV

(a) Introduction

The French television market is one of the largest in Europe, with approximately 27 million television households and a combined pay television penetration rate of approximately 77% as of December 31, 2013 (expected to increase to 82% in 2017) (Source: ScreenDigest). Like in other European markets, B2C television behavior in France is increasingly focused on digital, innovative, HD, Ultra-HD, 3D-TV and interactive television services such as VOD, requiring high bandwidth and bi-directional distribution platforms.

(b) Distribution Platforms

Television signal distribution platforms in France include satellite, IP (DSL/FTTH), our cable network and terrestrial systems (i.e., DTT). Viewers who have the appropriate television equipment are able to receive the signal and view the content of approximately 25 television channels for free (i.e., without requiring a subscription) via DTT. To receive more channels, viewers must subscribe to pay-TV services. The French pay-television market is divided between basic pay-TV, which primarily consists of basic content packages (i.e., DTT channels as well as low value-added channels), and premium pay-TV, which consists of package offerings of premium sports, movies and other themed channels. Spending for pay-TV services in France is growing with total subscription fees reaching approximately €6 billion in 2011 (Source: Digiworld Yearbook 2012). While the established pay-TV operators face competition from free television (including DTT) and other pay-TV alternatives (over-the-top television and catch-up television), the competitive advantage of pay-TV (high content quality and premium services) and the loyalty of the installed customer base lead to strong pay-TV resilience (low price sensitivity and low churn rates). As of December 31, 2013, there were approximately 20.6 million subscribers to pay-TV services in France, broken down as follows: 49% IPTV, 32% satellite, 12% cable and 7% DTT (Source: ScreenDigest).

We are the second largest operator in terms of pay-TV packages after Canal+ Group; a 100% subsidiary of Vivendi. (Source: Group estimates), with approximately 1.140 million subscriptions as of December 31, 2013 representing a market share in the premium pay-TV market of approximately 15% as of December 31, 2013 (Source: WCIS). While we distribute our packages exclusively across its cable platform, Canal+ Group distributes its packages across all broadcasting platforms: DSL, DTT, satellite, as well as our cable network (in that case limited to Canal+'s own channels, known as Les Chaînes Canal+). Canal+ Group offers two complementary packages: a premium service consisting of Les Chaînes Canal+; and a multichannel themed service package known as CanalSat. These two complementary packages are available via combined or separate subscriptions. Canal+ Group has developed numerous value-added services around its packages, such as CanalPlay (on-demand television (which is not available by satellite and is therefore available on the Combined France Group's cable network)), HD and multiscreen distribution. As of December 31, 2013, there were 9.5 million subscriptions to Canal+ packages in France and French-speaking countries in Africa (Source: Vivendi 2013 results). We have negotiated agreements with content providers that enable it to bundle CanalSat packages within its own offerings; its competitors currently can only offer CanalSat packages as an additional and separately billed service as CanalSat holds the distribution rights to this content for satellite and DSL.

We primarily compete with CanalSat, whose offers have similar content (Canal+ content being exclusive to Groupe Canal+). There are several CanalSat offers, including: CanalSat Panorama (approximately 80 channels, €24.90 per month), CanalSat Cinema Series (approximately 20 channels, €19.90 per month) and an offering of both CanalSat Panorama and CanalSat Cinema Series together (€39.90 per month). There is also the Grand CanalSat offer which includes CanalSat Panorama, CanalSat Cinema Series and other options (other channels) for €58.90 per month (€64.90 per month with adult channels). The channels Foot+, beIn Sport and the VOD Pass are not included but may be added.

(i) Cable

We are the sole major cable operator in France. There are also small regional cable operators that collectively represent less than 1% of the French cable networks in terms of total homes passed. Cable network operators generate revenues principally from subscription fees paid by customers for the services provided. We believe that the direct access we have to customers allows us to serve them better, as we can identify and fulfill their demands for specific products and services more easily and on a local basis. Services provided via cable networks are characterized by easy-to-use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Cable television subscribers are able to access customer services provided by the cable provider on demand. Cable also offers subscribers a high quality service, including excellent picture quality, multiple HD channels, 3D compatibility and VOD offerings.

Given the trend towards offering bundled media and telecommunications services, the market share of cable television distribution is expected to benefit from cable's ability to deliver triple-play services with high bandwidth, high speed and bi-directional capacity.

(ii) Satellite

Satellite plays a substantial role in the French television market, especially among premium products. Satellite subscribers can receive "free-to-air" or pay satellite television. Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers need a satellite dish, a satellite receiver and a set-top box. They also require a smart card for subscription-based and premium television services distributed via satellite. Satellite providers of free-to-air services do not have any relationships with viewers and therefore do not receive any subscription or other fees from them.

Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programs available in a wider geographic area, especially rural areas. Conversely, satellite is less widely available in urban areas due to restrictions on the installation of satellite dishes. In addition, current equipment technology is not equipped for interactive televisions services, such as VOD, via satellite. In addition, while satellite operators can team up with providers of broadband Internet and fixed-line telephony services, they are unable to directly supply all the products in a triple-play bundle, putting them at a significant disadvantage as compared to cable or DSL operators who are able to provide all three services through their networks. We believe that satellite has the following additional disadvantages compared to cable: (i) higher up-front cost of procuring and installing a satellite dish, as compared to the "plug-and-play" convenience of cable; (ii) the lack of a regular maintenance service, which cable network operators offer to their subscribers; and (iii) the vulnerability of satellite reception to external interference, such as adverse weather conditions.

(iii) DSL

Following the Transactions, the Numericable Group will be addressing the Pay-TV Market through both Numericable's cable and fiber based offers and SFR's DSL-based offers.

Our triple- and quadruple-play offerings on Numericable's cable and fiber network compete mainly with the DSL-based offerings of Orange, Free (Iliad) and Bouygues which currently provide television services to customers connected to the Combined France Group's network utilizing DSL broadband Internet connections, and with CanalSat, which delivers premium television packages through the networks of Orange, Free (Iliad), SFR and Bouygues Télécom. Orange, Free and Bouygues Télécom currently have high market shares in the high speed broadband market in France and have a broad potential customer base (covering, in the case of Orange, its local loop and, in the case of Free, the portion of Orange's local loop that has been unbundled), we believe that the superiority of its technology in terms of quality, reliability and variety of content will allow it to challenge their positions in coming years in the areas where we have deployed our fiber/cable network. See "—*The Group's Network*." Following the Transaction, we will also be able to compete with these DSL offers using SFR's close to nationwide DSL coverage of the French territory. We believe that DSL-based television presents a disadvantage compared to cable: adding television services over a DSL network strains the network and decreases the amount of spectrum bandwidth available for other service offerings, particularly bandwidth-intensive broadband. Under currently available technology, we believe that DSL-based triple-play providers such as Orange and Free (Iliad) will have difficulty providing the same level of services that can be provided over fiber/cable networks (in particular, viewing of multiple TV/VOD on multiple screens; TV/VOD simultaneous viewing and recording) without making significant investments in extending fiber closer to the subscriber's home. In addition, Orange, Free and Bouygues Télécom customers must subscribe separately to premium channels, such as CanalSat, while these are included in certain of our bundled packages.

(iv) Pay DTT

Our cable television services also compete with DTT providers such as Canal+ Group. Approximately 16% of all digital television B2C subscribers in France obtain their service through DTT networks (both free and pay DTT) as of December 31, 2013 (Source: ScreenDigest). DTT currently offers only a limited number of channels (primarily free television channels) and does not offer any interactive television services, but the image quality provided is good.

(v) Other Emerging Technologies

We face increasing competition from alternative methods of distributing television services other than through traditional cable networks. For example, websites and online aggregators of content that deliver broadcasts "over-the-top" (OTT) of an existing broadband network, such as Amazon and Apple, have already emerged as competitors and are expected to become increasingly significant competitors in the future. OTT refers to broadband delivery of video and audio content without the internet access provider being involved in the control or distribution of the content itself (limiting its role to IP transfer), in contrast with purchase of video or audio content from an Internet provider, such as VOD or an IPTV video service. Outside of France, OTT is popular; for example, in the United States, Netflix and Hulu provide OTT content. The full extent to which these alternative technologies will compete effectively with our cable television system in France is not yet known. Such providers or other web content providers could begin to promote offerings in France and place significant competitive pressure on the French market. However, such technologies may also contribute to demand for the Combined France Group's very high speed Broadband Internet access.

Fixed Telephony

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now essentially bundled into multi-play packages. Fixed-line services have therefore become dependent on a quality broadband offering. Flat-rate pricing for fixed line telephony has become the market standard.

The market for B2C telephony in France also faces pressure from alternative carriers, declining mobile phone charges and interconnection rates, as well as alternative access technologies and other methods of Internet telephony offered via broadband Internet connections. We expect increasing competition, including price competition, in the future.

Mobile Telephony

France is one of the largest mobile markets in Europe with total market revenues of approximately 20.6 billion euros in 2013 (Source: IDC). As of December 31, 2013, there were 74.0 million total mobile customers in France, compared to 70.5 million as of December 31, 2012, representing a 117% penetration rate of the French population (Source: ARCEP), a figure that has been steadily increasing in recent years. As a comparison, in 2012, mobile penetration of the population was 113%, 117%, 132% and 142% in Spain, the United Kingdom, Germany and Italy, respectively (Source: GSMA Mobile Economy Europe). The historically low mobile penetration, coupled with the decrease in market prices, has resulted in significant growth in mobile subscriptions. This growth is mostly driven by the subscription contract segment, which grew by approximately 8% in volume in 2013 with the prepaid contract segment declining by −16% over the same period (Source: ARCEP). The increase in the subscription contract segment and decrease in the prepaid contract segment is mainly attributable to operators transferring subscribers to potentially higher monthly bills with Internet access and by the launch of very low-cost subscription offers by French operators following the entry of Free in the mobile market in January 2012.

(a) Market segmentation

Historically, there were only three mobile network operators in France: Orange, SFR and Bouygues Télécom. Iliad was awarded the fourth mobile license in 2009 and it launched a mobile telephony service in January 2012 under the Free brand. Free's entry has disrupted the market, with competition intensifying due to Free's aggressive pricing strategy. Before the entry of Free, most of the post-paid contracts were based on limited usage (e.g., 4 hours of voice) and subsidized handsets. Free widely introduced "No-frills" packages with no handsets and limited outsourced services but providing unlimited voice and data package (3G) at a very low cost (€ 19.99/month for its key offer). Other competitors have also introduced low-cost brands such as B&You (Bouygues Télécom) and Sosh (Orange). SFR also adapted its strategy by launching its low-cost brand 'SFR RED'. Free rapidly gained market share, reaching approximately 8 million mobile customers as of December 31, 2013, less than two years after its commercial launch. This market share gain has been driven by growth of the overall market in volume and by market share gains from Orange, SFR and Bouygues.

The French mobile market is also characterized by a high share of postpaid customers. Postpaid customers represented 71% of the French mobile market (excluding French overseas territories) as of December 31, 2013, compared to 69% as of December 31, 2012 (Source: ARCEP). In comparison, the share of postpaid customers in Spain, the United Kingdom, Germany and Italy was 67%, 54%, 47% and 21%, respectively in 2012 (Source: GSMA Mobile Economy Europe). This is mostly due to the substitution of prepaid offers with low-cost postpaid offers, at attractive and low prices (e.g. €2 per month) and a small number of hours of communications (e.g. 2 hours of voice) and no Internet.

In recent years, MVNOs such as Virgin Mobile, NRJ Mobile and Numericable have also used the networks of mobile operators to sell their own branded mobile products. The migration of clients to MVNOs appears to have stabilized, with MVNOs representing a combined market share of 11% of the mobile market in France as of December 31, 2013 (Source: ARCEP).

At December 31, 2013, Orange, SFR, Bouygues and Iliad (Free) reported total mobile customers of 27.0 million, 21.4 million, 11.1 million and 8.0 million, respectively (Source: Companies FY 2013 Reporting), while the total number of MVNO customers in the market reached 7.8 million (Source: ARCEP).

(b) Pricing dynamics

In recent years, the increase in competition in the French mobile market has resulted in lower market prices. Consequently, the average market ARPU per month has declined by approximately 30% since 2011, driven mainly by migration of some post-paid subscribers to no frills offers. Following this drop, mobile prices in France are among the lowest in Europe. France currently has the lowest mobile prices for comparable offers among major operators including low-cost products, including unlimited calls, unlimited SMS/MMS, Internet 1, 2 or 3 Go, no subsidy, in each country (KPN, Vodafone in the Netherlands; Orange and Play in Poland; Proximus 5GB offer, Base and Mobistar in Belgium; Swisscom, Sunrise and Orange in Switzerland; Movistar, Orange and Vodafone in Spain; Tim and Vodafone in Italy; T-Mobile, Vodafone and O2 in Germany; O2, Vodafone and EE in the United Kingdom); for France Red, Sosh, B&You and Free offers at 19.99€. The mobile prices in France are particularly low when compared to the low density of population in France, requiring significant investments to meet nationwide geographical coverage. France has 52 households per square kilometer compared to respectively 114,114,153,179 and 85 households per square kilometer for the United Kingdom, Germany, Belgium, the Netherlands and Italy, providing a disconnect between pricing levels and the investments required to roll-out capex intensive networks.

(c) 4G / LTE

The French market has historically lagged behind other European markets in terms of mobile data consumption. Despite the high concentration of postpaid users, historically the market has been slower to embrace data services. Recently, this trend has changed as operators start to launch aggressive 4G mobile offers.

Free was the first operator to introduce 4G at no additional charge in December 2013. However, Free did not proceed with any price cuts as it did for its 3G offers. Free (Iliad) currently has limited capability to deliver 4G on a nationwide basis, given it has no spectrum in the 800 Mhz band. Other operators in the market have aligned their 4G prices with Free's, with all MNOs, including SFR, now offering similar all-inclusive 4G packages at the €20 per month starting price point.

(d) Mobile Termination Rates

Mobile termination rates ("MTRs") have been reduced by regulators across Europe. In France, ARCEP announced in 2011 it was going to further reduce mobile termination rates (symmetrically for the main operators, Free was not included as it had yet to launch commercial operations). At the end of June 2011, Orange and SFR were charging €0.03 per minute while Bouygues was charging €0.034. The new regulation required operators to reduce the rate to €0.02

per minute from 1st July 2011, €0.015 from 1st January 2012, €0.01 on 1st July 2012 and finally to €0.008 from 1st January 2013. As a result, France has the lowest MTRs in Europe with limited room for further MTR reductions; as a comparison, the average MTR in Europe is €0.0258 (Source: Body of European Regulators for Electronic Communications).

(e) Mobile spectrum and network coverage

Generally, spectrum licenses in France are generally for a period of 20 years and operators can only use the technology designated in the licence on each spectrum band. This limitation prevents Free (Iliad) from offering competitive 4G service on a nationwide basis, as it is only able to use its 2.6GHz spectrum for 4G. Other operators, including SFR, have very similar positions across the spectrum bands, allowing them to compete effectively with each other across all technologies. The most recent spectrum auctions in France were the 800MHz auction in December 2011 and the 2.6GHz auction in September 2011.

B2B Market

Following the liberalization of the French telecommunications market in 1996 a large number of telecommunications operators entered the B2B market segment, offering fixed-line telephony services, fixed-line Internet access, data access links and, more recently, cloud computing. Over the last few years, industry-wide consolidation has drastically reduced the number of competitors in these segments. The medium-sized and large B2B market is highly competitive, with key market participants being Orange, SFR and Completel. The same participants and some smaller players such as Colt and Bouygues Télécom compete mainly on the medium-sized business segment. The market for small businesses is dominated by the historical operator, Orange.

The expectations of B2B customers differ from those of B2C customers, in particular with respect to the need for reliable and symmetrical bandwidth speeds (i.e., high speeds for both downloading and uploading). B2B customers require service to be extremely reliable and to be re-established within short timeframes if there is any disruption (failing which financial penalties typically apply). B2B customers also generally require symmetrical bandwidth speeds, while B2C customers are usually satisfied with asymmetrical speeds providing higher downloading speeds and slower uploading speeds. B2B customers also require higher security and are in a position to impose monetary and other penalties on providers for failure to meet contractual requirements. These requirements have an impact on the technological solutions offered to B2B customers and support higher prices in the B2B segment.

We expect next generation services and data consumption to increase (chart does not include mobile segment data):

CAGR: compound annual growth rate.

Voice

The B2B segment for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (one year) contracts. The ability to compete effectively is partially a function of network capillarity, and certain of our competitors have a more extensive and denser network.

In recent years, the B2B market has experienced a structural shift to VoIP services from traditional switched voice services.

Data

In the B2B segment for data services, the capacity to transport high amounts of data and access to the latest technologies are very important to customers. In the data market, consumption has increased significantly and customers currently often seek combined infrastructure and software solutions.

Price pressure is high in this competitive market. Conversely, data consumption has increased significantly. We expect a continued increase in B2B demand for data services and bandwidth due in particular to the following factors:

- the convergence of voice and data services, such as VoIP, which results in increased demand for resilient network solutions;
- the centralization of IT hardware of multisite enterprises, including servers into one single location per enterprise, which increases connectivity needs of the peripheral sites of such enterprises;
- the emergence of new business applications, such as videoconference;
- larger corporates' demand for faster access, increased virtualization, data centers and increased security services;
- increasing digitalization at public administrations;
- increased use by medium-sized companies of complex data products, such as cloud computing; and
- increased use by businesses of internal wireless networks.

Customers are currently seeking maximum optimization and rationalization of their needs through the use of data centers. Large corporates tend to seek dedicated network solutions in order to control their service chain from end to end and often have their own infrastructure. Medium sized corporates are more likely to seek “infrastructure as a service” (IaaS/cloud) solutions for their data availability, storage and security needs. “Infrastructure as a service” can now provide such corporates with data storage and backup solutions that would otherwise be too expensive. While medium-sized corporates expect providers to provide tailored and secured infrastructure up to the “middleware” level, small corporates tend to prefer a packaged solution such as “software as a service.” We now compete with software and other IT providers of data and network solutions, and the frontier between them and providers of infrastructure and data solutions such as us is increasingly blurred. Partnerships between IT and infrastructure providers are increasingly common and are another source of competition.

Customers

The B2B segment is also defined by the different needs of customers, which vary depending on the size of the company. Large corporates are sophisticated and highly price-sensitive customers. Speed, capacity, security and reliability are also very important to these customers. They tend to unbundle services and put them out to tender frequently. Smaller companies are more apt to bundle and place a premium on provider proximity.

We estimate that the size of the large corporates market (those with more than 1,000 employees), medium-sized companies (between 20 and 1,000 employees) and SOHOs in 2012 was, respectively, €3.1 billion, € 3.4 billion and €0.7 billion. It believes that the French large corporates market includes approximately 1,900 entities, approximately 155,000 sites (approximately 80 sites per large corporate), and a monthly average value per contract of approximately €130,000. We believe that the French midmarket includes approximately 290,000 entities, approximately 507,000 sites (less than 2 sites per medium-sized company), and a monthly average value per contract of approximately €1,200.

In 2013, SFR entered into exclusive negotiations to acquire B2B operator Telindus, with the objective to enhance its capabilities as provider of next generation B2B services in France.

Wholesale Market

The wholesale telecommunications market comprises three sectors: wholesale voice carrier services, wholesale data carrier services and wholesale dark infrastructure services. The wholesale voice carrier services segment includes fixed and mobile termination and interconnection services for operators with no or limited switched voice network capillarity. The wholesale data carrier services segment includes transporting data for operators with no or limited data network capillarity. The new wholesale dark infrastructure market is developing, based on the selling of fiber connections without any related voice or data services. This business is growing in connection with the roll-out of FTTH and 4G and involves principally horizontal fiber links and backhauling.

In France, the wholesale telecommunications market is dominated by Orange and SFR with their market shares varying by segment. SFR has a strong presence in the voice wholesale segment. In the data wholesale segment, Orange dominates, with local operators playing a significant role. In the fiber wholesale segment, Orange is the clear leader with a market share of approximately 70% as of December 31, 2012 (Source: Combined France Group estimate).

- *Voice.* The wholesale market for voice services is highly volatile. Operators generally seek tenders each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators with respect to voice services. Competition is therefore based primarily on price and network capillarity, as well as on operators’ flexibility and ability to offer tailored solutions. Pricing in the voice wholesale segment is generally “cost plus,” with the interconnection cost set by the ARCEP. Regulated interconnection costs have decreased as the telecommunications industry has matured. In addition, this segment has been significantly affected by the development of full MVNO agreements between network and virtual operators. These agreements have affected the flow of traffic and led to an increase in fixed to mobile volumes, which generate higher wholesale prices. In particular, Free’s arrival in the mobile market in January 2012 has led to a significant increase in mobile to fixed and mobile to mobile volumes.

- *Data.* The wholesale market for data services is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement.

- *Fiber Infrastructure.* The wholesale market for dark fiber infrastructure is more open than the wholesale voice and data carrier, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e., they rent out the fiber to telecommunications operators).

Growth in the wholesale market is driven by growth in demand for network capacity, which has increased significantly in recent years.

Another trend in the French market is the development of public/private partnerships between local authorities and infrastructure players for the installation or upgrade of FTTB networks or the deployment of FTTH/FTTO vertical networks. We have already been and hope to be selected as the entity in charge of building certain new networks or in charge of upgrading existing networks. See "*—The Numericable Group's Business Lines—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*."

Operators and consortiums of operators and construction companies have also started deploying FTTH vertical fiber networks in apartment buildings in order to lease the use of such networks to other telecommunications operators as "building operators" (*opérateurs d'immeubles*), including through public/private partnerships with local authorities. We operate in this area based on its bulk business relationships, as it is a way to retain and build customer relationships.

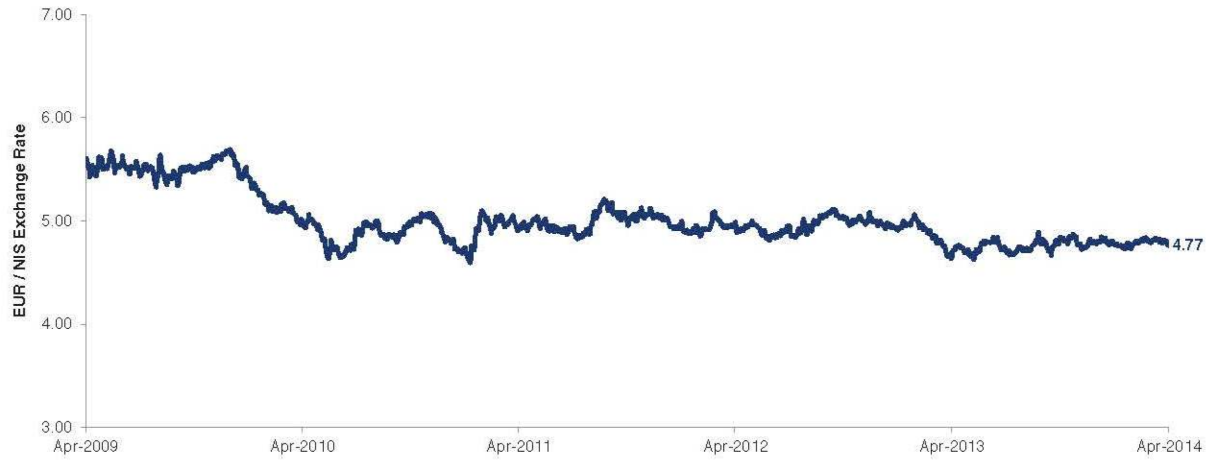
Israel

Macroeconomic Overview

We operate a significant portion of our business in Israel, which had a population of approximately 8.2 million and approximately 2.2 million households. According to the IMF, between 2009 and 2012, the population of Israel grew at an average rate of 2.2% per annum and is expected to continue to grow at an average rate of 2.2% per annum from 2012 to 2016, thus providing a natural floor to expansion in the number of inhabitants and households, the target market for our cable based and mobile services.

Israel has a developed market economy. In 2010, Israel joined the Organization for Economic Co-operation and Development ("OECD") and in 2012 had a GDP per capita (based on purchasing power parity) of €32,312, compared to other European countries such as €39,028 for Germany, €35,548 for France and €36,941 for the UK, according to the IMF. Since 1991, Israeli real GDP has grown at a rate of 4.4%. This compares favorably as against the average real GDP growth rate in other European countries such as 1.3% for Germany, 1.5% for France and 2.3% for UK and of 2.6% in the U.S. in the same period. During this period, Israel faced a decline in real GDP for only two years, in 2001 and 2002. Since the beginning of the global economic slowdown in 2007, the Israeli economy has witnessed a high level of resilience: Israeli real GDP has grown at an average rate of 3.6%. Israel maintains a sovereign A+ and A1 rating from S&P and Moody's, respectively. Israel's real GDP is expected to grow at an average rate of 3.6% per annum from 2012 to 2016 versus an average of 1.5% for the UK and 1.0% for France according to the IMF. Israel also enjoys high levels of literacy, life expectancy and disposable income as attested by it being ranked at 16 on the Human Development Index ("HDI"), ahead of countries such as Belgium, France and Austria. Israel's economy is diversified and competitive on an international platform with a significant level of exports focused around high-technology equipment, cut diamonds and agricultural products. Israel usually posts sizable trade deficits, as it imports crude oil, grains, raw materials, and military equipment, predominately offset by tourism and other service exports, as well as significant foreign investment inflows, which contribute to the balance of payments, and a relatively stable currency.

Evolution of the EUR / NIS Exchange Rate over the last 5 Years



Source: Datastream

Industry Convergence

The Israeli media and telecommunications markets have, over the past several years, slowly been converging as customers were inclined to subscribe to their media and telecommunications services from a single provider. Israel currently has relatively high estimated penetration rates for pay television, broadband Internet infrastructure access and mobile telephony of 65%, 68% and 126%, respectively, according to IHS Screen Digest, which compares favorably against Western Europe. This environment fosters a market for packaged offerings or "multiple play", whereby television, broadband Internet infrastructure access and fixed-line telephony services are bundled into integrated offerings referred to as "dual-play" or "double-play" (two services provided together), or "triple-play" (three services provided together). When mobile telephony subscriptions are added to "triple play" packages, these are known as "quad-play" or "quadruple play" packages, but currently such packages are prohibited by law in Israel under certain operators' licenses, including ours.

Side by Side Comparison of Bundles in Israel

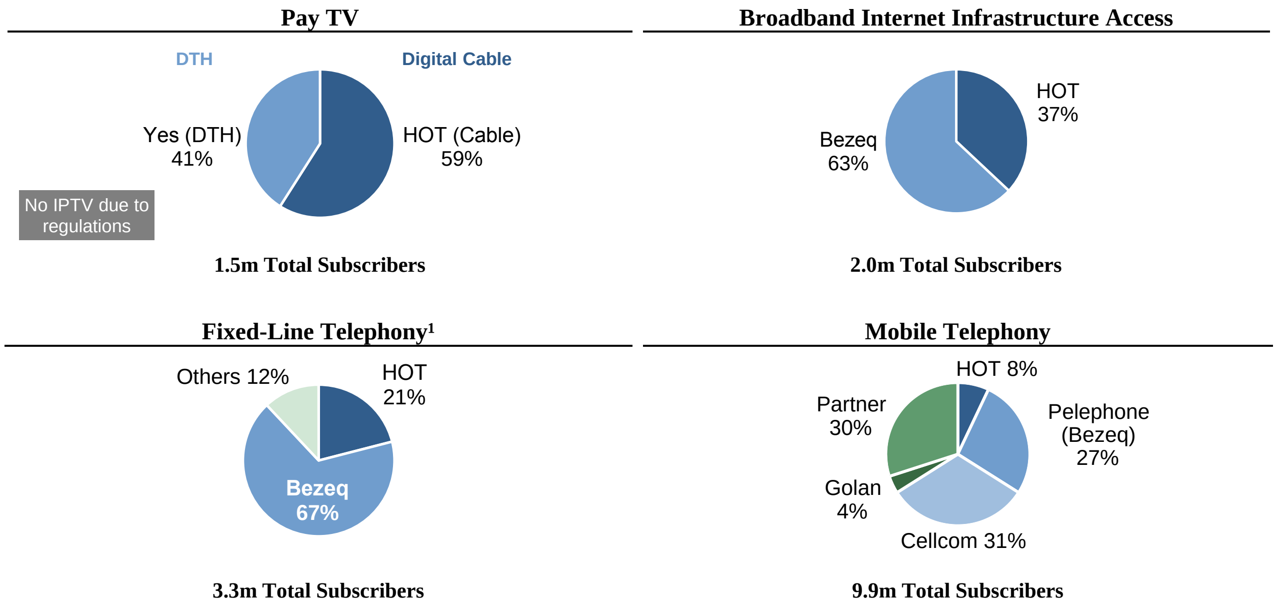
Offer	HOT (Cable)	Bezeq (xDSL / DTH)	DTT
Bundling	✓ Triple play	× No triple play packages allowed	× No multiple play
	✓ Mobile offered separately	✓ Mobile offered separately	

The only operator currently offering triple-play packages including pay television, broadband Internet infrastructure access and fixed-line telephony in Israel is HOT, with approximately 40% of its Cable Customer Relationships subscribing to its triple-play offerings, as of December 31, 2013. While convergence has occurred at a relatively fast pace in a number of Western European markets, notably in France and in the UK, a series of regulations, notably those affecting the integrated telecommunications operator Bezeq's ability to bundle products, have historically prevented such convergence to occur en masse in Israel, and still are a significant impediment to a broader convergence. On March 26, 2014 the Israeli Anti-Trust Commissioner approved the merger between Bezeq and YES and we forsee that following such decision, Bezeq will begin to offer triple-play in the near future. We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment requirements, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced.

Competitive Overview

Below is an overview of HOT's main competitors in Israel

Cable-based Services Market Shares by Subscribers in Israel (2013)



Source: Company filings

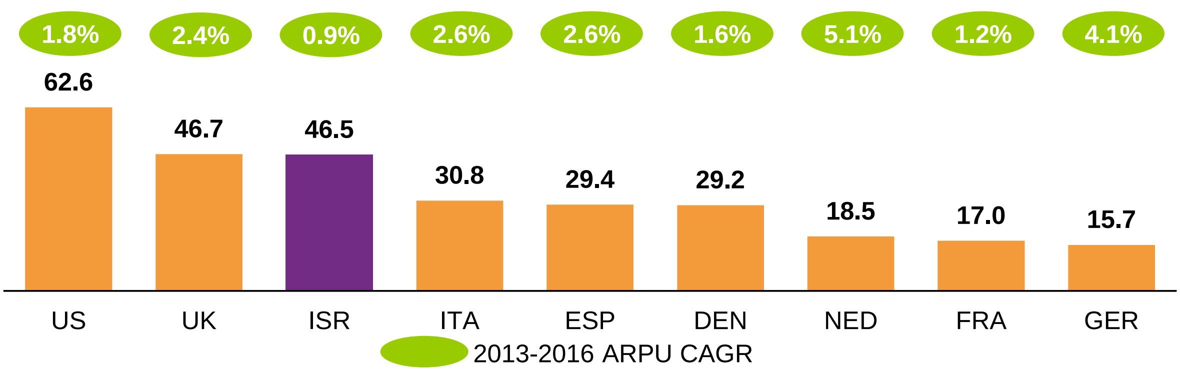
(1) Others include Netvision, Partner/Smile and others, all with relatively small market shares

1.1. Pay Television

Introduction

Israel's primary television platforms are dominated by pay television with relatively limited penetration of free platforms such as terrestrial television or free DTH. As a result of the free to air platforms being relatively unattractive given access to only 6 channels offered by DTT and limited local content for free DTH, Israel's pay television market currently has an estimated penetration level of approximately 65% compared to 56%, 77%, 82% and 84% in Western European peers Germany, France, Finland and Portugal respectively according to IHS Screen Digest. The Israeli pay television market has been stable by the number of subscribers since 2009 at approximately 1.5 million subscribers. Similar to Western European markets, television consumer behavior in Israel is currently focused on digital, innovative, HDTV and interactive television services such as VoD and "start over".

Israel Pay TV ARPUs vs. Peer Countries



Most Israeli households subscribe to pay television packages via cable or satellite, mostly digital, provided by HOT and YES, an associate of Bezeq, respectively. Free DTT service started in 2009 but has achieved a limited primary penetration of TV households of approximately 13% based on IHS Screen Digest's current reports, although we believe these numbers include numerous Haredi or ultra orthodox Jewish households who do not watch television. The established pay television operators face competition from free television (including DTT) and alternative ways of accessing television channels (such as "over-the-top" ("OTT") television), the competitive advantage of pay television via cable or DTH (reliability, image quality, diversified international and local language content and the ability to offer advanced interactive services among others) and the loyalty of the existing customer base lead to the pay television industry having relatively stable subscription revenues when compared to other countries where competition from other platforms is more prevalent. As of December 31, 2013, the Israeli pay television market had 1.5 million subscribers, 59% of which accessing through cable (HOT) and 41% through satellite (YES).

The penetration of pay television could increase in the coming years as cheaper packages with fewer channels have been recently introduced by HOT and YES.

Offer	HOT (Cable)	Bezeq (xDSL/DTH)	DTT
Television	✓ 78 Basic TV channels / 20 HDTV channels / 67 Premium TV / 13 Interactive channels ✓ Standalone VoD ✓ A la carte / "TV Everywhere" second screen ✓ Startover function ✓ Latest generation set-top-box being introduced in 2014 ("LaBox")	✓ 45 Basic TV channels / 19 HDTV channels / 50 Premium TV ✓ Pay Per View × No standalone VoD (without internet) × No startover function	✓ 6 Basic channels × No VoD × No foreign language channels × No premium content
Internet	✓ Up to 100Mbs download speed advertised ✓ Up to 2Mbs upload speeds ✓ Effective speed advertised is typically achieved	✓ Up to 60-100Mbs download speed advertised ✓ Up to 1Mbs upload speeds × Effective speed advertised based on an 'Up to Basis'	× No internet
Telephony	✓ Digital telephony	✓ Digital telephony	× No telephony
Bundling	✓ Triple play ✓ Mobile offered separately	× No triple play packages allowed ✓ Mobile offered separately	× No multiple play

Source: Company information and Bezeq website

Cable

HOT is the sole cable operator in Israel with a network covering nearly all Israeli homes—a unique situation in OECD countries-and generates revenues principally from subscription fees paid by customers for the services provided. HOT co-develops and co-owns a number of popular shows, movies and series. It offers a number of proprietary channels as part of its packages giving them a competitive advantage. Cable's share of the pay television market has remained relatively stable over the last three years at approximately 60% with total pay TV subscribers also remaining relatively stable.

Satellite

Satellite television is the main alternative to cable television in Israel. Television viewers can receive "free-to-air" or paid satellite television, which is offered by YES. Satellite's share of the pay television market has remained relatively stable over the last three years at approximately 40%. The ARPU generated by satellite television customers has historically expanded at a slower pace than cable ARPU, with forecasts showing some compression for 2013, while cable ARPU is expected to expand, according to IHS Screen Digest, based upon on the digitalization and the emergence of a broader offering of channels and additional services.

DTT

Subscribers are also able to receive television services through DTT, an alternative way of watching certain television channels. Current penetration rates of DTT are low due to several reasons: (i) DTT currently offers access to six channels only, (ii) there is no access to premium or thematic content, such as sports, movies or children's programming, (iii) DTT has no interactive functionalities such as VoD or “start over”, (iv) DTT has limited capacity to transfer significant number of channels simultaneously and (v) the quality of its transmission can be affected by weather. DTT could become more attractive in the future as a total of two multiplexers (MUXes) allowing for 18 channels have recently been approved by the Israeli government and are being rolled out. The Ministry of Communications expects that in 2014 the DTT platform will offer 18 channels, up from six, for free. The expanded service will use three multiplexes up from the current one. However, we believe that cable television will maintain its advantage over DTT as the increase in the number of channels does not fundamentally address some of the key customer requirements such as interactivity and ability to choose individualized content packages, and DTT channels have struggled to be successful without the revenue generated by customer subscription charges.

Other Emerging Technologies

We face a growing but limited competition from other technologies in Israel when compared to the European markets. Our incumbent competitor is currently lobbying to offer IPTV which is currently prohibited by law. Other players, such as websites and online aggregators of content that deliver broadcasts “over- the-top” of existing broadband Internet networks may become significant competitors in the future. The full extent to which these alternative technologies will compete effectively with our cable television system is not yet known; however we believe that the international IPTV market will have difficulty impacting the Israeli multichannel TV market due to various reasons, including the (i) availability of certain local language content available through cable or satellite only, (ii) quality of the signal on certain DSL-enabled connections located far from exchanges, (iii) inability to access HDTV content on most DSL connections during peak times and (iv) ability of cable operators to bundle pay television with other fixed-line products.

1.2. Broadband Internet

Introduction

Israel is a mid-sized broadband Internet market based on penetration compared to the large Western European or North American peer countries, with approximately 2.0 million broadband Internet subscriptions (residential and business) as of September 30, 2013. The current broadband Internet penetration rate in Israel (being the number of broadband Internet subscriptions per 100 households in Israel) is above the Western European average of 63%. The broadband Internet penetration rate in Israel is 68% according to IHS Screen Digest, compared to 65% as of December 31, 2009. This level is above the Western Europe average of 66% and the level observed in Italy (52%), Portugal (57%), and Germany (62%).

Broadband Internet in Israel is uniquely structured as households wishing to subscribe to broadband Internet are required to purchase an Internet access service from a licensed Internet Service Provider (“ISP”) and a broadband Internet infrastructure access service from HOT or Bezeq, the only telecommunication operators which own a nationwide physical fixed-line infrastructure.

Side by Side Comparison of Cable-based Services Offerings in Israel

HOT (Cable)		Bezeq (xDSL / DTH)		DTT	
✓	Up to 100Mb/s download speed advertised	✓	Up to 60-100Mb/s download speed advertised	**x**	No Internet
✓	Up to 2Mb/s upload speeds	✓	Up to 1Mb/s upload speeds		
✓	Effective speed advertised is typically achieved	**x**	Effective speed advertised based on an ‘Up to Basis’		

Broadband Internet Infrastructure Access

Currently HOT and Bezeq are the only fixed infrastructure owners nationwide. HOT uses cable, while Bezeq’s network is mainly composed of DSL technology, although it is currently also building out a fiber network. Growth in the Israel broadband Internet infrastructure access market has been driven by (i) the number of subscribers to broadband Internet infrastructure access increasing steadily from 1.8 million in 2010 to 2.0 million in 2013, and (ii) a significant growth in broadband Internet ARPUs.

Bezeq, through DSL, is the leading broadband Internet infrastructure access provider in Israel, with 1.3 million subscriptions as of September 30, 2013 including business and residential customers. Based on our estimates, HOT and Bezeq have approximately 50% market share when business customers (which HOT does not address) are excluded. Including business customers, Bezeq represents approximately 63% of the total broadband Internet infrastructure access market by total number of subscribers as of December 31, 2013, which has remained relatively stable over the last three years.

Based on the company's public filings, Bezeq is currently rolling out a Fiber- to-the-Cabinet (FTTC) infrastructure and provides advanced network services such as Next Generation Network, an advanced communication network covering over 98% of Israeli households.

On August 29, 2012, Bezeq announced it has decided to broaden the deployment of the optical fibers so that they will arrive as close as possible to the customers through Fiber-to-the-Home (FTTH) or Fiber- to-the-Building (FTTB), to form the basis for the future supply of advanced communication services and with greater bandwidth than currently provided. In August 2013, Bezeq announced it had deployed FTTH to 200,000 households and businesses in Israel and that it was planning to reach more than 400,000 homes and businesses with fiber by the end of 2013.

Our ability to offer the highest speeds in Israel on a large scale allows our customers to connect several devices (such as computers, tablets and smartphones (via Wi-Fi connection)) simultaneously without impairing the quality of television signals or the speed and quality of the Internet connections. We believe that this differentiates us from our nearest competitors.

Over the last three years, our market share of the overall broadband Internet infrastructure access market has remained relatively stable below 40%.

ISPs

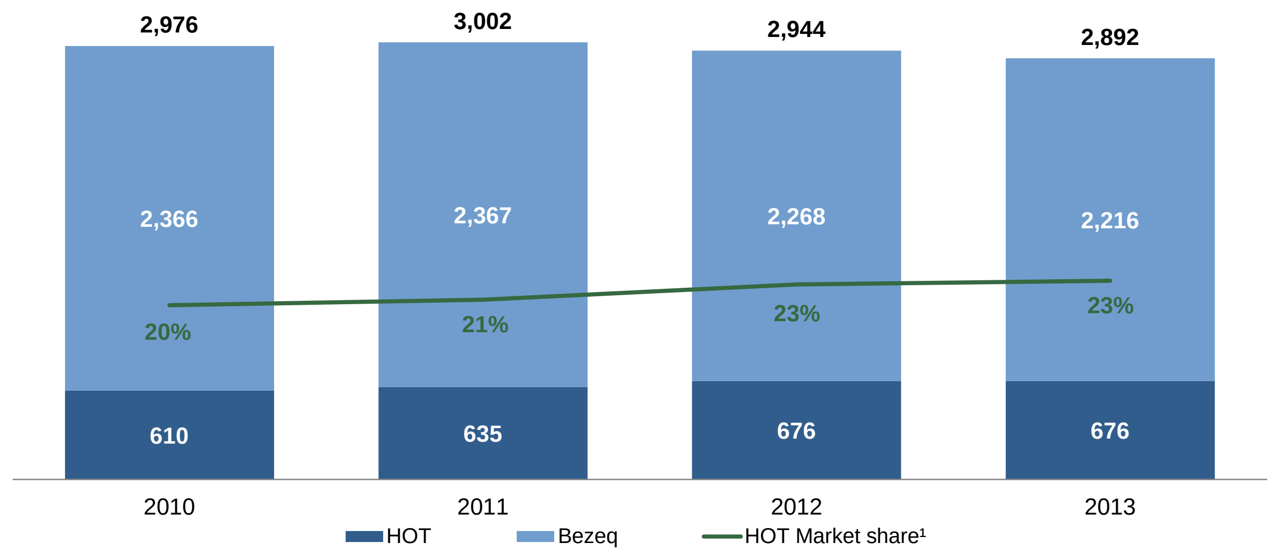
There are numerous ISP providers in Israel, although Netvision (a subsidiary of Cellcom), 012 Smile (a subsidiary of Partner Communications) and Bezeq accounted for approximately 98% of the total subscriptions. As of June 30, 2013, Netvision was the largest provider with a market share of 31.0%, Bezeq had a market share of 38.0% and 012 Smile had a market share of 28.6%, according to IHS Screen Digest.

The ISP subscription varies depending on numerous parameters such as the speed of access, the ISP provider or the broadband Internet access infrastructure which the customers use to purchase their access to the ISP subscription from. In February 2012, we launched an ISP product, through our subsidiary HOT Net, priced at a flat rate of NIS 20 per month irrespective of the speed or the package, a significant discount to the prices offered by competitors. We have been able to grow our market share since the launch of our ISP product to approximately 10%, with approximately 220,000 subscribers and total connections of 2.1 million. Recently, ISP providers have experienced fee pressure as broadband Internet infrastructure companies increase access fees.

1.3. Fixed-Line Telephony

As of December 31, 2013, there were approximately 3.3 million fixed- line telephony lines in Israel. Subscribers to fixed-line telephony services include households and enterprises. The number of lines has been declining slowly since 2010, which is in line with most Western European countries where fixed-line penetration of households has declined on the back of an increase in number of individuals who use mobile phones only. Bezeq, the incumbent fixed-line telephony service provider in Israel, is the largest provider of fixed-line telephony services, with 2.2 million fixed telephony lines or approximately 67% market share as of December 31, 2013. Also in line with Western European trends, the incumbent, Bezeq, saw a decline in its market share over the past years. In addition to Bezeq and HOT, who are by far the largest operators, fixed-line telephony can also be purchased from VOBs who cumulatively hold approximately 12% of the market share. As of December 31, 2013, HOT had approximately 30% of the fixed-line telephony market share.

Fixed Line Telephony Subscribers and Market Share Among Top Two Israeli Players Since 2010



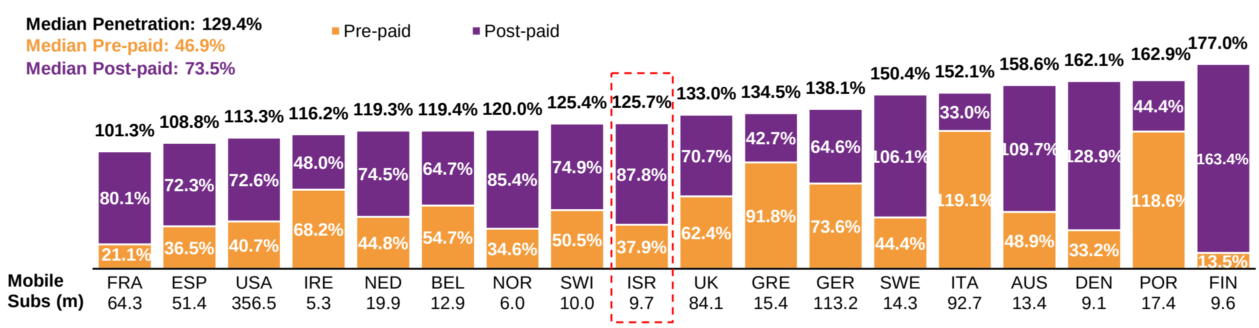
(1) HOT market share illustratively based on HOT and Bezeq total markets shares.

The market for residential telephony in Israel faces pressure from alternative carriers, declining mobile termination and interconnection rates, as well as alternative access technologies such as Voice over Internet Protocol (VoIP) (e.g. Skype). In recent years, fixed-line telephony services have been largely a commodity and uptake has become increasingly dependent on a quality broadband Internet offering by the same provider. Fixed-line telephony is increasingly included in bundles which benefit HOT as a result of its ability to provide attractive bundles offerings. Fixed-line telephony has experienced some price erosion over the past few years, partly driven by a reduction in termination fees and pressure from to bundle discount, and resulted in the decline in Bezeq and HOT's fixed-line telephony ARPUs.

1.4. Mobile Telephony

As of December 31, 2013, there were approximately 9.9 million mobile telephony customers in Israel (excluding MVNOs), and the penetration as of 2012 was estimated to be 126%, according to IHS Screen Digest, broadly in line with countries such as Switzerland, Great Britain, Belgium and Germany. As of December 31, 2012, approximately 70% of the customers were "post-paid" (purchased subscriptions rather than pre-paid cards fixed number of minutes of use), according to IHS Screen Digest. On average Israeli mobile phone users spent approximately €19 per month (excluding VAT) on their mobile telephony services in 2012, according to IHS Screen Digest, a relatively modest figure when compared to most Western European and US markets.

2012 Israeli Cellular Telephony Penetration vs. Western European and US



Source: IHS Screen Digest

There are currently five licensed Mobile Network Operators ("MNOs") which offer mobile telephony services to the public and several players who operate Mobile Virtual Network Operators ("MVNOs"), although MVNOs currently have insignificant market share of the mobile telephony market. Market shares of the top three mobile operators, Cellcom, Partner Communications and Pelephone (Bezeq), have been relatively stable over the past years at approximately 30% each. New entrants, HOT Mobile (previously MIRS) and Golan Telecom, were granted UMTS licenses in 2011 with services launched in the second quarter of 2012 through a combination of proprietary networks and national roaming agreements with existing operators. As of June 30, 2013, HOT Mobile had approximately 761,000 mobile subscribers, corresponding to a market share of approximately 8% compared to 4% as of December 31, 2011. As of June 30, 2013, the combined ARPU for mobile telephony subscribers of all mobile operators in Israel declined to €21.6 per month primarily driven by a new mobile termination fee regulation in September 2010 which reduced mobile termination rates from NIS 0.25 to NIS 0.0687 per minute from the beginning of 2011, with further reductions to NIS 0.0634 per minute from January 1, 2012 and to NIS 0.0591 per minute from January 1, 2013. The final reduction, to NIS 0.0555 is set to come into force on or about January 1, 2014.

The Israeli mobile communications market is more competitive than some of the markets in Western Europe, notably given the recent legislation, enacted in April 2012, preventing operators from charging exit fees, except in limited circumstances. As a result, the Israeli mobile market now offers fewer barriers to entry for the new mobile license owners HOT Mobile and Golan Telecom.

Informa Telecoms & Media estimates that the Israeli mobile telephony market will grow at 2.6% per annum between 2013 and 2016, i.e. faster than the markets of other countries such as Germany, France, UK or Italy whose mobile markets are expected to achieve growth rates of (2.2)%, (0.7)%, 0.9% and (0.9)%, respectively.

The Israeli market features lower ARPUs than in most of the other developed markets, which makes mobile telecom services more attractive to consumers.

Mobile Broadband Internet

As of June 30, 2013, there were 6.3 million active 3G mobile subscribers in the Israeli market, according to IHS Screen Digest. Mobile operators' network capability can be further enhanced by Long-Term Evolution ("LTE") network roll-out, although the Ministry of Communications has not yet tendered for the frequencies necessary for LTE-based services, which would enable higher speeds for mobile broadband Internet. Mobile broadband Internet operators, however, currently only offer speeds and capacities that are significantly lower than those offered by cable and DSL operators. As a result, we believe that, in the medium term, HFC cable will be the only broadband Internet infrastructure access alternative to DSL with an extensive coverage and high bandwidth for the foreseeable future.

2. Portugal

Portugal's economy is expected to have contracted 2.3% in 2013 according to the IMF due to the ongoing fiscal consolidation and both weak domestic and external demand. However, there are early signs of recovery in economic activity as GDP was expected to gradually pick up and stabilize towards the end of 2013. Recently, Portugal has gradually regained access to the sovereign-bond market at more favorable interest rates. If this trend continues, financing conditions could also improve for the private sector.

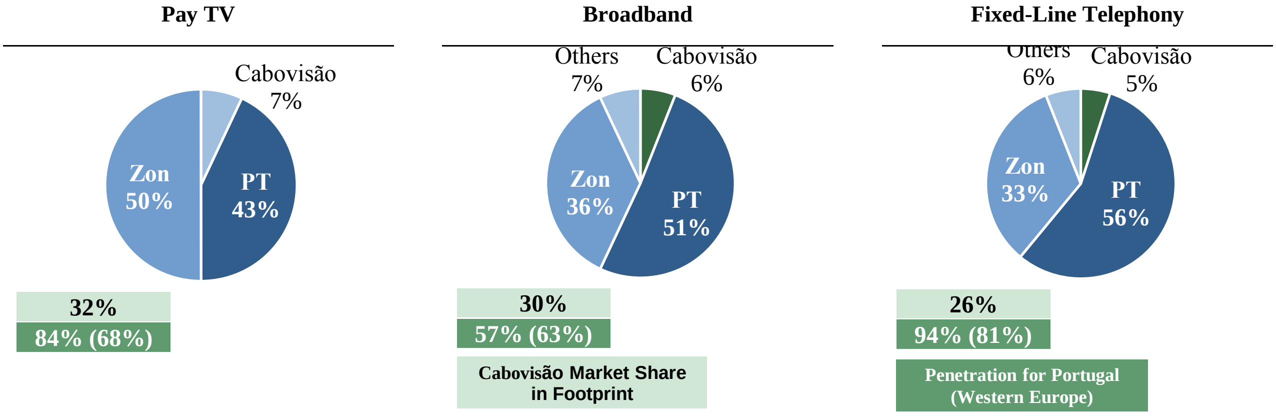
The outlook for GDP is positive as it is expected to grow at an average rate of 1.7% from 2014 to 2018 according to the IMF, as global conditions improve and demand recovers.

The population of Portugal reached approximately 10.5 million in 2012 and enjoys a stable outlook as it is expected to grow at an average rate of 0.1% from 2013 to 2018.

2.1. Cable-based Services

Competition Overview

Cable-based Services Market Shares by Subscribers in Portugal (2013)



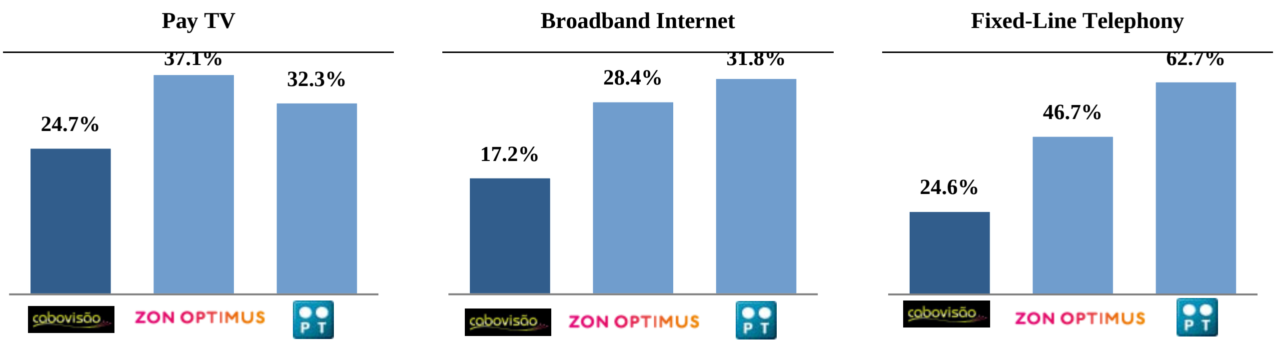
Source: Company information (Cabovisão); Portugal Telecom, ZON Optimus and Vodafone filings; IHS Screen Digest; Telegeography, Gartner

According to IHS Screen Digest, Portugal has an estimated 84% penetration rate in pay television, comparable with the US (84%) and most advanced EU peers. Pay television penetration has been stable or rising over the past three years driven by the high demand for a broad range of pay television channels and the relative weakness of free terrestrial television which only transmits five channels. Pay television has historically been primarily provided over the cable platform, which has a higher roll-out rate than many Western European countries, with DTH, a complementary platform in rural areas, and more recently, IPTV, primarily in areas where fiber is present. Most of the pay television market is divided between three operators: ZON Optimus ("ZON") (the largest player by number of subscribers), Portugal Telecom (as a challenger to ZON), and Cabovisão (which provides cable services within its footprint). Based on these companies' filings and excluding other small providers like Vodafone or Optimus, as of December 31, 2013 ZON, Portugal Telecom and Cabovisão had approximately 50%, 43% and 7% of market share nationwide, respectively. Cabovisão's market share within its footprint was approximately 29%. Portugal Telecom primarily offers low priced IPTV, predominately in fiber areas and to a lesser extent on its DSL network. However, it also has a DTH offering for rural areas where its DSL network suffers from technological limitations. Portugal Telecom's IPTV offering, sold primarily as part of triple-play packages, has historically not taken customers away from cable. However, it has driven the increase in pay television penetration. Pay television ARPU has increased from €23.5 in 2010 to approximately €24.5 currently according to IHS Screen Digest, and is expected to increase going forward.

In broadband Internet access, penetration is slightly lower than the European average (66%) and is growing fast currently reaching an estimated rate of 57%, according to IHS Screen Digest. There are a number of operators providing broadband Internet services to residential clients in Portugal. Portugal Telecom is the incumbent communications operator, historically a monopoly in fixed line telephony and broadband Internet access with a market share of 51% as of December 31, 2013. ZON and Cabovisão have grown their broadband Internet presences on the back of Docsis networks and, over the years, have become large competitors of Portugal Telecom in broadband Internet access and telephony, with nationwide broadband Internet access market shares at 36% and 6% (and 30% within its footprint) respectively as of December 31, 2013. Mobile operators Optimus (merged into ZON) and Vodafone also have large mobile operations but a limited (although growing) fixed line network. In 2013, Optimus was merged into ZON, allowing ZON to offer quadruple-play bundles combining cable based triple-play and mobile. In fixed-line telephony, Portugal Telecom maintains a market share of 56%, while ZON Optimus and Cabovisão have market shares of 33% and 5% (and approximately 26% within its footprint), respectively, as of December 31, 2013.

Portugal has an estimated fixed-line telephony penetration of 94% compared to the Western European average of 81%, according to Gartner. Penetration is increasing since 2009, primarily driven by ZON's drive to up- sell fixed telephony. At the same time, PT's number of subscribers remains stable due to an increase in multiple-play penetration.

Cable-based Services Penetration by Player in Portugal (2013)(1)



Source: Company information (Cabovisão), Portugal Telecom and ZON Optimus filings

(1) Penetration of homes passed; ZON Optimus, penetration excludes DTH customers; Portugal Telecom penetration calculated as percentage of total households in Portugal.

Triple-play is increasingly becoming the norm in Portugal, with ZON and Cabovisão emerging as the leaders as a result of their early entry in to the multiple-play markets. Portugal Telecom is rapidly catching up with its M4O offer, which reached more than 1.3 million RGUs one year after launching, and its M3O offer each introduced to address the decline in its fixed-line telephony customer base. As at December 31, 2013, the penetration of triple-play customers in PT's unique customers was 45.8%, compared with approximately 41% a year earlier. Quadruple play offers are also common in the market with PT and ZON (which has merged with Sonaecom) leading the market.

Given the relatively wide availability of content, the quality of the network infrastructure underpinning the broadband Internet access product remains an important asset for operators. Since 2008, Portugal Telecom has engaged in significant fiber deployment, primarily overbuilding ZON's network, notably benefiting from government subsidies. As of December 31, 2013, Portugal Telecom estimated that it had passed 1.6 million homes, supporting 100Gbps download speed. In the meantime, Docsis 3.0 networks, as owned and operated by ZON and Cabovisão, allow high download speeds, which are likely to remain far above effective speeds offered to or used by residential customers for several years to come and, as a result, remain largely able to compete against most of fiber deployed by Portugal Telecom, including fiber to the home, available only in certain areas. We have the possibility to upgrade to the upcoming Docsis 3.1 standard, making it possible for us to increase broadband Internet download and upload speeds towards levels exceeding those offered by the FTTH technologies, without incurring significant investments.

While the austerity measures in place and the uncertain economic situation in Portugal continue to weigh on the telecommunications market, as customers and businesses shy away from premium service subscriptions leading to somewhat lower ARPUs and revenues, certain segments, such as pay television, and cable operators overall have continued to perform better than fixed line telecom operators in terms of headline growth performance, notably due to the loyalty of their customer base on the back of high penetration of bundled products.

Cabovisão primarily competes in areas where it has a network which accounted for approximately 908,000 homes passed as of December 31, 2013, including large cities/regions such as Palmela, Estarreja, Caldas da Rainha, Araiollos and others covering approximately 22% of Portuguese households. As its network remains outside the main cities of Lisbon and Porto, it is overbuilt by ZON and Portugal Telecom (fiber) on only approximately 55% and 36% of its network, respectively, according to management estimates. Within its footprint, Cabovisão has high market shares of 32% in pay television, 29% in broadband Internet access and 26% in fixed-line telephony, as of December 31, 2013.

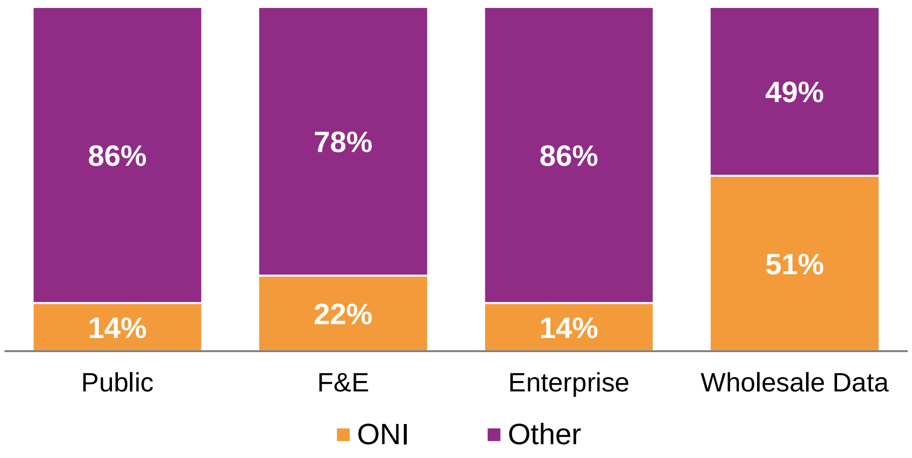
2.2. B2B Telecom

We own the second largest B2B telecom services provider in Portugal, operating under the ONI brand. In 2012, the market addressable by ONI was estimated at approximately €402 million, based on management estimates. This market includes wholesale data, enterprise, finance and energy (F&E), and government segments, which accounted for 51%, 14%, 22% and 14% of the B2B market in 2012 (excluding wholesale voice in which ONI has a limited presence), respectively. Portugal Telecom's revenues in ONI's addressable market have slowly declined over the past few years from €796 million in 2009 to €719 million in 2011 according to management estimates, as a result of a decline in voice services, a relatively slow growth in demand for data services and the overall macroeconomic climate.

Portuguese operators are also increasingly looking to B2B as an integral part of their strategy. B2B operators are looking to move away from voice services to higher margin data services and, increasingly, integrated solutions for customers including ICT and outsourcing.

Portugal Telecom, the incumbent telecom operator and largest provider of B2B telecom services is facing a growing competition from ONI, the historical challenger and largest competitor, ZON/Optimus, a newcomer to the B2B telecom market with an opportunistic strategy leveraging fixed and mobile networks, Vodafone, a mobile telecommunications company, and AR Telecom. According to management estimates, ONI's addressable market share for the B2B wholesale data market is 51%.

B2B Market Shares in Portugal(1)



Source: ONI estimation based on competitor financial information and customer surveys

(1) Shows addressable market for ONI. Does not include Wholesale Voice, which represented approximately €650 million in 2012, according to management estimates.

Portugal Telecom has been active in this segment for the past two decades, with a wide range of customers (SMEs, as well as large organizations), and has stated that it is targeting for 50% of its B2B revenues to come from IT, outsourcing and managed services in the future, with the rest of revenues equally split between equipment sales, data and voice. Its offering focuses on fixed-mobile solutions leveraging its fiber network. It has a large sales force with strong distribution capabilities in the banking and public administrations sectors and leverages its supplier relationships to enrich the range of its services. However, it has historically lost market share due to its low flexibility to address specific customer requirements and its unwillingness to reduce prices to capture volume market share.

ONI has focused primarily on its strategy on quality of service to retain existing customers, investments in both enterprise and wholesale markets and partnerships to ensure that it captures the limited demand it cannot address on its own through partners' relationships. Furthermore, it is able to leverage its access to Cabovisão's last mile HFC network to restore profitability and be able to connect client sites at a limited cost.

Optimus has historically been one of the most aggressive competitors regarding pricing and, through its merger with ZON, has gained access to an enhanced backbone, last mile access and an enhanced ability to address both large and smaller companies.

Vodafone and AR Telecom have adopted different strategies to realize B2B opportunities, however, with limited success to date, due to their lack of knowledge of fixed networks and lack of credibility in the corporate market.

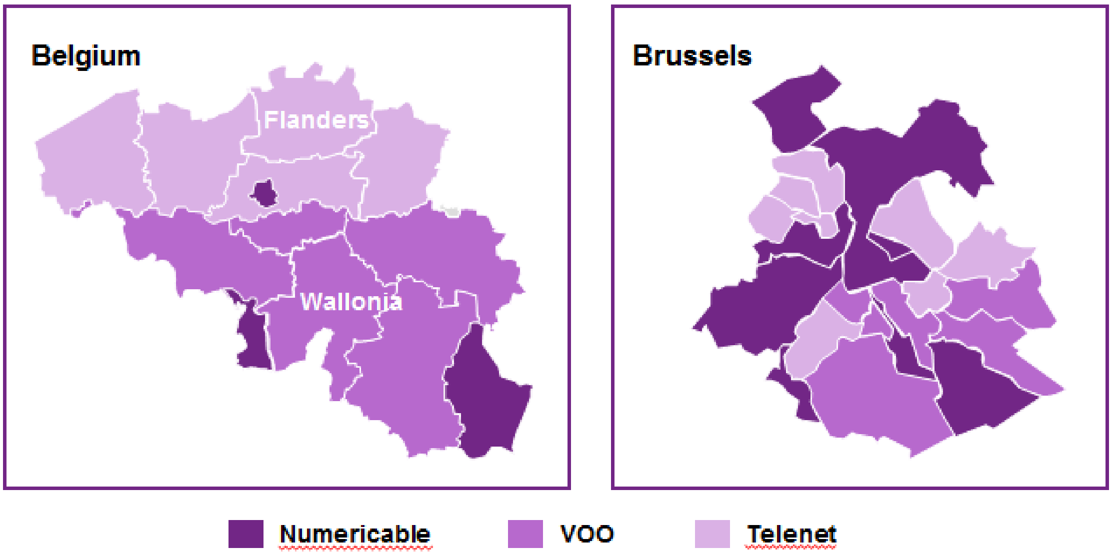
3. Belgium

We believe that Belgium is one of Europe's most attractive cable markets due to, among other things, a relatively high population density and cable penetration rate, and a highly productive work force, generating high GDP and high exports per capita. The population density of Belgium reached 364 inhabitants per square kilometer in 2013, one of the highest in Europe, according to the United Nations database, and is surpassed only by the Netherlands and some microstates such as Malta. Belgium is one of the most prosperous countries in Europe, according to data published by the International Monetary Fund, with a GDP per capita of approximately $45,537 in 2013 compared to $42,991, $39,049 and $29,409 respectively for France, the U.K. and Spain for the same period.

According to IHS Screen Digest, as of December 31, 2013, Belgium had an estimated 94% penetration rate in pay television, significantly above the average Western European penetration rate of 68%, according to IHS Screen Digest. Cable has historically enjoyed significant market share due to the deployment of cable in Belgium as early as the 1960s. Cable captured 69% of the pay television market as at September 30, 2013, followed by IPTV (27% market share) and satellite (4%), according to IHS Screen Digest.

The Belgian media and telecommunications sector has been converging as customers are increasingly seeking to receive their media and communications services from one provider at attractive prices. In response, service providers are providing television, broadband Internet access and fixed-line telephony services bundled into integrated offerings referred to as "dual-play" (two of the three services provided together) or "triple-play" (all three services provided together). The addition of mobile telephony services further gives rise to "quad-play" offerings.

Overview of Numericable Geographical Presence in Belgium



Competition in the pay television market is currently limited, due to a lack of overlap among cable operators. Telenet operates predominantly in Flanders, VOO in the French speaking part of Belgium and Numericable in Brussels (with Telenet and VOO also present in the capital). In 2012, Numericable acquired from local municipalities the AIESH networks (approximately 12,000 cable subscribers) located in the County of Hainaut in the French speaking part of Belgium. Belgacom, through its DSL-based network, is the only operator that offers national coverage, although we believe it currently has an inferior ability to provide a good quality pay television product via IPTV technology when compared to cable players who have already upgraded their networks to EuroDocsis 3.0 throughout Belgium. Currently, Telenet, Belgacom and VOO have a pay television subscription market shares of 43%, 25% and 21% respectively according to IHS Screen Digest, while Numericable has a 2% market share nationally, however, a 59% market share within its footprint, according to management estimates. The importance of cable operators in pay television may be affected going forward by changes to the regulatory regime allowing third party access to cable networks, with wholesale offers required to be in place by autumn 2013 in accordance with the CRC's decision of September 3, 2013 on Numericable (Coditel)'s wholesale offer, although such wholesale access would provide cable operators with stable, albeit somewhat lower, wholesale revenues. Furthermore, Belgacom has extensively developed its service offering, with a full range of broadcast television and premium content. This together with the reach of its network across Belgium is likely to help Belgacom increase its strength going forward. A competitive presence in the Belgian television market, although smaller compared to cable, is satellite television, which can be divided into two types of access: (i) "free-to-air" satellite and (ii) paid satellite television. In addition, certain operators in the Belgian market deliver television services via DTT, allowing customers who purchase the necessary equipment to watch television in areas where cable connection is difficult or impossible.

Broadband Internet access in Belgium is well established, with penetration rates estimated to be higher than in most other major European markets as of December 31, 2013 (approximately 69% compared to 66% in Western Europe, according to IHS Screen Digest). DSL (predominantly offered by Belgacom) is the leading broadband Internet access platform in Belgium, with approximately 51% of the total broadband Internet market, with cable taking up the remaining 49%, according to IHS Screen Digest. Fiber-to-the-home (FTTH) is yet to be widely deployed in Belgium, as this technology is capital—and time- intensive, requiring significant digging and re-wiring. While FTTH needs to make heavy investments to catch up, we believe that greater speed of cable and higher reliability in delivering promised speeds to subscribers as compared to DSL has contributed to cable overtaking DSL in Flanders and certain other areas of Belgium. The largest operators are Belgacom (45%), Telenet (37%), VOO (10%) and Numericable (1% nationally and 36% within its footprint, according to IHS Screen Digest and management estimates). In addition, the increased download speeds offered by mobile Internet technologies such as the established high- speed package access and the emerging LTE technology have presented a viable alternative to DSL and cable. Although penetration of mobile broadband Internet is currently still low in Belgium, it has been growing strongly on the back of a larger share of smartphones sold. As at March 2013, mobile broadband Internet penetration in Belgium reached approximately 48% of the total population compared to approximately 15% as at March 2011, according to Informa Telecom & Media and Euromonitor International.

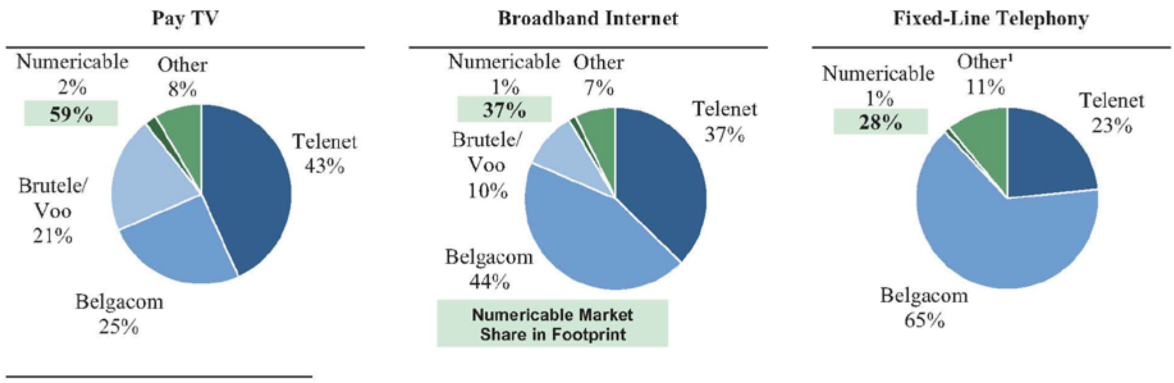
Fixed Telephony penetration in Belgium was 87% as at December 2012 according to Informa Telecom & Media, in what can be considered a mature market that has seen declines year on year, in line with other Western European markets. The incumbent, Belgacom (65% market share, according to IHS Screen Digest) has been losing market share in recent years particularly to cable operators and other access technologies, such as VoIP, while Telenet and Numericable, according to IHS Screen Digest and management estimates, have market shares of 21% and 1%, respectively. According to management estimates, Numericable has a 28% market share within its footprint. Telephony is also increasingly bundled together with other fixed-line products rather than sold as a standalone service. This explains the rise in market share in telephony of players such as Telenet, with its wide range of multiple-play offerings.

The Belgian mobile telephony market is valued at approximately €2.7 billion based on data gathered by the Belgian Institute for Post and Telecommunications (BIPT) as of and for the year ended December 31, 2012. Hence, the Belgian mobile telephony market is approximately equivalent in size to the national fixed-line telephony and broadband Internet markets. The Belgian mobile telephony market is advanced with an estimated active penetration rate of 111% at the end of 2012 according to the BIPT. In 2012, the total number of registered SIM cards in Belgium decreased 0.5% as compared to the prior year period to 12.3 million (including mobile virtual network operators (MVNOs)), equivalent to 1.11 SIM cards per inhabitant. For a long time, the Belgian mobile telephony market has been a three player market, dominated by Belgacom, and challenged by Mobistar and BASE. According to the BIPT, Belgacom had an estimated national market share of 40.3% in terms of active mobile subscribers at the end of 2012, followed by Mobistar (30.9%) and BASE (24.6%). In recent years, however, the number of MVNOs in the Belgian market has increased steadily, reaching approximately 1.9 million subscribers at the end of 2012 according to data gathered by the BIPT, an increase of 27% as compared to the prior year.

Triple-play products are offered by all of the main cable operators (Telenet, VOO and Numericable), as well as the incumbent, Belgacom. Belgacom has also invested significantly in upgrading to VDSL and adding other services (e.g. WiFi hotspots), in order to better compete with cable operators on fixed-line bundle offerings, as the higher quality of cable operators' network has meant that Belgacom has lagged behind, both in terms of convergence and ability to capture growth. Quadruple-play products are also becoming increasingly popular, with already successful MVNO strategies deployed by cable operators such as Telenet and Numericable.

Belgium enjoys a high GDP, as well as positive demographics, with the population expected to grow at a CAGR of 0.8% and GDP at 0.9% over 2013- 2016, according to Euromonitor International. This together with the resilience of the Belgium economy during the economic downturn and high presence of expatriates and foreign communities is driving the uptake in bundled projects, as well as supporting ARPU. These positive trends make Belgium an attractive market in which to operate.

2013 Market Shares by Subscribers



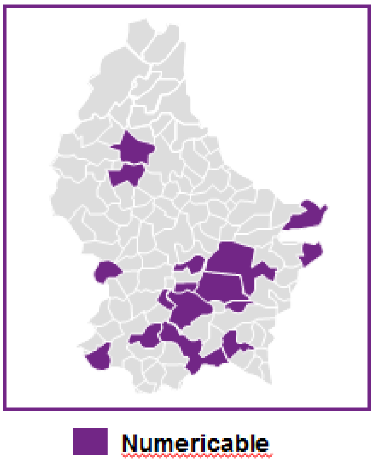
Source: Company filings, IHS Screen Digest

[1] Assumes constant market shares compared to 2012 level.

4. Luxembourg

Luxembourg has an estimated 70% penetration rate in pay television, according to IHS Screen Digest. Cable captured 75% of the pay television market as at September 30, 2013, followed by IPTV (25%), according to HIS Screen Digest. The largest player in pay television subscriptions is Eltrona (35%), followed by Numericable (16% nationally and 83% within its footprint) and POST (16%), as at December 31, 2012, according to IHS Screen Digest and management estimates. Importantly, due to POST's significant market power across fixed-line in Luxembourg, it is prohibited from bundling its television offering with its broadband Internet and fixed-line telephony services. Only Eltrona and Numericable, together with some smaller operators, are able to offer triple-play bundles.

Overview of Numericable Geographical Presence in Luxembourg



Broadband Internet access is well established with an estimated penetration of 86% as of December 31, 2013, among the highest in Western Europe, according to IHS Screen Digest. DSL is the leading broadband Internet access platform, capturing approximately 75% of the total broadband Internet market, followed by cable with 20% market share as at September 30, 2013, according to HIS Screen Digest. POST, the incumbent, is the largest player, capturing 59% market share, followed by Eltrona (6%) and Numericable (4% nationally and 25% within its footprint), as at December 31, 2012 according to IHS Screen Digest and management estimates. There is increasing pressure from consumers for greater speed and lower prices, in particular as Luxembourg is the only country in the EU where the regulator does not set wholesale prices for DSL access, enabling POST to dictate the terms. Furthermore, the government announced plans in 2010 for FTTH to be implemented nationally and to provide at least 100Mbs connectivity by 2015. In practice, POST is the only operator able to undertake these investments, leading the regulator to put in place measures guaranteeing access to fiber infrastructure for alternative operators. Despite these developments, FTTH deployment remains very limited.

Telephony penetration is high, estimated at 84% as at December 31, 2012 by Informa Telecom & Media. POST is the largest provider of fixed-line telephony in the Luxembourg market, with 81% market share, according to IHS Screen Digest, while Numericable has a 2% market share, and a 23% market share within its footprint, according to management estimates.

Similar to Belgium, Luxembourg enjoys a high and stable GDP (GDP CAGR of 1.6% from 2013 to 2016 according to Euromonitor International), as well as positive demographics (population CAGR of 1.2% from 2013 to 2016, according to Euromonitor International) and a significant number of expatriates and foreign communities. This together with Luxembourg's topology and high population density, make it an attractive market in which to operate.

5. French Overseas Territories

The telecom sector in the French Overseas Territories is a niche market serving a population of approximately 2.2 million according to the United Nations database. Mobile and broadband Internet access represent the bulk of the market, with total revenues of €1.3 billion (of which mobile represents approximately two-thirds), with pay television also constituting an adjacent service with total revenues of approximately €0.4 billion, in each case according to management estimates.

The French Overseas Territories markets are characterized by a young population (approximately 35% of the population is under the age of 20 in the French Overseas Territories, in comparison to 24% in mainland France, according to the United Nations database as of June 2013), price sensitivity and a strong demand for access technologies. In addition, these markets benefit from attractive demographic trends as birth rates are twice as high in the French Overseas Territories as in mainland France, according to the United Nations database (World Population Prospects: The 2012 Revision). Furthermore, the development and infrastructure improvements in the French Overseas Territories are supported by subsidies from mainland France which result in additional economic benefits to the economies of the French Overseas Territories. Importantly, mobile telephony licenses have so far been granted for free to the various operators and the upcoming grants of 4G licenses are expected to be no different. Investment by operators in the telecom sector in the Territories in new technologies and infrastructure is supported by certain tax subsidies.

Prior to 2004, the telecommunications market in the French Overseas Territories was extremely concentrated with limited competition and was marked by high prices. Orange controlled the fixed-line and Internet markets, while mobile was offered by Orange and Bouygues in the Caribbean area and SRR and Orange in the Indian Ocean area. Given the limited relative importance of the French Overseas Territories to the incumbents' overall operations and the benign competitive environment, the incumbent players did not adapt their organization and cost structure in order to generate the necessary scale effects in the French Overseas Territories. This created an important market opportunity for other potential operators, in particular for Outremer, which entered the mobile market in 2005. By providing a comprehensive offer at attractive prices, Outremer was able to rapidly capture significant market share. Today, the competitive landscape is categorized by operators that offer a smaller range of services at competitive prices (Digicel) and by the incumbent operators (Orange and SRR) that have a wider range of services, with certain players falling somewhere between the two types of operators (Mediaserv, IZI). We believe that only OMT and Le Cable have been able to offer a large product and service offering, while still maintaining competitive prices.

Mobile telephony, the most important market in the French Overseas Territories telecom sector, is relatively mature with a current penetration rate of approximately 124% compared to an estimated penetration rate of approximately 111% in 2009 according to management estimates. This compares favorably to mobile penetration in France of approximately 114% as of June 2013 (according to ARCEP, the French communications regulator), and in line with Western Europe penetration of approximately 121% for the same period (according to Informa Telecoms & Media). However, the young population and high price sensitivity results in lower mobile ARPUs and higher churn higher than for operators in continental Europe. The main players in the mobile telephony market include Orange, OMT, Digicel (only in Caribbean area) and SRR (only in Indian Ocean area).

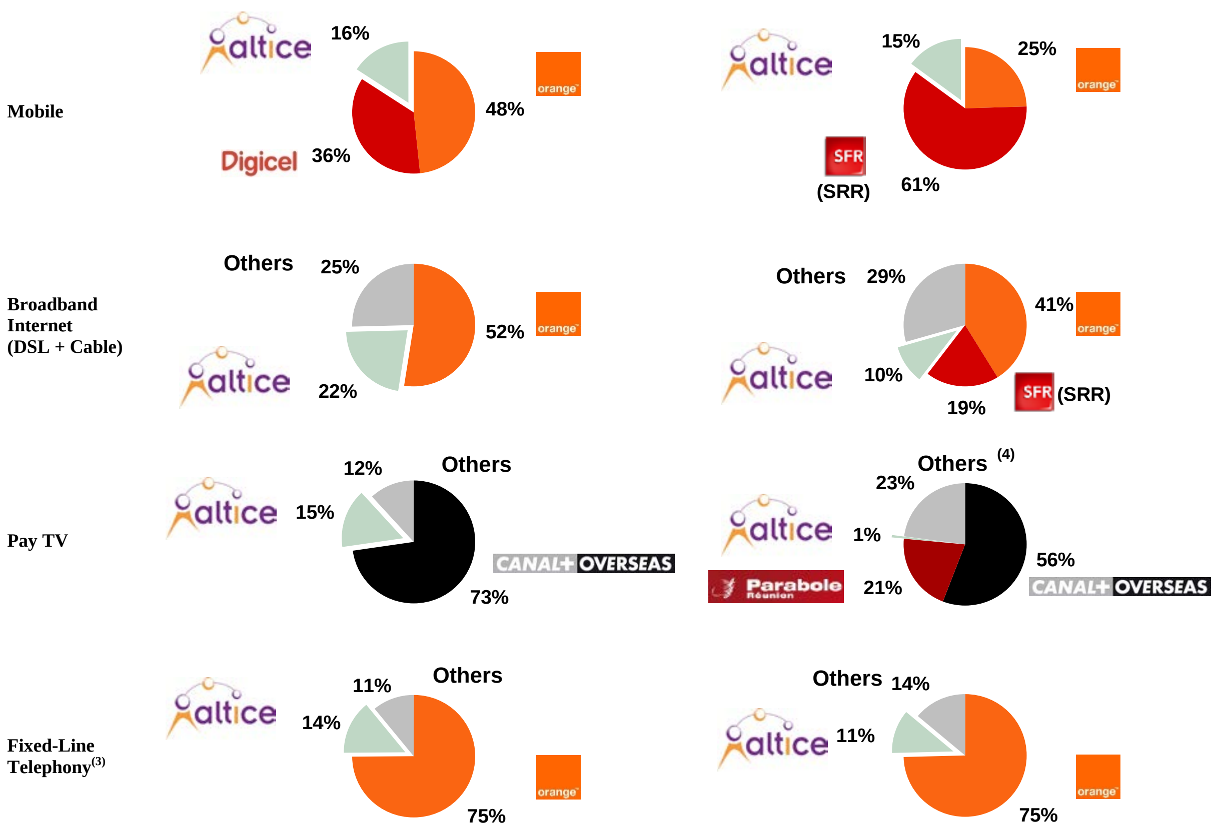
Broadband Internet access in the French Overseas Territories remains underpenetrated (55% according to management estimates) versus IHS Screen Digest reported rates for the same period for mainland France (64%) and Western Europe (64%). DSL is by far the dominant technology, with limited announced plans for technology upgrades or the deployment of other access technologies, such as cable. The main players in the broadband Internet access market are Orange and OMT (and SRR to some extent in the Indian Ocean area), although there are a significant number of local DSL players, most of which offer unbundled local loop DSL services while renting Orange last mile on a wholesale basis. Presence of cable is so far limited in broadband Internet access but is growing rapidly in Martinique and Guadeloupe where Le Cable, the only cable operator with a network covering approximately half of the households, is rapidly upgrading its network and offers a growing number of homes the possibility to subscribe to high speed Docsis 3.0-enabled broadband Internet.

Demand for pay television is strong in the French Overseas Territories, with penetration rates at approximately 67% according to ARCEP; in line with IHS Screen Digest reported rates for the same period for Western Europe (58%) but below France (77%). The market is dominated by satellite TV, with Canal Plus and Parabole Réunion among the strongest players, and cable, with Le Cable. We believe growing demand for bandwidth and triple-play packages is likely to increase demand for alternative access technologies with the ability to provide interactive services such as video on demand.

As in mainland France and Western Europe, multiple-play and convergence have increasingly become important. However, triple-play penetration lags behind that of more developed economies. While quadruple-play penetration is expected to remain limited in the French Overseas Territories as a whole, as only we can currently offer such bundles, the ability to provide quadruple- play bundles is expected to become a way for us to differentiate our offering in Martinique and Guadeloupe, where other players are either only mobile or DSL operators (Digicel, MediaServ), while large players are considered dominant and are not allowed by local regulation to bundle products (Orange, SRR).

Market shares in French Overseas Territories

Market Shares in Caribbean Area[(1)] | **Market Shares in Indian Ocean Area[(2)]**



(1) Based on a subscriber-based weighted average for Martinique, Guadeloupe and F. Guiana.

(2) Based on a subscriber-based weighted average for Reunion and Mayotte.

(3) Based on population-based weighted average market shares for Outremer Telecom only.

(4) Mainly Broadband Internet access providers.

The French Overseas Territories enjoy a growing GDP (GDP CAGR of 2.4% over 2013-2016, according to Euromonitor International, excluding Martinique, Réunion and Mayotte) making it an attractive market in which to operate.

DESCRIPTION OF OUR BUSINESS

In this section, insofar as the term "Combined France Group" is used in the subsections "—Overview", "—Our Competitive Strengths" and "—Our Strategy" below, it refers to the Numericable Group after giving effect to the Transactions, including SFR, collectively. In the rest of this section from and including "—History" to and including "—Legal Proceedings", the terms "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries (excluding ODO, Tricom, the Numericable Group and SFR). For an overview of our business, our competitive strengths and our strategy, see "General Description of our Business and the Issuance—Altice Group—Overview," "—Our Competitive Strengths" and "—Our Strategy."

History

Since our inception, we have made significant investments in a number of cable and telecommunications businesses in Israel, Western Europe, the French Overseas Territories and the Dominican Republic. Set forth below is a list of the significant investments we have made in the businesses that currently constitute the Group:

- In March 2005, Ypso France ("Ypso"), an entity controlled by our Group together with Cinven, acquired the cable businesses of France Telecom Cable, TDF Cable and NC Numericable, making Ypso the largest French cable operator. In 2007, all cable activities of Ypso were brought together under a single brand name, Numericable. In September 2007, together with Cinven, we acquired all of the outstanding shares of Completel, which added DSL and fiber metropolitan area networks, a corporate sector business and a nationwide backbone. In March 2008, the investment fund Carlyle acquired a 38% stake in Ypso and Completel. By the end of 2008, we had fully integrated the historical Numericable business and the historical Completel business. In November 2013, Numericable Group, the holding company of Numericable and Completel, completed its initial public offering of shares and listing of such shares on Euronext Paris. In January 2014, Altice France acquired additional shares in Numericable Group as a result of which Altice France now holds 40% of the shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes in the board of directors. As part of the Transactions, Altice France will acquire additional shares in Numericable and is expected to hold 59.7% of the total share capital of Numericable following the consummation of the Transactions.

- In 2008, we acquired Le Cable Martinique and Le Cable Guadeloupe, well-established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe, respectively, since 1994.

- In May 2010, we acquired MIRS Communications Ltd. ("MIRS"), an Israeli company providing iDEN based mobile services. In July 2009, we began acquiring equity interests in HOT-Telecommunications Systems Ltd. and its subsidiaries, the sole cable operator in Israel, and in March 2011 acquired a controlling interest. In November 2011, HOT acquired MIRS from us and renamed the company as HOT Mobile Ltd. In May 2012, we began marketing our UMTS based 3G mobile services in Israel under our "HOT" brand. In December 2012, we completed the take-private transaction of the HOT group whereby we acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. we did not previously own.

- In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of B2B solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter and launched a greenfield project to build out a 11,000 square meter datacenter in the Zurich region. We began providing datacenter services in 2011. We have completed the construction of 3,600 square meters and a new build-out phase is currently in progress.

- In 2006, Ypso acquired Coditel Belgium and Coditel Luxembourg, cable operators in Belgium and Luxembourg, from an entity affiliated to the Group. In 2011, Ypso sold Coditel Belgium and Coditel Luxembourg to the Altice International Group (which acquired approximately 44.4% of the equity interests in Coditel Belgium and Coditel Luxembourg) and certain other minority shareholders. We entered into an agreement to buy out the 40% stake in Coditel Holding Lux II held by one of the minority shareholders. This transaction was consummated on November 29, 2013.

- In February 2012, we acquired a controlling interest in the Portuguese cable provider Cabovisão and in February 2013, we completed the acquisition of substantially all of the equity interests in Cabovisão that we did not already own.

- In 2012, we purchased a 17% stake in Wananchi, a cable telecommunications provider with operations in Kenya, Tanzania and Uganda.

- In July 2013, we expanded our presence in the French Overseas Territories by acquiring approximately 77% of the equity interests in Outremer, a leading mobile services provider and xDSL provider of telecommunications services, the remaining 23% of the company's equity being held by local management.

- In August 2013, we entered the Portuguese B2B market through the acquisition of the ONI Group.

- In October 2013, we acquired Ma Chaîne Sport (a producer of sports related content) and Sportv (a producer of sport related content).

- On November 1, 2013, the Numericable Group, through Altice B2B France SAS, acquired 100% of the share capital of LTI Télécom SA ("LTI Télécom") and its parent and holding company Invescom SAS.

- On January 15, 2014, we completed (through our subsidiary Altice Blue Two), the acquisition of the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion.

- On March 12, 2014, we completed the acquisition of Tricom, a provider of telecommunications services operating in the Dominican Republic.

- On April 9, 2014, we acquired ODO, a provider of telecommunications services operating in the Dominican Republic.

Products and Services

We offer a variety of services over our fixed and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent and depending on the geography, B2B telecom services to corporate customers. We provide our residential cable based services primarily as part of double- or triple-play packages and, in France, the French Overseas Territories and Belgium, quadruple-play packages which include mobile services in addition to our cable based services. Available cable based service offerings depend on the bandwidth capacity of our cable networks, which consist primarily of hybrid fiber-coaxial ("HFC") cable infrastructure.

Our television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand ("VoD") and near-video-on-demand ("NVoD"), digital video recorders ("DVR"), high definition ("HD") television services and, in some cases, exclusive content. We tailor both our basic channel line-up and our additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

We offer broadband Internet access services and fixed-line telephony in all of our broadband Internet communications markets.

We also own and operate mobile infrastructure in Israel and the French Overseas Territories and offer mobile services through MVNO arrangements in France and Belgium.

We offer some B2B telecom services in all our geographies. However, we service large corporate customers with a focused B2B offering only in France, Portugal, Switzerland, Belgium and the French Overseas Territories. In Israel, our B2B services primarily consists of enhanced versions of our residential products which are adapted to the needs of small and medium sized businesses.

Furthermore, in France, we also sell wholesale cable- and xDSL-based services to other telecommunications operators who resell such services under their own brands.

Cable Based Services

Multiple-Play

We offer our customers bundled triple-play services comprising pay television, broadband Internet access and fixed-line telephony services at what we believe are attractive prices. We also offer various double-play packages comprising a combination of two of these services. Furthermore, we continue to introduce quadruple-play services, which include a combination of cable based triple-play and mobile packages, in a growing number of geographies, which currently consists of France, Belgium and the French Overseas Territories.

We believe the demand for our multiple play packages is primarily driven by the inherent quality of the various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe our products offer the best value for money when purchased as part of triple-play packages, we typically also offer most of these services on a standalone basis in most of our geographies.

Our digital television offering includes theme and premium content packages, HDTV channels, channels with start-over functionality, radio channels, VoD services and premium digital services such as DVR. Our cable networks enable us to offer interactive digital services to most of our customers. Our digital television offering includes content and channels purchased from a variety of local and foreign producers. We continue to focus on broadcasting high quality content over all of our cable networks and seek to ensure we cater to local demand for content. In Israel, we co-develop leading original local content together with local producers and broadcast it on our proprietary suite of channels which, along with our distinctive brand, enables us to attract new subscribers to our cable-based services.

We offer broadband Internet access services across our cable footprint and a majority of homes passed by our cable networks benefit from download speeds of at least 100 Mbps. Our networks benefit from substantial spectrum availability and, on a blended basis, the majority of the homes we pass are Docsis 3.0 enabled, including 100% in Israel and 51% in France, our two largest markets. In the short to medium term, we expect that the portions of our networks that are Docsis 3.0 enabled can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. In France, the FTTB/Docsis 3.0 enabled portion of our network passes approximately 5.2 million homes as of December 31, 2013, which we believe is higher than the number of homes passed by the FTTH roll-out of any of our competitors, and enables us to offer download speed of up to 200 Mbps with the potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure. Even the portion of our network that has not been upgraded and is only Docsis 2.0 enabled (3.3 million homes in France as of December 31, 2013) provides customers with a download speed of up to 30 Mbps, which is faster than the highest speed of our competitors' DSL networks. We intend to continue upgrading our cable network in the coming years. As opposed to some of our competitors, we do not generally restrict maximum volume of data or the speed at which our customers can access the Internet. We also offer broadband Internet access services based on xDSL technology in areas of France and the French Overseas Territories which are not passed by our HFC networks.

Our fixed line telephony services are based on either PacketCable or VoIP technologies. We offer a wide range of telephony packages, and our triple- play offers tend to include flat rate telephony packages with a significant number of minutes of use included in the price. We provide national and international connectivity to our customers either through our own interconnection capabilities or through our partners. We tend to phase out standalone telephony packages as our strategy is to offer fixed-line telephony as an add-on product in our triple-play packages rather than as a standalone product.

Our customers can achieve significant savings by purchasing pay television, broadband Internet and fixed-line telephony as part of our bundles as opposed to separately from us or from our competitors. For example, our Israeli customers currently save approximately NIS 97 per month by subscribing to one of our top-tier triple-play packages, Triple iTop, currently priced at NIS 352, instead of separately purchasing the same products the price of which would amount to approximately NIS 449 in the aggregate.

While a focus on multiple-play offerings constitutes an integral part of our customer acquisition strategy, we also continue to offer stand alone pay television, broadband Internet access and fixed-line telephony services to our customers.

Pay Television

Western Europe

France. As of December 31, 2013, we delivered digital pay television services to approximately 1.1 million residential subscribers in France, including approximately 1.0 multiple-play subscribers and 193,000 stand-alone television subscribers.

We believe that we offer residential subscribers one of the best digital pay television packages currently available in France, with the highest number of HD channels and the most attractive package of premium channels, with the same content as that available in CanalSat offers. Customers of our DSL competitors must commit to two separate subscriptions (ISP and CanalSat) in order to access the same premium content that we are able to offer direct access to without the need for an additional subscription. Our television services include between 200 and 400 digital television channels (including between 10 and 54 HDTV channels) depending on the package selected, more than 40 digital radio channels, interactive television services such as VoD, catch-up television and innovative features such as 3D-TV. VoD enables viewers to watch programs of their choice instantly, without the need for buffering, and to pause, fast- forward and rewind the content at will. Our VoD catalogue, which is comprised of over 30,000 shows and movies, is one of the largest available in France. We offer a VoD pass to our subscribers beginning at €4 per month. The films are generally available on VoD four months after their release in theatres (as compared to six months on premium pay television (e.g., Canal+)). Our revenue from VoD in France has increased from €9 million in 2010 to €12 million in 2012. We also make 40 selected channels accessible live from multiple devices (including smartphones and tablets) for a small monthly fee to low-end pay television subscribers and at no extra charge to our high-end pay television subscribers. We believe that our mid-tier and high-end packages, including Power+Family which is currently priced at €55 per month, represent a better value proposition than the comparable packages offered by our competitors.

Our television offerings include a variety of public and private channels from broadcasters around the world, as well as special interest channels covering all customer segments, including information, sports, music and home shopping channels. We believe that our high-end quadruple-play package (the "Platinum" package) which includes 320 channels (including 54 HDTV channels) is one of the most comprehensive television channel packages currently available in France. Our customers may also purchase up to six additional themed and bundled packages including digital channels and bundled channels, such as Pass Cinema and Pass Sport. Customers may also add-on additional channels, such as the Orange Cinema Series packages, BeIn Sport and Canal+. The Platinum package also includes broadband Internet access, fixed-line telephony and mobile telephony services.

In France, we license our television programming content from third-party content providers, entering into agreements directly with authors' groups in France, including SACEM (*Société des auteurs, compositeurs et editeurs de musique*, or the French Society of Music Authors, Composers and Editors), broadcasters and distributors. In general, we pay license fees based on subscriber numbers to these content providers and the agreements with certain providers require us to pay minimum guaranteed amounts. We also pay royalties based on our subscribers' usage of on-demand content, such as VoD. In addition to third party content, we also produce some of the content we offer in France through Ma Chaîne Sport and Sportv, our sports-themed pay television content provider subsidiaries.

As of December 31, 2013, we provided our analog television package, which includes 30 analog channels, to approximately 81,000 households located mainly in small and mid-sized cities in eastern France, which are connected to our network but are not digital-television enabled. We also continue to provide analog television services to legacy customers on the remainder of our network in France who have chosen not to upgrade to one of our digital packages. We expect our analog customer base in France to continue to decrease in the coming years and ultimately to phase out this service.

Portugal. In Portugal, we offer subscribers analog and both basic and premium digital television services under our "Cabovisão" brand. Our analog television service includes access to over 30 television channels. Subscribers to our basic digital television service have access to 95 digital television channels (including all of the analog television channels) and access to certain premium content and interactive services, such as VoD and catch- up TV. Our premium television service provides customers access to 142 digital television channels, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services. As of December 31, 2013, we provided cable television services to approximately 224,000 RGUs in Portugal.

Belgium and Luxembourg. We offer subscribers analog and both basic and premium digital television services in the Brussels region of Belgium and Luxembourg under the "Numericable" brand. We believe we are the leading provider of pay television services within our footprint in Belgium. Subscribers to our basic digital television service can choose from a range of approximately 100 digital television channels in Brussels and approximately 110 channels in Luxembourg and are also able to access certain premium content and interactive services, such as VoD, HDTV and catch-up TV. Our premium television service provides customers approximately 130 digital channels in Belgium and approximately 155 digital channels in Luxembourg, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services, including exclusive rights to football matches from the Belgian league. To cater to culturally and linguistically diverse customers in the region, we include in our pay television packages various foreign language channels, including English, Arabic, Spanish, Italian and Turkish-speaking channels in Belgium, and English, Italian and Portuguese-speaking channels in Luxembourg. As of December 31, 2013, we provided cable television services to 114,000 RGUs in Belgium and Luxembourg.

Israel

We are the largest provider of pay television services in Israel based on number of subscribers. We offer primarily digital television services in Israel under the HOT brand. While we continue to offer analog television services to a decreasing number of customers (11,643 as of December 31, 2013), we are in the process of phasing out this service, which will free up bandwidth over our network enabling us to expand our digital services. We have developed targeted promotional offers to migrate our existing analog customers to digital television.

Our standard digital television package consists of 78 base television channels, two extra content packages, each of which adds 5 to 17 channels to the subscription depending on the content packages chosen by the customer, and 32 radio channels. Subscribers to our standard digital package can also purchase extra content packages giving them access to additional channels. We believe our standard offering includes more channels than the number of channels offered by our competitor in its standard pay television offering. Our standard television package contains a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels as well as channels in Arabic and in Russian to address demand from the culturally diverse population of Israel. We include in our standard package the HOT suite of channels and others such as Eurosport, Fox News, MSNBC, BBC Entertainment, MTV and Zee TV as well as all the "must carry" channels that we are required to carry on our network under existing regulation. We regularly update our standard digital television package to reflect changes in viewer interest. Our higher-end packages include all six of our extra content packages as standard and include 34 to 42 premium channels, depending on the subscription. We also offer up to 20 television channels in HD that have enhanced picture and sound quality compared to regular television channels. Under Israeli regulation, we are required to include in our portfolio of pay television offerings a low-priced basic package. This package currently provides subscribers access to approximately 23 basic channels.

In addition to a high quality and diversified linear television offering, we offer our customers a variety of advanced services featuring interactivity, which are available even to customers not purchasing our broadband Internet services. We also provide our digital customers with a start-over service for over 25 television channels, which is included in all of our digital television packages, enabling the viewer who misses the start of a program to go back to the beginning of the program while the broadcast is in progress. Our digital television offering also includes VoD. Our VoD library is extensive containing over 27,000 hours of content as of December 31, 2013. In addition, we offer access to additional content libraries not included in our standard VoD service on a pay-per-view or monthly subscription basis. As of December 31, 2013, our VoD penetration rate was 57% of our pay television RGUs, which we believe is the highest in Israel. We also offer digital customers our PVR service, HOT Magic, for a monthly subscription fee by means of a set-top box that, in addition to receiving the regular digital broadcasts, enables digitally recording television programs to a hard disk in real-time. In 2011, we commenced offering digital customers the HOT Magic HD set-top box, which combines VoD functionality, HD technology and recording capabilities in a single set-top box. We rolled out La Box, one of our most advanced set-top boxes, in Israel, at the beginning of March 2014.

As the result of an order issued by the Israeli Minister of Communications, since February 23, 2014 the licensed cable companies, including us, have been required to offer a fixed price, narrow-base package at a price not to exceed NIS120 (approximately €25) per month. Our current offering pursuant to this order provides subscribers access to more than 20 basic channels.

We bolster our Israeli pay television service offering by significant investment in procurement and, uniquely to our Israeli business, co-development of content which we undertake in partnership with local production partners. We package such original and purchased content into a range of television channels that we own and broadcast under the HOT brand to our television customers. The HOT suite of channels includes HOT 3, where we broadcast our co-developed local content, HOT Family, seven movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children's channels, which we believe are highly popular in Israel and run shows with top television ratings such as Haborer, Asfur 2, Split 2 Wedding Season, TLV, Redband and Mehubarot 2. We also purchase rights to broadcast popular foreign channels over our network. Our total spend on television programming content during 2013 was NIS 598 million (€124.7 million equivalent, calculated based on the average exchange rate for the year ended December 31, 2013 of €0.2086 = NIS 1.00). We believe the quality of content we provide over our network generally and the HOT television channels in particular, has been a critical factor in attracting new customers, maintaining our existing customers and minimizing churn. Under existing regulations, we are subject to certain ownership restrictions that limit the number of television channels we are permitted to own. In addition, we are required by regulation to invest a minimum of 8% of our annual pay television revenues from subscriber fees in the production of original local content. We have been in compliance with these regulatory requirements in all material respects.

As of December 31, 2013, we had 875,000 pay television RGUs in Israel, representing approximately 77% of our Cable Customer Relationships in Israel.

French Overseas Territories

We currently offer analog and both basic and premium digital television services via our cable networks in Guadeloupe and Martinique under the "Numericable" brand. As of December 31, 2013, we provided cable television services to approximately 40,000 RGUs in Guadeloupe and Martinique. Our pay television offering includes up to 184 channels and radio stations including 33 HDTV channels. Our basic cable-based pay television package, Prima, priced at €29 per month, provides our subscribers with 106 channels and radio stations, including nine HD channels. Our premium cable-based pay television package, Premium+, offered for €49 per month, provides our subscribers with 184 channels and radio stations, including 33 HD channels.

We also offer, primarily outside of our cable footprint, our broadband Internet subscribers IPTV services via an unbundled xDSL network across the French Overseas Territories. Our xDSL-based pay television offering is offered as part of a triple-play package, Prima ADSL, priced at €49 per month. This package provides our subscribers with 90 TV channels and radio stations, broadband Internet access with download speeds of up to 20 Mbps and unlimited fixed line calls to landline and mobile number in the French Antilles region, French Guiana, mainland France and 100 international destinations. The premium package, priced at €59 per month, provides 130 TV channels and radio stations.

Broadband Internet Access and Fixed-Line Telephony

We provide broadband Internet access and fixed-line telephony services across our cable (and in certain areas xDSL) footprint. We typically sell these services as components of our triple-play bundles which we believe are cheaper than the comparable services currently offered by our competitors.

Western Europe

France. In France, we offer "always on" high-speed broadband Internet with a download speed of up to 200 Mbps in the EuroDocsis 3.0- enabled part of our cable network and up to 30 Mbps in the EuroDocsis 2.0- enabled part of our cable network. Our broadband Internet offerings typically include a free wireless broadband Internet router, an account with up to 30 e-mail addresses, up to 200 MB of personal webpage space and parental control services. We believe that our broadband Internet offerings are the most advanced available in France. Our strategy is to provide a superior product with premium pricing by outperforming competitors in terms of upstream and downstream speed, product features and service quality. We are well-positioned to be a broadband Internet market leader in those parts of France where our services are available. We also offer DSL double-play services that include Internet access to our subscribers moving to homes that are not connected to our cable network in France. We had 8,340 double-play DSL customers in France as of December 31, 2012 and 24,871 double-play DSL customers in France as of December 31, 2013. We also recently introduced a new DSL triple-play package open to subscribers outside our cable network area. As of December 31, 2013, we delivered broadband Internet services to approximately 1.4 million residential subscribers in France, including approximately 1.0 million multi-play subscribers and 274,000 stand-alone subscribers.

We primarily sell fixed-line telephony services as part of our triple- and quadruple-play packages because most installed cable broadband Internet routers are equipped with, or can be easily exchanged for, a broadband Internet router with two voice ports. These packages include unlimited calls from the fixed-line telephone to fixed and mobile phones in France as well as to fixed phones in certain international destinations (and mobile phones in a few international destinations), which is the market standard for triple- and quadruple-play packages in France. As of December 31, 2013, we had approximately 1,024,000 fixed-line telephony subscribers.

Portugal. In Portugal, we offer customers various broadband Internet packages under our "Cabovisão" brand with advertised download speeds ranging from 30 Mbps in our low-tier packages to 360 Mbps in our top-tier packages. Our cable network is approximately 99% upgraded to EuroDocsis. 3.0. We also offer subscribers local, national and international long distance fixed-line telephony services and a variety of value added telephony features using VoIP under the "Cabovisão" brand. As of December 31, 2013, we provided broadband Internet access services to approximately 156,000 RGUs in Portugal. As of December 31, 2013, we provided fixed-line telephony services to approximately 223,000 RGUs in Portugal.

Belgium and Luxembourg. We are a leading provider of broadband Internet access services in our footprint in Belgium and Luxembourg. We offer customers various broadband Internet packages under the "Numericable" brand with advertised download speeds ranging from 50 Mbps in our low-tier packages to 200 Mbps in our top-tier packages. Our cable network is fully upgraded to EuroDocsis. 3.0, allowing us to provide up to 200 Mbps download speeds to all upgraded households. Within our network areas in both Belgium and Luxembourg, we are currently the largest fixed-line telephony competitor to the incumbent national telecommunications operators, Belgacom and P&T Luxembourg. Our fixed-line telephony offering includes local, national and international long distance fixed-line telephony services, as well as value added telephony features using VoiP under the "Numericable" brand. We use VoIP technology, which utilizes the open standards EuroDocsis 3.0 protocol in Brussels and EuroDocsis 2.0 (currently being upgraded to EuroDocsis 3.0) in Luxembourg, and through which we are able to provide both Internet and fixed-line telephony services. Customers in both Belgium and Luxembourg who subscribe to our broadband Internet access or fixed-line telephony services as part of a triple-play package, in the mid-tier segment, benefit from lower prices than those currently offered by our main competitors. As of December 31, 2013, we provided broadband Internet access services to approximately 57,000 RGUs in Belgium and Luxembourg, of which approximately 48,546 were in Belgium and approximately 8,806 were in

Luxembourg. As of December 31, 2013, we provided fixed-line telephony services to approximately 53,000 RGUs in Belgium and Luxembourg, of which approximately 45,748 were in Belgium and approximately 7,463 were in Luxembourg.

Israel

Internet service in Israel is uniquely structured in as much as it is segregated into two separate elements comprised of infrastructure or network access services and ISP services. Infrastructure access service relates to access to the physical network infrastructure within Israel that is required to connect the customer's device to the infrastructure access provider's operator. This service is provided exclusively by us and Bezeq, the only telecommunication operators in Israel that own a national fixed-line network infrastructure. ISP services, which can be provided by any licensed provider, consist of providing access to the customer from the infrastructure provider's operator, through its own operator, to the local and global Internet network. ISPs generally also provide certain value added services such as data protection services, security solutions, e-mail services and system administration services. A customer wishing to subscribe to Internet services in Israel effectively needs to purchase each of these services and accordingly retains the choice with regards to providers for both services, i.e., it may choose to subscribe to the broadband Internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer or other ISP license holder, including to customers of other broadband Internet infrastructure access providers, on equal terms.

We offer broadband Internet infrastructure access services to our residential customers under our "HOT" brand over our U.S. Docsis 3.0-enabled cable network which allows us to provide ultra fast services with limited or no degradation in speed. Our U.S. Docsis 3.0 enabled cable network can theoretically support download speeds of up to 360 Mbps with new CPEs and certain limited modification to network equipment, which will allow us to easily upgrade our services in the future. Approximately 47% of our Israeli cable customers have customer services equipment in their homes which could support download speeds up to 270 Mbps. We currently provide our customers with options to purchase broadband Internet infrastructure access services with advertised download speeds ranging from 30 Mbps up to 100 Mbps subject to certain time or data volume restrictions which are not currently enforced, although we reserve the right to restrict usage to prevent abuse, at competitive prices. Our customers can also choose from our triple-play and double-play packages which include broadband Internet infrastructure access services along with our television and fixed-line telephony services. As of December 31, 2013, we had approximately 744,000 RGUs to our broadband Internet infrastructure access service in Israel, representing approximately 66% of our Cable Customer Relationships in Israel. As of December 31, 2013 we had approximately 33% market share of the broadband Internet infrastructure access market in Israel based on the total number of subscribers.

In February 2012, we started providing ISP services to our customers under the "HOTnet" brand. Unlike our competitors who generally offer ISP services at prices that increase depending on the access speeds desired by the subscriber, we offer our ISP services at NIS 20 (equivalent of €4.17, calculated on the basis of the December 31, 2013 exchange rate of €0.2086 = NIS 1.00) per month irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently permitted to provide ISP services on a stand alone basis and as part of a package with mobile services, and not as a part of our other multiple-play packages.

We provide fixed-line telephony services using PacketCable™ technology on our secure cable network by offering individual lines to our residential customers under our "HOT" brand. Our services include several ancillary value added features for end users such as caller identity, call waiting and call waiting with caller identity, follow me (a call forwarding service enabling the user to be reached at any of several phone numbers), conference calling, last call return, blocking of calls with no caller identity, blocking of caller identity for outgoing calls and voicemail services. We provide our fixed-line telephony services on a stand alone basis or as a component of our triple-play and double-play packages allowing customers to choose from a range of pricing options based on their expected usage. We offer a fixed-line telephony package of 1,000 free minutes to land line (calls to mobile included) for NIS 110. As of December 31, 2013, we had 676,000 RGUs to our fixed-line telephony service in Israel, representing approximately 59% of our Cable Customer Relationships in Israel. As of December 31, 2013 we had 30% market share of the fixed-line telephony market in Israel based on number of subscribers.

Customers who subscribe to our broadband Internet infrastructure access or fixed-line telephony services as part of a triple-play package benefit from lower prices than those currently offered by our main competitor.

We seek to maximize the use of our own cable network when routing calls in order to minimize interconnection costs and capitalize on our control over quality of service. We have reciprocal interconnection arrangements with all the domestic telephony operators, international long distance operators and mobile operators in Israel pursuant to which we pay interconnection fees to such other service providers when our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points. The Israeli

Ministry of Communications has recently reviewed the interconnection fees paid to domestic fixed-line operators and set the interconnection rate at 0.99 agorot per minute irrespective of whether calls are made during peak or off-peak times.

Fixed-line telephony in Israel is segregated into two separate services comprised of domestic fixed-line telephony services and international long distance services, each of which requires a separate license. We are currently licensed to provide both domestic and international long distance telephony services. The domestic license is valid until 2023 and the international license is valid until 2032, and both may be extended for additional ten-year periods subject to the approval of the Israeli Ministry of Communications.

French Overseas Territories

We provide broadband Internet access services within our network area offering subscribers monthly rate plans. In Martinique and Guadeloupe, we offer such services over both our cable and xDSL networks. In French Guiana, Mayotte and La Réunion, we only provide broadband Internet access services over our xDSL network. We offer advertised maximum download speeds of 30 Mbps and 20 Mbps over our cable and xDSL networks, respectively. Within our footprint, the download speeds of our broadband Internet and xDSL Internet access services are at least on par with those offered by our competitors since all of our competitors rely exclusively on xDSL technologies. Further, our product portfolio also includes narrowband Internet access (dial-up) services. As of December 31, 2013, we provided broadband Internet services to approximately 73,000 subscribers (including 17,000 cable based subscribers and 56,000 xDSL subscribers).

In Guadeloupe and Martinique, we offer subscribers local, national and international long distance fixed-line telephony services on monthly rate plans and a variety of value added telephony features over our cable network and, following the acquisition of Outremer, our unbundled xDSL network. We offer the same services in French Guiana, Mayotte and La Réunion solely over our unbundled xDSL network since we do not own a cable network in those territories. As of December 31, 2013, we provided fixed-line telephony services to approximately 95,000 RGUs in the French Overseas Territories (including 17,000 cable based subscribers and 78,000 xDSL subscribers).

Bulk Services in France

In France, we offer bulk services to housing associations and multiple-dwelling unit managers, such as managers of government subsidized housing, who in turn on-sell individual service packages to their residents. Our bulk service offerings include a bulk triple-play package which includes a basic digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access with download speeds up to 2 Mbps, unlimited inbound fixed-telephone calls, and free Internet and telephony modems. We also offer a stand- alone analog television package to our bulk subscribers, though the subscription rate of this package is far below our bulk triple-play offering. We collect subscription fees directly from the multiple-dwelling unit manager generally on a quarterly basis, irrespective of whether our services are actually used by the residents, thereby limiting collection risk. Approximately 70% of the homes serviced by our bulk services division are in government subsidized housing.

As of December 31, 2013, we provided services to approximately 1.8 million individual subscribers under bulk contracts. We do not, however, have any direct contact with such individual subscribers, as these contracts are entered into between the subscribers and the building managers or the housing associations.

Our bulk services customer base has decreased slightly but proven resilient over the years, providing us with a steady revenue stream. Bulk services offered in France generated combined revenue of €70.0 million in 2011, €70.1 million in 2012 and €68 million in 2013. Although our contact with bulk individual subscribers is limited, we believe there are opportunities to up-sell individual triple-play and quadruple-play packages to the end-users of our bulk services. We use a targeted sales force to encourage more of our end-users to switch from a bulk subscription to an individual subscription. In buildings where there is a bulk contract, our sales teams utilize targeted sales approaches including door-to-door sales and suggested neighbor meetings to discuss Numericable services.

Customer Premises Equipment

We believe that advanced customer premises equipment is playing an increasingly crucial role in our cable-based business as it enhances the customer experience in various ways including by facilitating access to a wide range of user friendly features and services, it offers a reliable channel for selling add-on and on-demand services, it allows for multi-screen television viewing and broadband Internet usage by multiple parties and, when the set top box and the modem are combined in one box, it allows cable operators to significantly reduce customer service expenses. We optimize the customer premises equipment we purchase by relying on our in-house design and development capability to build the user interface of our set-top boxes.

Accordingly, we have decided to roll out "La Box", our most advanced set top box, in our Western European businesses ("One Box" in Portugal) and Israel. In May 2012, we launched LaBox in France and have already rolled out approximately 300,000 units as of December 31, 2013, bringing the total percentage of set-top boxes deployed in France that are capable of supporting download speeds of at least 100 Mbps to 29%. Since its introduction in the first half of 2013, we have already installed approximately 15,000 La Boxes in Belgium and Luxembourg. La Box is an innovative integrated set-top box and cable router offered to our customers subscribed to our premium multiple-play packages. We believe that La Box is one of the most powerful and interactive set-top boxes currently available in the markets where it is offered. It can deliver very-high-speed Internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines. La Box has four tuners that allow subscribers to record two television programs simultaneously while watching a television program, as well as watching different channels in different parts of a house. Television can also be streamed to different kinds of screens (such as tablets and mobile devices). It has HD and 3D capability and also includes an 802.11n Wi-Fi router, and a removable 160 GB PVR or optional 500 GB PVR which allows it to hold over 125 hours of HD or approximately 190 hours of SD programming. Additional features include an optional Blu-Ray DVD player, access to social networking features such as Facebook and Twitter on television and a VoD price comparison engine and intelligent content search. Smart phones and tablets can act as "remote controls" for La Box, allowing users to navigate the interface with their personal handheld device as well as to switch on and off the recording of television programs remotely through the application "TV Mobile". We expect that the introduction of La Box will result in the increase of our ARPU by attracting new premium package customers and prompting existing customers to upgrade to our premium packages, which offer La Box as standard. We expect that La Box will also promote the sales of our other premium services.

Mobile Services

Western Europe

France. In France, we offer mobile telephony services under the "Numericable" brand through the nationwide networks of Bouygues Télécom and SFR pursuant to several MVNO agreements in place since 2010 and 2014, respectively. Our agreements with Bouygues Télécom relating to voice transmission services are due to expire in 2017 and those relating to data transmission expired in 2012 and were automatically renewed for an indefinite term, subject to termination by either party upon twelve months' notice. The voice transmission services agreements will be automatically renewed in 2017 for an indefinite term, subject to either party providing notice of termination six months prior to the original expiration date. Once automatically renewed, the agreements may then be terminated by either party upon twelve months' notice. Our MVNO agreement with SFR for voice and data services will expire in 2020. At the end of the initial term, the contract will be tacitly renewed for an indefinite period unless terminated by either party upon the observance of a notice period of 6 to 12 months. However, the contract may be terminated during the initial period if we fail to meet a certain annual volume of minutes. While we pay a fee to each of Bouygues Télécom and SFR in exchange for access to the their wholesale networks, the mobile market is one where lower-cost unlimited calling contracts are becoming the norm and where margins are thus structurally limited, in particular following Free's entry into the market at the beginning of 2012. Our mobile telephony business is dependent on our contractual relationship with our providers; as we have not installed the necessary equipment, we do not have full-fledged MVNO status.

Our MVNO agreements in France enabled us to introduce a quadruple-play offer in 2011 and our MVNO contract with SFR enabled us to offer 4G services from February 2014. We currently offer a broad range of mobile telecommunications products and services, including mobile voice services and data services, such as SMS, MMS, games, news and music services. While our mobile services customer base is small and our core focus remains on our other offerings, we believe that our ability to offer mobile services is an important marketing and competitive tool, contributing to our brand image and helping to reduce churn.

We had approximately 113,000 mobile subscribers in France as of December 31, 2012 and approximately 186,000 mobile subscribers in France as of December 31, 2013. Nearly all such subscribers were quadruple-play subscribers. Approximately 20% of our new subscribers in 2013 subscribed to quadruple-play offers. Stand-alone mobile telephony services are offered at prices ranging from €1.99 to €29.99 per month. In January 2012, following Free's entry into the mobile telephony market, we revised our quadruple-play packages. We began offering a SIM card and additional mobile telephony services as part of a quadruple-play package for an additional fee ranging from no charge (Basic Mobile Package) to €15.99 (Ultra-Mobile Monde Package) per month. These packages are the same as those offered to our stand- alone mobile telephony customers but are offered at a discount when part of a quadruple-play package. They include unlimited calls in France and to 40 international destinations in Europe and North America, unlimited text messages and up to 3 GB of mobile Internet. Subscribers do not have to commit to a minimum contractual period. This is the only unlimited mobile service at this price available in stores, with in-person customer service, unlike Free, B&You (Bouygues Télécom's "low-cost" mobile offerings), Sosh (Orange's "low cost" mobile offerings) and Red (SFR's "low cost" mobile offering), which are only available online. We believe that we provide our customers with one of the best value-for-money mobile telephony offers in France with unlimited national calls (both to fixed and mobile telephones), unlimited text messaging and unlimited national data access.

Belgium

We began providing mobile services in Belgium in September 2012 under the “Numericable” brand through an MVNO agreement with Mobistar. Our portfolio of mobile packages includes basic as well as premium offerings. Our basic package, Mobile Start, is attractively priced at €9.90 and includes 60 minutes of domestic calls, 50 text messages and 5 MB of Internet data. Customers may elect to purchase certain add-on packages to increase their allowance, including 1000 text messages for €10 or 500 MB of data for €10. Our higher-end packages include Mobile Extra which is currently priced at €29..90 and comes with an allowance for 1000 domestic texts, 150 minutes of national calls and 500 MB of Internet data, and Mobile Max, which currently costs €29.90 and includes unlimited domestic texts and calls and 2 GB of Internet data. When purchased along with any one of our triple-play packages, Mobile Max costs only €29.95 which we believe to be the best-value-for-money mobile package currently offered on the Belgian mobile telephony market. As of September 30, 2013, we had approximately 3,000 mobile RGUs in Belgium.

Israel

We provide mobile services in Israel to residential subscribers under the “HOT Mobile” brand on our UMTS-based 3G network, which we launched in May 2012, and mobile services targeted primarily at business subscribers under the “MIRS” brand on our iDEN network. Due to current regulations, we currently offer our mobile services only on a stand alone basis and, for a limited time, in a bundle with ISP services.

Our UMTS network is based on the HSPA+ technology and we believe that, when completed, it will be one of the most advanced nationwide networks in Israel. The roll out of our 3G mobile services has enabled us to compete effectively in the mobile services market in Israel as we are able to provide up-to- date services to customers, including faster data transmission services (up to 42 Mbps) with a higher traffic capacity. Our customers also have the option of using a wider range of devices compatible with our network, including Android based and Apple branded handsets. Consequently, we will also be able to expand the range of value added services we offer to include a wide variety of applications and content requiring higher data bandwidth and more advanced devices. Our UMTS network already extends to approximately 61% of the inhabited territory of Israel and covers approximately 60% of the Israeli population. Since we launched our mobile services in Israel in May 2012, we have relied on Pelephone’s network. In November 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which remains subject to regulatory approval, by the Israeli Ministry of Communications and subject to any required agreement or regulation. The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. In the interim period while we await regulatory approval for the Network Sharing Agreement, we have also entered into an RoU Agreement with Partner, which will expire in 2017. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details, see “*Description of Our Business—Material Contracts—Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services*” and “*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*”. Our Israeli cable based business, which we run under the “HOT” brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

We currently offer to private subscribers unlimited local calls, text messaging and Internet access for what we believe to be an attractive monthly fixed price as well as unlimited international calls to selected destinations for an additional fee. We believe our monthly fixed prices are more competitive than those offered by our large incumbent competitors. These prices are subject to changes, predominantly driven by the competitive nature of the Israeli telecommunications market. We also offer users pay-as-you-use packages, which charge customers on a per unit used basis. Our 3G services are targeted at post-paid subscribers who account for approximately 84% of the mobile market in Israel as of December 31, 2012 according to Informa Telecoms & Media. Since the launch of our UMTS based 3G mobile services in May 2012, we have added approximately net 592,000 UMTS RGUs as of December 31, 2013.

We also continue to provide mobile services using iDEN technology. As of December 31, 2013, we had approximately 218,000 RGUs who subscribed to this service, most of whom are business customers. We expect the number of iDEN customers to continue to decline in future periods.

In the event that the regulator releases spectrum for 4G LTE services and we successfully bid for a part of such spectrum, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. In the event that we are awarded spectrum and decide to commercialize 4G LTE services, we believe that upgrading our UMTS 3G network to 4G LTE capability would be possible with limited incremental capital expenditure or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner.

French Overseas Territories

Prior to its acquisition by us, Outremer launched its mobile services in December 2004 and has increased its market share, in part, through its attractively priced propositions. We currently provide subscribers 2G and 3G mobile services relying on HSDPA 13 Mbps Single Carrier technology. We plan to apply for licenses to provide 4G services which are expected to be awarded via an application process during 2014. We currently offer mobile subscribers a variety of monthly rate plans and pay-as-you-go plans. For example, our basic monthly mobile plan in Guadeloupe is priced at €15.99 (not including a handset) and has a 24 month lock in period. This monthly plan includes 90 free minutes and pay-as-you-go Internet data. Our high-end monthly plan in Guadeloupe is priced at €59.99 (including a handset), has a 24-month lock-in period and includes unlimited calls to other mobiles in Guadeloupe, 24/7 unlimited calls to landline and mobile numbers in the French Antilles, mainland France, French Guiana and 100 other international destinations, 24/7 unlimited texts to all mobile numbers in the French Antilles, mainland France and French Guiana as well as 1 GB of Internet data. As of December 31, 2013, we had approximately 375,000 total mobile subscribers in the French Overseas Territories, consisting of approximately 197,000 post-paid subscribers (including approximately 12,000 business mobile subscribers) and approximately 178,000 pre-paid subscribers. Our mobile ARPU in the French Overseas Territories was €27.10 (including pre-paid subscribers) and for the year ended December 31, 2013.

Business-to-Business Services

France

In France, we provide business customers with a comprehensive service offering, which includes voice services, either traditional switched voice or VoIP, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. As of December 31, 2013, our fiber network served more than 10,000 business and public sector sites directly (and approximately 800 additional sites through third party fiber connections), and our DSL network served more than 80,000 business and public sector sites. In addition to approximately 12,000 mid-sized business clients, as of December 31, 2013, we had approximately 600 large corporate clients in France, including corporations such as EDF, Air France, M6, Groupama and Société Générale and public entities such as the French Ministry of the Interior and ten other ministries of a total of twenty ministries in France, the University of Rennes and the Paris City Hall (*Mairie de Paris*). We provide services to approximately 70% of the companies listed on the CAC 40. Although we have historically focused on large B2B clients, we now intend to focus increasingly on the midmarket whose demand for value-added services (IP, cloud services, security services, etc.) and broadband Internet data services (data centers, VPNs, Ethernet ports, etc.) is growing. We offer our B2B services in France under the Completel brand. We are the second largest alternative operator to the incumbent Orange, after SFR. We believe we are the fastest growing B2B operator in France, with 4% B2B market share captured as of December 31, 2012 since June 30, 2007. We estimate that our B2B market share in France in 2013 amounted to approximately 7%, compared to Orange’s 70% market share and SFR’s 12% market share. We believe that we are well-positioned to increase our market share in both the large corporates and mid-market segments, in which our estimated market shares in 2013 were 8% and 4%, respectively. One of the key drivers of our B2B business in France is our collection of powerful fiber networks connected to our backbone, covering large metropolitan areas. Our B2B network is supported by 80 MANs, covering the main business areas in France. In addition, the combination of our fiber MANs and our DSL networks provides us a key technological edge in the French B2B market, enabling us to deliver customized products and services at competitive pricing. Our fiber network is also flexible due to its high capacity bandwidths ready for future services that will require an even greater bandwidth capacity and reliability. We also have three datacentres located in Paris, Rouen and Lyon to support our cloud and hosting services.

Fixed-Voice Services. Our B2B service offerings cover all fixed voice needs of our clients, including standard inbound and outbound calls using our switched voice network and, increasingly, VoIP technology, as well as our customized network architecture solutions based on fully digitalized technologies including IP. While large corporates generally have their own infrastructure for fixed voice solutions installed, medium-sized companies often seek solutions that minimize the need to install such infrastructure. For example, large corporates typically install servers at their sites to enable them to use VoIP services provided by us. This offering enables customers to centralize their telephony needs on their principal sites by centralizing all of their telephony equipment on the customer’s central site. This solution enables companies to rationalize costs of equipment and to route all of their internal calls through their data network. VoIP services may also be used as a back- up. Mid-sized companies often choose to use our Centrex IP service, which uses a server owned by us located in a datacentre, rather than relying on an on-site server. This service provides mid-sized businesses with a cost-optimal solution as the cost of the server is spread among our other B2B customers using our Centrex IP service. We enhanced our Centrex IP offering in 2009 through the acquisition of B3G, a French leader in Centrex and IP telephony for businesses. In addition, we provide B2B customers with tools to manage their telephone services, such as routing and intelligent management of incoming calls to customer service lines. Our Extranet service provides customers with access to detailed traffic reports and billing. Furthermore, we also offer free phone services and premium-rate services (known as “800 numbers” in France), although we expect this product to decline in the near future as we focus on more profitable segments. As of December 31, 2013, we provided fixed-voice services to more than

15,000 corporate and public institutions and managed more than 70,000 Centrex lines in France. We believe we are the leading provider of IP Centrex services in France. We believe that we transport more than 12 billion minutes of voice traffic per year in France.

Fixed Data Services. We offer a wide range of fixed data services including broadband Internet access, transport, multi-site data connectivity, VPN, LAN to LAN, security, messaging and hosting and other value added services to our French business customers. We rely on our three datacentres to provide hosting services. We rely on two of our three datacentres in France to provide our cloud service offering. Along with our own IP network, we have access to a “peering” network with other operators and Internet providers present in France as well as with major international players. As with fixed-voice services, customers may connect their central site to our cable network, which offers the best quality, and to our DSL network if no access to our cable network is available.

(a) Worksites Connection and Housing (IP VPN, LAN to LAN, SAN to SAN)

We provide a wide range of services to connect work sites through secured Internet and database housing. A customer can connect its various work sites and affiliates through LAN to LAN Ethernet or with IP (IP VPN) and have high- speed Internet access combined with safe solutions for the housing system and easily manageable selling platforms. Our housing solutions are backed by a high-flow telecommunications structure that improves the availability of applications. We offer IP VPN services that enable businesses to send and receive data across a private, secure network, through a virtual point-to- point connection. Our services are adaptable to the technical and functional requirements of the customer’s infrastructure, with flexibility in terms of bandwidth, connection technology and management of strategic flows (VoIP, Visio) and the customer’s network. We bolstered our IP VPN offering in 2010 through the acquisition of Altitude Télécom, a French specialist in IP VPN with the know-how to connect a multitude of sites. Prior to its acquisition by us, Altitude Télécom connected approximately 30,000 sites in France on approximately 1,000 VPNs. This know-how has recently enabled us to secure contracts with the French Notaries Association (*Notaires de France*), connecting thousands of notary offices across France, and Volkswagen, connecting hundreds of dealerships across France. We offer LAN to LAN services that are adaptable to the business’ specific protocols, which allow customers’ LAN to operate as if they were located within the same building. We also offer SAN to SAN services that enable customers to securely interconnect and synchronize their information technology platforms in remote locations. Our customers thus benefit from data disaster recovery solutions through redundancy on separately located sites and flexibility, permitting both simple copies as well as total and synchronized redundancy. We believe we are the second largest Ethernet operator in France, connecting approximately 4,000 sites, and the third largest IP operator, connecting over 80,000 sites in France.

(b) Cloud Services and Hosting

We offer a full range of cloud services, including external flexible telephony services, messaging and security solutions and hosting services (i.e., servers and platforms). We focus in particular on providing “infrastructure as a service” (“IaaS”), which provides customers with the benefits of infrastructure without having to invest in it. Combining IaaS with our broadband Internet network uses the power of fiber and contributes to customer loyalty, while leveraging our expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans). We have three major datacentres, of which two are able to provide its IaaS package. In France, the security of information systems and the data included therein requires careful management, including hosting in datacentres located in France in order to benefit from French data protection laws, and hosting in a private, secure, closed network in order to lock and control access from all points. In addition, our cloud solution provides information systems hosted on IaaS platforms located in one of our datacentres, which are completely secured through our private network. Data is hosted within an infrastructure and network that is completely closed (LAN to LAN or VPN), independent from the Internet, in our datacentres located in France and therefore not subject to any foreign jurisdiction.

(c) Completude and Completude Max Offers for Mid-Sized Businesses

Originally focused on large corporates, our B2B business in France has recently begun to target mid-sized enterprises. Our packaged offering aimed at the mid-sized businesses, Completude, bundles fixed voice, data and additional services, offering a global solution for B2B customers for Internet access, unlimited telephone calls to fixed lines, and 45 international fixed destinations and other technical solutions such as type fax to mail and email voicemail. Our Completude offer generates relatively high margins despite its low price. Our premium package, Completude Max, offers broadband Internet at symmetrical speeds of up to 100 Mbps through our FTTB network for the same price as the slower DSL offers of our competitors. Over 500 corporate and public institution sites in France used Completude Max as of December 31, 2013.

Israel

We provide broadband Internet access, pay television, fixed-line and mobile telephony services and a range of advanced telecommunications solutions to our business customers in Israel. Other than our iDEN based mobile services which we market under the “MIRS” brand, we market all of our business-to- business services in Israel under the “HOT” brand. Our fixed-line telephony services include offering individual lines to businesses as well as PRI trunks (consisting of up to 30 voice lines per trunk) to our business customers. We also provide business numbering services allowing for toll free calls from anywhere in Israel to 1-800 numbers and a split billing calling service to businesses (1-700). Our portfolio of advanced telecommunications services include data and video transmission and VPN services aimed at business customers and other telecommunication providers using synchronous digital hierarchy SDH technology or IP technology. Among the solutions we offer are network services for transferring data from point to point, transferring data between computers and between different communications networks, communications network connection to the Internet and remote business access services. As our Israeli B2B business remains operationally integrated in our residential cable business and mobile business, we recognize Israeli B2B revenue within revenues from cable based services and revenues from mobile services, as applicable.

In addition, we also license the pay television content formats that we create and own to other telecommunications providers around the world. For example, we have in the past sold our popular television series Split to providers in 72 countries.

Portugal

Our recent acquisition of ONI, a leading B2B services provider in Portugal, has brought a strong B2B sales and marketing force and diverse customer base as well as attractive service offerings and distribution capabilities to our Group. As a result of the acquisition, we are now the second largest B2B services provider in Portugal. We believe that this acquisition will continue to allow us to expand our fixed-line product offering to a broader set of B2B customers at a lower cost as a result of our existing, extensive fully-owned last mile cable network throughout Portugal. Our B2B services offered in Portugal include broadband Internet access, telephony, virtual private network, leased lines, datacenter services and other corporate fixed-line services to small and large businesses. Our customers include European Maritime Safety Agency, Transportes Sul do Tejo, the Portuguese Ministry of Agriculture, the Portuguese Ministry of Finances, Turismo de Portugal, EFACEC, Continental Hotels, INATEL, ANA Group, HOVIONE, Viagens Abreu, Grupo Auto Sueco and Radio Televisao Portuguesa.

Belgium and Luxembourg

In Belgium and Luxembourg, we offer a range of dark fiber, Internet links and other fiber based network services to telecommunications operators, financial institutions, public service customers and multinational companies. Our customers include Telenet, Verizon, Colt, Dexia and the European Central Bank in Luxembourg and the EU, NATO and the Brussels police in Belgium. We do not directly provide value-added services. Our business customers evaluate our offerings based on price, technology, security, reliability and customer service. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which we sell to our business customers who may require enhanced capacity or security.

Switzerland

We are one of the leading providers of information and communications technology services aimed at business customers in Switzerland. Our portfolio of service offerings includes broadband Internet access, hosting, multimedia and data backup solutions. We conduct our B2B business in Switzerland under the "green.ch" brand, with the exception of our datacenter services, which we also provide under the "Green Datacenter" brand.

Content Subsidiaries

In October 2013, we acquired the French operators of sports themed television channels Ma Chaîne Sport and Sportv. Ma Chaîne Sport produces and assembles a diverse range of content including live broadcasts of sports events and other programs relating to football, tennis, handball, boxing and other sports as well as general health and well being. It broadcasts such content via four specialized French channels, Ma Chaîne Sport, Ma Chaîne Tennis, Ma Chaîne Extreme and Ma Chaîne Bien Etre. Sportv produces and assembles pay television content focused primarily on extreme and combat sports for distribution via its French television channel, Kombat Sport. We offer the channels distributed by Ma Chaîne Sport and Sportv as part of our pay television packages in several of our geographies. In addition, Ma Chaîne Sport and Sportv also distribute their television channels to third party service providers including Numericable France, Zeop, Canal Plus, Orange, Startime, Maroc Telecom, Naxoo and Netdream.

Wholesale Services in France

While we offer some wholesale services, including interconnection services to other operators, across our geographies, we run a focused wholesale business in France which we consider to be a key part of our global operations.

We offer a full range of wholesale products and services, including wholesale carrier services (voice and data), wholesale infrastructure services (dark fiber) and white label services.

Following the combination of Numericable's and Completel's networks in 2008, we have been able to leverage the extensive footprint of our cable and DSL networks in France. Our wholesale business in France allows us to accelerate the payback period of our network investments. We have evolved from being a local wholesale player to being a wholesale player with international and national customers. We have a wide product portfolio and customer base, with more than 200 national and international operators as customers. Our key customers include Paritel Operateur, SCT Telecom, Tata, BT and Bouygues Telecom. Our wholesale business benefits from cross-selling opportunities that arise in our B2B business. For example, we are a wholesale provider to British Telecom, which provides B2B services to Société Générale. Société Générale required an international telecommunications operator and we were best suited for providing the portion of the services to be delivered in the French territory. Our French wholesale business enabled us to target this category of services.

We address the whole spectrum of the wholesale market in France, providing local, national and virtual operators in France as well as international operators with an alternative to Orange and SFR, which are the two main wholesale suppliers in France. We believe our overall wholesale market share in France is approximately 10-20%. Our wholesale customers include Bouygues Télécom, AT&T, Data Communications and Level 3 Communications.

Wholesale Carrier Services—Voice

We provide voice termination of national and international traffic and fixed and mobile interconnection for operators with no or limited fixed network capillarity, including national and virtual operators in France and international operators in France. Fixed termination services enable an operator to use our network to connect to another operator's network to which the customer is not connected. Fixed and mobile interconnection services enable an operator to use our network to terminate communications on a third-party operator's fixed or mobile network to which it is not interconnected. This business is a legacy business from Completel. Call termination charges in France are regulated by the ARCEP and have decreased in recent years for landline networks. Therefore, our termination charges invoiced by other landline operators have decreased and in turn, our revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame.

Wholesale Carrier Services—Data

We also sells circuits based on SDH and Ethernet technologies (i.e., copper or fiber) and optical fiber or DSL network (unbundling) connections to international operators or local operators with sub-scale networks in France, principally using our own network and less often reselling the use of other operators' networks. These services are generally invoiced per circuit (covering both bandwidth and speed). The setting up of a direct connection with a client favors higher margins. In our wholesale data business we typically employ a project-based approach whereby each circuit must provide a minimum return after a pre-defined payback period. Our data wholesale activity has shown regular growth since 2009, and we expect strong growth from this business in the future due to increasing worldwide data traffic and migration from legacy SDH or DSL technologies to Ethernet and fiber technologies. We believe we will be able to benefit from future growth in data traffic by leveraging our extensive fiber footprint and the combination of Numericable's and Completel's interconnected networks. Key customers of our wholesale data business in France include international and local operators with sub-scale networks in France, including AT&T, BT, Global Crossing Level(3) and Verizon.

Infrastructure Wholesale Services

We optimize our network utilization by selling network infrastructure-based wholesale services, including renting IRUs and bandwidth capacity on our network, to other telecommunications operators. We also offer related maintenance services.

We markets local loop (intra-city) connections to connect client sites and datacentres, in exchange for connection fees and a price per meter under an IRU (which includes high initial connection costs, but lower annual maintenance costs) or a lease agreement (which includes a lower payment at the beginning of the contractual period, but higher annual rental payments).

Following the adoption by the ARCEP of new regulations in 2009, we also started acting as a building operator (*opérateur d'immeuble*), deploying vertical FTTH networks within apartment buildings and making such networks available to third-party operators and access providers under long- term IRUs. We are able to provide this service given our experience in deploying coaxial cables in buildings as a cable operator and our existing relationships with multiple-dwelling unit managers and housing associations. Our relationships with local authorities are also important, as subsidies in the deployment of the network provide a commercial advantage in selling fiber optic connections to consumers as well as support in enabling us to deploy fiber on public property. Through December 31, 2013, we had connected approximately 164,000 homes in France through vertical FTTH networks. Deployment costs are shared with the telecommunications operators seeking access to the network in accordance with regulated tariffs and, during the term of the IRU, we provide maintenance services and charge maintenance fees to the operators who have access to the network.

We also carry out wholesale activities in France through our 95%-owned subsidiary Sequalum, the remaining 5% of equity interests in which are held by SFR Collectivités, a telecommunications infrastructure subsidiary of SFR. Sequalum was established in 2008 to plan, deploy and operate an FTTH very- high-speed fiber network under a French law scheme known as *délégation de service public* ("DSP") in an affluent district adjacent to Paris (Hauts-de-Seine), which includes the major business center La Défense. This DSP project is called DSP 92. A DSP is a form of public-private partnership under French law pursuant to which a public entity entrusts private entities to operate a public service in return for remuneration that is based on the results of operations of the service in question. Fiber deployment started in October 2009 and the first customers were connected in 2010. In July 2013 we were notified by the Hauts-de-Seine General Council of the approval of phase II of this project which is expected to continue until 2016. Pursuant to DSP 92, Sequalum has a 25-year concession, starting from January 20, 2009, to operate the relevant fiber network. The Sequalum network, when fully deployed, will cover 100% of the territory of Hauts de-Seine via 2,600 kilometers of fiber cables and reach 827,900 apartments and offices. It is open to all retail telecommunications operators, for a fee per connected household. Sequalum also charges fees for various services rendered to operators, such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network, and sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of the Hauts-de-Seine district that is classified as a "very dense area" are regulated by the ARCEP. Other fees charged by Sequalum are not regulated. Since 2009, Sequalum has connected approximately 500,000 homes in horizontal fiber and, since 2011, approximately 200,000 homes in vertical fiber. Revenue generated by this project has been generated to date principally from the granting of IRUs to other operators and has been minimal.

Furthermore, we also sell point to point connections. This includes backhauling radio sites for 3G and 4G deployment to other French national operators. We expect this business to grow, as higher bandwidth is needed and more antennas are built in connection with the roll-out of 4G by operators. Between 2010 and 2012, the Group connected approximately 200 sites for Bouygues Télécom and between 2012 and 2013, the Group expects to connect approximately 1,000 sites for SFR.

White Label Services

White Label Services (Cable). We provide white label dual-play or triple-play access lines to third-party operators through our cable network in France. We first began providing triple-play white label cable services in October 2009 to mobile phone operator Bouygues Télécom. We also provide white label dual-play and triple-play access lines to third-party operators through DSL (mainly unbundling). For more information on our white label (DSL) services, please see "*—White Label Services (DSL)*".

We sell white label triple-play services under long-term contracts and tailor them to the needs and requirements of each of our customers. Bouygues Télécom is currently our sole cable white label customer, following its acquisition of Darty's telecommunications business in July 2012. Services provided to Bouygues Télécom include pay television and broadband Internet access white label access lines, but do not include customer premises equipment. We continually adapt the particulars of our services to the evolving needs of our clients: for example, in 2013, an amendment to our contract with Bouygues Télécom increased the maximum Internet download speed to 200 Mbps as from 100 Mbps.

White label services allow us to leverage our network, benefit from the significant distribution networks of our partners and reach customers we would not otherwise reach through our residential cable-based offerings. This in turn enables us to acquire end-users without the associated acquisition costs under long-term commercial terms. As of December 31, 2013, we provided fiber white label triple-play services to approximately 363,000 end- users.

White Label Services (DSL). In addition to white label cable services, we provide white label double-play and triple-play access lines through our DSL network in France (mainly unbundling) to third party operators. We first began providing triple-play white label DSL services in 2006 in connection with the launch by the French retailer Darty of its own branded triple-play offering, the "Darty Box." Under this contract, we sold triple-play services to Darty, which resold them to its own customers under its own brand. We also entered into white label contracts with the French retailer Auchan in 2008.

We sell DSL white label triple-play services under long-term contracts and tailor them to the needs and requirements of each of our customers. Our contracts with each of Darty and Auchan include and included, respectively, pay television, broadband Internet access and fixed-line telephony services. We also provide our customers with certain other products and services such as set-top boxes. Our DSL white label contracts provide us with the same benefits as our fiber white label contracts in terms of leveraging our network and acquiring end-users without associated acquisitions costs.

Bouygues Télécom acquired Darty's telecommunications business in July 2012. We expect that this acquisition will continue to lead to the migration of Darty's customer base to Bouygues Télécom's network over the long-term. According to the agreement with Bouygues Télécom, a certain number of white label customers were migrated in 2012 to Bouygues Télécom's network (as such customers were only partially unbundled on our network and could be fully unbundled on Bouygues' network), but the remaining clients have not been automatically migrated to Bouygues Télécom's DSL network. However, Bouygues Télécom has successfully recruited new subscribers onto its own DSL network and churn at Darty has led to fewer and fewer white label customers on our DSL network. Our white label contract with Auchan terminated in March 2013 when we acquired Auchan's television, broadband Internet and fixed telephony service business, with customers migrating to Numericable in April 2013.

We provided DSL white label triple-play services to approximately 120,000 end-users in France as of December 31, 2012. Although our DSL white label business has been a key component of our growth since 2009, we expect a decline in this business due to our focus on growing our own branded customer base and related development of fiber access, and Bouygues Télécom's take-over of Darty. However, we believe that there is a potential for development in white label DSL services among small operators in France. We also believe that development opportunities exist for the creation of a platform for third party operators providing services to SoHos and SMEs.

Marketing and Sales

While historically the marketing and sales functions of our Group were carried out entirely by locally managed teams, we are currently in the process of establishing a monitoring and benchmarking system at Group level which will allow us to better track monthly marketing and sales performance metrics on a Group-wide basis. We expect that this initiative will allow us to tailor our marketing and sales strategy in better accordance with the trends in the markets in which we compete.

The marketing departments at our businesses are responsible for strategic brand positioning and developing and monitoring our advertising campaigns. Working in conjunction with our sales and customer care divisions, our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. We target our marketing efforts at residential customers in single dwelling units and multiple dwelling units such as apartment buildings. We also market our B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. Our primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door- to-door marketing, billboards, newspaper advertising and targeted mail solicitation. We continuously evaluate our marketing channels to allocate our resources most efficiently. Marketing is a key focus of our businesses, with €87.9 million spent on sales and marketing efforts by the Group in the year ended December 31, 2013, out of which our businesses in Israel, Belgium & Luxembourg, Portugal and the French Overseas Territories accounted for €49.9 million, €3.4 million, €10.0 million and €20.0 million, respectively. The Numericable Group spent €96.9 million on sales and marketing efforts in the year ended December 31, 2013.

In France, our marketing department is responsible for designing and promoting new products and services to customers, with a particular focus on campaigns for triple- and quadruple-play packages. We market and sell our services under our "Numericable" brand.

In Israel, we market and sell our cable-based services under the "HOT" brand and in 2012 we began to also market our 3G mobile services aimed at residential customers under the "HOT Mobile" brand which allows us to leverage the recognition associated with the "HOT" brand. We continue to market our iDEN based mobile services to business customers under the "MIRS" brand. As part of our commercial television advertising strategy, we contract with popular Israeli celebrities, including actors associated with local content that we broadcast, to market our services and increase customer awareness of the "HOT" brand.

In Portugal, we market and sell our cable-based services under our "Cabovisão" brand. Our marketing department at Cabovisão is divided into two groups, a communication team responsible for designing our advertising and a product management team responsible for developing our product offerings and overall marketing strategy. Our marketing efforts leverage our strong local presence and the reliability of our customer service functions, and are focused on a simplified new offer for easier comparison with our peers' products. In Portugal, we market and sell our B2B services under our "ONI" brand. Our marketing strategy in respect of our B2B customers revolves around branding, promotion and customized product offerings addressed to the corporate and public sector. We offer a global and integrated portfolio of tailor-made B2B services to customers operating in multiple locations with often complex business requirements. Our sales team is organized by the products we offer and tailored to the business partners we serve. We aim to promote our services through one-to-one marketing, business and technological events, selective corporate publications and publishing product information on our website and through business and technological publications.

In Luxembourg and Belgium, we market and sell our cable-based services under the "Numericable" brand which we have licensed from Numericable France. Our primary marketing channels include Internet and radio advertisements and billboard advertisements.

We began to market our cable-based and xDSL-based services in the French Overseas Territories of Martinique and Guadeloupe under the "Numericable" brand name in September 2013. We continue to use the "ONLY" brand to market our mobile services across the French Overseas Territories and our xDSL- based services in French Guiana, La Réunion and Mayotte. In the French Overseas Territories, we use comparative adverts and promotions as part of our mass media advertising campaign to promote our low prices, proximity and quality.

Our marketing strategy is based on increasing the penetration of multiple-play services within our subscriber base, increasing distribution of television based value added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. We highlight our multiple-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multiple-play packages. We believe that customers who subscribe for more than one service from us are significantly more loyal to us.

We use a broad range of distribution channels to sell our products and services throughout our operations, including retail outlets owned and run by the Group, retail outlets owned and run by third parties, dedicated sales booths, counters and other types of shops, door-to-door sales agents who are either employed by us or are paid a commission based on sales closed, inbound and outbound telesales and, in certain countries, our websites.

In France, we have in recent years revamped our sales strategy, focusing on maximizing returns from our investments in network upgrades and in innovative products and technology. We have divided our residential sales network in France into four regions and 165 selling zones, each under the responsibility of a local manager. Each zone has its own detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction and we rely on these reports to determine sales strategy relating to increasing ARPUs and customer acquisition. We employ a mix of sales channels, ranging from websales to retail partnerships to telesales, using retail stores to demonstrate and sell our high-end products, including in particular our premium services that offer LaBox as standard, and relying primarily on websales and telesales to increase our penetration rate among lower-end customers. In order to encourage websales of our lower-end packages, we sell certain of our products and services at a lower price online. We market certain of our offerings, such as the iStart package, which includes access to very high-speed broadband Internet and DTT channels, exclusively through our website. As of December 31, 2013, we had 148 Numericable stores in France, 60% of which were run as franchises under exclusive distribution agreements. The following map illustrates our selling zones and store presence in France including franchise locations.

Boutiques Numericable

We continue to establish retail partnerships with leading French retail outlets (including Boulanger, Carrefour and Cora) as part of our proximity sales strategy. As of December 31, 2013, we had 250 retail sales points operating through such retail partnerships. We expect to increase our number of own stores and decrease the number of retail sales points. We use different channels in each retail zone depending on our presence and success in that zone. For example, in areas where we have a low penetration rate, door-to-door sales can be a way for us to become a better-known operator, with this marketing method resulting in increased sales through other channels. We also have a separate sales team in charge of selling our bulk services to building managers or housing associations. Our B2B business relies on a sales team that includes both direct and indirect channels. Our direct sales channel includes 170 sales engineers dedicated to the midmarket and 55 sales engineers dedicated to large corporates. We established our indirect sales channels in 2012 and these include 250 distributors led by 46 sales managers employed by us (who manage indirect sales through distributors), increasing our footprint and accelerating order intake. We address large corporates through dedicated sales engineers as well as indirect salespeople offering integrated services. We address the midmarket through dedicated sales engineers and a network of distributors managed by salespeople employed by us. Indirect sales channels people are managed by our sales engineers and are intended to help us better connect with the midmarket where local contacts are important. Indirect sales people include our B2B offers in the selection of offers that they market to mid-sized companies, along with the offers of our competitors. We have also successfully leveraged our residential and B2B operations by taking advantage of cross-selling opportunities in the wholesale segment.

Our sales distribution channels in Israel include 36 dedicated sales booths owned by the Group and operated by external dealers (the “HOT Booths”), other dealer outlets, telemarketing, and a door-to-door sales team. We have an in-house sales department for cable services, which is responsible for our sales, and we also hire external sales agents to facilitate our sales who earn a commission based on number of sales closed. Our largest distribution channel is telemarketing, while door to door sales and dealer sales also accounted for a significant portion of our sales. In Israel, we target our marketing efforts for our 3G mobile services primarily at individual customers and our iDEN mobile services primarily at institutional and business customers. We use a broad range of distribution channels to sell our mobile services, with the majority of our sales through the HOT Booths and approximately 18 sales and service centers, and a smaller portion through other dealer outlets such as branches of the Israel Postal Corporation and Menta stores Electric Warehouse, our HOT Mobile website, inbound and outbound telesales and door to door sales. In the ultra orthodox sector, we market our mobile services through an external distributor. Additionally, we focus on recruiting individual customers through our business customers by offering attractive packages and plans to their employees.

In the French Overseas Territories, we have attractive distribution capabilities with 81 points of sale for approximately two million inhabitants across the region. Our recent acquisition of Outremer has allowed us to gain access to this high-density distribution network with excellent cross- selling and up-selling opportunities. While most of our competitors externalize distribution, we believe our distribution network is a key competitive advantage as it enables us to better control sales and costs and to better service our customers as our service offerings become increasingly more complex, while also facilitating cross-selling. We have progressively increased the range of products we sell in our retail outlets starting from mobile, fixed-line telephony and xDSL-based services to, more recently, mobile accessories, handset insurance and new subscription-based services payment services. We have also integrated our cable and mobile distribution networks following our acquisition of Outremer which allows us to sell cable-based services in our shops in Martinique and Guadeloupe.

We have a distribution network of four retailers in Belgium and two retailers in Luxembourg. We make both inbound and outbound telesales through our customer call centers in Brussels for Dutch-and English-speaking customers, Casablanca, Morocco for French-speaking customers in Brussels, and Differdange, Luxembourg for Luxembourg customers. We encourage customers to purchase our products and services through our website, which we believe provides customers a clear understanding of our product prices and features, and results in lower subscriber acquisition costs.

In Portugal, we have two different sales teams, one focused on residential cable customers and the other one targeting B2B customers. For the year ended December 31, 2013, door to door sales accounted for the majority of our sales of residential cable television services, followed by sales through our 19 retail stores and inbound/outbound telesales. We incentivize our sales force through aggressive commission rates based on number of sales closed. We are undertaking measures to shift our distribution channels from door to door channels to call centers and stores as we believe that this will help us more optimally capture our target customers. Our B2B sales force consists of a dedicated team of 49 (including 11 presales agents) covering our entire footprint and focuses on small offices, home offices, small and medium enterprises, large corporates and public entities. Our B2B sales team is supported by a call center function.

Customer Contracts and Billing

We typically enter into standard form contracts with our residential customers. We review the standard rates for our services on an on-going basis. In certain of our geographies, in addition to the monthly fees we charge, customers generally pay an installation fee upon connecting or re-connecting to our cable network. The terms and conditions of our contracts, including duration, termination rights and the ability to increase prices during the life of the contract, differ across our operations primarily due to the different regulatory regimes our business is subject to in each of the jurisdictions in which we operate.

In France, we offer residential subscribers contracts with a duration of 12 months. Contracts with our B2B customers are generally entered into for an initial minimum period of one year for voice services and three years for data services, but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years following mandatory tender processes. Our bulk contracts have an average duration of five years.

In Israel, we offer our residential cable customers commitment free contracts meaning that they can terminate the contract at any time without paying an exit fee. Our residential customers are charged a monthly fee based on our standard rates at the time of subscription, which includes a monthly rental fee for end-user equipment such as set-top boxes. We have recently become subject to new regulations which require that the monthly fee for our pay television can only be collected at the end of the month for the services delivered during the preceding month. Previously we offered contracts with a duration of 12 or 18 months. We are not committed to maintain the prices at which we currently offer our products. Although in Israel we are generally locked into the prices we offer for the entire duration of the contract, we are permitted to increase prices based on an increase of the CPI index used to measure inflation and in certain offers, we reserve the right to increase prices subject to certain terms. The price of our analog television services is subject to a maximum tariff, which is determined by the Israeli Broadcasting Council from time to time. Analog television accounted for 12,000 pay television RGUs in Israel as of December 31, 2013. The prices of our other cable based services are subject to general oversight of the regulatory authorities, including notification requirements for price changes, but are not subject to a maximum tariff. Our contracts with business customers are generally not commitment free, provided the amount exceeds NIS 5,000 per month, and pricing is based on our standard rates for the services subscribed to or in certain cases on individually negotiated rates.

We also offer our HOT Mobile residential mobile customers commitment free contracts meaning that they can terminate the contract without paying an exit fee at any time. We were among the first mobile operators in Israel to unbundle our services from the purchase of handsets by offering customers our 3G services on handsets of their choice which they need not have purchased from us. Our mobile customers are generally charged a monthly fee based on our standard rates at the time of subscription and a one-time fee relating to SIM cards, and if purchased from us, the sale of handsets which we do not subsidize.

In Portugal, we offer our residential cable customers contracts with a duration of up to 24 months. New customers are typically locked in for a 24-month period. Monthly fees typically include our rates as of the date of subscription plus a rental fee for end-user equipment. While we typically provide customers with modems free of charge, we offer set-top boxes either free of charge or subject to a discount or a deposit, depending on the offer. In line with market practices in Portugal, we usually do not charge our customers any connection fees. We are permitted to increase prices without any limitation imposed by the regulatory authority, however, we are required to provide our customers with one month's prior notice. Contracts with business customers are individually negotiated, the fees charged are typically agreed upfront and generally remain fixed for the entire duration of the contract. Business customer retention is high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Long term business customer relationships usually last on average for six years with contract terms ranging between 24 to 36 months.

In Belgium and Luxembourg, we offer our residential cable contracts with a maximum duration of six months due to regulation. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices (and subject to the approval of such price increase by the Minister of Economy in Belgium). For regulatory reasons, we do not charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

In the French Overseas Territories, we typically offer residential cable and xDSL customers contracts with a duration of 12 months, while our mobile customer contracts typically have a duration for up to 24 months. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices. We charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

Our billing system for cable based services in Israel has been developed by Convergys Solutions Limited ("Convergys") and we receive certain consulting, support and maintenance services from Convergys. Our billing system for our 3G mobile operations in Israel is an integrated billing and customer contact management system developed by Comverse Ltd. ("Comverse"). Our billing system for our iDEN mobile operations has been developed by Motorola Israel Ltd. Our billing system, ProCable, used in our cable operations in France, Portugal, Belgium and Luxembourg has been developed by InfoCABLYS, a Canadian provider of customer care and billing systems. In our French B2B operations, we rely on Arbor's billing software. In our Portuguese B2B operations, we use Stratus RedKnee's billing system as well as our own in- house billing system to a smaller extent. Our business in the French Overseas Territories continues to use a billing system which it has developed in- house. We generally offer our customers the choice between electronic and paper statements and the ability to pay by bank order or credit card. We monitor payments and the debt collection process internally. We perform credit evaluation of our residential and business subscribers and undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections executed by our employees, direct collections executed in co-operation with third party collection agencies and pursuing legal remedies in certain cases.

Customer Service

We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. The customer service function for our cable based and mobile services is carried out by approximately five call centers located in Yakum, Beer Shera, Haifa, Nazareth and Migdal Ha'omek, Israel (servicing our Israeli customers), a call center in each of Tunisia and Morocco (servicing our customers in France), a call center located in Casablanca, Morocco (servicing our French-speaking customers in Belgium), a call center located in Brussels (servicing our Dutch-speaking customers in Belgium), a call center in Differdange, Luxembourg (servicing our customers in Luxembourg), two call centers in Palmela, Portugal and Caldas de Rainha, Portugal (servicing our residential customers in Portugal), one call center in Lisbon, Portugal (servicing our business customers in Portugal) and a call center in Mauritius (servicing our customers in the French Overseas Territories). We also provide our customers with access to technical support help desks which operate at substantially all times.

Visits to customers' premises are performed by a mix of in-house and outsourced technicians. We aim to increase the extent to which this function is outsourced as we believe it optimizes our operational risks and costs.

In geographies where we offer B2B services, our institutional and business subscribers are served by dedicated business service and technical centers. For example, in France, our B2B segment has put in place customer service functions specifically adapted to the service quality requirements of business customers, including in respect of technical and administrative matters. Our computerized customer operations were upgraded through a specific program introduced in early 2012, which provides for a centralized and adapted approach to customer relations. Our standard service contract for B2B customers in France includes an undertaking to re-establish service within four hours. Our annual availability has been greater than 99.98% during each of the past six years. Our highly secure network and customer service are available 24 hours a day.

We have launched and partially implemented initiatives aimed at improving our customers' experience. These initiatives include enhanced Customer Relationship Management ("CRM") systems, which allow us to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers.

In France, recent surveys have shown high customer satisfaction rate for our products and services. We were also ranked first in several online surveys on French broadband Internet providers carried out in June 2013 by the website 01net. The quality of our broadband Internet offering in France has also been confirmed by NetIndex.com, a website that anonymously compiles global Internet speed data, which ranked us ahead of SFR, Bouygues Télécom, Free, Colt and Orange in France for the speed of our Internet broadband Internet offering over the period from January 2012 to June 2013. IP-Label Newtest, which measures the performance of broadband Internet providers in Paris and in the French provinces for 01net, ranked us first in terms of the quality of our triple-play services provided in June 2013. In February 2013, the French magazine Capital designated LaBox as the best set-top box in the French market. In addition, in a study conducted by the ARCEP in 2013, we were recognized as having the lowest failure rates (0.6% for Numericable, compared to 1.4%, 1.2%, 2.2% and 1.2% for Orange, SFR, Bouygues Télécom and Free, respectively), the best time for setting an initial connection (7 days for Numericable, compared to 9 days, 13 days, 14 days and 17 days for Orange, SFR, Bouygues Télécom and Free, respectively) and one of the best voice qualities in France. We believe that our high customer satisfaction levels are in part due to the ease with which our customers are able to self-install our services. For a significant portion of our service offerings, we typically send all the necessary equipment to our customers who are able to simply "plug-and-play" thanks to the reach of our network. 57% of our installations in France were carried out by our customers themselves in 2009, compared to 2013, when 70% were self-installations.

In Israel, we believe we have substantially improved customer care as a result of the introduction of new processes resulting in shorter waiting times in call centers, new ways of servicing customers including via Facebook and live chat functions, the development of self-service applications, increased automation, a closer relationship with our subscribers through an increased number of interactions and the 24/7 availability of our technical support representatives. We believe a large proportion of our customers are loyal to our brands thereby reducing churn. For example, as of December 31, 2013, approximately 63%, 51% and 39% of our Israeli pay television, broadband Internet infrastructure access and fixed-line telephony customers respectively have been our customers for over four years, and approximately 55%, 54% and 53% of our Portuguese residential pay television, broadband Internet access and fixed-line telephony customers respectively have been our customers for over four years.

With respect to the majority of our operations, we outsource our customer service functions to third-party providers. Such providers use operating procedures, tools and training that are provided by the Group. In some of our geographies including France, a team of in-house specialists handles the most complex customer care issues. We see limited potential for further improvements in the efficiency of our customer care operations, as we have focused on optimizing these for several years.

We believe that the high-density distribution network we have in the French Overseas Territories as a result of the recent acquisition of Outremer enables us to provide better service to our customers as they can easily reach our stores. This will be particularly useful as our product and service offerings become increasingly broad and complex. As part of Outremer's integration into our Group, we are currently in the process of rolling out our customer service practices, including customer service functions relating to quadruple-play services, across our retail network.

Network

France

In France, we have an extensive network, covering both switched voice and data. Both our residential and B2B operations benefit from our extensive backbone. As of December 31, 2013, the total length of fiber cables that make up the national long distance network is approximately 13,000 kilometers. Our network has 83 end points and 30 amplification sites and is mainly based on dark fibers owned by us, lit with DWDM optical wavelength equipment. Our network includes hybrid fiber and coaxial cable connections to residential homes, 80 fiber metropolitan area networks connecting corporate and public sector sites in France's dense business areas and an extensive DSL network over our switched voice lines with 700 network subscriber access nodes. Covering about 35% of homes in metropolitan France, our network is concentrated in densely populated areas and does not cover the entire French territory.

Our cable network is one of two core end-to-end French networks with extensive local loop infrastructure, the other being owned by Orange. As of December 31, 2013, our cable network in France passed 9.9 million, or approximately 35% of, French homes, including approximately 5.2 million homes passed by our FTTB/EuroDocsis 3.0-enabled network, approximately 3.3 million homes by our EuroDocsis 2.0-enabled network and 1.4 million homes by our standard coaxial cable network (the latter without bi-directional capability and thus limited to television services). Over 85% of the homes passed by our cable network in France is EuroDocsis 2.0- or EuroDocsis 3.0-enabled as of December 31, 2013. In addition, 85% of the homes connected to our network benefits from a frequency of 862 MHz and is therefore triple-play capable. The portion of our network that has already been upgraded to FTTB and uses EuroDocsis 3.0 technology currently provides a download speed of up to 200 Mbps, which is the highest available in France on a large scale and allows our customers to connect several devices, such as computers, televisions, tablets and smartphones, simultaneously without impairing the quality of the television signal. We believe this download speed and our separate streams of television and Internet give us an advantage over our competitors. In addition, this portion of our cable network in France has the potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure. The portion of our network that uses EuroDocsis 2.0 technology provides a download speed of up to 30 Mbps, which, we believe, is higher than speeds offered by our DSL competitors. Both the EuroDocsis 3.0 and the EuroDocsis 2.0 television-encoding technologies benefit from an 862 MHz frequency and enable us to offer our residential customers triple-play or quadruple-play and interactive services requiring large bandwidths. We believe that the picture quality of our television products, especially for HDTV channels, is superior to that of the IPTV technology used by our competitors on DSL lines and that this will become an increasingly important differentiator, especially for customers with wide-screen television sets. In addition, we believe we are well-positioned to respond to competitive pressure from FTTH and VDSL technologies, given the technological superiority of our network and the low coverage overlap between our fiber/cable network and those networks. With respect to areas covered by our cable network, less than 8% of DSL lines will benefit from increased download speeds due to VDSL2+ technology.

Our B2B business in France relies on our fiber optic cable metropolitan area networks (“MANs”) located in large urban areas installed in 80 dense business areas in France. Among other things, our MANs enable us to connect new B2B customers with limited capital expenditures. Our DSL network connects our business customers’ more remote sites. As of December 31, 2013, our fiber cable network in France passed over 10,000 corporate and public sector sites, and our DSL network passed over 80,000 corporate and public sector sites.

Our MANs and DSL network provide complementary access technologies to address our business customers’ needs, which vary depending upon the bandwidth and security requirements of their sites. Generally, we connect our business customers’ main and/or critical sites with fiber, provided that they are located within 500 meters of our MANs. Secondary sites of large business customers, as well as mid-sized companies subscribing to our standard “Completude” service, are connected to our DSL network, except for “Completude Max” customers, who are connected through fiber. Customers’ secondary sites outside of our DSL network’s reach are connected through DSL lines or leased lines from other telecommunications operators. We believe that direct connections based on complementary fiber and DSL access are the best technical response to customer needs in terms of bandwidth requirements, technological and geographical complementarities and end-to-end control of service quality. Our national CORE IP network is one of the few “100 Giga ready” French networks to be up and running and runs from Paris to Lyon, and our VoIP network (which we believe is one of the most technologically advanced networks in France) can adapt to multiple technologies, providing the agility required to respond to customers’ needs. Our VoIP network infrastructure has a monthly traffic of approximately 1.2 billion minutes.

We own the hybrid fiber and coaxial cable in our network as well as the equipment, head-ends, hubs and certain other parts of the access network, including our long-distance backbone. The physical infrastructure into which our cables are placed, such as ducts and poles, are either owned by us or by Orange. With respect to the ducts and poles used by us but owned by Orange, we access them under long-term IRUs. See “—Network History and Ownership” below. Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment, without affecting the quality of service being provided.

We expect to continue to selectively deploy fiber on a continual basis, where a densification of our fiber network in France is necessary to improve service to our customers. We generally upgrade the network to EuroDocsis 3.0 when the network is upgraded to FTTB at the latest. We continuously upgrade and renovate B2B connections in order to remain in line with customer expectations and requirements.

We have increased the number of homes in France connected with FTTB/EuroDocsis 3.0 over the past several years. We upgraded 658,000 homes in the year ended December 31, 2010, 114,000 homes in the year ended December 31, 2011, 503,000 homes in the year ended December 31, 2012 and 408,000 homes in the year ended December 31, 2013.

For our B2B customers, one of the advantages of our network in France is that it is scalable with both fiber and DSL providing a key technological edge. We are able to use our fiber network to establish a direct connection to customer sites that have very high capacity requirements, with an average capacity of greater than 125 Mbps and a growing number of gigabit sites, and DSL to secondary customer sites, with lower capacity requirements.

Network History and Ownership. Our network was built through the acquisition and combination of entities which themselves had built cable networks under various legal frameworks, in particular the 1982 Cable Plan (*Plan Câble*) and the 1986 New Deal Plan (*Plan Nouvelle Donne*). For a detailed description of the history and ownership of our network, see “*Risk Factors—Risks Relating to Our Business, Technology and Competition—There are uncertainties about the legal framework under which we own and operate our network in France, Belgium and Luxembourg.*” and “*—We rely on third parties for access to and the operation of certain parts of our network.*” and “*Description of Our Business—Material Contracts—Agreements relating to the installation and operation of our cable network in France*.”

Technical Characteristics. We use the backbone, which refers to the principal voice and data routes between large, strategically interconnected networks and core routers, to transport all digital signals to our subscribers throughout France. As of December 31, 2013, the total length of fiber cables that make up our national long distance network is approximately 13,000 kilometers. Our data backbone is currently running "All- IP" and carries all of our communications traffic by using dedicated specific bandwidths for each of our digital television, high-speed broadband Internet, B2B data and residential fixed-line telephony services. The voice backbone carries our switched voice communications traffic. We consider this backbone to have full capacity to meet our subscribers' needs.

The part of our network that uses standard coaxial cable to provide analog and digital television to approximately 1.4 million homes is not connected to our backbone.

Routers put in place before 2007 (i.e., before EuroDocsis 3.0) allow for download speeds of up to 100Mbps, and routers with EuroDocsis 3.0 allow for download speeds of up to 400 Mbps.

The distribution of our services within dense metropolitan areas is supported by local loops which are connected to the backbone and can address increased capacity needs. We own the local loops connected to our network.

Our residential subscribers connect to the network through a coaxial cable connection from one of our nodes. On average, approximately 1,000 homes (for the portion of the network equipped with EuroDocsis 2.0) and 200 homes (for the portion of the network equipped with EuroDocsis 3.0) are served by one of the approximately 40,000 optical nodes in our network. In the portion of our network upgraded to EuroDocsis 3.0, approximately 43% of homes are located within approximately 100 meters from the fiber connection on average (with less than 100 homes per node on average), approximately 16% of homes are located within approximately 200 meters from the fiber connection on average (with between 100 and 500 homes per node on average) and approximately 41% of homes are located within approximately 300 meters from the fiber connection on average (with more than 500 homes per node on average).

Network quality can deteriorate as customer penetration rates on any particular node increase above a certain threshold. When required, the scalability of our network enables it to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes. We use amplifiers on a portion of our coaxial lines to strengthen both downstream and return path signals on the local loop, but not on the EuroDocsis 3.0-enabled portion of our network to which subscribers are connected by an FTTB connection. The FTTB technology allows for fiber deployment to generally reach the boundary of our subscribers' building, such as the basement in a multi-dwelling unit, with the final connection to the individual living space being made via alternative, non-optical means, typically through a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows us to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. However, as the number of subscribers in a building increases, FTTH can become necessary to ensure the same speeds.

We monitor the performance levels of our networks in France on a continuous basis. The backbone network has been designed to include redundant features to minimize the risk of network outages and disasters and reroute traffic in the opposite direction around the backbone in the event that a section of the backbone is cut. Even though we have insured our buildings, head-end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters, they are not insured against war, terrorism (except to a limited extent under our general property insurance) and cyber-risks. We carry insurance on our fiber optic network and property damage insurance for our coaxial network up to a capped amount and subject to exclusions.

Israel

We provide our pay television, broadband Internet infrastructure access and fixed-line telephony services through our extensive fully owned cable network which we believe is one of most technologically advanced networks in the EMEA region. Our cable network passes most of Israel's 2.2 million households. The fiber rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper based xDSL networks. In particular, a fiber and coaxial cable offers a larger bandwidth than copper cable and, unlike the latter, it is not significantly affected by attenuation (i.e., a reduction in the strength of the signal) or distortion (i.e., a reduction in quality of the signal) when the signal is carried over a long distance. Our cable network allows the provision of fiber optic transmission services using DWDM technology, SDH technology or IP technology. In addition, our cable network backbone includes two national and regional strategically interconnected head-ends that enable transmission of signals over our cable network. We are in the final migration process of the telephony customers from 4 Nortel CS2K telephony switches to the new telephony environment based on Genband (Class 4) and Broadsoft (Class 5) switches with advanced Session Initiation Protocol ("SIP") switch which is used to create and control communication sessions over an IP network. Our network supports minimum capacity per household of 862MGhz in approximately 45% HP, 750 MGhz in approximately 40% and 600 MGhz in approximately 15% our homes passed, respectively.

Our cable network enables us to deliver broadband Internet infrastructure access, fixed-line telephony and other interactive services such as VoD, to our customers throughout our cable network in addition to regular digital and analog television services. Our entire cable network is also U.S. Docsis 3.0 enabled allowing us provide ultra fast broadband Internet infrastructure access services at a download speed of up to 100 Mbps with limited or no degradation in speed throughout our network, which we believe is the fastest in Israel on a large scale and can support theoretical download speeds of up to 300 Mbps with certain limited modification to network equipment, which will allow us to easily upgrade our network to increase download speeds in the future. In 2011 and 2012, we also began selectively deploying FTTx network upgrades, which involved replacing existing Coax Cable used for local loop connectivity with optical fiber to reach the end user's building or last amplifier. We have already deployed FTTx to approximately 100,000 of our homes passed. We plan to continue the selective deployment of FTTx at our discretion which will enable an expansion in the traffic capacity over our cable network and improve our VoD services, increase the number of television channels we are able to offer and increase the speed of our Internet services.

Our cable network is fully owned by HOT Telecom. Part of our cable network runs through ducts and poles owned by Bezeq. We are party to certain continuing arrangements with Bezeq relating to the installation and maintenance of such parts of our cable network. We incurred total costs of NIS 46 million, NIS 48 million and NIS 47 million in 2011, 2012 and 2013 respectively for services provided by Bezeq under these arrangements. For further details, see "*Description of Our Business—Agreements with Bezeq relating to installation and maintenance of portions of our cable network—Material Contracts*".

HOT Mobile historically provided mobile services using an iDEN-based mobile network infrastructure, which as of December 31, 2013 comprised of approximately 635 network sites distributed throughout Israel providing nationwide coverage. In relation to the roll out of our UMTS-based 3G mobile services, we are in the process of building and expanding a UMTS network based on modern HSPA+ technology. We have committed to the State of Israel to achieve the following periodic coverage milestones for our UMTS network based on total Israeli population: by September 2013—coverage of 20% of the settled area of Israel and where at least 20% of the Israeli population is residing; by September 2015—coverage of 40% of the settled area of Israel and where at least 40% of the Israeli population is residing; by September 2016—coverage of 55% of the settled area of Israel and where at least 55% of the Israeli population is residing; by September 2017—coverage of 75% of the settled area of Israel and where at least 75% of the Israeli population is residing; and by September 2018—coverage of 90% of the settled area of Israel and where at least 90% of the Israeli population is residing and coverage of 90% of the roads in Israel. We have expanded our UMTS network coverage through a combination of modifying our existing mobile network sites by installing UMTS equipment enabling the use of the new frequencies and building new UMTS enabled sites. Our UMTS network already extends to approximately 61% of the inhabited territory of Israel and covers approximately 73% of the Israeli population. As of December 31, we deployed approximately1,000 sites needed to cover the entire Israeli territory. The Network Sharing Agreement between HOT Mobile and Partner has reduced the need for new sites, resulting in the slowing down of the roll-out of the new sites. We relied on an agreement with Pelephone, a subsidiary of Bezeq, pursuant to which we use Pelephone's in-country roaming services to service our customers while we build-out our UMTS network in 2013. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Furthermore, in November 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under Network Sharing Agreement. The Network Sharing Agreement remains subject to regulatory approval by the Israeli Ministry of Communications. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details see *"Description of our Business—Material Contracts—Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services"* and *"—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel"*. Our Israeli cable based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

Currently, our UMTS network permits data transfer at speeds of up to 42 Mbps which we are seeking to increase to 84 Mbps in the future. In addition, if the Israeli Ministry of Communications tenders frequencies for LTE and if we acquire such frequencies, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. We believe that, because of our extensive fixed-line network and our advanced UMTS network, upgrading our mobile network to the 4G standard will involve significantly less capital expenditure (or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner) than we incurred to roll out our 3G network because our mobile network infrastructure will require minimal upgrading as compared to some of our competitors. We believe these factors will allow us to quickly market the newest LTE-based packages to our customers. The following table sets forth details regarding the spectrum allocated to us and our competitors for the provision of mobile services.

Service Provider	**UMTS Bandwidth (Mhz)**	**GSM Bandwidth (Mhz)**
HOT Mobile	2,100	—
Pelephone	850 - 2,100	—
Cellcom	850 - 2,100	1,800
Partner	900 - 2,100	900 - 1,800
Golan	2,100	—

We expect that the Israeli Ministry of Communications will tender LTE frequencies in the 1,800 Mhz and 2,600 Mhz range in next few years. A tender committee has been formed, but it has not yet published any tender. We understand some of the relevant frequencies are used by the Israeli Ministry of Defense and by Bezeq and may only be allocated for commercial use once the frequencies are released by the Israeli Ministry of Defense.

Portugal

In Portugal, we benefit from a state-of-the-art HFC cable network that passed 908,000 homes as of December 31, 2013 covering certain Portuguese cities in over 60 districts and 200 municipalities. We use this network to provide residential pay television, broadband Internet access and fixed-line telephony services. It extends over 3,647 km and includes 224,000 km of optical fiber. We have upgraded approximately 99% of our network to Docsis 3.0 and expect to reach 99.7% following certain upgrades that are currently underway. We fully own our distribution networks, head-ends and drops, which gives us significant flexibility to deploy and constantly improve our product offering.

Our acquisition of ONI enriched our assets base with the second largest B2B cable network in Portugal covering approximately 85% of the Portuguese population. We operate a nationwide backbone supported by approximately 9,000 km of fiber pairs and 427 points of presence supporting 9,957 customer sites, using OTN (Optical Transport Network) connections comprising several 10 Gbit/s signals over a single optic-fiber pair with speeds between 155 Mbit/s and 10 Gbit/s. Radio links complement our access portfolio, with 174 point-to-point systems in service. In addition, our network is connected to Spain through the 10G SDH Iberian ring and a new 10G PTN connection. Furthermore, we use SDH to support Ethernet services using its wide coverage (1200 NE) and the intrinsic automatic protection in case of failure by switching to an alternative route in less than 50 ms. In the two main metropolitan regions, Lisbon and Porto, Packet Transport Network (PTN) technology backbones are providing native Ethernet clients accesses through optic-fiber, usually with 1 Gbit/s of bandwidth. Within the cities and in the B2B environment, FTTH is deployed with direct extension of PTN, enabling up-to 100 Mbps and 1G VPN/VLAN services. A wider coverage is attained with xDSL technologies in operation in 126 co-location sites and since June 2013, symmetric Ethernet services are supported through Ethernet Last Mile (EFM) technology, with a theoretical reach of 120 Mbps but being deployed for 10 Mbps (four pairs).

Belgium and Luxembourg

We provide our pay television, broadband Internet access and fixed telephony services to both residential and business customers who reside in our service area through our combined broadband HFC network which consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 860 MHz in Brussels and 550 MHz in Luxembourg. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which can be used to exchange all channels carried in France, Belgium or Luxembourg.

In Brussels, our network assets include approximately 513 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable. In Luxembourg, our network assets include approximately 450 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable.

Our fiber backbone is currently running All-IP and carries all of our communications traffic with dedicated bandwidth for the various types of traffic. Customers connect to the network through a coaxial connection from one of our nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 191,000 homes in Brussels and 42,000 homes in Luxembourg are served by each of the approximately 240 optical nodes in the Brussels region, approximately 30 optical nodes in the AIESH region and approximately 96 optical nodes in Luxembourg. Network quality can deteriorate as customer penetration rates on any particular node increase above a certain number. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes.

In Brussels and in Luxembourg, we built our network pursuant to agreements with municipalities which authorized us to build and operate a television cable network over the territory of the municipality. In Luxembourg, in certain municipalities, we directly acquired the network from private owners; while in other instances the network is owned by the municipality which we operate pursuant to a concession agreement. Ownership of the network between the cable operator and the municipality during the term of the agreement can also depend on who originally invested in the network.

As of December 31, 2013, our HFC cable network passed 171,000 homes in Brussels and 42,000 homes in Luxembourg. Our entire cable network in Brussels and Luxembourg is nearly fully EuroDocsis 3.0-enabled. Within the network we acquired in late 2012 in the County of Hainaut in Belgium, we have already upgraded approximately 95% of homes passed to triple-play capability, approximately 10% of our subscribers in the area are already subscribed to one of our multiple-play products and approximately 30% now receive digital services. We provide mobile services utilizing the mobile network of Mobistar in Belgium (the second largest mobile service provider in Belgium) pursuant to mobile virtual network operator ("MVNO") agreements.

French Overseas Territories

Following our acquisition of Outremer, our proprietary infrastructure in the French Overseas Territories now includes mobile networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies enabling us to deliver 2G and 3G services respectively, with coverage throughout the French Overseas Territories. Our acquisition of Outremer also enriched our asset base with fixed-line xDSL networks, over which we provide Internet, fixed-line telephony and IP television services which are available to most households in the region. In Guadeloupe, Martinique and La Réunion, our fixed-line xDSL network is supplemented by WiMAX capability enabling the delivery of last mile wireless broadband Internet access. In addition, we have invested in IRUs and leases of submarine cable capacity, which connect our terrestrial mobile and xDSL fixed-line networks to international routes.

In addition to mobile and fixed-line xDSL networks, we also own a HFC cable network in Martinique and Guadeloupe, which passed 73,312 homes in Martinique (covering approximately 57% of Martinique by homes passed) and 80,831 homes in Guadeloupe (covering approximately 53% of Guadeloupe by homes passed) as of December 31, 2013. We are currently in the process of upgrading our network to EuroDocsis 3.0 and expect to complete the process by the end of the first half of 2014.

It is expected that ARCEP will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the French Overseas Territories in 2014. In case of a successful award, our ability to provide LTE mobile services to complement our existing 2G and 3G mobile services in the French Overseas Territories will depend in part on our ability to upgrade our mobile network and roll-out an LTE network, which could involve a significant amount of capital expenditure. Based on current plans, we expect that we would need to invest approximately €30 million (net of tax subsidies) from 2014 through to 2016 to upgrade our networks to roll-out LTE mobile services.

Suppliers

While historically purchasing activities were typically carried out locally at the various entities comprising our business, we have recently begun to globalize and streamline our procurement processes by combining our aggregate purchasing power. The purpose of our centralization efforts is to leverage the combined scale of our operations located in different geographies and thus negotiate more favorable pricing and other commercial terms from suppliers of certain hardware, software, pay television content and other products used in all of our operations than each of our businesses could individually secure. In order to put the centralization process on a more formal footing, we are currently in the process of establishing a global purchasing subsidiary. We believe that the continued integration and streamlining of our global procurement processes will allow us to realize significant cost savings going forward.

We have relationships with several suppliers that provide us with hardware, software and various other products and services necessary to operate our businesses. We use a limited number of subcontractors to maintain our network, operate our call centers and supply, install and maintain installed consumer and on-site business and public sector terminals, with Group employees performing only a small portion of installations. Certain services can be self-installed by our customers, but most still require a professional installer. Our agreements with third party providers generally require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

We currently deploy the set-top box La Box in our operations in France, Belgium, Luxembourg and Portugal, and we also introduced LaBox in Israel in March 2014. We purchase La Box set-top boxes from Sagemcom for use across our operations. We also continue to procure set-top boxes for use in certain of our operations from Technicolor. Although we have not to date entered into a global supply contract with either of Technicolor or Sagemcom, we weigh in on the negotiation of each individual contract entered into by our businesses in order to leverage our combined purchasing power and generally ensure the same terms and conditions are agreed upon across our operations. Further examples of globally negotiated but locally entered supply arrangements include contracts with Nagravision for the purchase of its set-top box software Nagra CAS and contracts with Cisco and Casa Systems for services relating to the deployment and maintenance of our networks across our operations. While we progress the globalization of our procurement functions, our businesses continue to purchase certain of the products and services required for their operation under locally negotiated contracts for a variety of reasons, including the need for such products and services being specific to each locality.

In our French residential business, our main hardware and software suppliers are Sagemcom, Castlenet and Netgear, which equip us with set-top boxes and broadband Internet routers in which we own the intellectual property rights; Cisco, which provides us with cable router termination systems (i.e., equipment typically located in the head-end or hubsite which we use to provide high-speed data services); Pro-Cable, which supplies us with billing and related software and hardware; and Nagra France, which sells us its conditional access system. The main hardware and software suppliers of our French B2B segment are Cisco, which provides us with data network parts and customer premises equipment, such as servers; Huawei, which supplies us voice network components and voice-related customer services equipment; Genbad, which provides voice network maintenance; Ciena, which provides fiber and data network components; and Arbor, which sells us its billing software. Other than in respect of Nagra France, we do not believe we have any material supplier dependencies. Our contract with Nagra France was entered into in October 1999 and expired in 2007. Upon expiration, the contract is tacitly renewed for successive five-year periods, subject to termination by either party upon six months' notice prior to the end of any such five-year period. The last tacit renewal took place on January 1, 2012, and will therefore be up for renewal again in December 31, 2017.

In Israel, our key infrastructure, hardware and software suppliers for our cable based operations include Bezeq which provides us with design, installation and maintenance services relating to certain parts of our cable network which pass through ducts and poles owned by Bezeq; Genband, Bynet and BroadSoft which provide us with equipment and services relating to telephony switches; NDS Limited, a subsidiary of Cisco, which provides us with equipment and services relating to unified encryption systems; Technicolor and Sagemcom, which provide us with set-top boxes including, in respect of Sagemcom, the HOT Box; and Nagravision, which provides us with software for set-top boxes.

We have entered into a number of reciprocal interconnection agreements with fixed-line telephony providers in Israel, mobile operators in Israel and internal long distance telephony operators. We have also entered into an agreement with Convergys in relation to certain billing related services for our cable services. In addition, we contract with suppliers for the purchase of television programming content that we package and broadcast under the HOT suite. We also purchase rights to broadcast independent Israeli and international channels on our network and content for our VoD service. We use a limited number of subcontractors to install broadband Internet, telephony and digital television equipment in customer homes. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of the service provided by our subcontractors on a regular basis. With respect to our mobile operations, we have engaged Nokia Solutions and Networks ("NSN") as a turnkey contractor to plan and build the new UMTS network. We have entered into an agreement with Pelephone, which has provided us with in-country roaming services for our 3G mobile operations since we began offering mobile services in Israel in May 2012 and also have roaming agreements with several foreign mobile operators. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties. In November 2013. HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause to which HOT Mobile was subject to. This agreement will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which still remains subject to regulatory approval by the Israeli Ministry of Communications. We have agreements with various suppliers for the purchase of 3G compatible handsets. Comverse supplies us with certain services relating to an integrated billing and customer relation management ("CRM") system for our 3G mobile operations. The main suppliers for our iDEN based mobile operations are Motorola Solutions, which owns the rights to the iDEN technology and is the primary manufacturer of infrastructure equipment for iDEN technology, and Motorola Mobility which manufactures end- user equipment for iDEN technology.

The suppliers to our residential business in Portugal include Portugal Telecom and EDP, which provide us with services relating to certain parts of our cable network which pass through ducts and poles owned by them; Fibnet and Aveicabo, which provide us with installation services and services relating to the maintenance of our network; Randstad, which provides us with contract and payroll management services relating to our sales agents as well as call center functions; as well as NSN and Genband, which provide us with hardware as well as maintenance and support for network equipment. For our recently acquired Portuguese B2B business, we have a set of long-term contracts for our main infrastructure (sites and fiber) with Rede Eléctrica Nacional and Electricidade de Portugal, in addition to the use of our own fibers, and a contract for ducts and land with BRISA, the main Portuguese highway operator. In Spain, we lease bandwidth and optical wave-lengths from British Telecom and UFINET enabling our presence in the Iberian Peninsula and Madrid. Further key suppliers of our Portuguese B2B business include Alcatel-Lucent, Cisco, Corient, Sonus.HP, Ruckus, Dell and Axis.

In Belgium and Luxembourg, Numericable France is our main supplier of hardware and software necessary to operate our business. Pursuant to a services agreement we entered into with Numericable France on the date of the acquisition of Coditel by us, Numericable France provides us technical, engineering and support services, while also allowing us to benefit from its purchasing power for equipment, in particular set-top boxes, content and IP traffic. Other key suppliers of our IT needs include InfoCABLYS, which provides us with hardware and the billing and customer care software "ProCable", and Sage, which provides us with support for its enterprise resource planning system that we use. In Belgium, we use subcontractors to install Internet, fixed-line telephony and digital TV equipment in subscriber homes, in addition to having a small portion of installations performed by our own employees. In Luxembourg, we use both our own employees and subcontractors to perform installation services. Certain services can be self-installed by our customers but most require a professional installer. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

In the French Overseas Territories, our key suppliers are the telecom operators France Telecom/Orange, SRR and Digicel to which we pay interconnection fees and purchase capacities from for both our cable-based and mobile activities. With respect to our recently acquired mobile operations, we historically source our handsets from Samsung and Alcatel and purchase our network infrastructure and 2G/3G base stations from ZTE. In anticipation of a potential release of frequencies for 4G LTE, we have requested quotes from major original equipment manufacturers. Regarding our cable-based operations, we purchase rights to broadcast channels on our network and content for our TV service and we use only one subcontractor, ERT, to install broadband Internet, telephony and digital television equipment in subscriber homes. We procure our xDSL modems and set-top boxes from Pace (formerly known as Bewan) and Sagemcom, while we purchase our cable modems and set-top boxes from Numericable France which sources from Netgear and Technicolor, respectively.

Material Contracts

The agreements described below are of material importance to our Group. The overview of each agreement set forth below is an overview of the material terms of such agreement as in effect as of the date of this Notice.

Agreements relating to the installation and operation of our cable network in France

Our overall cable network in France, which is comprised of a combination of networks we inherited from different French cable operators we acquired, is operated as a single network pursuant to long-term agreements with Orange and certain public authorities for the use of Orange's ducts and the occupation of public domains, respectively.

Orange IRUs

We entered into non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition of certain companies that operated cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to us by Orange through these non-exclusive IRUs. These IRUs each cover a specified geographical area and were entered into for a 20-year term. The IRUs are neither subject to early termination nor provide for automatic or tacit renewal. Under the IRUs, we are granted access to some of Orange's civil engineering installations to maintain and upgrade our network, provided we comply with certain predefined operating procedures, but are not permitted to extend our network by using such existing civil engineering installations. Furthermore, Orange remains in charge of the maintenance of its civil engineering installations.

In 2008, ARCEP ruled that Orange had to offer access to its ducts to other telecommunications operators to allow them to roll out their own fiber networks. The terms on which Orange makes its ducts available to other operators are less favorable than the terms we benefit from under the IRUs. On November 4, 2010 ARCEP ruled that the operational procedures of our IRUs should be modified and aligned with the operational procedures granted by Orange to other operators. Our IRUs with Orange were accordingly amended in December 2011.

Agreements with Public Authorities under the New Deal Plan

In 1986, the French government launched the New Deal Plan (*Plan Nouvelle Donne*) (law 86-1067 of September 30, 1986 relating to freedom of communication). Under this new regulatory framework, local authorities could themselves set up networks or authorize private companies to set up these networks. Several private companies (which we later acquired) set up new networks and were granted occupancy rights and operating concessions to operate these networks for 20 to 30 years. The networks belonging to the New Deal Plan represent 38% of our overall network in France.

There is no form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty over the network ownership under certain long-term agreements entered into with local authorities. We entered into approximately 500 agreements in connection with New Deal Plan networks.

In this context, law 2004-669 dated July 9, 2004, which implemented the 2002 European directives, "2002 Telecoms Package" (the "Paquet Télécoms 2002"), into French law, imposed an obligation to conform agreements through terminating exclusive rights over the installation and/or operation of networks.

In order to clarify the conditions for conforming the agreements currently in place with public authorities (primarily local authorities) in accordance with this obligation, in May 2010, we made a proposal to ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to us through a transfer process.

This approach led to the conforming of transactional agreements (i) containing the aforementioned provisions and (ii) including a right to the use of public land (*convention d'occupation du domaine public*), comprising a non-exclusive right for us to use the ducts which had become the property of the local authorities on the terms of such new agreements, with our own telecommunications equipment. One of the key features of these agreements is our right to use the ducts on a non-exclusive basis and our competitors' ability to install their own equipment on such ducts.

We have signed nearly 80 agreements, 25 of which follow the approach agreed to by ARCEP, with various local authorities and we are currently in the process of negotiating the implementation of its proposal with certain other local authorities.

Ad hoc Agreements with Public Authorities

A limited portion of our current network in France (approximately 7%) is governed by legal agreements such as long-term leases of public property, or *conventions d'affermage*, a type of operating concession through which we lease an entire network, or public land use agreements, or *conventions d'occupation du domaine public*, through which we install the necessary network equipment on certain public property with no underlying property transfer.

These agreements are entered into with local authorities, primarily municipalities, for terms ranging from ten to 30 years. In accordance with the terms of Articles L. 2122-2 and L. 2122-3 of the *Code général de la propriété des personnes publiques*, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest.

Upon termination of such agreements, we must, in accordance with our contractual obligations, (i) return the entire network to the local authorities, in some cases against the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove at either our cost or at the cost of the local authorities the equipment installed by us on the local authorities' premises, (iii) transfer the network to another operator with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long-term leases, the network reverts back to the local authorities.

Fees are generally paid on an annual basis, and vary depending on the size of the network, the number of users connected to the network and, if applicable, the extent of the deployment of our own network on public land.

Other Infrastructure and Network Agreements

We have entered into several agreements in connection with the maintenance, extension and upgrade of our network, including maintenance agreements, fiber lease agreements and use of dark fiber link agreements. Most of our maintenance agreements are with various French network construction and marketing companies in the context of delegation of public services (*délégation de service public*) agreements with public authorities, have a term of one to three years and are renewed either annually or for an indefinite term. Completel has entered into an IRU agreement with SFR expiring in 2021. The fiber lease and dark fiber link agreements have been set up mainly with other network owners in France, including Orange and SFR, and have a duration of three years or more. Certain of these contracts must be renewed within the next few years. In addition, we have entered into agreements with various suppliers for the delivery of hardware and software in connection with our continuous efforts to upgrades and modify our French cable network.

Agreement with the State of Israel relating to ownership of our cable network

In July 2001, our predecessor companies entered into an agreement with the State of Israel pursuant to which they agreed to waive all claims against the State of Israel arising out of the grant of a satellite broadcast license to D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq which provides satellite technology based multi channel television services under the YES brand. In exchange, the State of Israel agreed to waive all of its claims and rights concerning the cable infrastructure, such that our predecessor companies would hold all right and title to the cable infrastructure in their respective concession areas and have the right to operate the cable network even after the end of the concession periods. The agreement, which was transferred to our Group as part of the Israeli cable consolidation process, sets out a payment mechanism based on revenues deriving from the use of the cable infrastructure pursuant to which we are required to make annual payments to the State of Israel until January 1, 2015. In addition, we are required to pay certain amounts to the State of Israel, as provided in the agreement, in the event we sell any of our cable network assets or operations carried out via the cable infrastructure or in the event we issue securities through a public offering, investment or similar transaction. In each year ended December 31, 2011, 2012 and 2013, we paid the State of Israel over NIS 58 million under this agreement. We have provided a second ranking floating charge over all of the assets of HOT to the State of Israel to secure our payment obligations under the agreement.

Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms

In relation to the addition of frequencies to our mobile license enabling us to provide UMTS based 3G services, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. For the remaining NIS 695 million, we were required to provide the State of Israel a bank guarantee. Under the terms of the license, such remaining license fee was to be reduced by one-seventh for every per cent. of market share gained by HOT Mobile since the date of the license. The market share of HOT Mobile is calculated as the average of: (i) the ratio of HOT Mobile subscribers (including UMTS and iDEN) in the private sector to the total number of mobile subscribers in the private sector; (ii) the ratio of the number of outgoing mobile call minutes initiated by subscribers (including UMTS and iDEN and call minutes in the same network) of HOT Mobile in the private sector to the total number of outgoing mobile call minutes (including call minutes in the same network) by all mobile subscribers in the private sector; and (iii) the ratio of revenues from HOT Mobile subscribers (including UMTS and iDEN) to the total revenues from all mobile subscribers in the private sector. In April 2013 HOT Mobile received a notification from the Israeli Ministry of Communications clarifying the meaning of certain components of the market share calculation, namely “subscribers in the private sector”, “number of outgoing mobile call minutes” and “revenues”. The two measuring periods for market share gain run from the date of the license to September 26, 2013 and September 26, 2016, respectively and the remaining license fee, which is the lowest fee as calculated on each of the testing dates, would be payable three months after the second testing date. As a condition for such bank guarantee, HOT Mobile and HOT signed an irrevocable letter of undertaking in favor of the bank that issued the guarantee, which is secured by a pledge of all of the assets of HOT Mobile which HOT Mobile is permitted by law to pledge. In addition, we have agreed to indemnify the State of Israel for any monetary liability that it incurs as a result of our use of the mobile license and have entered into an insurance agreement to be insured for any such liability. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that entitles us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. We have also provided bank guarantees to the State of Israel for an amount of approximately NIS 27 million and $8.4 million as surety for the compliance with the terms of our broadcasting licenses and fixed-line licenses, respectively.

Agreements with Bezeq relating to installation and maintenance of portions of our cable network

In the 1990s, certain of our predecessor companies entered into agreements with Bezeq for the purpose of planning, installation and maintenance of the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to our Group as part of the cable consolidation process. The agreements are valid until we have valid broadcasting licenses.

Under the terms of the agreements, Bezeq is required to maintain the portion of our cable network that passes through its ducts on an on-going basis and is also responsible for repairing breakdowns in the network. The scope of the agreements extends to the possibility of expanding the cable network to additional sites, connecting new homes and new neighborhoods. Bezeq is permitted to terminate the agreement in case we breach the agreement and have not cured such breach within six months of written notice from Bezeq. The agreements set forth a payment mechanism pursuant to which we pay Bezeq an annual amount representing capital expenditure and maintenance costs based on the length of the cable network passing through its ducts as well as one-time payments in respect of certain services provided by Bezeq. Capital expenditure costs are staggered over a 12 year period and the amounts payable to Bezeq are accordingly reduced by approximately 65% after 12 years of the delivery of each segment of the cable network. We incurred total costs of NIS 46 million, NIS 48 million and NIS 47 million in 2011, 2012 and 2013 respectively for services provided by Bezeq under these agreements.

Agreement with Nokia Solutions and Networks relating to installation of the UMTS network

In June 2011 we entered into an agreement with NSN for the establishment of the new UMTS network infrastructure pursuant to which we provide 3G mobile services to our customers. Under the terms of the agreement, NSN has agreed to plan and erect the new network infrastructure on a turnkey basis. In the first stage completed in 2012, NSN met its requirement to complete the network with coverage extending to 20% of the Israel population according to our mobile license requirements regarding the first check point. We estimate that the amount payable for all of NNS’ commitments will be approximately $39.8 million. The agreement is for a term of 15 years. NSN has agreed to provide certain warranties for the repair or replacement of network components that do not meet the functionality and capacity requirements established under the agreement. NSN has also agreed to provide maintenance with respect to our mobile network.

In 2013 and early 2014 several amendments were made to the agreement with NSN postponing payments due under the agreement, in return for a debt obligation which was issued in favor of NSN, and guaranteed by HOT. In this framework of agreements HOT Mobile also confirmed receipt of a final installment of key parts in relation to the aforementioned project.

White Label Contracts in France

We are party to long-term contracts with the French appliance retail company Darty (white label DSL and fiber contract) and the French telecommunications operator Bouygues Télécom (white label fiber contract), pursuant to which we sell certain of our television, broadband Internet and/or telephony services to each of these counterparties, which then resell them as double- or triple-play packages over our network under their own brand and to their own subscribers. We provide telephony services to Darty, who does not own a fixed network, but not to Bouygues Télécom. We continue to explore opportunities to enter into additional white label agreements.

Under our white label contracts, we are committed to certain standards of quality and efficiency, and penalties may be charged by our white label customers if these commitments are not met. Each of our white label customers pays us monthly fees based on the number of end-users to whom they sell our bundled packages and, in the case of certain voice services contracts, based on usage. Additional fees are payable by our customers that require additional services, such as customer care and billing. The fees charged include (i) a fee per subscriber which depends on the type of package subscribed to, (ii) telephony charges and (iii) VoD charges. By way of exception, digital television services provided to Darty customers are invoiced by Darty on behalf of us and are paid directly by Darty to us.

We entered into our first white label contract in February 2006 with Darty. We entered into two subsequent white label contracts with Darty: (i) in October 2008, for the provision of very high-speed broadband Internet services, and (ii) in November 2009, for the distribution of television services. In addition, we entered into a white label fiber contract with Bouygues Télécom in May 2009 for very high-speed broadband Internet services. Our contracts entered into with Darty and Bouygues Télécom are due to expire in 2021 and 2019, respectively. Upon reaching the initial expiration date, the terms of each of the Darty contracts provide for automatic renewal for successive periods of five years, unless otherwise notified by either party upon 12 months' prior notice. The Bouygues Télécom contract provides that upon reaching the initial expiration date, the contract will be automatically renewed for an indefinite period, unless otherwise terminated by (i) Bouygues Télécom upon 24 months' prior notice or (ii) us upon 12 months' prior notice.

In May 2012, Bouygues Télécom acquired Darty. Accordingly, our existing Darty and Bouygues Télécom white label contracts have been amended, most recently in December 2012, to reflect Darty and Bouygues Télécom's new commercial relationship.

Interconnection Agreements

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network and, as the case may be, through a third telephony network. For a subscriber located on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication. Interconnection fees are typically regulated by the telecommunications regulator in each of the countries in which we operate. Regulators also commonly impose on all participants in the fixed-line telephony and mobile telephony markets an obligation to negotiate in good faith interconnection agreements with every requesting operator who is seeking to provide a publicly available electronic communication service. Generally, the cost of interconnection fees that we pay is taken into account in the price we charge our subscribers.

We have entered into various domestic and international reciprocal interconnection agreements for our fixed-line telephony, mobile operations and ILD services with other providers of electronic communications services. Our interconnection agreements generally have terms that continue for the duration of the parties' licenses to pursue telecommunication activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. For the year ended December 31, 2013, on an aggregated basis, we incurred interconnection fees of €89.8 million.

Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services

In November 2011, HOT Mobile entered into an agreement with the mobile operator Pelephone, a subsidiary of Bezeq, pursuant to which Pelephone agreed to provide domestic roaming services for 3G users to HOT Mobile and HOT Mobile agreed to exclusively purchase such services from Pelephone. The agreement enables us to provide 3G mobile services to our mobile customers while we continue to build-out our UMTS network in Israel. The cost for the services provided by Pelephone is based on agreed rates and depends on the actual usage of Pelephone's mobile network by our 3G customers in Israel.

In November 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This agreement will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which still remains subject to regulatory approval by the Israeli Ministry of Communications. See "*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*".

In addition, we have entered into a roaming agreement with Vodafone through which we receive roaming services for 3G around the world including approximately 500 mobile networks. We are also in the process of negotiating and signing roaming contracts directly with individual mobile operators in various countries. Our roaming agreement with Vodafone enables our Israeli 3G mobile customers to access other mobile networks while abroad. Although the particular terms depend on the country in which roaming services are accessed, the agreement regulates billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreement automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

In November 2012, our recently acquired French Overseas Territories business entered into an international roaming agreement with Belgacom International Carrier Services (“BICS”) for the benefit of our 2G and 3G subscribers. The agreement is scheduled to expire in November 2015. The cost for the services provided by BICS is based on agreed rates and depends on the actual usage of BICS’ mobile network by our customers travelling abroad.

We have also entered into international roaming agreements with various operators of GSM networks around the world, allowing our Israeli iDEN customers to make calls while overseas using a GSM compatible phone which we provide.

Mobile Network Sharing Agreement with Partner in Israel

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the “Network Sharing Agreement”) with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership (“JV Entity”) that will hold, develop and operate an advanced shared mobile network for both companies. Each party is required to maintain and operate its own core network and independently provide mobile communication services, including marketing and sales of such services, to its respective customer base. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license.

The Network Sharing Agreement, among other things, regulates the management and development of the shared network and the management and governance of the JV Entity (including a mechanism for appointing directors, the approval of business plans and certain decisions that require the approval of both parties). As consideration, HOT Mobile is required to pay Partner a specified one-time amount by January 1, 2017, and thereafter, each party will bear half of the capital expenditures required for the purpose of establishment and upgrade of the shared network, while the shared network operational expenditures will be allocated in accordance with a prescribed mechanism based, *inter alia,* on the traffic volume usage of each party of the shared network. HOT has issued a guarantee for HOT Mobile’s obligations under the Network Sharing Agreement and the Group may be required to provide an additional guarantee or a bank guarantee to Partner in the event of the downgrade of the Group’s corporate rating by certain specified levels.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028 (unless either party notified its intention to terminate the agreement by a 24 months’ notice prior to each extension period). However, at any time after the eight anniversary of the effective date of the Network Sharing Agreement, either party may terminate the agreement by providing 24 months’ prior notice. The Network Sharing Agreement may also be terminated by a non-defaulting party upon certain specified events, including a material breach, failure of a party to meet its funding obligations, termination of a party’s license by the Israeli Ministry of Communications and the occurrence of certain insolvency events. The Network Sharing Agreement also provides for an exit plan upon termination.

HOT Mobile and Partner have also entered into a right of use agreement (the “RoU Agreement”) granting HOT Mobile a right of use over Partner’s mobile communication network for the purpose of providing nation-wide mobile coverage to our customers pending implementation of the Network Sharing Agreement. The services under the RoU Agreement shall begin after completion of preparation by the parties. In connection with our entry into the Network Sharing Agreement and the RoU Agreement, we have recently entered into an agreement with Pelephone pursuant to which we are no longer tied exclusively to Pelephone.

Agreement with NDS relating to purchase of a unified encryption system

In February 2007 we entered into an agreement with NDS Limited pursuant to which NDS Limited supplies certain software and services for the implementation of a unified encryption system which enables us to provide pay-television services, control access to particular pay-programming packages and charge fees on an individual subscriber basis. This system encrypts transmitted signals sent to customers and customers decrypt the signals using a set-top box which allows them to receive the pay programming offered. The agreement also requires NDS Limited to provide certain support and maintenance services related to the encryption system. The agreement is for a term of 10 years although we have the right to terminate the agreement with respect to the support and maintenance services after five years. In April 2011 the agreement was amended to expand the range of services to be provided by NDS Limited in order to include encryption systems for a new type of set-top box provided by Technicolor. We are required to pay NDS Limited an annual fixed amount for delivery of the encryption systems and related software licenses and provision of support services in addition to royalties and a fee for each set-top box with encryption technology. On February 17, 2013, HOT Telecom sent a notice of termination of the agreement to NDS Limited. The notice was sent in view of negotiations between the Group and the Cisco group, the parent of NDS Limited, regarding a new global contract. In response to the notice, HOT Telecom received a letter from NDS Limited on March 5, 2013 stating that in its view the agreement could not be cancelled before July 2015. The parties are currently in the process of negotiating revised terms.

We are party to similar agreements with subsidiaries of Cisco, the parent company of NDS, across our operations in other regions. While we have not yet entered into a Group-wide supply contract with Cisco, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreement with Nagra France relating to the purchase of a unified encryption system

In October 1999, we entered into a contract with Nagra France for the purchase of a unified encryption system, which expired in 2007. Upon expiration, the contract is tacitly renewed for successive five-year periods, subject to termination by either party upon six months' notice prior to the end of any such five-year period. The last tacit renewal took place on January 1, 2012, and the next renewal, if any, will take place in December 31, 2017. We believe that a failure on Nagra France's part to continue supplying us its unified encryption system could disrupt, and have an adverse effect on, our business in France.

Agreements with Technicolor relating to purchase of set-top boxes

In October 2007 we entered into a memorandum of understanding with Technicolor for the purchase of set-top boxes manufactured by Technicolor. We formalized the understanding by entering into an agreement in 2009 and subsequently amended the agreement in June 2011 to include the purchase of set-top boxes that combine HD technology and recording capability functionality (known as the HD-PVR set-top box). Technicolor is responsible for the design, production and delivery of the set-top boxes and to ensure compatibility with the software developed for the HD-PVR set top-box. In consideration, we are obligated to pay Technicolor a fixed amount for each set-top box. The price of set-top boxes includes a warranty extending for three years covering the hardware and 12 months covering the software elements of the HD-PVR box. Technicolor is also required to provide hardware and software support and maintenance services after the expiry of the warranty period. The agreement is valid until May 2016.

We are party to similar agreements with Technicolor for the purchase of set-top boxes across our operations. While we have not yet entered into a Group-wide supply contract with Technicolor, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreements with Sagemcom relating to purchase of equipment

In March 2011 in Israel, we entered into an agreement with Sagemcom Broadband SAS for the development and purchase of a product which combines the functionality of an Internet modem, telephony modem and wireless router (known as the HOT Box). Under the terms of the agreement, Sagemcom has agreed to develop the product and to grant licenses to use the product software. In consideration, we are obligated to pay Sagemcom a fixed amount for each set top box. Sagemcom is also required to provide a warranty and maintenance services under the agreement. The agreement is for a term of four years and is automatically renewed for periods of one year at a time unless one party notifies the other of its intention to terminate the agreement upon expiry of the current term.

In October 2011 in France, we entered into a supply agreement with Sagemcom for our most technologically advanced set-top box to date, LaBox. The initial term of this contract is until April 2014; it is automatically renewable for successive terms of five years, subject to prior notice of termination. It contains commitments from Sagemcom to deliver the ordered set-top boxes within a set schedule and a non-exclusive commitment from us to order minimum quantities of set-top boxes over the term of the contract. Since August 2011, Sagemcom has been owned by Carlyle. Upon consummation of the Transactions, Carlyle is expected to become a shareholder of the Issuer.

We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal, Belgium and Luxembourg. We introduced LaBox in Israel in March 2014. While we have not yet entered into a Group-wide supply contract with Sagemcom, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Sagemcom was acquired by funds managed by Carlyle, which is a member of the Group in Concert with respect to Numericable of which the Company is a principal member, on August 17, 2011. We believe that the price we pay Sagemcom for the purchase of its set-top boxes is a market price. Jonathan Zafrani represents Carlyle on Numericable's board of directors. In the context of his role at Carlyle, Mr. Zafrani is a member of the board of directors of a certain number of Carlyle investment portfolio companies, including Sagemcom Holding, parent company of Sagemcom.

Agreement with Bezeq for the Provision of Transmission Services

In December 2012, an agreement was signed between HOT Mobile and Bezeq for the supply of various transmission services required for the purpose of providing radio mobile telephone services provided by HOT Mobile. The agreement's validity is for a period of five years from April 1, 2013. HOT Mobile is entitled to terminate the agreement upon 120 days' prior written notice subject to an early termination fee.

In exchange for all of the services provided to HOT Mobile by Bezeq, HOT Mobile agreed to pay Bezeq a total of approximately NIS 62.2 million which will be paid over the term of the agreement.

Agreement with Comverse

In October 2011, an agreement was signed between HOT Mobile and Comverse Ltd., pursuant to which Comverse would provide a BSS system (an integrated billing system with a customer contact management (CRM) system) and related hardware, software and services to HOT Mobile, including operation and maintenance of the CRM system. In exchange for Comverse's services, hardware and software, we agreed to pay a total of $12.5 million. The agreement is expected to be in effect for a period of approximately five years. In January 2012, the parties signed an addendum to this agreement, whereby Comverse committed to make seven additional employees available for the project (in lieu of the manpower that should have been made available for the project by us), against payment of $500,000.

Content Purchase Agreements

Several different relationships govern the content that we provide to our cable television subscribers. Alongside original content produced for HOT, in Israel we also purchase transmission or retransmission rights for channels and content produced by third parties. We pay copyright and carriage fees to the foreign, national and thematic broadcasters carried on our cable television networks. In general, these fees are paid in part to copyright collection agencies and to broadcasters based on a combination of per program fees and the number of subscribers to our cable service. We also typically pay royalties based on our subscribers' usage of on-demand content. In France, we generally enter into agreements directly with authors' rights societies, including ANGOA and SACEM, broadcasters and distributors. Our agreement with ANGOA was entered into in February 2011 and was renewed automatically at the end of its initial term on December 31, 2013 for a successive one-year period. It will be automatically renewed for successive one-year periods unless terminated by either party upon six months' notice. The fees charged by ANGOA are based on our overall revenues in France and are paid on a quarterly basis. We also guarantee a minimum fee per customer to ANGOA. We entered into a similar agreement with the SACEM in October 2003 that expired in December 2004, was extended until December 2009 and has since been automatically renewed for successive one- year periods. Pursuant to this contract, we pay quarterly fees to SACEM based on our overall revenues in France. This contract can be terminated at the end of each renewal period by either party, subject to a three-month notice period. In Israel, we have entered into agreements with two authors' right societies, namely AKUM Association of Music Composers, Writers and Producers in Israel Ltd. (AKUM) and Israel Screen and Television Artists Royalties Company Ltd (TALI). We entered into agreements with AKUM in 2011 following an arbitration proceeding initiated by AKUM to resolve the mechanism for calculating annual royalties for the use of works whose rights are protected by AKUM. Under the present arrangements which are valid until 2016, we have a license to broadcast works whose rights are protected by AKUM in consideration for which we have agreed to settle all of AKUM's claims from 2003 until 2010 with respect to past royalties and have also agreed on royalty rates for 2011 to 2016. In 2011, we signed an agreement with TALI providing for the payment of royalties between 2003 and 2014.

The terms and conditions of our contracts governing the payments and content providers of copyright fees to broadcasters vary by jurisdiction. We also enter into transportation and distribution agreements with the commercial broadcasters. Through transportation contracts, we agree to carry a commercial broadcaster's signal across our fiber backbone to our head end stations, where the signal is subsequently delivered to our subscribers. Broadcasters who transmit their signal to us by satellite can elect to deliver their signal directly to our head end stations and, as a result, do not need to enter into a transportation agreement with us. We also enter into distribution arrangements with all of the commercial broadcasters whose channels we carry on our networks, pursuant to which we agree to carry the broadcaster's signal from the head end station to our cable television subscribers. A variety of compensation arrangements have been made in respect of the contracts we enter into with the commercial broadcasters. In some situations, we do not charge the broadcasters any fee for transmitting their signal to our subscribers. Instead, the broadcasters benefit from increased advertising revenue they receive from reaching our basic cable television subscribers and we benefit by providing our subscribers added content. In certain situations, we pay broadcasters for the channels they transmit over our network. In other instances, we have entered into revenue-sharing arrangements or subscriber-based fixed fees. In addition to these arrangements, we have also entered into contracts with certain broadcasters pursuant to which we currently pay a fee in order to have the right to broadcast their signal on any digital cable television service that we may offer in the future. Our main content providers include TF1, the M6 Group, Canal+, Dori Media Spike Ltd., Sport Channel Ltd. and Noga Communications (1995) Ltd.

Additionally, in Israel we purchase stand alone programming from third party content providers, for the purpose of including such programming in our "home" linear channels and/or our VOD services.

In France, on September 26, 2013, we entered into an agreement with the Canal+ Group. Pursuant to this agreement, Multithématiques, an affiliate of Canal+ France, licensed to us distribution and marketing rights, on a non-exclusive basis, relating to certain television channels including CINE+, in SD and/or HD, and catch-up television version, if such version is available. The financial terms set forth under this agreement expired on December 31, 2013 and have been amended. The agreement expires in July 2017, and does not provide for automatic renewal. The early termination option may be exercised upon two months' prior notice (i) by us in case of the rejection by us of the financial terms for the period from 2014 to 2017 and (ii) by Multithématiques subject to Canal+ obtaining the lifting of the injunction rendered by the French Competition Authority (*Autorité de la concurrence*) (decision no. 12-DCC-100) requiring the Canal+ Group to make available to all distributors who so request, on a non- exclusive basis, all of the movie channels that Canal+ Group operates or may operate (with the exception of the channels Canal+, Canal+ Sport, Canal+ Cinéma, Canal+ Décalé and Canal+ Family), and to maintain the quality of the unbundled channels. On November 12, 2013, we entered into an agreement with Canal + Group. This agreement takes effect retroactively from January 1, 2012 for a period of two years until December 31, 2014, without tacit renewal. Under this agreement, we must distribute on our network channels including Canal +, Canal + TV services, Canal + The Channel, Canal + weekend and certain football and rugby channels.

In addition to content purchasing, in Israel, we have co-developed shows and have also developed several show platforms for our HOT suite of channels. We believe that our involvement with local content production companies has allowed the HOT brand to benefit from the significant popularity of our television series, movies and shows among the Israeli population by leveraging the fame of the local actors and actresses in our marketing campaigns to promote our offerings. Further, in October 2013, we acquired Ma Chaîne Sport and SPORTV, French operators of sports-themed Francophone television channels which produce and assemble their content.

Content Distribution Agreements

In October 2013, we acquired Ma Chaîne Sport and Sportv. Ma Chaîne Sport and Sportv entered into agreements with Numericable, Valvision, as well as certain of our subsidiaries, for the non-exclusive distribution of Kombat Sport, Ma Chaîne Sport, Ma Chaîne Sport Extreme, Ma Chaîne Sport Bien Etre and Ma Chaîne Sport Tennis television channels in Belgium, Luxembourg, France, Martinique and Guadeloupe. The contracts have a duration of 5 years with retroactive effect from January 1, 2013. Pursuant to these agreements, Ma Chaîne Sport and Sportv receive annual fees, which are either fixed or subject to gradual yearly increases, from each of the operators. In addition, Ma Chaîne Sport and Sportv are entitled to advertising revenues received from the broadcast of their television channels. The contracts can be terminated by any party in case of a breach of the contract by the other party not remedied within 60 days.

Numericable Shareholders' Agreement

In connection with the Numericable IPO, Altice France, Cinven and Carlyle have entered into a shareholders' agreement governing their relations as shareholders of Numericable and establishing the principles governing administration of the Numericable Group (the "Numericable Shareholders' Agreement"). The Numericable Shareholders' Agreement has a term of 15 years, it being specified that Altice France will benefit from the pre-emptive right as described below for five years from November 12, 2013, the date of the definitive listing of Numericable shares on Euronext Paris (the "IPO Date") and each party will be released from its obligations under the Numericable Shareholders' Agreement if its shareholding falls below 5% of Numericable's share capital.

The consequences of the Numericable Shareholders' Agreement, the allocation of Numericable's share capital following the Numericable IPO and the intent of the three parties to the Numericable Shareholders' Agreement are as follows:

- Altice France, Cinven and Carlyle have declared that they form a group acting in concert with respect to Numericable (the "Group in Concert"), the main provisions of which are described under "*—Composition of Numericable's Board of Directors*" and "*—Other Provisions*" below, and undertake not to, during the period of the Numericable Shareholders' Agreement, form any group acting in concert with another shareholder of Numericable (except any affiliate which is a beneficiary of a free transfer);

- At the closing of the Numericable IPO, the members of the Group in Concert held together more than the majority of Numericable's share capital and voting rights (i.e., approximately 70% in total);

- On February 6, 2014, Altice France acquired, from Carlyle and Cinven, additional shares in Numericable Group (the "Numericable Acquisition"). Following the Numericable Acquisition, Altice France holds 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes in the board of directors in accordance with the provisions of the Numericable Shareholders' Agreement see "*—Composition of Numericable's Board of Directors*" below.

- Except in special circumstances, Altice France will continue to benefit from its pre-emptive and preferential rights with respect to each of the two other members of the Group in Concert as long as such member's shareholding has not fallen below the 5% threshold of Altice France's share capital; Altice France contemplates increasing its position as the largest shareholder and thus could in the future hold the majority of Numericable's share capital and voting rights, in particular by exercising its pre-emptive and preferential rights.

The main provisions of the Numericable Shareholders' Agreement are summarized below.

Composition of Numericable's Board of Directors

The Numericable Shareholders' Agreement gives Cinven, Altice France and Carlyle the right to propose the appointment of certain directors: Altice France will have the right to appoint three directors (as long as it continues to hold more than the stake in Numericable's share capital that it held at the closing of the Numericable IPO (i.e. 30% plus one share) (the "Initial Threshold")), and, respectively, two directors and one director (as long as it holds more than 15% and 5% of Numericable's share capital, respectively), Cinven will have the right to appoint one director as long as it holds more than 5% of Numericable's share capital, and Carlyle will have the right to appoint two directors (as long as it continues to hold more than 15% of Numericable's share capital, and one director as long as it holds more than 5% of Numericable's share capital). The Funds' NG Shares (as defined below) are not included in the calculation of Altice France's ownership of Numericable with respect to the above-referenced thresholds.

The Numericable Shareholders' Agreement also provides that the board of directors will include three independent directors, in accordance with the criteria defined by the AFEP-MEDEF Code.

The tenth member of the board of directors will be the Chairman and CEO. For a period of six months following the completion of the Numericable IPO, each of Altice France, Cinven and Carlyle will have a veto right as to any changes in the appointment of Numericable's Chairman and CEO.

The Numericable Shareholders' Agreement provides that if Altice France's shareholding falls below the Initial Threshold and the above-referenced ownership thresholds of 15% and 5% of Numericable's share capital, Altice France will have to cause the resignation of the, respectively, one, two or three directors whom it will have appointed.

The Numericable Shareholders' Agreement also provides that if Cinven or Carlyle falls below their ownership thresholds and therefore cause the cumulative number of directors appointed by Cinven and Carlyle to be reduced to two or one, Cinven or Carlyle (as the case may be) must cause the resignation of the director(s) it has appointed. Upon the resignation of the first director in the case referenced above, such director will not be replaced, bringing the number of directors to nine.

In the event of the resignation of one or several of the directors appointed by Carlyle or Cinven in the case referenced above, bringing the number of directors on Numericable's board below nine, such directors will be replaced by one or more candidates appointed by Altice France so that the Numericable's board will be composed of nine members.

Furthermore, if Altice France's shareholding crosses (taking into account the Funds' NG Shares which are subject to the Altice Call Option (as defined below)) the 37.5% ownership threshold with respect to Numericable's share capital, the Numericable Shareholders' Agreement provides that Altice France will appoint five members of the board of directors including the Chairman who will have a decisive vote, in accordance with the terms and restrictions below:

(1) the Chairman and CEO, subject to his approval, shall be deemed to be designated by Altice France. Absent such appointment, (i) the offices of Chairman of the board of directors and Chief Executive Officer shall be separated; (ii) the Chairman shall resign from his office as Chairman and member of the board of directors (it being specified that he will continue his/her role as Chief Executive Officer and not as a member of the board) and his/her office as a member of the board of directors will be replaced by a member designated by Altice France; and (iii) the new Chairman of the board of directors will be chosen among the members designated by Altice France;

(2) in the event that the board of directors is composed of only nine members, Cinven and Carlyle have agreed to vote in favor of the appointment of an additional director, appointed by Altice France, so that board of directors is composed of ten members;

(3) in the event that, as of the date Altice France crosses the 37.5% threshold, Altice France has only three members out of a ten-member board of directors (not taking into account the Chairman), and this threshold is not crossed upon Cinven or Carlyle falling below the 15% or 5% (as applicable) ownership threshold, one of Carlyle's two representatives shall be replaced by a candidate designated by Altice France, so that Altice France has five out of ten members of the board of directors (including the Chairman);

(4) at any time beginning from (and including) the date Altice France crosses the 37.5% threshold:

    a. if Carlyle falls below the 5% ownership threshold with respect to Numericable's share capital, whereas Cinven continues to hold a stake greater than 15%, the last representative of Carlyle shall be replaced by a director designated by Cinven; and

    b. if Cinven falls below the 5% ownership threshold with respect to Numericable's share capital, whereas Carlyle continues to hold a stake greater than 15%, the representative of Cinven shall be replaced by a director designated by Carlyle;

(5) if Altice France falls below the 37.5% ownership threshold, the rules governing the composition of the board of directors applicable prior to Altice France's exceeding the 37.5% threshold shall be reestablished and Altice France undertakes to cause the resignation(s) of the director(s) required to this effect.

The Numericable Shareholders' Agreement provides, moreover, that the composition of Numericable's board of directors will comply with the rules on balanced representation of women and men, and that Numericable's governance will comply with the AFEP-MEDEF Code, with the exception of the initial board of directors which will consist of 10 members (including 3 independent directors), it being specified (as described above) that the Numericable Shareholders' Agreement also specifies that if the shareholding of Cinven or Carlyle falls below a threshold of Numericable's share capital so that the cumulative number of the members of the board of directors that may be designated by Cinven and Carlyle is reduced to two or one, Cinven or Carlyle (as the case may be) shall cause the resignation of the director(s) that it will have designated. In the event of a first director's resignation in the above-referenced case, the latter will not be replaced, so that the number of the members that compose the board of directors will be reduced to nine (of which one third will be independent directors).

As of the date of this Notice, the board of directors of Numericable is comprised of the Chairman and CEO and four additional directors appointed by Altice France, one director appointed by Cinven, one director appointed by Carlyle and three independent directors.

Other Provisions

In accordance with the Numericable Shareholders' Agreement, Cinven, Carlyle and Altice France intend to act in concert with respect to Numericable.

The Group in Concert will be dissolved if Cinven, Carlyle and Altice France, collectively, hold less than 10% of Numericable's share capital and voting rights with respect to any of Cinven, Carlyle and Altice France, if such party individually holds less than 5% of Numericable's share capital and voting rights.

Under the Numericable Shareholders' Agreement, Cinven, Altice France and Carlyle have agreed to reach a common position prior to any general meeting of Numericable at which an important resolution will be submitted that might affect Numericable's future prospects.

In addition, the Numericable Shareholders' Agreement provides that the strategic decisions listed below may only be made and implemented with the prior approval of Numericable's board of directors requiring a simple majority of the members present or represented:

- adoption and modification, if any, of the annual budget, including in particular the investments and divestments as well as the associated financing plan;
- adoption and modification, if any, of the business plan;
- appointment, dismissal and compensation (and modification of the compensation) of the Chairman and CEO and the appointment of members of Numericable's board with regard to the provisions set out in "—*Composition of Numericable's Board of Directors*" above;
- hiring/appointment, dismissal/lay-off and compensation (and modification of the compensation) of the president and/or member(s) of the management team of subsidiaries;
- convening and adjourning Numericable's general shareholders' meetings and adopting draft resolutions to present to such meetings;
- finalization of (Numericable's consolidated and statutory) annual financial statements and the annual management report of Numericable and its subsidiaries, attribution of the results and any change in accounting methods not resulting directly from a change in law or regulations;
- the grant of securities, endorsements and guarantees (as defined under Article L. 225-35 of the French Commercial Code) by Numericable or one of its subsidiaries, of a unit amount exceeding €10 million (not taking into account the endorsements and guarantees authorized under the annual budget), it being specified that the board of directors will give each year to the Chairman and CEO all of the powers relating to the grant of securities, endorsements and guaranties of a unit amount less than € 10 million, in accordance with Article R. 225-28 of the French Commercial Code, within the limit of a total amount of €50 million;
- entering into any transaction, or opening and pursuit of judicial, administrative or arbitral proceedings to which Numericable or a subsidiary is a party, for any amount exceeding €10 million;
- entering into any disposal, acquisition, investment, or divestment (in any form including in particular in connection with an exchange, contribution, acquisition, creation of shareholding and/or dissolution of a subsidiary, partnership, joint-venture, universal transmission of assets, etc.), by Numericable or any of its subsidiaries, representing investments or divestments exceeding €10 million (such test being conducted in enterprise value with regard to acquisitions and disposals); or a substantial change to the terms and conditions of such project;
- entering into any agreement regarding acquisition or transfer of indefeasible rights of use with regard to the individual plugs connected to the network through fiber or coaxial cable, by Numericable or any of its subsidiaries;
- distribution of dividends or any similar type of transaction (such as a repurchase or repayment of own shares, or more generally, of securities);
- authorization to implement share repurchase plans;
- entering into new borrowings or issuances of debt instruments, if the total amount of the additional borrowings or financial debt entered into by Numericable and its subsidiaries since the signing date of the Numericable Shareholders' Agreement exceeds the €80 million cumulative threshold;
- changes to finance documentation that have a material adverse effect on Numericable;
- entering into, changing, or renewing a contract or any expenditure made by Numericable or any of its subsidiaries for a total expense exceeding €10 million euros, the financing for which was not specifically budgeted;

- any decisions by Numericable or any of its subsidiaries, to enter into, amend, terminate or renew an agreement between one of the partners or one of its affiliates, on the one hand, and Numericable and/or one of its subsidiaries, on the other hand, and/or any other agreement mentioned under Articles L. 225-38 *et seq.* of the French Labor Code, with the exception of agreements that are entered into in the ordinary course of business and on arm's length terms (a "Decision Related to Regulated Agreements");

- proposal regarding any changes to a subsidiary's by-laws;

- the implementation of any stock option or stock purchase plan, of any ownership plan for employees or corporate officers, of profit-sharing, of incentive schemes, of company savings plans, of group savings plans, and all other significant changes to such plans or programs, with the exception of that which would result from a legal obligation (to the extent that such a plan was not approved in connection with the approval of the annual budget);

- mergers, spin-offs, partial asset contributions (or any similar type of transaction) to which Numericable or one of its subsidiaries would be a party.

Furthermore, it is specified that for any Decision Related to Regulated Agreements, each of Altice France, Cinven and Carlyle will have a veto right during the six month period from the Numericable IPO and, after this period, as long as it holds more than 10% of Numericable's share capital.

Furthermore, the Numericable Shareholders' Agreement provides that the following strategic or important decisions must be approved by a two-thirds majority of Numericable's board of directors and that each of Altice France, Cinven and Carlyle has a veto right in this regard for a period of six months following the Numericable IPO, and after this period, as long as it holds more than 10% of Numericable's share capital:

- entering into any disposal, acquisition, investment, or divestment (in any form including in particular in connection with an exchange, contribution, acquisition, creation of shareholding and/or dissolution of a subsidiary, partnership, joint-venture, universal transmission of assets, etc.), by Numericable or any of its subsidiaries, representing investments or divestments exceeding €200 million (such test being conducted on an enterprise value basis with regard to acquisitions and disposals);

- any decision relating to an increase, reduction or amortization of the share capital as well as the issue of securities which grant direct or indirect access to the share capital of Numericable or one of its subsidiaries;

- entering into new borrowings or issuances of debt instruments, if the total amount of the additional borrowings or financial debt entered into by Numericable and its subsidiaries since the signing date of the Numericable Shareholders' Agreement exceeds the €200 million cumulative threshold;

- any merger, spin-off or partial asset contribution (or any similar transaction) concerning Numericable, and in general any legal restructuring of Numericable and its subsidiaries when the expected amount of the transaction exceeds €200 million (this test being conducted on an enterprise value basis), except intra-group transactions.

Moreover, prior to entering into the Numericable Shareholders' Agreement, Cinven, Altice France and Carlyle have agreed on the 2014 budget and on the composition of the Numericable Group's management team following completion of the Numericable IPO, and have undertaken to agree on any modifications thereto occurring before the completion of the Numericable IPO or within six months thereafter.

During and after the lock-up period relating to the Numericable IPO, the transfer of shares held by the parties to the Numericable Shareholders' Agreement will be governed by the Numericable Shareholders' Agreement. In that regard, the Numericable Shareholders' Agreement provides, as described below, the stipulations related to share transfer, and especially for the orderly sale of shares held by Altice France, Cinven or Carlyle, pre-emptive and preferential rights granted to Altice France by the other parties and a joint transfer right for each of the parties to the Numericable Shareholders' Agreement, if applicable, subject to certain exceptions.

Freely permitted transfers: A party to the Numericable Shareholders' Agreement may transfer Numericable shares to an affiliate freely, as long as the beneficiary adheres to the stipulations set out in the Numericable Shareholders' Agreement. In addition, Altice France may transfer to the banks financing Altice France's acquisition of Numericable's shares in the context of the Numericable IPO all of Numericable's shares held on the IPO Date by Altice France and pledged to such banks as collateral for such financing.

Transfer restrictions for shares held by Altice France, Cinven and Carlyle: For the duration of the Numericable Shareholders' Agreement, Altice France, Cinven and Carlyle agree to not proceed with any acquisition of Numericable shares which would require one of them to make a takeover bid on Numericable's shares, unless the shareholder has obtained from the AMF an exemption with respect to the obligation to make a takeover bid for Numericable's shares or a decision confirming that the other parties to the Numericable Shareholders' Agreement are not subject to this requirement.

Orderly transfer and Altice France pre-emptive rights: Apart from the freely permitted transfers mentioned above, a transfer made in the context of a cash takeover bid for Numericable mentioned below or a public tender offer not made 100% in cash or a Complex Transaction, as defined in "*Public offer other than 100% in cash and complex transactions.*" below, any transfer of Numericable's shares made by a party to the Numericable Shareholders' Agreement in the five years following the completion of the Numericable IPO must be made through an orderly transfer procedure (especially an over-the-counter transfer, a market transfer or a market placement transfer) under the following conditions: (i) the transfer must involve a number of shares representing either (x) at least 1% of Numericable's share capital or (y) at least €30 million, (ii) Altice France will have a pre-emptive right to purchase Numericable's shares offered for sale; (iii) if Altice France does not exercise its pre-emptive right, the transferring shareholder may freely transfer the shares (subject to the joint transfer right described below).

Cash offer to purchase and Altice France preferential right: in the event of a third party cash offer to purchase Numericable's shares, and in the event that Cinven and/or Carlyle wishes to tender all or part of their shares to the offer, Altice France will have a preferential right to acquire such shares at the price of the offer. These stipulations are also applicable in the event of a higher or competing offer, in each case at the price of the relevant offer.

Public offer other than 100% in cash and complex transactions: in the event of a third party offer that is not 100% in cash (in particular a public exchange offer or a mixed offer), as well as a transfer, other than a freely permitted transfer, paid other than in cash (especially a transfer paid partially or in whole by listed or unlisted securities) (a "Complex Transaction"), Altice France, Cinven and Carlyle agree (i) to coordinate immediately following an offer that is not 100% cash or, as the case may be, a Complex Transaction and (ii) not to tender to the offer and not to proceed with the Complex Transaction without the prior approval of each of Cinven, Carlyle and Altice France.

Loss of Altice France's pre-emptive and preferential rights: Altice France will definitively lose its pre-emptive right and its preferential right referenced above in the following cases: (i) a transfer of Numericable's shares by Altice France that results in Altice France having a lower shareholding in Numericable than 30% plus one share, (ii) a transfer by Altice France, within one calendar year, of Numericable shares that represent more than 2.5% of Numericable's share capital (the "Permitted Altice France Percentage") (it being specified that this maximum percentage does not take into account any freely permitted transfer that Altice France could be a party to) (as long as these transfers do not result in Altice France having a lower shareholding in Numericable than 30% plus one share), and in the event that Altice France does not transfer all of the Permitted Altice France Percentage within one calendar year, the non-transferred proportionate share of the Permitted Altice France Percentage will be added to the Permitted Altice France Percentage in the following year, as long as the number of Numericable shares that Altice France can transfer in the course of one calendar year does not exceed 10% of its shareholding in Numericable as calculated on December 31 of the preceding year (and as long as the transfer does not result in Altice France having a lower shareholding in Numericable than 30% plus one share), (iii) an indirect or direct loss by Patrick Drahi and/or his heirs of his and/or their majority stake in the share capital and voting rights of Altice France, or (iv) loss by Altice France of its position as principal shareholder of Numericable.

Joint transfer right: the parties to the Numericable Shareholders' Agreement other than the transferring shareholder (including Altice France, as an alternative to its preferential right) will have a joint transfer right, for five years from the IPO Date, under any transfers conducted over the counter or in connection with a bookbuilding, prorated to their holdings in Numericable's share capital on the date of the preliminary offering circular relating to the Numericable IPO. Cinven and Carlyle can exercise their joint transfer right on such a transfer of Company shares made by Altice France, including shares included in the Permitted Altice France Percentage, excepting only freely permitted transfers.

Maintenance of the public float: Altice France, Cinven and Carlyle, and the individuals with whom they coordinate, are not allowed to proceed with any acquisition of Numericable shares whose effect would result in a decrease in the float (i.e., the percentage of share capital held by shareholders other than members of the Group in Concert or their affiliates) to 25% of the total number of Numericable shares.

Call options: call options were granted to an affiliate of Altice France (the "Beneficiary") by Cinven, Carlyle, the Pechel Funds and the Five Arrows Funds (together, the "Grantors") on the occasion of their direct or indirect acquisition of interests in the capital of the Numericable and Completel groups. These call options will be restated for a residual duration of 15 years after the Numericable IPO in order to cover disposals of Numericable's securities by the

Grantors. Exercise conditions for such call options depend on the sale price of Numericable's shares at the time of the contemplated transfer, in light of the amounts invested by each Grantor, directly or indirectly, in the Numericable/Completel groups. If the transfer contemplated by a Grantor enables such Grantor, taking into account the transfer price and for the portion concerned, to achieve over its investment an annual capitalized yield of at least 10%, such Grantor commits, under the call options, to transfer to the Beneficiary a number of Numericable securities equal to no more than 25% for Cinven and Carlyle, and 20% for the Pechel Funds and the Five Arrows Funds, of the securities for which transfer is contemplated, so that the Beneficiary transfers this portion simultaneously with the transfer by the Grantor and realizes the corresponding capital gain from this sale. The purpose of these call options is therefore to allow the Beneficiary to benefit from up to 25% for Cinven and Carlyle, and 20% for Pechel Funds and the Five Arrows Funds, of the capital gain likely to be achieved by a Grantor in case of transfer on its part at a price guaranteeing it, based on its investment, an annual capitalized yield equal to at least 10%. The Grantors and the Beneficiary reserve the possibility to amend these call options so that the unwinding of these call options is made in cash through a sharing of capital gains without any need to transfer Numericable's securities, it being specified that this mechanism through which the Grantor would pay to the Beneficiary an amount equal to the Beneficiary's portion of capital gain, would lead to an equivalent economic result, the calculation method and the payment terms and conditions being identical.

Numericable is a controlled entity, following the listing of Numericable's shares on Euronext Paris, as described above; however, Numericable believes that there is no risk that the control will be exercised in an abusive way.

In addition, the enforcement of the pledge granted by Altice France in favor of the banks financing the 2013 Margin Loan, with respect to certain of Numericable's shares that Altice France holds, could result in a change in the controlling shareholders of the Numericable Group.

Funds Shareholders' Agreement

In connection with the Numericable IPO, certain investment funds (FCPR Pechel Industries II, FCPR Pechel Industries II bis, FCPR Pechel Industries III, and FCPR Pechel Cablo-Invest (together, the "Pechel Funds") and Five Arrows Investments S.C.A., SICAR, Arrows Investments S.à.r.l. SICAR and Five Arrows Capital GP Limited (together the "Five Arrows Funds," and together with the Pechel Funds, the "Funds")), which, prior to the Numericable IPO, were holders of securities and financial instruments issued by Altice France, acquired a direct stake in Numericable's share capital and voting rights from Altice France (the "Funds' NG Shares"), in consideration for the repayment and the buy-back of a part of these securities and financial instruments by Altice France.

The Funds have also each granted Altice France a call option (the "Altice Call Option"), which is a unilateral call option, on the totality of the Funds' NG Shares each of the Funds own. The Altice Call Option may be exercised either (i) in advance, in off-market sale(s) between Altice France and the Funds or upon Altice France's exercise of its pre-emptive or preferential rights in accordance with the Funds Shareholders' Agreement (as defined below) at the price at which the pre-emptive or preferential right is exercised, as determined in accordance with the Funds Shareholders' Agreement, on the basis of the contemplated transfer price, or (ii) at maturity on the basis of the contemplated transfer price (after deducting the shares acquired, if applicable, in advance) for a two-month period starting from the third anniversary of the IPO Date. Thus, the Funds' NG Shares will be considered to be shares owned by Altice France, in accordance with Article 233-9-4° of the French Commercial Code. In addition, it is specified that the Funds will not act in concert with respect to Numericable, or Altice France, or with Cinven and Carlyle, following Altice France's initial public offering.

In addition, Altice France has entered into a shareholders' agreement that does not constitute a concerted action with the Pechel Funds and the Five Arrows Funds (the "Funds Shareholders' Agreement") under which Altice France is granted pre-emptive and preferential rights with respect to the Pechel Funds and the Five Arrows Funds, which are equivalent to those Altice France benefits from in connection with the Shareholders' Agreement described above, in the event of a transfer of the shares in Numericable by the Pechel Funds or the Five Arrows Funds. The Funds Shareholders' Agreement will be entered into for a term of three years and two months and will expire immediately and automatically (i) with respect to all of the Pechel Funds if Pechel Funds' total global shareholding falls below 0.5% of Numericable's share capital and (ii) with respect to all of the Five Arrows Funds if Five Arrows Funds' total global shareholding falls below 0.1% of Numericable's share capital.

HOT Minority Shareholder Agreements

In October 2010, Cool Holding entered into separate agreements with Yedioth Communications Ltd. ("Yedioth") and companies from the Fishman Group (collectively, "Fishman" and, together with Yedioth, the "HOT Minority Shareholders"), pursuant to which (i) Cool Holding acquired 4,565,493 shares of HOT from Fishman in March 2011 and 10,012,003 shares of HOT from Yedioth in November 2011 and (ii) Cool Holding agreed that, until the date that is three years from each such acquisition date, Cool Holding would not take any action which would cause HOT to become a private company or for its shares to be delisted from the Tel Aviv Stock Exchange, without receiving the consent of each HOT Minority Shareholder (the “Take-Private Consent Right”).

On November 5, 2012, in connection with the Take-Private Transaction, Cool Holding entered into separate agreements (each a “HOT Minority Shareholder Agreement”) with the HOT Minority Shareholders, pursuant to which (i) Cool Holding agreed to acquire directly or through one of its subsidiaries from each of the HOT Minority Shareholders all of their respective shares in HOT, representing approximately 11% of the outstanding shares of HOT (the “HOT Minority Shareholder Shares”), in consideration for a payment of NIS 41 per share, (ii) each of the HOT Minority Shareholders agreed to waive its Take-Private Consent Right and (iii) as additional consideration for the waiver of the Take-Private Consent Right, Cool Holding granted each HOT Minority Shareholder the right to purchase the HOT Minority Shareholder Shares from Cool Holding or one of its subsidiaries (the “HOT Minority Shareholder Call Options”) at a price per share equal to NIS 48 (the “Call Consideration”) during the 24-month period commencing on the first anniversary of the Take-Private Transaction. The Take-Private Transaction was completed on December 27, 2012 .The HOT Minority Shareholder Call Options may be exercised by the relevant HOT Minority Shareholder in up to three transactions, each of which shall cover at least 30% of the shares sold by such HOT Minority Shareholder to Cool Holding or one of its subsidiaries in the Take-Private Transaction.

The HOT Minority Shareholder Agreements contain anti-dilution rights and consent rights with respect to changes in business prior to the exercise of the HOT Minority Shareholder Call Option and certain minority shareholder rights, which will become applicable if the HOT Minority Shareholder Call Options are exercised after the Take-Private Transaction, including tag along rights with respect to any sale of HOT shares by Cool Holding; pre-emptive rights with respect to issuance of HOT shares; restrictions on HOT’s ability to effect transactions outside of the ordinary course of business (including a transaction resulting in the sale by HOT of a material asset); subject to certain exceptions, restrictions on entering into transactions with any shareholder, director or officer of HOT or any affiliate thereof; restrictions on the incurrence of any material indebtedness; and, subject to certain exceptions, the right to require HOT to re-register and list its shares on the Tel Aviv Stock Exchange. In addition, Cool Holding has certain drag-along rights with respect to the shares sold to the HOT Minority Shareholders upon the exercise of the HOT Minority Shareholder Call Options.

Roll over of the Outremer Minority Shareholders and the Mobius Managers

On July 5, 2013, Altice International, through its wholly owned subsidiary Altice Caribbean, acquired approximately 77% of the equity interests in Altice Blue Two (the “Outremer Acquisition”), a holding company for our operations in the French Overseas Territories, with the remaining equity interest being held by certain members of Outremer’s management at the time of the Outremer Acquisition (the “Outremer Minority Shareholders”).

In addition, on January 15, 2014, Altice Blue Two completed the acquisition of the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion. The acquisition documentation provides for the reinvestment, by certain managers of the Mobius Group, which were also shareholders of Mobius Group, (the “Mobius Managers”) of a fraction of their sale proceeds into the Altice group.

Pursuant to contribution agreements dated January 30, 2014, (i) the Mobius Managers have contributed to the Company vendors notes they hold against Altice Blue Two, against Ordinary Shares of the Company and (ii) in March 2014, the Outremer Minority Shareholders contributed to the Company the shares they hold in Altice Blue Two (other than ratchet shares described further below and except further for a limited number of ordinary shares retained by one of the Outremer Minority Shareholder, but on which the Company has a call-option, exercisable at a predetermined price during the fourth quarter of 2014) against Ordinary Shares in the Company valued at the Offer Price, i.e. €28.25 (the "Managers' Roll Over). The contribution agreements also contemplate a 2014 financial performance based earnout payable to the Outremer Minority Shareholders by way on an additional issue of Ordinary Shares of the Company in early 2015, up to a value of € 10,000,000. As a result of the above, the Company issued approximately 2,111,909 new Ordinary Shares subscribed by the Outremer Minority Shareholders Managers and the Mobius Managers, leading to a dilution of Company shareholders by approximately 1.0%.

In addition, Altice, the Outremer Minority Shareholders and the Mobius Managers have entered on March 11, 2014 into agreements pursuant to which (i) the Outremer Minority Shareholders transferred ratchet shares tracking the performance of Altice Blue Two to Altice Caribbean, in exchange for warrants issued by Altice Caribbean and tracking the performance of Altice Caribbean and its subsidiaries (together with the underlying shares, the "Altice Caribbean Warrants"), (ii) Altice Caribbean Warrants were awarded to the Mobius Managers, and (iii) existing shareholders' arrangement at the level of Altice Blue Two were replaced by shareholders arrangements at the level of Altice SA, Altice Caribbean and Altice Blue Two (the "New Outremer Shareholders' Arrangements").

The New Outremer Shareholders' Arrangements include certain limitations on the rights of the majority shareholders of Altice Caribbean and of Altice Blue Two (but not of the Company), contain certain restrictions to the transfer of the shares of the relevant entity, and grant liquidity rights to the Outremer Minority Shareholders and the Mobius Managers (collectively referred to below as the "ABT Managers"), including those described below.

At the level of the Company, the New Outremer Shareholders' Arrangements provide (i) for specific lock-up commitments on the shares held by the ABT Managers in the Company (lapsing partially in 2016 and 2017, and totally in 2018) and (ii) a pre-emption right on those shares in favor of Next. The New Outremer Shareholders' Arrangements do not provide for specific rights in favor of the ABT Managers relating to the corporate governance of the Company.

At the level of Altice Caribbean, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Holding's rights as a majority shareholder of Altice Caribbean, including specific veto and consent rights in favor of the ABT Managers. Further, Mr. Jean Michel Hegesippe (who is one of the ABT Managers), shall be appointed as new CEO of Altice Caribbean. The New Shareholders' Arrangements also contain certain restrictions to the transfer of Altice Caribbean's shares (including the Altice Caribbean Warrants) and, in particular (i) an inalienability period lapsing in 2019 on shares held by the ABT Managers (subject to certain exceptions), (ii) the prior approval by Altice Holdings of any transfer of shares of Altice Caribbean held by the ABT Managers, (iii) a pre-emption right in favor of Altice Holdings, (iv) a proportional tag along right in favor of the ABT Managers, and (v) a drag along right in favor of Altice Holdings (and, as from 2018, in favor of the ABT Managers) in case of a contemplated transfer of at least 95% of Altice Caribbean's capital. The New Outremer Shareholders' Arrangements also provide that all investments of the Altice group in an area covering the Caribbean, the Indian Ocean and Mauritius shall be completed through Altice Caribbean (or one of its subsidiaries). Further, the New Outremer Shareholders' Arrangements contain put and call arrangements exercisable on the Altice Caribbean Warrants in 2018, at a price determined in order to allow the ABT Managers (subject to certain bad leaver situations), to capture a fraction of the potential value added to the investment of the Altice group in Altice Caribbean since July 2013 (or, regarding the Mobius Managers), since March 2014).

At the level of Altice Blue Two, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Caribbean's rights as a majority shareholder, including specific veto and consent rights in favor of the ABT Managers. The Company will have a call option (and the relevant ABT Manager will have a put option) on a limited number of shares of Altice Blue Two held by one of the ABT Managers, exercisable at a predetermined price during the fourth quarter of 2014.

Dominican Republic Acquisitions

ODO Acquisition

Pursuant to an agreement dated November 26, 2013 between Altice Bahamas (a wholly-owned indirect subsidiary of Altice International) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), on April 9, 2014, Altice Bahamas, through one of its newly formed fully owned subsidiary, Altice Dominican Republic II, acquired from Wirefree Services Denmark A/S and certain of its affiliates all of the outstanding share capital of ODO. The aggregate purchase price payable by Altice Bahamas was $1.4 billion.

Tricom Acquisition

Pursuant to an agreement dated October 31, 2013, between Altice Caribbean (a wholly-owned indirect subsidiary of Altice International) and Hispaniola Telecom Holdings, Ltd. (the "Tricom Sellers"), a company controlled by Amzak Capital Management and Inversiones Bahía, (the "Tricom Purchase Agreements"), on March 12, 2014 Altice Caribbean, through one of its subsidiaries (the "Tricom Purchaser") purchased all of the outstanding equity interests in each of Tricom S.A. and Global Interlinks Ltd. (together, "Tricom") from the Tricom Sellers (the "Tricom Acquisition"). The aggregate purchase price payable by Altice Caribbean for the Tricom Acquisition was $405 million. The Tricom Sellers agreed to reinvest approximately $20 million of proceeds of the Tricom Acquisition in Altice Bahamas, through the subscription of Class B Shares representing 2.8% of the outstanding shares of Altice Bahamas. Furthermore, the Tricom Sellers entered into a shareholders' agreement with Altice Caribbean which, among other things, included certain restrictions on the transfer of Class B Shares, as well as put and call options on all of the Class B Shares held by the Tricom Sellers, exercisable 3, 4 and 5 years after the execution of the shareholders' agreement.

Potential Benefits from the acquisition of Tricom and ODO

The Tricom Acquisition and the ODO Acquisition are consistent with our strategy to drive profitability and cash-flow expansion through in-market consolidation. In particular, we believe that we will benefit from cross-selling Tricom's high speed broadband Internet and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilize both companies' product sets and networks. We believe the combination of Tricom and ODO will create a fixed-mobile integrated player in the Dominican Republic.

We believe that Tricom's and ODO's network infrastructures are complementary. We intend to progressively migrate the existing fixed line DSL customer base in the Dominican Republic to Tricom's cable network where possible. We expect to generate savings by reducing maintenance costs and unbundled local loop ("ULL") and bitstream fees as well as realizing operational synergies. ODO's mobile business will also benefit from Tricom's network, which is expected to provide transmission capacity for ODO's base stations at lower cost than prevailing market rates for leased capacity. We also believe there is potential for savings by combining overlapping regional and national fixed backbones as well as optimizing mobile frequencies and networks, including utilizing Tricom's excess 4G spectrum which should allow for a cost efficient roll-out of 4G services.

MVNO Agreements

In France and Belgium, we offer mobile telephony services to our customers as MVNO operators.

In 2010 in France, we entered into several MVNO agreements with Bouygues Télécom for voice and data transmission, pursuant to which we introduced our quadruple-play offering in 2011. The agreements relating to voice transmission services are due to expire in 2017 and will be automatically renewed unless otherwise notified by either party with six months' notice prior to their respective initial expiration dates. Upon renewal, they will be valid until further notice and may be terminated by either party upon twelve months' notice. The agreements relating to data transmission services expired in 2012, but were renewed at their expiration for an indefinite term. They may be terminated by either party upon twelve months' notice.

The financial terms of these agreements include a flat fee that corresponds to minimum levels of consumption by our end-customers and a variable fee based on actual consumption (i.e., number of end-customers, amount of voice and data transmission services used). Bouygues Télécom must use its best efforts to comply with its obligations under these MVNO agreements and has a right to unilaterally modify these agreements should it be become unable to perform all or part of its obligations due to technical or regulatory reasons.

On April 11, 2011, LTI Telecom entered into MVNO agreement with SFR for voice and data services (SMS, MMS, data) for a period of nine years. At the end of the initial term, the contract will be tacitly renewed for an indefinite period unless terminated by either party upon the observance of a notice period of 6 to 12 months. However, the contract may be terminated during the initial period under certain conditions. On November 22, 2013, LTI Telecom and SFR agreed on the modalities for the introduction and provision of 4G services. Following the acquisition of LTI Telecom by us, Completel was subrogated to the rights and obligations of LTI Telecom under this contract by an addendum signed on November 30, 2013. Under this MVNO agreement, Completel pays to SFR (i) a subscription fee and (ii) in case of exceeding the level of consumption included in the subscription, a fee based on actual consumption of end customers of the Group and the type of services, with a minimum annual billing based on the type of services.

In Belgium, our MVNO agreement with Mobistar is valid for an initial term of three years expiring in 2014 and will automatically extend for an additional period of two years unless the agreement is terminated by either party, for any reason.

Shareholders' Agreement between Next L.P., Penta and Valemi

Next L.P., Penta and Valemi entered into a shareholders' agreement prior to the initial public offering of the Issuer pursuant to which each of Penta and Valemi agreed to grant to Next L.P. a right of first refusal with respect to any proposed transfer of ordinary shares of the Issuer by Penta and/or Valemi. Other members of management may also become parties to this shareholders' agreement and grant to Next L.P. the same right of first refusal with respect to ordinary shares held by them.

Seasonality

Although our businesses are not subject to significant seasonal effects, revenue from our pay television, broadband Internet access and fixed-line telephony operations tend to be slightly higher in the fourth quarter of the year and slightly lower in the third quarter of the year.

Intellectual Property

We use a variety of trade names and trademarks in our business, including "HOT" in Israel, "Numericable" in France, Belgium, Luxembourg and the French Overseas Territories, "Completel" in France, "ONLY" in the French Overseas Territories, "Cabovisão" and "ONI" in Portugal and, in each case, several associated trademarks. All of our trademarks are protected in the jurisdictions in which we operate. We license the "Altice" brand from our founder and executive chairman Patrick Drahi for a nominal annual fee.

We do not possess any material patents, nor do we believe that patents play a material role in our business.

We license some of the television programming content for our pay television offering from third party providers. In addition, in Israel, we co-develop shows and have also developed several show platforms for our "HOT" suite of channels. Further, we have recently acquired Ma Chaîne Sport and Sportv, French producers of sports-themed pay television content which they distribute via their television channels. We own the copyright that subsists in the content developed or co-developed by us.

Employees

The following tables show our employees by country of employment.

	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
France	2,077	1,910	1,599
Israel	2,677	5,121	5,814
Belgium and Luxembourg	70	82	83
Portugal	491	561	719
Switzerland	87	81	81
French Overseas Territories	930	830	910
Total	**6,543**	**8,650**	**9,227**

Certain of our subsidiaries also use contract and temporary employees, which are not included in the above number, for various projects.

We are subject to various labor laws in each of the jurisdictions in which we operate. Labor laws typically govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Further, we are generally required to provide severance pay upon the retirement, death or dismissal of an employee. We are also required to make national insurance payments on behalf of our employees to the government in each of the jurisdictions in which we operate.

Some of our employees currently belong to organized unions and works councils. In France, we have faced several strikes by our personnel between 2005 and 2007 when, in connection with our merger with former cable operators, we completed several rounds of headcount optimization; in early 2009, when we terminated the employment of a number of our salespersons; and during the spring of 2010 in response to our amendment of certain of our door-to-door salespersons' employment terms and conditions. The strikes, which took place in 2009, disrupted our headquarters' operations and generated adverse publicity. In France, we plan to negotiate with the unions representing Numericable and Completel to create a group committee out of the existing workers' committees. As such, there would be an additional level of negotiation with the unions at the Numericable Group level, which we expect would lead to Numericable Group- level agreements on matters of common interest that would apply to all of the Numericable Group's companies. As a result, a subsidiarity principle would be applied and any areas not addressed at the Numericable Group level would be negotiated at the level of each of the Numericable entities and Completel. Other than as disclosed in this Notice, we consider our employee relations to be good.

In Israel in August 2013, Power to the Workers—A Democratic Workers Organization ("Power to the Workers") claimed a collective dispute and requested declaratory reliefs that Power to the Workers is the representative organization of HOT (not including Hot Mobile), and that the group must conduct negotiations regarding a collective bargaining agreement. In addition, the court was asked to declare that non-payment of wages to employees who refused to commit to working a full work week.

Properties

We lease and own certain properties for our corporate offices, sales offices, broadcast centers, communication rooms, customer service centers, sales stores, mobile network sites, hubs, switches and head-end sites. Our registered office is located at 3, boulevard Royal, L-2449 Luxembourg. With respect to our French operations, our main corporate offices are located in Paris, France. With respect to our Israeli operations, our main corporate offices are located in Yakum which is located in proximity to Tel Aviv. With respect to our Belgian operations, our main corporate offices are located in Brussels, Belgium. With respect to our Luxembourg operations, our main corporate offices are located in Strassen, Luxembourg. With respect to our Portuguese operations, our main corporate offices are located in Lisbon, Portugal and Pamela, Portugal. With respect to our operations in the French Overseas Territories, our main corporate offices are located in Paris, France. We believe that our properties meet their present needs and are generally well— maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our mobile services. While we could incur costs, such as clean-up costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed in this Notice in "*Risk Factors—Risks Relating to Our Business, Technology and Competition—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.*"

Furthermore, we are also careful to offer our subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, the new LaBox represents a significant advance, since it combines several functions (Blu- Ray TM reader, TV-HD decoder and removable hard drive).

Insurance

We maintain a property insurance policy with wide coverage based on "extended fire" wording to cover our property on a new replacement basis. In certain of our geographies including France and Israel, we also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including general liability, comprehensive third party liability, products liability & professional liability, multimedia liability and employer's liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have directors' and officers' liability insurance policies that cover all members of our Group executive management and the members of the majority of our local management boards. We do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the telecommunications sector (subject to the wording of the policies, conditions and exclusions). However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage. With respect to the majority of our businesses, we do not insure against war and terrorism risks, however, we believe we are covered in Israel by the Property Tax and Compensation Fund Law, 1961.

Legal Proceedings

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by employees and claims by the regulatory bodies whose jurisdiction we are subject to in the countries in which we operate. In Israel, a majority of legal proceedings against us are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss for the Group and the amount of such a loss can be reasonably estimated. Other than as discussed below, as of the date of this Notice, we are not aware of any administrative, judicial or arbitral proceedings (including any pending or threatened proceedings) that are likely to have or have had over the course of the last twelve months a material adverse effect on our financial condition or results of operations. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

AGICOA Litigation Relating to Copyright Infringement

In March 2000, the Association for the International Collective Management of Audiovisual Works (“AGICOA”), a society engaged in the collection and distribution of payments of royalties to the producers of audiovisual works, initiated legal proceedings in the Central District Court against HOT relating to a copyright infringement claim, seeking monetary damages of approximately $20 million. In September 2010, the court ruled in favor of AGICOA and instructed HOT to pay damages of approximately NIS 10 million plus linkage differences, interest from the date of filing the claim and plaintiff’s expenses and attorney fees. Appeals were filed by both parties to the Supreme Court regarding the ruling. The parties have submitted to the Supreme Court a settlement agreement which has been approved. Under the settlement agreement, HOT will pay AGICOA for the use between 1993 and 2015 of AGICOA’s repertoire a total sum that is less than the provision booked by HOT in its financial statements.

Litigation Relating to Coditel Network in Luxembourg

In 2006 and 2010, respectively, the municipalities of Roeser and Junglinster in Luxembourg terminated Coditel’s network operation agreements. Coditel refused to comply with the municipalities’ request to stop operating the network as it deemed that Coditel acquired ownership of the network from a private individual prior to entering into the agreements with the municipalities, which only pertain to the network operations, and that such authorization is no longer required since the implementation of the telecommunication package in Luxembourg. The municipalities of Roeser and Junglinster each sued Coditel, claimed ownership of the network and demanded that Coditel cease network operations. In December 2012, the District Court of Luxembourg (First Instance) ruled, in each case, that Coditel should cease operations within three months subject to a daily €100 fine. The court also ruled that Coditel is the owner of the network in Roeser. The court did not order provisional enforcement of the proceedings. In February 2013, Coditel filed an appeal against the decision rendered by the Court of Luxembourg. The proceedings are still pending. Coditel is involved in a number of other legal proceedings in the ordinary course of its business.

Tax Matters in France

The French tax authorities have conducted audits on various companies of the Numericable Group since 2005 with respect to the VAT rates applicable to the Numericable Group’s multiple-play offerings. Under French tax law, television services are subject to a 5.5% VAT rate, which increased to 7% as of January 1, 2012, and to 10% as of January 1, 2014, while Internet and telephony services are subject to a 20% VAT rate, up from 19.6% due to an increase effective January 1, 2014. When marketing multiple-play offerings, the Numericable Group allocates a price reduction compared to the price it would charge for such services on a stand-alone basis. This price reduction is primarily applied to the Numericable Group’s Internet and telephony services in multiple-play offerings, because such services are newer products. As a result, the VAT the Numericable Group charged to its multiple-play subscribers was lower than the VAT that would have been charged if it had deemed the price reduction to apply primarily to the television services portion of its packages.

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

The Numericable Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Numericable Group asked the Ministry of Finance in December 2011 for a settlement of all the rectifications proposed by the Administration for all the companies of the Numericable Group for fiscal years 2006 to 2009. Further to these requests, the tax authorities revised downwards the amounts of rectifications for years 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on the composite VAT which was effective from 2008 to 2010. The new amounts of rectifications, amounting to €17.1 million (not including penalties of 40%) for fiscal years 2006 to 2009 were communicated to the Numericable Group at the end of August 2012.

Furthermore, in 2012, the tax authorities have also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, for a total amount of €6.1 million (except penalties of 40%). The Numericable Group responded on August 21, 2013 in order to contest the proposed assessments. The tax authorities responded to our observations in October 2013 maintaining their position with respect to the proposed adjustments. To date, no tax audit has been initiated for 2011 and subsequent years.

The tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million (out of the €17.3 million mentioned above for the 2006-2009 period)). The Numericable Group asked for a payment deferral and filed a complaint in September 2012 which was rejected by the tax authorities on June 27, 2013. The Numericable Group filed an additional request on August 20, 2013.

VAT rules applicable to multi-play offerings changed as of January 1, 2011. For a description of the practices and situation of the Numericable Group since January 1, 2011, see Part II of this Notice (*Risk Factors—Risks Relating to Legislative and Regulatory Matters—Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.*).

Finally, in 2013, the tax authorities initiated tax audits on the Altice B2B France and Completel entities in respect of fiscal years 2010 and 2011, giving rise to proposed adjustments on December 19, 2013. These proposed adjustments relate to certain charges for services the companies received in 2009, 2010 and 2011. In addition, the proposed adjustments resulted in a €28.5 million reduction of reportable deficit. The Group contested all of the proposed adjustments on February 17, 2014. On December 31, 2013, a tax provision for a total amount of €36.3 million was recognized covering all VAT risks (excluding €7.1 million of penalties) in respect of proposed adjustments for fiscal years 2006 to 2010 (€23.2 million) and the risks associated with the proposed adjustments with respect to charges for services rendered in fiscal years 2009 to 2011 (€11.4 million).

European Commission's in-depth inquiry into the transfer of cable infrastructure by certain municipalities in France

On July 17, 2013, the European Commission announced that it had opened an in-depth inquiry into whether the transfer of certain public cable infrastructure during such period by several French local authorities to the Numericable Group was in accordance with European competition laws on State aid. The European Commission, in announcing the opening of the inquiry, noted that it believed the transfer of public goods to a private enterprise without appropriate compensation provides such enterprise with an economic advantage from which its competitors did not benefit and thus constitutes state aid under European Union rules, and that the free transfer of cable networks and ducts to the Numericable Group effected by approximately 45 French municipalities, according to the estimates of the Numericable Group, conferred such an advantage and thus constituted state aid. The Group firmly contests the existence of any state aid. In addition, this inquiry relates to a relatively small number of network plugs (approximately 200,000), the bulk of which have not been upgraded to EuroDocsis 3.0 and provide access only to a limited number of its pay television services. The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. The case is currently in a comment period during which we and third parties may make observations in relation to the allegations, with the Group still firmly contesting the existence of any state aid.

Disputes with Orange in France

The Numericable Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in conjunction with the Numericable Group's acquisition of certain companies which operated cable networks built by Orange. These cable networks, which are only accessible through the civil engineering installations, including primarily ducts, of Orange, are made available to the Numericable Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a 20-year term.

Following ARCEP's decision 2008-0835 of July 24, 2008, Orange published on September 15, 2008 a technical and commercial offer made to telecommunication operators pursuant to which such operators could roll-out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms the Numericable Group benefited from under the Orange IRUs. As a result, Orange requested the Numericable Group to comply with the general procedures regarding the access to Orange's ducts to maintain and upgrade its network. ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011, respectively. The Numericable Group appealed the decision in the French Supreme Court (*Cour de Cassation*) but on September 25, 2012 the Court upheld, for the most significant part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated a sanctions procedure against the Numericable Group for not having complied with its November 4, 2010 decision. Consequently, in December 2011, the Numericable Group executed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in Orange's generic technical and commercial offer.

In the meantime, the sanctions procedure initiated by ARCEP was not settled with the execution of the amendments to the IRUs and the Numericable Group was sentenced on December 20, 2011 to a fine of €5.0 million for noncompliance with ARCEP's November 4, 2010 decision. This fine was paid in its entirety in 2012. The Numericable Group appealed this decision before the *Conseil d'Etat*. On October 21, 2013, the *Conseil d'Etat* annulled the penalty.

Further, the Numericable Group initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of €2.7 billion for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Numericable Group's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures published by Orange on September 15, 2008. The Numericable Group appealed this decision before the Paris Court of Appeal and claims the same amount in damages. Orange, in turn, claims that the proceedings materially impaired its brand and image and claims €50 million in damages. The Paris Court of Appeal is expected to render its decision during the second quarter of 2014.

Dispute with Free relating to the advertising of mobile services in France

On August 3, 2011, Free filed a claim against Numericable SAS and NC Numericable before the Commercial Court of Paris following the launch of a mobile offer by the Numericable Group in Spring 2011 through an advertising campaign entitled "The mobile revolution."

Free, who used the term "revolution" to refer to its initial launch of mobile phone services and whose latest offering was named the "Freebox Revolution," argues that the Numericable Group's campaign led to customer confusion and damaged its brand and image. Free claims €10.0 million in damages.

After the hearing, the Court asked the opinion of the *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (the "DGCCRF") as to whether Free's assertions were justified with regard to the laws of advertising.

The DGCCRF issued an opinion in which it indicated that the Numericable Group's campaign did not constitute misleading or irregular advertising inconsistent with applicable advertising law. However, in spite of this opinion, the Commercial Court of Paris rendered a decision in December 2013 awarding damages of €6.0 million to Free. The Numericable Group has duly filed an appeal.

Dispute with the Ligue de Football Professionnel (Professional Soccer League)

On April 26, 2013, the *Ligue de Football Professionnel* (the "LFP") asked the Commercial Court of Nanterre to rule that Numericable and NC Numericable had abused their dominant position and breached their non-discrimination obligation to the LFP when the LFP was producing its channel CFoot. The LFP is asking for €4.1 million in damages. More specifically, the LFP is complaining of the low level of remuneration received to market its CFoot channel by comparison with the remuneration of certain sports channels marketed in its bundles. The Commercial Court of Nanterre is expected to render its decision in 2014.

Disputes with various providers of value-added services ("VAS") in France

By related complaints dated February 19, 2013, five providers of added-value telephony services that offer their services to the public through Completel's premium-rate (0899) telephone numbers commenced litigation against Completel in the Commercial Court of Nanterre, requesting that Completel be ordered to pay a total of €350,000 in repayment of amounts withheld by Completel out of amounts collected on their behalf. Completel withheld these amounts in response to the practices of these companies, which in Completel's view violate their agreements with Completel as well the industry's ethics rules. Moreover, these companies seek a total of €12 million in damages for prejudice they claimed to have suffered as a result of the withholding of amounts due by Completel.

In addition, because Completel decided in November 2012 to terminate this activity, it suspended certain repayments and applied various contractual penalties to companies marketing this type of value-added telephony service. Certain of these companies brought action against Completel in various commercial courts, asking for payment of the amounts withheld by Completel or the cancellation of the penalties applied by Completel. The total amount claimed is approximately €400,000, including primarily amounts collected on behalf of the providers.

Actions of Colt, Free and Orange before the General Court of the European Union Regarding DSP 92

Colt, Free and Orange, through three distinct actions, sought for the General Court of the European Union to annul the September 30, 2009 decision of the European Commission (decision no. C (2009) 7426), which considered that the granting of €59 million in compensation for the public service costs for the establishment and operation of a network of very high speed electronic communications in the Hauts de Seine department did not constitute state aid under the rules of the European Union. The Numericable Group was not a party to these actions; its subsidiary, Sequalum, intervened in the proceedings, as did the French State and the Hauts de Seine department. By three orders dated September 16, 2013, the General Court of the European Union rejected the claims of the three claimants and confirmed the aforementioned decision of the European Commission approving such public financing. Free and Orange duly appealed the decision.

Labor disputes in France

The Numericable Group is involved in certain labor disputes, of which a significant amount result from the last period of substantial mergers in 2006-2007 with UPC-NOOS, which gave rise to potentially contentious adjustments and harmonization in labor policies until 2009. The claims related to these disputes could amount up to approximately €4 million. These disputes largely consist of employees contesting the reasons or the form of their dismissals.

Claim by Bouygues Télécom against Numericable, Completel, and NC Numericable

In late October 2013, Numericable, Completel and NC Numericable received a letter from Bouygues Télécom claiming damages with respect to the white label contract entered into on May 14, 2009, initially for a period of five years and extended once for an additional five years, among these companies and Bouygues Télécom, for the supply to Bouygues Télécom of double and triple-play high speed services. In this letter, Bouygues Télécom claims damages in a total amount of €53 million including (i) € 17.3 million for pre-contractual fraud (provision of erroneous information prior to the signature of the contract), (ii) €33.3 million for breaches by the Company in the performance of the contract and (iii) €2.4 million for harm to Bouygues Télécom's image. Numericable Group considers Bouygues Télécom's claims unfounded, both factually and contractually, and contests both Bouygues Télécom's allegations as well as the amount of damages claimed. However, Numericable intends to continue operational discussions that occur regularly between the parties relating to the performance of the contract. In this respect, Bouygues Telecom has also requested certain modifications to the contract as part of its claims. Notwithstanding the above, the diary collaboration between the parties remains similar to the pre-October 2013 schedule. This contract, which runs until 2019, generated €37.3 million of revenues in 2012, representing 49.6% of total B2C white label revenues in France of € 75.3 million and 2.8% of total Numericable revenues.

Investigation by the Regional Chamber accounts of Ile -de- France DSP 92

In November 2013, a number of articles reported that the Regional Chamber Accounts of Ile-de-France has opened an investigation into the management of the Hauts-de-Seine region between 2004 and 2007. The articles reported that the investigation would focus primarily on project DSP 92 granted to Numericable and in particular a grant of €59 million to Numericable in compensation for public service costs for the establishment and operation of an electronic communications network at very high speed in the region. We have no information about the object or the timing of this investigation, its exact nature or its potential impact on the Group. However, we note that the DSP 92 project has been validated by the French administrative court, the European Commission and the Court of the European Union to which the DSP 92 has been referred to for review and in addition, the Regional Chamber Accounts of Ile-de-France has no power to act against non-governmental entities.

Certain class action suits in Israel

In March 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court regarding an alleged breach of provisions of the Communications Law regarding the disconnection of subscribers from its services. The applicant has claimed damages of NIS 105 million. As of the date of this Notice, a settlement agreement including a contribution to the community valued at NIS 7.5 million and certain benefits to subscribers was filed to the Central District Court but has been denied by the Central District Court. A motion to appeal on the same decision was filed to the Supreme Court. On September 1, 2013, the Court decided to appoint an auditor to examine the settlement agreement. On January 1, 2014, the Court decided that HOT will be a respondent in the claim and the counterclaim. The matter is still pending.

In October 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court relating to alleged breach of HOT's Broadcasting License and certain provisions of its agreements with subscribers when collecting subscribers' fees in respect of the month in which the company's services were provided to subscribers, rather than charging at the following month. The applicant has estimated damages in the suit of NIS 433 million. The matter is still pending.

On December 11, 2011, HOT received a claim and request to certify a class action, filed with the Central District Court. The applicant claims that HOT violated its license and was unjustly enriched because it collected from subscribers "handling fees" in connection with the collection of debts higher than allowed by law. The Applicant asked the court to approve the class action and to rule in favor of the group in which the reliefs sought, including compensation totaling 27.3 million NIS or any other amount at the discretion of the court. On September 2, 2012, the Court filed its reply to the request and on October 22, 2012, held a preliminary hearing request, and stated that there is no need to process evidence, and that the parties submit their summations.

In February 2011, a suit seeking certification as a class action was filed against HOT by two applicants to the Central District Court, relating to alleged breaches of certain subscribers' agreements by increasing the price of services to subscribers, including alleged misleading of subscribers when increasing the prices of services. The applicants estimated damages in the suit of NIS 666 million. Following preliminary proceedings, on January 14, 2013, the Court decided that the hearing of the case will be delayed until a decision is reached the class action which was filed on December 11, 2011 and is detailed above.

In March 2012, a suit seeking certification as a class action was filed against HOT to the Haifa District Court. The applicant claims, *inter alia*, that HOT acted unlawfully when it did not pay CPI linkage differentials and interest to disconnecting subscribers with respect to the period beginning on the disconnection date until the refund date. The applicants estimate damages of approximately NIS 112.4 million. The matter is still pending.

In April 2012, a suit seeking certification as a class action was filed against HOT and against HOT Telecom in the Tel Aviv District Court regarding alleged breach of certain provisions of the law regarding the supply of frontal services. The applicant has claimed damages in the suit of NIS 186 million. On January 16, 2014, the Court was asked to approve the settlement agreement.

On November 20, 2012, a purported shareholder of HOT filed a suit seeking certification as a class action against Cool Holding, the HOT Minority Shareholders, HOT and members of the board of directors of HOT in the Economic Division of the Tel Aviv District Court. The suit claims that, among other things, the consideration for the Take-Private Transaction has been allocated in a manner that prejudices the public shareholders of HOT, by providing the HOT Minority Shareholders with consideration in excess of the consideration received by the other public shareholders and that certain conflicts of interest existed. The suit calls for the parties other than HOT to reallocate the consideration, in a manner that would result in the public shareholders (other than the HOT Minority Shareholders) whose shares of HOT will be acquired in the Take-Private Transaction receiving an additional aggregate amount in excess of NIS 54 million. A similar claim, also seeking certification as a class action, was filed on behalf of another purported shareholder on November 26, 2012 challenging the allocation of consideration in the Take-Private Transaction, alleging that the share price in the transaction is unfair and asking the court to appoint an expert to determine a fair price; this claim seeks total damages of up to NIS 195 million. The matter is still pending.

In November 2013, a class action suit was filed against HOT and certain other telecommunications operators by Roli Kleiman and certain others, alleging breach by HOT and the other defendants of certain Israeli laws including the Equality Law, the Regulations of Equality for People with Disabilities, the Torts Ordinance and the Consumer Protection Law by failing to provide cellular or stationary phone devices and/or services suitable for people with disabilities. The plaintiffs are representing all people with disabilities who were customers of HOT and the other defendants during the period at issue. The compensation being sought from HOT is NIS 97 million. The proceedings are still pending.

On November 2013, HOT received notice of an application for a class action suit, whereby the applicant is seeking to represent every customer who received telephone calls from HOT representatives that amounted to harassment during the 7 period years preceding the date of the claim. According to the applicant, HOT's sales representatives harass potential customers through the volume of telephone calls it places, which allegedly resulted in a breach of HOT's obligation stipulated in the Communications Act (Telecommunications & Transmissions), 5742-1982. The applicant is also claiming invasion of privacy and a breach by HOT of its good faith duty at the pre-contract stage. The applicant estimates the damage to each member of the class action suit to be no less than NIS 250. In addition, the applicant has requested an injunction, prohibiting HOT from continuing to make telephone calls that amount as harassment. HOT is studying the details of the claim and application for a class action.

On December 12, 2013, HOT received notice of an application for a class action suit, filed by two of its customers ("the application" and "the applicants", respectively), in the Tel Aviv District Court. The applicants wish to represent all of HOT's customers who do not benefit from the monthly discount on VOD services, "the monthly television discount" or a discount on certain channels. According to the applicants, HOT offers various benefits selectively to some of its customers, in order to retain them or incentivize them to subscribe to more of its services, contrary to HOT's obligation pursuant to the provisions of the license for cable broadcasts granted to HOT, to offer its services on equal and non-discriminatory terms. In addition, the applicants allege that HOT is misleading its customers regarding the accepted price by not revealing the existence of the aforesaid benefits. The amount of the claim is NIS 100 million. The applicants are seeking to obtain a declarative junction. HOT is studying the details of the claim and the application for this class action suit.

On January 16, 2014, HOT received notice of a claim filed in the Jerusalem District Court by B-Point Systems Ltd against HOT, HOT Telecom, HOT Net, Tel Aviv Telecom Ltd and their respective officers and controlling shareholders. According to B-Point Systems Ltd, under an agreement to supply HOT and its associated companies with installation and maintenance services, HOT, its associated companies and its and their respective officers breached the agreement by acting in bad faith and negligently, and unlawfully enriching themselves. The amount of the claim was estimated at approximately NIS 45 million. Pursuant to such claim being filed, both parties agreed to resolve the matter through mediation.

DESCRIPTION OF SFR'S BUSINESS

In this section, references to "SFR," "it," and other similar terms are generally used to refer to the business of SFR and references to "Company," "we," "our" and other similar terms refer to the Numericable Group.

Overview of SFR's Business

SFR is a leading alternative telecommunications operator in France, with a combined revenue of €10.2 billion and an EBITDA of almost € 2.8 billion for the year ended December 31, 2013. Created in 1987, SFR has expanded progressively to become an integrated operator ("Integrated Alternative Operator"), with diversified services in fixed, mobile internet and telephony sectors distributed over the following markets: residential market ("B2C"), business market ("B2B") and wholesale market and other ("Wholesale and Other"). The B2C market corresponds to offerings and services marketed to consumers and professionals (with fewer than three employees) in metropolitan France. The B2B market includes services offered to large accounts, SMEs/VSEs and public administrations in metropolitan France. The Wholesale market and Other includes (i) services offered to virtual mobile operators, MVNOs, or to foreign mobile operators whose customers use SFR's network; (ii) voice and data transmission services; (iii) wholesale services that rely on the fiber network infrastructure; and (iv) white label DSL services offered to telecommunications operators and Internet access providers that are customers of SFR.

As of December 31, 2013, SFR had more than 21 million mobile customers and more than 5.2 million broadband Internet customers.

In the B2C market for the year ended December 31, 2013, SFR generated revenue of €6.9 billion (67% of its total revenue). SFR provides its customers with a full range of plans and services, both in mobile services (mobile subscription packages with and without contract, prepaid plans and data-only mobile internet plans) and in fixed services (fixed internet plans and associated services). SFR has also developed a range of convergent quadruple play offers integrating both fixed and mobile telephone services, broadband internet access and television access. It also offers additional services such as home automation and cloud computing through SFR cloud. This diversity of products has enabled SFR to develop a substantial customer base (almost 15 million mobile customers and more than 5.2 million broadband internet customers, including almost 200,000 FTTH customers).

In the B2B market for the year ended December 31, 2013, SFR generated revenue of €1.8 billion (18% of total revenue). Similarly to the B2C market, SFR draws on an enhanced range of mobile connectivity (voice, data, MtoM, management services) and fixed connectivity (internet, switched telephony, VoIP) services. SFR has also developed a catalogue of additional services which, integrated into the traditional plans, allows SFR to meet the increasing digital requirements of companies, notably in terms of unified communications, security, business line applications via the cloud and consideration of mobility requirements. This broad offering makes it possible to cover the different customer segments (corporate, SME/microbusiness and public administrations in Metropolitan France) more efficiently and has enabled SFR to have a base of over 160,000 business customers at of December 31, 2013.

The revenue generated for the year ended December 31, 2013 by the Wholesale market and Other[(1)] represented €1.5 billion (15% of total revenue). The extent and the quality of the networks of SFR, together with its experience of over 15 years working with wholesale, has enabled it to benefit from a significant position on this market with more than 200 operator customers (both French and international). SFR offers operator customers services for routing traffic (fixed and mobile data and voice), infrastructure (hosting, bandwidth), call terminations in France and internationally and MVNO "white label" products. These offers enable SFR to optimize the use of its fixed and mobile network infrastructures via the resale of traffic to third party operators, while benefiting from the economies of scale.

(1) The Wholesale market and other revenue covers the revenue generated by the operators division of SFR, generated by SRR, which exercises its operations in La Réunion and Mayotte, and by SFR Collectivités and its subsidiaries with local authorities, and lastly covers inter-segment eliminations.

Strengths and Assets of SFR

We believe that SFR has a number of assets and strengths. SFR has a substantial customer base in France in the B2C, B2B and Wholesale markets, both in the mobile and in fixed sectors. It has demonstrated its ability to adapt to the changes in the market: historically with a gradual change in its economic model, and more recently in response to the changing competitive landscape through a transformation plan launched in 2012. SFR intends to demonstrate the same ability to adapt to future market changes by establishing selective partnerships to launch innovative products and solutions. In addition, SFR draws on a considerable number of valuable assets: its own network infrastructure, which also benefits from network sharing agreements with other principal operators (both on fixed and on mobile), a sizeable physical distribution network accompanied by adapted multi-channel tools, a strong and recognized brand associated with quality and reliability, and lastly a strategic partnership with Vodafone, with significant commercial benefits on the B2B market through a capacity to offer international plans. These various assets are supported by an experienced managerial team, accompanied by an organization dedicated to the transformation of the company.

Moreover, we believe SFR is well-positioned to benefit from future changes in the French market and affirm its position as the largest Integrated Alternative Operator in the fixed and mobile segments. In the B2C market, SFR seeks to grow its revenues through a differentiation strategy which will reinforce its position in the market. This differentiation will be effected both in mobile and fixed services, and will facilitate responding to the convergence (fixed/mobile) requirements of users. In the B2B segment, SFR may attempt to gain market share on the SME/microbusiness segment notably through an adapted commercial coverage. SFR seeks to accelerate the development of convergent fixed/mobile offers in order to address the growing need for unified "all-in-one" packages. Lastly, SFR aims to continue to seize growth opportunities adjacent to its core business, notably in the strongly growing sectors (cloud, MtoM). In the Wholesale market, SFR intends to strengthen its presence among all its customers, notably through maintaining an important position among MVNOs, strengthening its position with international operators, in particular via the rollout of fiber, and concentrating commercial efforts on high potential opportunities with the development of custom plans.

SFR is implementing the necessary initiatives to support this strategy, through the continuation of its transformation plan initiated in 2012. This plan focuses on the rollout of quality very high speed mobile and fixed networks, the improvement in commercial performance, the reinforcement of the multi-channel strategy and operational effectiveness through optimization and simplification of its processes and tools.

As of December 31, 2013, SFR had approximately 21.4 million mobile customers and more than 5.2 million broadband Internet customers. The table below shows the changes in the mobile customer base and the broadband internet customer base of SFR between 2011 and 2013 (data is as of December 31, 2011, 2012 and 2013, respectively):

	2013	2012	2011
	Customer base (in thousands)		
Mobile	21,354	20,690	21,463
Broadband Internet[(a)]	5,257	5,075	5,019

(a) Broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akeo 1P and 2P customers.

The table below shows SFR's revenue in each of its markets. Wholesale and Other revenue also includes revenue generated by SRR, a subsidiary of SFR that offers services in La Réunion and Mayotte to B2C and B2B customers; SFR Collectivités and its subsidiaries; and inter-segment eliminations.

The table below shows the evolution of changes in each segment between 2011 and 2013:

	2013		2012		2011	
	Revenue	Share of revenue	Revenue	Share of revenue	Revenue	Share of Revenue
	(in millions of euros)					
B2C	6,873	67%	7,974	71%	8,982	74%
B2B	1,789	18%	1,871	17%	1,868	15%
Wholesale and Other	1,536	15%	1,442	13%	1,333	11%
Total combined revenue	**10,199**	**100%**	**11,288**	**100%**	**12,183**	**100%**

SFR's Products and Services

The B2C Market

As of December 31, 2013, through its mobile and fixed B2C customers, SFR had approximately 14.6 million mobile customers and more than 5.2 million Broadband Internet customers in metropolitan areas of France, including approximately 5 million ADSL customers and close to 200,000 fiber customers. SFR also offers converging quadruple play fixed/mobile services as well as related services to B2C customers, in particular cloud-based and automation services. Finally, in order to attract and serve its residential customers, SFR has developed a multi-channel distribution and customer-relations approach.

The table below shows the changes in revenue in the B2C market:

	2013	2012	2011	% change 2013 compared with 2012	% change 2012 compared with 2011
				(in millions of €)	
Revenue—B2C[(1)]	6,873	7,974	8,982	−13.8%	−11.2%

(1) The prices discussed in this section are correct as of March 25, 2014.

Mobile Offerings

SFR is active primarily in the post-paid subscriptions segment (78% of its mobile customer base as of the end of 2013, versus 22% for prepaid offers). Recent changes in the market have led it to differentiate its offerings, and, in particular, to enrich its premium offerings. However, as the largest Integrated Alternative Operator, SFR nevertheless serves the entire B2C market, including the no-frills segment.

Premium post-paid offers—"Formules Carrées"

The "Formules Carrées" consist of SFR's premium post-paid mobile telephony offers. The offers are divided into eight plans. The price of these plans varies from €9.99 per month (including VAT) (the price for a SIM-only device for Carré 2H+50 MB with a 12-month commitment) to €149.99 per month (including VAT) (Carré International Premium with a new device and a 24-month commitment). These offers all include unlimited SMS and MMS texting, but include voice and data limits that vary depending on the plan chosen. Subscribers of these plans all benefit from the very high-speed Internet network (Dual Carrier and 4G). The "Formules Carrées" enable a customer to obtain a subsidized device and a suite of services: exclusive "Extra" content of their choice for eligible packages (iCoyote, Napster, CanalPlay, Gameloft or SFR Press), and access to SFR cloud (with storage capacity of 10 or 100 GB, depending on the plan), and some of the offers include SFR TV (access to direct or on-demand television from a mobile phone) or MultiSurf (additional SIM cards enable data sharing with other devices). The "Services Carrés" (Silver, Gold or Platinum) cover a collection of services or benefits such as loaned mobile phones or attractive renewal terms, to a greater or lesser extent depending on the plan chosen. Some of these offers are also available with capped call plans. Lastly, "Formules Carrées" customers receive "Multi-Pack" discounts if they also subscribe to an SFR box offer.

"No frills" post-paid offers—"RED"

SFR offers customers four post-paid RED plans with no commitments, no device, and for which subscription and support are available primarily via a website. These plans are offered at between €4.99 and €25.99 per month, including taxes. RED plan customers have access to the same network technologies as the "Formules Carrées" customers. In particular, they may opt for the RED 5 GB plan, which offers access to the 4G network and unlimited access to YouTube videos. On the other hand, RED plan customers do not receive the services associated with the "Formules Carrées" and are not eligible for the "Multi-Pack" discounts. As of December 31, 2013, approximately 16% of SFR's post-paid customer base used no frills offers.

Pre-paid offers—"SFR La Carte"

SFR offers prepaid packages at attractive prices under the "SFR La Carte" brand. The customer purchases a SIM card at a price of €9.99, including tax, and can then recharge the card by telephone, on the Internet, by purchase of recharge coupons or tickets at a physical point of sale, or at ATM machines of SFR's partner banks. Several lines of prepaid recharges are available to clients: they include voice, SMS and MMS as well as data plans. These cost between €5 and €95, depending on their type and on the duration of validity of the credits (from one week to five months).

Remote access offers—"Connecté Partout (Connected Everywhere)"

SFR offers two plans for tablets giving customers access to its very high-speed mobile network (Dual Carrier and 4G), as well as unlimited use of the SFR WiFi service. These offers include a selection of tablets at reduced prices (with a 24-month commitment and including the SFR TV option). Without a commitment and no access to a tablet, they are sold at €14.99 per month for 3 GB of data use (€24.99, including tax, for 6 GB). With a 24-month commitment and access to a reduced-price tablet, they are sold for €24.99, including tax, for 3 GB of data use (€ 34.99 including tax for 6 GB).

SFR also offers a prepaid package for tablets intended for occasional use. The user buys a SIM card at a price of €9.90 including tax, and receives a 200-MB credit that can be used for two weeks and recharged thereafter.

Finally, SFR offers Internet keys and prepaid "ready to surf" kits (SFR Connecté Partout recharges).

Fixed telephony offers

As of December 31, 2013, approximately 827,000 of SFR's customers were households in metropolitan areas of France receiving fixed telephony services without associated internet access. SFR offers two types of services:

- Pre-selection offers (call-by-call selection or automatic pre-selection), in which the customer keeps his subscription with the historic operator; and

- Offers that include the subscription for the telephone line, in which the customer obtains his telephone subscription from SFR rather than from Orange.

SFR's fixed telephony offerings include options such as voicemail, conference calls with three participants, portability of the customer's current number, call forwarding, a call answering system and the blocking of anonymous calls.

Stand-Alone Internet (single-play)

SFR offers stand-alone fixed internet, which provides high-speed internet access with pre-selection telephony service.

Bundled offers (double-play)

In addition, SFR offers Internet access services as part of grouped offers, called double-play, which also include unlimited telephony services to fixed-line telephones in metropolitan France, in a number of France's overseas departments[(2)] and to more than 100 destinations internationally, including mobile services in China, the United States and Canada. Customers may also subscribe for an option of unlimited telephone calls to mobiles in metropolitan France and in the overseas departments (not including Mayotte) for €5 per month, without any commitment period.

(2) French Guyana, Guadeloupe, Martinique, La Réunion, Saint Barthélemy, Saint Martin, Saint-Pierre-et-Miquelon

IP Television service in connection with triple-play offers

An IP television service may be added to the Internet and telephony services in connection with two triple-play offers. The "La Box de SFR" offer costs €29.99 per month including tax for unbundled customers and € 34.99 per month including tax for customers that are not unbundled. Customers can add the television option for an extra fee (€2 or €3 per month depending on the option). The triple-play offer "La Fibre de SFR" is offered for €35.99 per month including tax (of which €3 is for the television offer). There are four television options at €2 or €3 including tax per month for customers subscribing for this triple-play offer:

- the Evolution television offer, at €3 per month including 170 channels (including 32 in HD), enabling the television to be used as a Media-center platform, and which includes an intuitive 3D navigation interface, a set-top box that enables remote digital recording on a 250 GB hard drive, and a direct control option;

- the classic television offer is intended for customers who have subscribed online for SFR's box offers, for a set-top box rental fee of €2 per month. This offer does not permit direct control or recording;

- the satellite television offer, available for €2 per month, includes more than 80 channels; and

- the Google Play television offer is intended in particular for customers who cannot benefit from the enriched television service services due to the technical characteristics of their line. Due to a dedicated SFR with Google Play set-top box, offered for €3, they have access to 25 channels through TNT, as well as to premium television services such as television and video on demand and a radio and television program guide. This offer also enables use of Google Play, YouTube, Google Chrome, Google Photos and Google research, as well as to applications in the Google Play store.

In addition, customers may subscribe for additional premium television services, as an option (more than 200 additional channels, television on demand/replay, video on demand, program guide, radio, games on demand).

All of these packages also permit access to television from a computer and access to the application SFR TV, through which the customer can access television services from his mobile device. The majority of clients of SFR's internet offers have opted for triple play offers.

Fixed/Mobile convergence

SFR delivers converged offerings to residential customers, through a catalogue of flexible offers for customers who wish to have both fixed and mobile premium subscriptions. These offers are competitively priced through the "Multi-Pack" discounts.

Additional services

SFR cloud: with all of its mobile "Formules Carrées" and fixed Internet packages, SFR offers an online storage service called "SFR cloud". SFR's customers can store their multimedia content in this way (including music, photos and videos), and retrieve it on their connected devices (such as computers, smartphones and tablets) as well as share it. We believe that SFR's online storage space, which is hosted in France, is secure and confidential.

Home by SFR: SFR was the first telecommunications operator to offer automation to residential customers, with its innovative Home by SFR offering. Home by SFR functions with all internet boxes, including those from other operators, and includes two subscription packages: the Home Security package, at €9.99 including tax per month, and the Premium Home Security pack at €19.99 including tax per month, which offers additional services such as video in real time or 24-hour on-site services, in addition to the services included in the basic package (such as break-in prevention, unlimited alerts, remote operation).

SFR PayCard: SFR offers a rechargeable MasterCard, for €14.90 including tax per month, which allows customers to make purchases on the Internet without using their bank account information, to withdraw cash from MasterCard ATMs in France and abroad, to send money to other SFR PayCard holders, and to receive wire transfers. The payment card is valid throughout in the MasterCard network in France and abroad.

Sales and Marketing

SFR markets its products through several distribution channels. SFR has developed a variety of different channels so as to meet its different customer needs and expectations.

Espaces SFR

At year-end 2013 SFR managed a retail network of approximately 770 physical stores called "Espaces SFR" (SFR Spaces) owned by different partners in France. In 2013, more than 77 million visitors visited "Espaces SFR". SFR continually invests in this network in order to modernize it and maintain the quality of the in-store customer experience.

Points of sale through partnerships with large French retailers

SFR also relies on a distribution network of points of sale through other partnerships with the large French retailers (specialized stores, retail and convenience stores).

In particular, SFR has entered into a partnership with Fnac to distribute its products in a dedicated space inside Fnac's 24 largest stores.

Website

SFR offers its products on its website (www.sfr.fr), which receives more than 120 million visits per month. This website presents all of SFR's B2C offerings and offers exclusive promotions, both for subscription offers and on a line of mobile devices and accessories. We believe that this website is an effective tool, enabling it to respond to its customers' needs, both for premium offers (the "Formules Carrées") and for its no-frills offers ("RED").

Telephony

Some offers are sold through call centers.

B2B Market

The evolution of practices shows new trends in the B2B market which strengthen performance, reliability and, more generally, security challenges.

Increases in travel and telecommuting as well as the growth of the group work has led to a growth in data use in the B2B Market, in particular mobile data use, over all customer devices, and it creates new needs with respect to the virtualization of applications and data. SFR has responded to these needs through a catalogue of standardized solutions available to all of its business customers.

The following table shows the changes in SFR's revenue in the B2B Market:

	2013	2012	2011	% change 2013 compared with 2012	% change 2012 compared with 2011
			(in millions of €)		
Revenue—B2B	1,789	1,871	1,868	−4.4%	0.2%

While certain trends are present throughout the B2B Market, the different customer segments also have different needs. SFR uses the following segmentation for its business customers: large accounts, SMEs/VSEs (with VSEs including businesses with between 3 and 19 employees) and pubic administrations in metropolitan areas of France.

- For large accounts through its internal sales force, SFR offers customized, reliable and secure solutions, based on a combination of standardized products and more specific additional services. Similarly, reliability and security solutions are offered within standardized products in the business sector through partner distribution networks;

- The high-potential SME/VSE segment is addressed through standardized, effective and reliable solutions offering predictability in terms of cost.

The nature of the activities of business customers and the growth in the complexity of their usage are leading to simplification of supplier offerings. SFR has responded fully to these needs through its unified "all-in-one" communications offerings.

Finally, SFR has developed a series of additional services to complement its traditional offerings, which are part of the future development of high-growth segments such as cloud and MtoM.

Voice and data offers

SFR's mobile offers for all segments of the B2B Market include five mobile voice and data packages and follow the same pattern as the B2C market offers, with additional options including, in particular, unlimited SMS/MMS texting as well as different levels of data use, as well as four data access packages for tablets and computers offering Internet access from 2 MB to 8 MB depending on the offer.

Management and telecommunication monitoring offerings

SFR offers telecommunication monitoring services to businesses. These provide simple tools including a dashboard showing expenses and telecommunications use, enabling businesses to effectively manage their fleet of devices.

Device management and security are offered to all customers. Mobile Device Management ("MDM") enables customers to manage and secure their smartphone and tablet fleets remotely, in particular by erasing business information in the event of theft. Devices are configured centrally through a cloud platform.

Fixed voice offerings

SFR offers fixed telephone packages in the SFR Office line. They include calls to fixed telephones and mobiles in the business's internal SFR fleet, with special support including a dedicated customer service, guarantee of repair within less than four hours, including an onsite technician if necessary, and a choice of single, consolidated, or separate invoicing.

Fixed data offerings

SFR offers all of its clients two fixed data packages:

- SFR DSL, an adapted high-speed Internet solution that includes mono-site ADSL Internet access up to 20Mbps, as well as supply of a WiFi router.

- SFR Connect, which offers access to dedicated fiber or mono-site SDSL, with symmetric speeds guaranteed up to 1 Gbps in fiber or 16 Mbps in SDSL, and a primary router.

Voice and data specific to SMEs/VSEs

For professionals and VSEs, SFR offers packages that follow the same pattern as the B2C market packages. The "Formules Carrées" also include specific additional benefits adapted to professionals and VSEs, such as reimbursement offers, priority appointments at SFR stores, dedicated customer service, Femto technology, or free second SIM card.

Mobile offers for SMEs also provide professional telephony service (such as business directory services, fleet management customer areas, consumption alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service.

Fixed services specific to SMEs/VSEs

SFR offers a Pro version of its internet box for small businesses, which includes services adapted to this segment. SFR also offers SMEs/VSEs high-speed and very high-speed Internet access solutions, with security services adapted to the needs of businesses (connection security and filtering rules, availability of access with emergency access, application visibility). Finally, the Cloud Business Store enables its customers to access a catalogue of applications corresponding to their sector of activity.

Solutions specifically adapted to the large account segments

The SFR Ipnet offer for large accounts and businesses includes multi-site access in France and internationally (a virtual private network with guaranteed routing and prioritized data traffic). It enables businesses to transfer and secure data among all of the business' sites in France and abroad, thus improving the performance of its applications.

The SFR Ethernet offer, designed specifically for large accounts, includes access to a LAN enabling companies to link their local networks through a very high-speed medium. As such, it permits business customers to divide and share network resources (such as through LAN and servers) and to connect their primary sites (such as offices and data centers) through flexible point-to-point architecture, with an exhaustive line of speeds and access.

Unified communications offers ("all-in-one")

Three unified communications solutions are offered in the form of packages, guaranteeing a solution entirely hosted by SFR, with a centralized mono-site or multi-site telephone switchboard and fixed/mobile convergence services.

Corporate Business Package

The Corporate Business Package is offered specifically to large accounts. This package is a unified telephony and communications services in Cloud mode, which can be adapted for each business and relies on three main principles: rich functionality of unified communications, payment for usage, and the guarantee of a single contact person for the simplest possible management. This package is a global offer including a platform of services in the core network and centralized-operator voice access, build on the customer's SFR Ipnet network. It offers personalized end-to-end support (design, deployment and operation), advanced business telephone functionalities, a unified message system, a fixed or mobile number, and softphone service. This package also gives access to high value-added functionalities: unified message service and continuity of service regardless of what device is used (fixed or mobile). It all permits remote or mobile access.

Enterprise Business Package

The Enterprise Business Package includes availability of a dedicated project head during on-site placement and installation by licensed technicians. In addition to the advantages offered by a telephone switchboard (call transfer, call forwarding, conference calls, etc.), a series of innovative services relating to IP telephony are offered. SFR offers a single fixed and mobile message service, a single number to be used for both fixed and mobile, as well as a complete convergence service at a price of €59 excluding tax per month (including a telephone), and €36 excluding tax per month per additional line.

Entrepreneurs Business Package

The Entrepreneurs Business Package, offered to VSEs, is based on telecommunications and Cloud solutions. It is dedicated to businesses of fewer than 20 employees and offered at a price of €159 excluding tax per month with a 36-month commitment. Each fixed-line user beyond the first line costs €36 excluding tax per month, while each additional mobile user costs €59 excluding tax per month.

Conference and call-sharing offerings

SFR offers a collection of conferencing and sharing solutions, adapted to the needs of its customers of all sizes:

(i) SFR Business Audioweb Offer

The SFR Business Audioweb offer is an audio-conference service that also enables sharing and transfer of documents. It may also be augmented by SFR Business Conferencing Visio, which includes unlimited "visio" communications, sharing and transfer of documents, high-definition equipment (screen, camera, microphone), and equipment operation and maintenance.

(ii) SFR Business Sfere Offer

SFR Business Sfere is offered to large customer accounts. It includes Internet hosting and professional messaging. A business client may thus access the site-visit statistics, and has a complete business messaging environment available anywhere, including email box, calendar, contacts and personalization of email addresses.

Machine-to-Machine offers

Machine-to-Machine offers ("MtoM") permit a group of fixed or mobile machines to exchange information using a central server. Geolocalization (GPS) or payment by credit card is an example of this.

(i) MtoM connectivity solutions

SFR offers standard connectivity. To respond to specific needs tied to critical, sensitive and/or high-volume projects, SFR has developed an industrial management system of MtoM SIM cards, enabling it to offer different rates and functionalities for each phase of the customer project and thus to optimize its changes of success.

(ii) *MtoM business solutions*

SFR offers packaged solutions for credit card payment.

- The "Money Store" package offers fixed-location businesses a complete fixed or mobile solution including an electronic payment device. It offers an unlimited number of transactions, a monthly communications fee as well as maintenance service including 24 hour replacement of the device. These services are available for €34.90 excluding tax per month with a device or €15 excluding tax per month without a device.

- The "Money-n-Go" package for out-of-store payments is also available at the same rate of €34.99 excluding tax per month.

(iii) *m-Alert Absolu Solution*

SFR also offers security services for property and individuals. The "m-Alert Absolu" solution is a geolocalized pocket alert system using a mini-GPS and intelligent networks installed by SFR. This innovative device is intended for all professionals in risky professions, for isolated professionals (such as travelling professionals, travelling technicians, doctors and/or nurses) and for dependent persons, who can be located if necessary.

Cloud: Infrastructure and IaaS offers

SFR is present on the Cloud market through its own offerings and its investment in the Numergy sovereign Cloud project, in which it holds a 47% stake alongside Bull and the Caisse des Dépôts et Consignations.

An on-demand Infrastructure offering of the IaaS type ("Infrastructure as a Service"), called a cloud Infrastructure Suite, is offered to clients, in particular to large accounts. The offering is composed of a hosting service on virtual servers in a shared environment. It enables a business to manage, optimize and evolve a portion or even all of its information system structures on demand and as a function of its needs. Thus, it is a structure for externalization of computing resources in a secure environment. This IaaS solution covers Public cloud and Private cloud needs. Public cloud refers to application and/or website hosting in a secure environment intended for third-part use, while the Private cloud refers to an infrastructure reserved for the exclusive use of a single organization in a secured and cloistered environment.

SFR offers a turnkey hosting service and content-acceleration and managed services. In addition, through its partnership with Hewlett-Packard, SFR is the largest French supplier of overflow services (when internal capacity is saturated) in the cloud for its customers using Hewlett-Packard technology.

SFR offers a cloud Storage Suite that responds to business needs for secure storage, sharing and data safeguarding. This all-in-one solution, invoiced according to usage, includes three complementary services:

- SFR storage: data storage service respecting the ergonomics of business applications to which the business is accustomed.

- SFR Sync: an automatic data-synchronization service for businesses, made available at all workstations and employee work tools. Files are backed up and access to files is secured.

- SFR Backup: an automatic data-backup service for businesses, which makes data available from any device. Data security is ensured by an encryption service for access and storage, for optimum confidentiality.

Among its cloud-collaboration solutions, SFR also offers Collaboration Office 365, which regroups the Microsoft Office tools (professional email, conference and instant messaging, online document-sharing, and office management applications) and makes them available online at any time.

The cloud Business Store is a sales portal for Saas (Software as a Service) solutions intended for companies, microenterprises and professionals. It gives them access to an on-line catalogue of innovative and effective software solutions. In addition to office technology solutions (Microsoft Office 365), businesses and professionals can find client relationship management solutions, accounting, archiving, marketing, e-mailing, security solutions or even solutions for translating phone conversations. These solutions can be deployed flexibly, on all handsets and as mobile applications. These solutions include a system for sending 100% electronic registered letters (e-velop by SFR), an Internet browsing security system (SFR Proxy cloud), a multichannel message broadcasting service (SFR Push Contact), a simplified web site publication tool (SFR Mon Site Business), and a cloud virtual office (SFR Explorateur de cloud).

Cybersecurity offers

Computer security is a core business of telecommunications and cloud operators. Bolstered by its experience in this field, SFR has constructed a security services catalogue.

(i) Internet access protection and security

SFR launched its first managed Internet access protection and security services in 2005. It now offers integrated and managed services and SaaS Internet security solutions such as Internet filtering (Proxy SaaS). It works in close collaboration with security specialists to meet the security requirements of its clients. SFR also offers secured device and remote access management solutions with virtual private networks (VPN) and secured authentication services, particularly in the cloud solutions.

(ii) Reinforcement of the levels of protection for corporate information

SFR offers data synchronization, storage and backup solutions. SFR also provides responses to evolved threats such as attempted system intrusions and denial of service attacks.

The "packaged" computer data security service offers are structured around four themes: Devices, Network, Internet and cloud. SFR offers support and assistance with engineers certified by the publishers of partner solutions.

Client relationship offers

(i) Special numbers

SFR has been a special numbers collection operator for approximately 15 years via the Cegetel companies, then Neuf Cegetel. Some 6,000 companies are special numbers clients of SFR (No. 08AB, No. 09, No. 3BPQ, Proxinum). In all, over 150,000 numbers, totaling over 2 billion minutes, have been activated in the SFR network.

(ii) Telephone answering: Voice Portal range

The Voice Portal product range was designed to support and assist businesses in their effort to optimize and automate their telephone answering operations. It includes a set of packaged solutions adapted to the needs of each client that is available through numerous offers (Pack Contact, Pack Interactif, Pack VXML and Pack Vocal Premium).

(iii) Contact centers: "Genesys by SFR" solutions and "Cross-Channel Contracts Centre"

The "Genesys by SFR" and Centre de Contacts Cross-Canal" solutions cover respectively the call centers for very large accounts (over 1,000 call center agents) and middle market segment (50 to 500 call center agents). These hosted solutions allow businesses to manage their incoming contacts consistently whatever the channel used by the client (particularly telephone, e-mail, mail, fax, chat, social networks or avatars). Offering a 360° client view, these solutions require strong integration with the client's information system. These are thus highly personalized, on-demand solutions.

The Cross-Channel Contacts Centre solution also exists in a packaged, non-customizable version for SMEs (fewer than 20 call center agents).

(iv) Marketing campaign management

SFR offers three solutions for managing multi-channel outgoing marketing campaigns: the Diffusion MultiCanal offer, intended for large corporations, Pack Diffusion, for SME and SFR Push Contact, marketed to professionals and microenterprises. These three offers make it possible to send messages (unitary or in direct marketing mode) via the channel most suited to the target: SMS, MMS, e-mail, fax or voice ads. These campaigns are managed by means of an on-line extranet or application programming interface.

The E-velop offer provides all clients a 100% electronic registered letter service with acknowledgement of receipt that facilitates the administrative management of the company. This solution has the legal force associated with sending a traditional registered letter for the signing or performance of a contract. Registered letters are sealed and identified by a unique identifier.

Wholesale and Other

SFR is active in the Wholesale market. The company provides operators with service offers (fixed and mobile voice and data) for routing traffic or for providing "white label" products for the operators' own clients. In addition to service offers, SFR provides infrastructure offers (hosting, sheathing and fiber).

The table below shows the changes in the Wholesale and Other market:

	2013	2012	2011	% change in 2013 compared to 2012	% change in 2012 compared to 2011
			(in millions of €)		
Sales Wholesale and Other	1,536	1,442	1,333	6.5%	8.2%

We believe that the scope and the quality of SFR's networks, combined with its 15 years of experience in the market, make it a leading operator both for its solutions for fixed devices and for offers in the virtual mobile operator market. A wide range of offers has been designed to meet operator needs: voice and data transfer and collection, termination of calls in France and to other countries, fiber network, DSL access, IP and Ethernet services, bandwidth and hosting.

Fixed voice solutions

SFR meets national and international voice transfer needs through transit, collection and call termination offers. These solutions allow third-party operators in France or abroad to use SFR's network to connect to networks of other operators to which their client is not connected directly.

SFR also offers turnkey options to innovative local players ("switchless" in particular) for pre-selection, fixed voice unbundling, reselling of subscriptions and value added services (08xx numbers) that allow them to be the sole points of contact for their client while managing its entire voice bill. SFR rounds out its proposal to these operators with VoIP offers (Voice over IP—telephone calls over the Internet) and Internet access that allow them to offer a comprehensive solution that meets the telecommunication needs of their corporate end clients.

Solutions for mobile operators

SFR provides solutions in the mobile virtual network operators ("MVNO") market intended for operators who do not have a network and who want to market a mobile offer. SFR has offers for "Full MVNOs" (mobile voice, SMS and data collection), for "Light MVNOs" (end-to-end mobile services: national, international calls, roaming, etc.), and for MVNO integrators who supply turnkey solutions. SFR currently has 15 contracting MVNOs including three Full MVNOs (Virgin Mobile, NRJ Mobile and Mundio).

MVNOs and foreign operators: roaming

In its mobile network, SFR accommodates the customers of foreign operators in order to offer them continuity of voice and data service in France through roaming. The agreements that SFR has signed with the foreign mobile operators allow such operators to cover 275 destinations and to offer an equivalent service to their customers when they are in a foreign country.

Data, bandwidth, hosting and infrastructure solutions

To meet internet connectivity needs, SFR offers end-to-end internet access (residential and business customers). These solutions allow the operator to take advantage of the SFR network and support. SFR also offers IP transit/Peering options.

SFR responds to the connectivity needs of international operators when the international clients of these international operators want to connect their points of presence in France. It thus allows international operators to construct seamless offers integrating France in their proposal (International VPN IP).

Finally, SFR has computer equipment and telecommunications hosting capabilities that it markets, particularly to international players, in addition to its connectivity and data transfer services. Its infrastructures offer also includes the marketing of access to its sheaths or the availability of fiber.

Based on its deployment of local FTTH loops, SFR plans to develop its wholesale services based on its fiber infrastructure via the sale of IRU offers in less dense populated areas. In very densely populated areas, SFR is active as a building operator, deploying fiber vertically in buildings and allowing other operators to have access to this infrastructure.

Activities of Société réunionnaise du radiotéléphone (SRR)

Société réunionnaise du radiotéléphone, a subsidiary of SFR, operates on the Réunion Island and in Mayotte in the B2C and B2B markets. In mobile, this subsidiary holds a GSM license (second generation) and a UMTS license (third generation) and covers around 99% of the 2G population and 96% of the 3G population on La Réunion Island.

In the B2C market, SRR has fixed and mobile offers. The mobile offers include eight Carrées plans, five limited Carrés plans, and a prepaid card.

- The Carrées plans are available with or without commitment, and with or without a device. Their rates (with a 12-month commitment and device) range from €19 to €99, taxes included, per month, depending on the voice, SMS/MMS and data package.
- SFR also offers four capped Carrés plans, also available with or without commitment and with or without device, at rates ranging from € 14.90 to €35, taxes included, and a limited plan primarily intended for youths.
- The no-commitment Carré La Carte prepaid card is available for the price of €15.
- Finally, SFR has remote access offers: the Carré tablet and key and SFR La Carte Internet.
- The fixed offers intended for the B2C market include a triple play offer at the rate of €49.90, taxes included, per month, as well as an offer that includes a telephone subscription and Internet access for € 24.90, taxes included, per month (with calls to landlines in metropolitan France and La Réunion Island billed at €0.09 per minute).

In the B2B Market, SRR markets voice offers: the Carrées plans, ranging from €20 to €120, excluding tax, per month (with mobile and commitment), the Evidence meter for fleets of devices of twenty or more lines and the Unlimited Business offers. SRR also offers data options, which include MtoM solutions as well as Carrées plans for tablets and USB 3G keys. Seven of its boutiques ("SRR Spaces") also have specific facilities dedicated to businesses.

Furthermore, via the Internet site redbysfr.re, SRR offers no-frills offers through a customizable plan and a 1 Gb all-inclusive plan. It also hosts the MVNO NRJ Mobile, which proposes a limited account or a prepaid card primarily for youths.

In Mayotte, SRR also covers the B2C and B2B markets. In mobile, it covers more than 99% of the territory (more than 95% of the population) for 2G service, and more than 72% of the territory (more than 87% of the population) for 3G+ service. In the Consumer market, under the SFR Mayotte brand, SRR has mobile (Yangou limited or unlimited plans, limited 976 Mobile plan, prepaid Yangou La Carte cards and 976 Mobile cards, 3G+ Internet key) and fixed offers (Neufbox offers including a triple play offer). In the B2B market, SRR offers voice (Yangou Pro) and data solutions (3G+ mobile Internet, MtoM Internet) under the same brand as the one used in the Consumer market.

Activities of SFR Collectivités

SFR Collectivités, a subsidiary dedicated to local authorities, was created to support and assist the deployment strategy of the networks and services of SFR in connection with the needs of the local authorities. Beyond the relationship of cooperation between SFR and these local authorities, SFR Collectivités also manages major long-term partnerships such as the Public Initiative Networks. These physical networks built by the territorial entities with the participation of the private sector are for the most part managed as Public Service Delegations ("DSP"). SFR Collectivités handles the deployment of fixed and mobile infrastructure networks in order to expand the attractiveness and the coverage of the territories and can support and assist communities from design through operation of these telecommunication networks. As of the date of this Notice, SFR is the leading operator in the field of public initiative networks, with a market share of over 50% (source: AVICCA 2012).

SFR Network

Through its network, SFR's objective is to provide a quality high-speed and very high speed experience to all of its individual, professional or business clients for both fixed and mobile services, whatever the device used.

To this end, SFR has invested in its own network infrastructures in order to be able to develop quality innovative and convergent services, while at the same time controlling its costs. We believe that this progressive deployment has made it possible to set up one of the most complete, extensive and advanced infrastructures among the operators in France. These networks make it possible to route fixed and mobile voice and data traffic over the entire French territory, but are also interconnected to the networks of the rest of the world through interconnection agreements or via forwarders.

SFR intends to continue to invest in cutting-edge technologies that make it possible to anticipate market developments and cover future needs in terms of traffic.

This strategy can be seen in mobile, particularly via the deployment of 4G, and also in fixed services through the development of very high speed fiber networks, in particular. In order to continue to control its costs while improving the coverage and the quality of its networks, SFR relies on network sharing partnerships signed for very high speed fixed networks (particularly with the Incumbent) and more recently for mobile networks (with Bouygues Telecom).

General presentation of SFR network

To offer its customers the best experience and high quality, SFR has developed its own long-distance network making it possible to route all of its fixed and mobile traffic. This network is based on a modern backbone infrastructure and best-in-class mobile and fixed access network and was made possible by SFR's investment in the deployment and maintenance of its networks over many years.

SFR owns one of the three major backbones in France (alongside Orange and Numericable-Completel). This backbone includes a long-distance network of nearly 50,000 km of fiber, making it possible to connect more than 160 metropolitan loops in France. It is accompanied by a dense network of more than one hundred datacenters distributed over the entire territory.

Regarding its mobile access network, SFR has close to 18,500 radio sites each consisting of broadcasting/receiving equipment (base station), transmission equipment and environment infrastructures (e.g.: pylons, service rooms, power supply units, antennas) These radio sites are connected to the fiber backbone via radio relay systems, through links leased to Orange or through links owned by SFR.

To operate in this mobile network, SFR has made considerable investments in purchasing mobile frequencies during the various auctions organized by the regulatory authorities in the past. As a result, SFR has a comprehensive catalogue of frequencies (2G/3G/4G) and a sufficient spectrum allocation to cover its current and anticipated needs.

Frequencies	**800 MHz**	**900 MHz**	**1800 MHz**	**2.1 GHz**	**2.6 GHz**
Allocation of SFR spectrum (MHz)	2x10	2x10	(a) : 2x23.8 (b) : 2x20	(a) : 2x19.8 + 5 (b) : 2x5	2x15
Expiration dates...	17/01/2032	31/01/2021	(a) : 25/05/2016 (b) : 25/03/2021	(a) : 21/08/2021 (b) : 08/06/2030	11/10/2031
Current technologies[(a)]...	4G (LTE)	2G (GSM), 3G (UMTS)	2G (GSM)	3G (UMTS)	4G (LTE)

(a) After the 1800 MHz refarming

On its fixed access network, SFR relies on the largest unbundled DSL network among the alternative operators (around 6,200 Subscriber Access Nodes "NRA" unbundled at the end of 2013). This unbundled network allows it to establish an Internet access provider business using the copper local loop connections of the incumbent.

Since 2007, SFR has also deployed its own subscriber access nodes through fiber (Fiber to the Home—FTTH), which allows the supply of speeds up to 1 Gbps. This deployment relies on a 200 Optical Connection Nodes ("NRO") network. SFR is also developing final links in order to offer its individual and business clients fiber links (from the shared access point to the building), allowing it to free itself from the cooper local loop of Orange.

Mobile coverage

Through a significant roll-out of its radio sites involving the different 2G and 3G technologies, SFR estimates that it now covers all of the mobile connectivity needs of metropolitan areas of France. At the end of 2013, the GSM / GPRS (2G) network of SFR covered more than 99.7% of the French population. In order to support the new mobile Internet uses (3G data traffic up 40% between 2012 and 2013 in SFR's network), SFR also continues to expand the coverage and the capacity of its 3G network. SFR estimates that it has the most extensive coverage for the UMTS /

HSPA (3G / 3G+) technologies covering more than 99% of the population at the end of 2013. Similarly, the SFR 4G network covers more than 40% of the population of metropolitan areas of France with a presence in 1,200 cities.

In order to ensure the very high speed coverage, SFR continues to expand the Dual Carrier technology (DC-HSDPA+ network, latest evolution of 3G), thus covering more than 70% of the population and making it possible to double download speeds up to 42 Mbps.

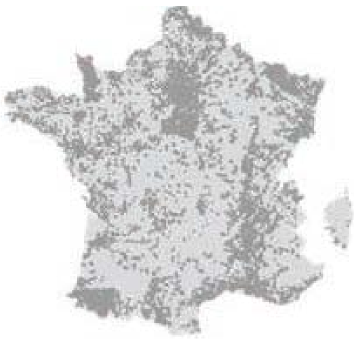
Demonstrating its commitment to adopt to new usage and improve the experience of its users, SFR consistently looks to expand the possibilities offered by its network infrastructure and its choice of technologies. In 2013 it was the first operator to have deployed 4G service on Line A of the Paris RER, due to its partnership with the RATP. SFR also plans to extend it to other Paris metro and RER lines.

Fixed Coverage

At the end of 2013, the fixed network of SFR connected approximately 6,200 Subscriber Access Nodes (“NRA”) and covered more than 23 million households eligible to unbundling by SFR for its IP voice, Internet or TV services based on the eligibility of the lines for these services (source: Ariase). This constitutes the first unbundled network in France among the alternative operators, with close to 86% of the population covered on this date. Furthermore, SFR has constructed 11,600 km of optical network to connect its 200 Optical Connection Nodes (“NRO”) thus making around 1.5 million households in Metropolitan France eligible for fiber at the end of 2013.

SFR’s fixed very high speed coverage is reinforced by a WiFi network providing additional coverage to digital customers with 4 million hotspots transmitted by the boxes of fixed service clients in France as well as the 9 million hotspots in 100 countries abroad due to an agreement with the international operator Fon. The SFR hotspots system is a community system that allows SFR clients to connect wirelessly to WiFi devices due to access to WiFi networks independent of the individual networks, emitted by the devices of SFR clients.

DSL Coverage



Fiber Network in 2013

Mobile and fixed network performance meets users’ principal needs

SFR has designed, developed and deployed its network to respond to its users’ needs, both concerning mobile and fixed telecommunications.

For the mobile network, where quality and failure rates are particularly important for the client experience and satisfaction, SFR has focused on its capacity to deploy a network allowing sufficient speeds to address the usage specific to each of its users. For example, it has been the main mobile operator in France to rely on its “golden frequencies” (800 MHz) to optimize the coverage and the quality of its network while at the same time relying on its high frequencies to provide speeds high enough to absorb the demand for voice and data traffic. These different choices allowed SFR to have the second most reliable mobile network in 2012 alongside Orange in terms of failure rates for smartphones (source: most recent ARCEP study) or to have the lowest latency times on its 4G network at the end of 2013 (source: DegroupTest, fourth quarter 2013).

For the fixed network, connectivity and equipment reliability (particularly the box) are key for user satisfaction over the long-term. SFR therefore intends to offer high performance for all fixed services (Internet, telephone and TV). Thus, SFR’s DSL network benefits in particular from the lower ADSL failure rates after 30 days (source: ARCEP, third quarter 2013 study).

Mobile Network

SFR's mobile access network consists of close to 18,500 radio sites equipped with one or more items of transmitting/receiving equipment (base station) each dedicated to a single technology (2G or 3G) or latest generation "Single-RAN" equipment allowing the management of 2G, 3G and 4G technologies through a single and same item of equipment.

SFR takes advantage of its deployment of the 4G technology to routinely replace its old antennas with Single-RAN technology, thus allowing SFR clients to benefit from a quality, ultra-fast network while making the most of the technical and financial advantages of this technology.

Single-RAN technology offers a certain number of technical advantages. First, it benefits from enhanced performance (quality of 4G or 3G coverage, increased 3G capacity) due to its ability to use optimal (3G/4G) technologies and frequencies (900MHz in particular). The effectiveness and the reliability of connectivity are also optimized, due to the use of a single transmission technology (compared to the use of several technologies on alternating equipment called "Overlay"). Finally, it facilitates technological developments (introduction of 3G 900 or 4G 1,800, for example) due to a simple software development, without any intervention on the physical components. It also has the prerequisites for evolving toward the LTE-Advanced technologies that are expected to follow 4G in the future.

The use of the Single-RAN technology also makes it possible to generate a certain number of economic benefits due in particular to the reduction of the number of items of equipment. Thus, the reduction of maintenance operations allow operating cost savings, while the facilitation of technological developments and the reduction of the number of sites required make it possible to reduce capital expenditures in the medium term.

Finally, this technology improves client experience due to better network fluidity (because of better coverage and availability) and increased capabilities over all frequencies covered by this technology (2G/3G/4G). This additional performance is also strengthened by SFR's intention to develop fiber links ("backhaul link").

In 2012, SFR was the first operator to offer 4G to B2C and B2B customers following the acquisition in 2011 of 800 MHz frequencies, called "golden frequencies", with an objective to meet clients' coverage expectations. These frequencies offer better transmission properties (particularly inside buildings) than the higher frequencies like 1,800 MHz and 2,600 MHz, and also require fewer antennas to cover the same area.

For these 800 MHz frequencies, on January 1, 2014, SFR had 1,034 authorized antennas, compared to 1,678 for the Incumbent, and 473 for Bouygues Telecom (source: ANFR). Free was not granted any golden frequencies (800 Mhz) during the last auction held by the regulatory authority in 2011.

This focus on "golden frequencies" allowed SFR to accelerate its geographic coverage for 4G technology, while at the same time meeting the current capacity needs. During a second phase, SFR will focus on progressive investments in capacity in order to meet the needs of its clients. This increase in capacity will be facilitated by Single-RAN technology, which allows the interchangeability of frequencies, and by the activation of so-called "high" frequencies (1,800 MHz and 2,600 MHz), which will allow SFR to offer download speeds of up to 115 Mbps. The Group is also already deploying "golden frequencies" in certain densely populated areas. At the end of 2013, SFR had 1,032 4G authorized antennas on the 2,600 MHz band (source: ANFR).

Fixed network

SFR benefits from good historical coverage for DSL technology and plans to develop very high speed (speeds greater than 30 Mbps) in order to respond to the gradual growth in usage. Current ADSL technology will not be able to cover the future needs in terms of capacity (defined by both the speeds necessary for use and the increase in the number of devices in homes).

To do this, SFR chose to develop and deploy fiber technology, making it possible to address these needs due to superior performance, particularly in terms of bandwidth.

Fiber technology benefits from a longer service life than other new generation technologies, and has significant development potential (for example, since 2012, SFR has been deploying equipment capable of evolving toward the XGPON technology, which will make it possible to offer speeds up to 10 Gbps, i.e., 10 times more than the GPON technology currently used). Furthermore, the symmetry of the upload and download streams of fiber, combined with the enhanced performance in terms of speed allow the development of advanced applications like telemedicine. Finally, it is not technically limited by the distances to the connection nodes, contrary to other technologies like VDSL where the actual speed decreases as the distance increases.

In order to respond even faster to users' growing needs, SFR has set out a pragmatic strategy that is intended to allow it to accelerate the deployment of ultra-fast offers.

First, SFR intends to focus on the deployment of the fiber technology in very dense areas in order to maximize the coverage of the French territory, as part of the agreement signed with Bouygues Telecom; the less dense areas being addressed via the deployment agreement signed with the Incumbent. In the B2B market, the deployment of fiber access networks will also focus on high potential areas, thus making it possible to share client connections and reduce connection costs. This optimization will be facilitated by the systematic use of a geomarketing approach.

Simultaneously with the deployment of fiber, SFR also intends to develop alternative technologies selectively. For example, it estimates that deployment of the VDSL technology (lower deployment costs compared to fiber) may allow it to accelerate its high-speed coverage and it therefore intends to offer it to households that can take advantage of the full potential of this technology (>30Mpbs). In this regard, SFR enriched its "box" offer with the VDSL option in 2013. The number of eligible households will, however, be limited by the operational constraints (distance to the connection nodes) and represents only approximately 20% of all households in terms of full potential.

In order to optimize the quality and the coverage of its networks and with an aim toward optimal allocation of its investments, SFR has been one of the most active operators in developing partnerships dedicated to network sharing, both for mobile infrastructures and fixed infrastructures.

Mobile network sharing agreement

On January 31, 2014, SFR and Bouygues Telecom entered into an agreement to share part of their mobile networks. This agreement aims to enable both operators to offer their respective customers better geographical coverage and better quality service, while optimizing the costs and investments undertaken in connection therewith.

SFR and Bouygues Telecom will roll out a new shared network in an area corresponding to 57% of the population (i.e. all of France excluding the 32 largest towns with more than 200,000 inhabitants and zones blanches (blank signal reception areas)).

Two principles underpin the agreement:

- firstly, the creation of an ad hoc joint company, which manages shared radio site assets, namely passive infrastructure and geographical locations in which the infrastructure and telecoms equipment are deployed. SFR and Bouygues Telecom will retain full ownership of their telecoms equipment assets and their frequencies;

- secondly, the provision of RAN-sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN- sharing service.

SFR and Bouygues Telecom retain autonomous innovation capabilities, remain independent both commercially and with regard to pricing, and continue to offer differentiated services by managing their own network core and frequencies.

The provisions under this agreement are likely to benefit SFR's customers in numerous ways, in particular in relation to network coverage which will be extended through the optimisation of the deployment of antennas and to the reduction of dead spots. Moreover, the quality of its network is also likely to be strengthened through the systematic use of 800 MHz frequencies benefiting from better coverage outside and inside buildings.

SFR will retain complete control of its commercial strategy (in terms of both pricing strategy, content and innovation) and direct management of approximately 75% of its new national network (sites in densely populated areas and pooled sites operated by SFR under the sharing agreement) and also retains full ownership of its frequency spectrum.

Furthermore, this agreement should enable to generate significant savings in terms of deployment and operating costs, primarily due to the rationalisation of the number of sites.

Bouygues Telecom and SFR's agreement to share part of their mobile networks falls in line with a number of similar initiatives that have already been implemented in other European countries. The sharing agreement is expected to result in the completion of the target network by the end of 2017.

Fixed network sharing agreements

In 2010, SFR signed a co-investment agreement with Bouygues Telecom concerning the deployment of fiber optics in certain towns in very densely populated areas. This agreement provides for the pooling of the horizontal fiber optic networks between their points of presence and each building in the towns selected. It must allow both operators to accelerate and extend the deployment of their FTTH infrastructures to the benefit of their respective clients in the towns concerned, while at the same time reducing their deployment costs.

In 2011, SFR also signed a co-investment agreement with the Incumbent for the deployment of fiber for the more sparsely populated areas of metropolitan France, involving 9.8 million households. This agreement provides that by the year 2020, the SFR Group will deploy FTTH in 2.3 million homes, and the Incumbent in 7.5 million homes. Each will become client of the other by signing IRUs in areas where it will not deploy fiber itself. The other operators will have access to these infrastructures through Wholesale market agreements.

Suppliers

SFR has implemented a multi-sourcing procurement policy for some technologies and continually monitors the role of suppliers in the chain.

The breakdown of the main suppliers by major categories is as follows:

- five main suppliers for mobile handsets;
- five main suppliers for telecommunications equipment;
- six main suppliers for the deployment and maintenance of this equipment;
- nine main suppliers for information technology systems; and
- five main suppliers for call centers.

As far as mobile handsets are concerned, SFR works with the major brands on the market, as well as with original design manufacturers (ODMs) for which SFR uses its own brand. It is very important for SFR to have access to all leading brands on the market for its supply needs.

In the case of telecommunications equipment, SFR has a dual sourcing policy with leading companies in these sectors for the main SFR network equipment, and especially for radio equipment. As a result, we believe that there is no critical dependence on a single supplier. As far as the core network is concerned, SFR has a single source policy for certain types of equipment for reasons of simplicity and due to the lower investment involved. The companies concerned are leaders in their respective sectors.

As far as information technology systems are concerned, SFR uses both solutions recognized on the market (Oracle, SAP), as well as more specific solutions for which specific provisions are provided contractually to protect access to the source code. We believe that there is no critical dependence in this regard. Furthermore, the partnership entered into with Vodafone covers the procurement area and is active in terms of mobile handsets.

SFR has developed and maintains relations with different suppliers that contribute to innovation, quality of service and operational excellence. The procurement process consists of five stages which describe the whole life cycle of the relationship between SFR and its suppliers.

Supplier selection is one of the most important stages for the deployment and maintenance of the network, as well as for SFR’s offerings (handsets, etc.). It is based on objective criteria including the quality of products and services, delivery times and conditions, as well as their cost in the sense of total cost of ownership.

This assessment also takes into account commitments concerning:

- the observance of the applicable laws and regulations;
- the observance of the rules of confidentiality and fairness; and
- the existence and application of a SER (Social and Environmental Responsibility) policy suitable to the nature of the products and services provided.

These criteria are expressly mentioned in the contracts governing SFR's relations with its suppliers.

SFR aims to have a lasting and balanced relationship with its main suppliers. This effort involves monitoring performance, sharing and monitoring objectives, as well as exchanging information on market and technological trends.

For many years, SFR has implemented a procurement policy that takes into account the principles of social and environmental responsibility in its relations with its suppliers in order to better control risks.

The main principles are the following:

- give preference to suppliers who meet these challenges;
- take these criteria into account in supplier evaluations;
- promote and ensure observance of the code of commitment and ethics issued by SFR.

For the past two years, all purchasing contracts entered into include a clause on "observance of laws and regulations—Corporate Responsibility." SFR engages a specialized company to evaluate its main suppliers regularly. This evaluation is performed on a documentary basis and is subjected to a concerted procedure with the French Telecommunications Federation. As of 31 December 31, 2013, 146 suppliers had been evaluated.

Recourse to companies in the designated disability sector (equipment recycling, telephone contacts, etc.) is part of the procurement policy and is subject to regular monitoring. In 2013, SFR had more than €3 million in business with companies in the designated disability sector.

Material Contracts

The material contracts to which SFR is a party are set out below.

Partnership agreement between SFR and Vodafone Sales and Services Limited

SFR's position was recently enhanced by the signing of an exclusive partnership agreement with the Vodafone Sales and Services Limited ("Vodafone") effective on April 1, 2014, which will allow SFR to continue to benefit from commercial, economic, technological and information sharing advantages according to the same terms and conditions as the local operators controlled by Vodafone. This agreement may be terminated by Vodafone with 60-day prior notice if (i) there is a change of control of SFR as result of SFR having been acquired by a direct competitor of Vodafone or (ii) SFR acquires a share in a mobile telephony operator in a country where Vodafone is also active.

Mobile network sharing agreement between Bouygues Telecom and SFR

For a description of this contract, see "*—SFR Network—General presentation of SFR Network—Mobile network sharing agreement*".

Mobile device supply contract

SFR has entered into different supplier contracts through which it is supplied with mobile devices and accessories. SFR also considers itself commercially dependent on one supplier of mobile devices, whose well-known products are not substitutable in the eyes of customers.

Legal Proceedings

Free against SFR

On May 21, 2012, Free filed a complaint against SFR with the Paris Commercial Court. Free is challenging SFR's model of subsidizing mobile phone purchases through what Free calls "concealed" consumer loans and claims this constitutes an unfair and deceptive trade practice. On January 15, 2013, the Court dismissed Free's claims and ordered it to pay to SFR €300,000 in damages for defamation and €100,000 for costs. Free appealed this decision.

Orange against SFR

On August 10, 2011, Orange filed a claim against SFR before the Paris Commercial Court. Orange asked the Court to compel SFR to stop the overflow traffic at the point of interconnection of their respective networks. On December 10, 2013, SFR was ordered to pay €22,133,512 to Orange. On January 10, 2014, SFR appealed this decision.

Complaint against Orange before the French Competition Authority

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market. This case is under investigation.

SFR against Orange

On April 24, 2012, SFR filed a complaint against Orange before the Paris Commercial Court for practices constituting an abuse of its dominant position in the secondary residence market. On February 12, 2014, the Paris Commercial Court ordered Orange to pay €51 million in damages.

Complaint lodged with the French Competition Authority by Orange Réunion, Orange Mayotte, and Outremer Télécom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged unfair price discrimination practices implemented by SRR. On September 16, 2009, the French Competition Authority imposed protective measures on SRR, pending its decision on the merits.

SRR was required to end price differences that exceed the costs borne by SRR based on the network called (off-net/on-net). The French Competition Authority found that SRR had not fully complied with the order it had imposed and, on January 24, 2012, ordered SRR to pay a fine of €2 million. With regard to the proceedings on the merits, on July 31, 2013, SRR signed a statement of no contest to grievances and a letter of commitments. Accordingly, the Deputy Reporter General will propose to the College of the French Competition Authority that the fine incurred by SRR be reduced.

Following the French Competition Authority's decision of September 16, 2009, Outremer Télécom sued SRR on June 17, 2013, before the Paris Commercial Court for damages it claims to have suffered as a result of SRR's practices. On November 13, 2013, the Court stayed the proceedings until the French Competition Authority issues its decision on the merits of the case.

Complaint of Bouygues Telecom against SFR and Orange in connection with the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices in the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority (the "Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Authority fined SFR approximately €66 million. SFR has appealed this decision. The case will be argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the French Competition Authority on December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. SFR strongly disputes the validity and the amount, which Vivendi believes cannot, in any case, exceed €250 million in total, of these claims. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and SFR has been suspended.

UFC against SFR

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint against SFR before the Paris Court of First Instance (*Tribunal de Grande Instance de Paris*). It alleges that the general conditions of use of SFR's *La Carte* offering contain abusive clauses, which it is seeking to have removed.

CLCV against SFR and others

On January 7, 2013, the French consumer protection association, CLCV (consumption, housing and quality of life) sued several French telecom operators, including SFR, before the Paris Tribunal of First Instance. It is seeking the removal of certain clauses that it considers abusive from subscription contracts.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon, and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils de Prud'hommes) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Court of Appeal of Toulouse sanctioned the SFR and Teleperformance groups in half of the cases while the courts of Poitiers and Lyon rendered judgments which were favorable to SFR. The cases are at different stages of the appeal process.

Disputes with independent distributors

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors and, almost systematically, by its former distributors. These recurring disputes concern the abrupt termination of the contractual relationship, the abuse of economic dependence and/or requests for reclassification of a distributor as a commercial agent, and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points of sale as employment contracts with SFR. The French Court of Cassation rendered three judgments against SFR on the status of branch managers but the various Courts of Appeal have decided in favor of SFR. On the issue of abrupt termination of contractual relationships and the request for reclassification of employees of the distributor as employees of SFR, apart from a few rare exceptions the various courts have ruled in favor of SFR.

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SFR

SFR
COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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Combined Income Statement

	Note	2013	2012	2011
		(in millions of euros)		
Revenues	4.1	**10,199**	**11,288**	**12,183**
Cost of sales		(6,129)	(6,299)	(6,857)
Commercial and distribution costs		(2,199)	(2,222)	(1,932)
Selling, general and administrative expense		(699)	(978)	(1,102)
Other operating income	4.2	2	11	14
Other operating expense	4.2	(169)	(270)	(84)
Operating result		**1,005**	**1,530**	**2,222**
Interest income		3	3	1
Interest expense		(232)	(220)	(209)
Net financing cost		***(229)***	***(217)***	***(208)***
Other financial income	5	2	2	8
Other financial expense	5	(24)	(34)	(70)
Financial income		**(251)**	**(249)**	**(270)**
Income from equity affiliates		(12)	(13)	(17)
Pretax income from continuing operations		**742**	**1,267**	**1,935**
Income tax	6.1	(315)	(516)	(535)
Net earnings		**426**	**752**	**1,400**
of which				
Attributable to shareholders		**420**	**746**	**1,399**
Net earnings from continuing operations		420	746	1,399
Attributable to non-controlling interests		**6**	**6**	**1**
Net earnings from continuing operations		6	6	1

For the earnings per share, refer to the Basis of Preparation.

The Accompanying Notes are an integral part of the Combined Financial Statements.

SFR

Combined Statement of Comprehensive Income

	Note	2013	2012	2011
		(in millions of euros)		
Net earnings		**426**	**752**	**1,400**
Foreign currency translation adjustments		0	—	(1)
Financial instruments/currency hedges		—	—	(2)
Financial instruments/interest rate hedges		—	—	67
Other		—	—	2
Deferred tax		—	—	(23)
Other items related to equity-affiliates		2	(2)	(3)
Items to be subsequently reclassified to earnings		**2**	**(2)**	**40**
Actuarial differences on post-employment benefits	19.2	(7)	(15)	0
Linked taxes		3	5	(0)
Items not to be subsequently reclassified to earnings		**(4)**	**(10)**	**0**
Combined comprehensive income		**424**	**740**	**1,440**
Of which				
Comprehensive income attributable to the shareholders of the Group		418	734	1,439
Comprehensive income attributable to non-controlling interests		6	6	1

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Balance Sheet

	Note	2013	2012	2011
		(in millions of euros)		
ASSETS				
Goodwill	8	5,188	5,188	5,188
Intangible assets	9	3,931	4,082	3,117
Tangible assets	10	4,532	4,468	4,244
Investments in equity affiliates	11	152	138	49
Deferred tax assets	6	127	157	109
Other non-current assets	12	185	161	149
Non-current assets		**14,115**	**14,194**	**12,855**
Inventories	13	240	245	356
Trade accounts receivable and other receivables	14	2,558	2,544	3,015
Other current financial assets	12	2	2	2
Cash and cash equivalents	15	394	267	228
Current assets		**3,194**	**3,057**	**3,601**
TOTAL ASSETS		**17,309**	**17,252**	**16,456**
EQUITY AND LIABILITIES				
Combined reserves		1,860	2,098	1,248
Earnings		420	746	1,399
Shareholders' equity		**2,281**	**2,844**	**2,647**
Non-controlling interests		11	8	4
Combined equity	16	**2,291**	**2,852**	**2,651**
Non-current provisions	18	156	173	137
Long term borrowings and other financial liabilities	20	1,248	1,561	4,490
Deferred tax liabilities	6	2	1	0
Other non-current liabilities	22	540	597	633
Non-current liabilities		**1,947**	**2,333**	**5,259**
Current provisions	18	335	408	236
Short term borrowings and financial liabilities	20	7,846	6,506	2,896
Trade accounts payable and other payables	21	4,874	5,136	5,412
Other current financial liabilities	22	17	17	3
Current liabilities		**13,071**	**12,067**	**8,546**
TOTAL EQUITY AND LIABILITIES		**17,309**	**17,252**	**16,456**

The Accompanying Notes are an integral part of the Combined Financial Statements

SFR

Combined Cash Flow Statement

	Note	2013	2012	2011
		(in millions of euros)		
Net earnings attributable to the Group		**420**	**746**	**1,399**
Adjustments				
Non-controlling interests		6	6	1
Income tax (current/deferred)	6.1	315	516	535
Other expenses (including capital gain or loss on financial assets divestitures)		2	5	(11)
Net financial expense	5	251	249	270
Earnings from equity-affiliates		12	13	17
Amortization, depreciation and operating provisions		1,549	1,745	1,569
Gains or losses on tangible or intangible assets		8	7	7
Tax paid	6.1	(299)	(537)	(643)
Change in working capital		(305)	143	54
Inventories	13	6	111	(41)
Trade accounts receivable	14	69	203	126
Other receivables	14	(84)	198	(48)
Trade accounts payable	21	(84)	(191)	(80)
Other payables	21	(212)	(178)	97
Net cash flow from (used in) operating activities		**1,960**	**2,892**	**3,197**
Purchase of tangible and intangible assets	9, 10	(1,665)	(2,765)	(1,845)
Purchases of combined companies, after acquired cash		(3)	(30)	(48)
Increase in financial assets		(37)	(15)	(68)
Investments		***(1,705)***	***(2,809)***	***(1,962)***
Proceeds from sales of property, plant, equipment and intangible assets	9, 10	17	13	13
Proceeds from sales of combined companies, after divested cash		10	13	20
Decrease in financial assets		3	3	2
Divestitures		***29***	***30***	***35***
Change in working capital related to PPE and intangible assets		38	15	23
Cash flow from investing activities		38	15	23
Net cash flow from (used in)investing activities		**(1,638)**	**(2,765)**	**(1,903)**
Interest paid	5	(232)	(219)	(209)
Interest received	5	3	3	1
Dividends paid	16	(985)	(538)	(1,458)
Repayments of borrowings (incl. Bonds)	20	(15)	(1,019)	(447)
Change in shareholder advances	20	1,066	2,144	2,142
Change in other financial liabilities	20	(25)	(455)	(1,144)
Other cash flow related to financing activities		(7)	(5)	(40)
Net cash flow from (used in)financing activities		**(195)**	**(89)**	**(1,155)**
Change in cash and cash equivalents		**128**	**38**	**139**
Cash and cash equivalents				
Opening balance	15	267	228	89
Closing balance	15	394	267	228
Change in cash and cash equivalents		**128**	**38**	**139**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Statement of Changes in Equity

	Combined reserves including earnings	Items of comprehensive income[(a)]	Equity (Group share)	Non- controlling interests	Combined equity
			(in millions of euros)		
BALANCE AT DECEMBER 31, 2010	**2,583**	**(48)**	**2,535**	**10**	**2,545**
Dividends paid	*(454)*	—	*(454)*	*(4)*	***(458)***
Other transactions	*(874)*	—	*(874)*	*(3)*	***(877)***
Dividends and other transactions	**(1,328)**	**—**	**(1,328)**	**(7)**	**(1,335)**
Net income	*1,399*	—	*1,399*	*1*	***1,400***
Income and expenses recognized directly in shareholder's equity[(a)]	—	*40*	*40*	—	***40***
Combined statement of other comprehensive income	**1,399**	**40**	**1,439**	**1**	**1,440**
Total changes over the period	**71**	**40**	**111**	**(6)**	**105**
BALANCE AT DECEMBER 31, 2011	**2,654**	**(8)**	**2,647**	**4**	**2,651**
Dividends paid	*(536)*	—	*(536)*	*(2)*	***(538)***
Dividends and other transactions	**(536)**	**—**	**(536)**	**(2)**	**(538)**
Net income	*746*	—	*746*	*6*	***752***
Income and expenses recognized directly in shareholder's equity[(a)]	—	*(12)*	*(12)*	—	***(12)***
Combined statement of other comprehensive income	**746**	**(12)**	**734**	**6**	**740**
Total changes over the period	**209**	**(12)**	**197**	**4**	**201**
BALANCE AT DECEMBER 31, 2012	**2,864**	**(20)**	**2,844**	**8**	**2,852**
Dividends paid	*(982)*	—	*(982)*	*(3)*	***(985)***
Dividends and other transactions	**(982)**	**—**	**(982)**	**(3)**	**(985)**
Net income	*420*	—	*420*	*6*	***426***
Income and expenses recognized directly in shareholder's equity[(a)]	—	*(2)*	*(2)*	—	***(2)***
Combined statement of other comprehensive income	**420**	**(2)**	**418**	**6**	**424**
Total changes over the period	**(562)**	**(2)**	**(564)**	**3**	**(561)**
BALANCE AT DECEMBER 31, 2013	**2,302**	**(21)**	**2,281**	**11**	**2,291**

(a) Details in the statement of comprehensive income

The Accompanying Notes are an integral part of the Combined Financial Statements

Notes to the Combined Financial Statements

Basis of Preparation

These combined financial statements have been prepared by Vivendi, in its capacity of controlling shareholder of the companies SFR and SIG 50, in the context of potential implementation of the plan to separate the Media and Telecoms businesses of the Vivendi Group.

They have been drawn up on the basis of the accounting data of the companies SFR and SIG 50 and their subsidiaries, as approved for their financial years ending on December 31, 2011, 2012 and 2013, and prepared for the purpose of preparing the consolidated accounts of the Vivendi Group.

These combined financial statements of SFR and SIG 50 and their subsidiaries were approved by the Management board of Vivendi at its meeting on April 8th, 2014.

Context

As they informed the shareholders regularly in 2012 and 2013, Vivendi's Management Board and Supervisory Board have instigated a review of the Group's strategic orientations. In 2013, Vivendi sold the majority of its interest in Activision Blizzard and finalized an agreement with Etisalat for the sale of its shares in Maroc Telecom. The Group decided to concentrate on its media and content businesses, which are in leader positions and are benefiting from a strongly growing digital market. It has strengthened its interest in Canal+ France, in which it now holds 100% of the share capital. Vivendi is also working on the reconfiguration of SFR. The operator is experiencing the first positive effects of its transformation plan, reflecting its benefits at a commercial level while reducing its costs. A network sharing agreement has been concluded with Bouygues Telecom, on part of the mobile network, which will enable it to offer its customers better coverage and improved quality of service. On these bases the Group intends to position the future Vivendi as a dynamic player in media and content. With SFR, it wishes to participate in the reshaping of the telecommunications sector in France by actively exploring all opportunities.

On November 26, 2013, the Supervisory Board approved the appropriateness of the plan to separate the Group into two separate companies: firstly, a new international media group based in France, with very strong positions in music (where it is the worldwide leader), in movies in Europe, in pay-TV in France, Africa, Vietnam and Poland, and in Internet and associated services in Brazil; and secondly the **Telecoms business France**. The decision to implement this plan could be made shortly and, if applicable, submitted to the General Shareholders' Meeting of June 24, 2014.

Presentation of Telecoms business in France

Telephony business in France comprises mainly:

- the telephony business of SFR SA in France, which is developing mobile, fixed-line, internet and television services with consumers and with business, corporate, community and operator clients. SFR SA operates in mainland France, as well as in La Réunion and Mayotte,
- the business of distributing telecommunications services and products in France.

In order to present the historic financial information of the Group for financial years 2013, 2012 and 2011, combined accounts have been drawn up.

Combination scope

The arrangement that constitute the new autonomous group (hereinafter referred to as the "Group") has no independent legal existence prior to the separation, and is made up of entities under the common control of Vivendi.

As of January 1, 2011, the Group principally comprised the following companies:

- the entities held directly and indirectly by SFR SA and its subsidiaries,
- the interest of Vivendi, through SIG 50, in the businesses of distribution of telecommunications products and services, owing to their operational attachment to the business of the Group.

The scope of combination thus excludes the company SPT, held by SFR SA and holder of Maroc Telecom.

The combination scope is presented in Note 27—List of Entities Combined.

Accounting for related to the holding company SPT owning the interest in Maroc Telecom:

- the shares of SPT were cancelled in return for a reduction in equity,

- the dividends received from SPT, net of withholding tax were presented in the Changes in Equity and in the Cash Flow statements, reducing the dividends paid by SFR SA to Vivendi SA.

Conventions used when preparing the combined accounts

The combination of entities under common control as envisaged were recorded in the combined financial statements of the Group at historic book values. These historic combined financial statements of the Group were drawn up on the basis of the values presented in Vivendi's Consolidated Financial Statements, restated for consolidation adjustments and the accounting impact of operations to acquire stakes in the France telephony business by Vivendi.

In the absence of a specific IFRS text dealing with combined financial statements, the Group defined the principles and conventions for combination presented hereunder.

The net debt level accepted in these combined financial statements reflects the debt level and its historic compensation levels with regard to the Vivendi Group or third parties of the entities included in the combined accounts.

Intercompany transactions between the Group and the other entities of the Vivendi Group

All balances relative to current operations between the entities of the Group and the other entities of the Vivendi Group have been presented on the balance sheet as third party asset or liability accounts in the combined accounts.

All loans and borrowing between the entities of the Group and the other entities of the Vivendi Group have been presented as financial assets or liabilities in the combined accounts.

The operations with the other entities of the Vivendi Group are presented in Note 24—Transactions with Related Parties.

Earnings per share

As the combined group is not legally constituted on this date, the number of shares in circulation cannot be established. Consequently, no earnings per share are presented in the Combined Financial Statements.

Income tax

The deferred taxes recorded as tax loss carry-forwards were determined by taking into account the effect of the tax consolidation implemented within Vivendi.

The tax results of the companies included in the tax consolidation perimeter have been taken into account as part of the tax consolidation arrangements implemented by Vivendi, pursuant to the provisions of Article 223-A of the General Tax Code. Pursuant to the tax consolidation convention, carry- forward losses recorded during the period of tax consolidation, and up to December 31, 2013, will remain the property of Vivendi. Consequently, no deferred tax asset has been recognized in respect of these carry-forwards in the combined financial statements presented.

Note 1. Accounting Principles

1.1. General framework

Pursuant to European Regulation 1606/2002 of July 19, 2002, the basis for preparation set out above describes how the International Financial Reporting Standards (IFRS) as adopted by the European Union were applied to prepare the historic combined financial statements as of December 31, 2011, December 31, 2012 and December 31, 2013.

The new Group has never prepared IFRS financial statements, nor has it published financial statements for previous financial years.

Consequently, as a first-time adopter, the Group has prepared its combined financial statements for the financial year ended December 31, 2013 in accordance with IFRS 1—*First-Time Adoption of International Financial Reporting Standards*.

Under IFRS 1, if a subsidiary adopts IFRS after its parent company, the assets and liabilities in the subsidiary's opening balance sheet may be measured:

- either at the carrying amounts based on the subsidiary's contribution to the parent company's historic consolidated financial statements, after restating adjustments relating to the consolidation and to the impacts of accounting for the business combination as a result of which the parent acquired the subsidiary; or

- at the carrying amounts as determined in accordance with IFRS 1, applied at the date of the subsidiary's transition to IFRS. In this case, the IFRS 1 options applied by the subsidiary may differ from those applied by the parent.

In compliance with the option available under IFRS 1, the Group has chosen to draw up its first IFRS combined financial statements on the basis of the carrying amounts of its assets and liabilities as per its contribution to Vivendi's historic financial statements, taking account of the date of Vivendi's transition to IFRS, after eliminating adjustments relating to the Vivendi group consolidation and to the impacts of accounting for the business combinations as a result of which Vivendi acquired interests in SFR and in distribution activities in France.

The transitional provisions for first-time adoption used by the Group are therefore identical to those applied by the Vivendi group upon its transition to IFRS, i.e.:

- Business combinations: business combinations carried out by Group entities prior to January 1, 2004 (the date of Vivendi's transition to IFRS) are not restated.

- Employee benefits: any unrecognized actuarial gains and losses existing at January 1, 2004 are recognized within consolidated equity.

- Share-based payment: IFRS 2 was retrospectively applied as from the opening balance sheet at January 1, 2004. Accordingly, all share- based payment plans for which the rights had not yet vested at January 1, 2004 are recognized in accordance with IFRS 2.

- Cumulative translation differences: gains and losses resulting from the translation into euros of the financial statements of subsidiaries with a functional currency other than the euro were transferred to consolidated reserves as of January 1, 2004.

Vivendi chose not to adopt the exemption available under IFRS 1 allowing certain intangible assets and property, plant and equipment to be remeasured at fair value on its transition to IFRS.

Standards, amendments and interpretations in force

The combined financial statements of the Group as of December 31, 2013 were drawn up in compliance with IFRS as adopted in the European Union (EU) and in compliance with IFRS as published by the International Accounting Standards Board (IASB), effective as of December 31, 2013.

In its 2013 combined financial statements, the Group applied the following new standards and amendments adopted by the European Union with a mandatory effective date of January 1, 2013:

- Amendments to IAS 1—*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. These amendments deal with the presentation of other comprehensive income ("income and expenses recognized in other comprehensive income" in the combined statement of comprehensive income), which are now shown according to whether or not they are to be subsequently reclassified to the income statement.

- Amendments to IAS 19—*Employee Benefits*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. The accounting principles and basis of measurement for employee benefits are presented in Note 1.3.15—Employee benefits.

- IFRS 13—*Fair Value Measurement*, providing a definition of fair value in terms of measurement and prescribing required fair value disclosures, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. Its application has no material impact on the bases of measurement used by the Group or on the information disclosed in the notes to its financial statements.

- Amendments to various IFRS standards contained in the Annual Improvements to IFRS 2009-2011, published by the IASB in May 2012, adopted by the EU on March 27, 2013, and published in the EU Official Journal on March 28, 2013.

In its combined financial statements as of December 31, 2013, the Group decided to early adopt the new standards on consolidation: IFRS 10—*Consolidated Financial Statements*, IFRS 11—*Joint Arrangements*, IFRS 12—*Disclosure of Interests in Other Entities*, and IAS 28—*Investments in Associates and Joint Ventures*, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. These standards are effective as of January 1, 2014 in the European Union.

The principles relative to methods of combination introduced by these new standards are presented below in Note 1.3.2—Basis of combination.

New IFRS standards and IFRIC interpretations published but not yet in force

The other main IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC but not yet in force, which the Group has not early adopted and which are likely to affect the Group, include IFRIC 21—*Levies*, published by the IFRS IC on May 20, 2013. The effective date of IFRIC 21 is not yet known since it has not yet been adopted by the EU. The application of this interpretation could lead to changes in the timing of recognition of liabilities for taxes.

The Group is in the process of analyzing the potential impacts of IFRIC 21 on its combined financial statements and on the contents of the notes to the combined financial statements.

Furthermore, the Group is monitoring changes to IFRS 9—*Financial Instruments*, which is intended to replace IAS 39. The IASB has provisionally decided to defer the mandatory effective date of the standard (initially planned for 2015), without deciding on another date.

1.2. Presentation of the combined financial statements

1.2.1. Combined income statement

The principal captions presented in the combined income statement are revenues, operating profit, financial income (expenses), share of profit of associates (companies accounted for under the equity method), income tax and profit.

Operating profit is the result of operations after taking account of net depreciation and amortization expense, additions to provisions, and non- recurring items, classified under other operating income and expenses.

Other operating income and expenses mainly cover restructuring costs, amortization charged against intangible assets acquired in a business combination, gains and losses on the sale of intangible assets and property, plant and equipment, and other non-financial non-recurring income and expenses.

Financial income (expenses) comprises interest expense on loans, interest income generated by cash and cash equivalents, and other financial income and expenses (in particular, the effect of unwinding the discount on assets and liabilities).

1.2.2. Combined other comprehensive income

Other comprehensive income consists principally of translation adjustments, changes in the fair value of cash flow hedging instruments (foreign exchange and interest rate hedges), actuarial gains and losses on post-employment benefits, and the effects of related taxes.

These items are classified according to their nature and shown separately according to whether or not they will be subsequently reclassified to income.

1.2.3. Combined balance sheet

Assets and liabilities with a maturity shorter than the operating cycle, i.e., generally 12 months, are classified under current assets and liabilities. Assets and liabilities maturing after 12 months are generally classified within non-current items, except for deferred taxes which are always classified within non-current items.

1.2.4. Combined statement of cash flows

Net cash flow from (used in) operating activities

To determine the net cash flow from (used in) operating activities, profit is restated for items with no cash impact and for the net change in working capital. Profit is also restated for current and deferred taxes, and for all components of financial income and expenses. Net cash flow from (used in) operating activities also excludes the net change in working capital linked to intangible assets and property, plant and equipment.

Net cash flow from (used in) investing activities

Net cash flow from (used in) investing activities includes acquisitions and sales of intangible assets, property, plant and equipment and financial fixed assets; the net change in working capital linked to intangible assets and property, plant and equipment; and cash flow derived from the gain or loss of control of a subsidiary.

Net cash flow from (used in) financing activities

Net cash flow from (used in) financing activities includes increases and decreases in loans, changes in amounts owed to Vivendi SA, dividends paid, capital increases and borrowing costs, as well as all cash flow impacts of other financing activities.

1.2.5. Group operational performance

The Group considers EBITDA and cash flow from operations (CFFO) to be relevant indicators of the Group’s operational performance.

EBITDA

The Group considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA shows the profit generated by the Group’s activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by the Group corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

CFFO

The Group considers CFFO, a non-accounting measurement, to be a relevant indicator of the Group’s operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, and before deducting corporate income tax payments.

1.2.6. Segment information

In light of prevailing trends in the Group’s business resulting in the increased convergence of mobile telephony and high-speed telephony and fixed internet services, Group management monitors operations in a comprehensive, unified manner. The chief operating decision-maker verifies results and operating plans and decides on the allocation of resources at Group level. The Group has identified a single operating segment meeting the criteria of IFRS 8.

Similarly, since virtually all of the Group’s business is carried out on French territory, a single geographic segment has been identified.

This presentation could be modified in the future to reflect developments in the Group’s businesses and operating criteria.

1.3. Basis of preparation of the combined financial statements

1.3.1. Use of estimates

Preparation of the combined financial statements in compliance with IFRS requires the Group to make certain estimates and assumptions that it deems reasonable and realistic. Even though these estimates and assumptions are regularly reviewed, particularly on the basis of past experience and forecasts, certain facts and circumstances may lead to changes in these estimates and assumptions, which could affect the carrying amount of the Group's assets, liabilities, equity and profit.

The main estimates and assumptions used relate to the measurement of:

- Provisions: risks are estimated on a case-by-case basis, on the understanding that developments in current events may require the risks to be reassessed at any time (see Notes 1.3.14 and 18).

- Employee benefits: assumptions are updated annually, such as the probability that employees will remain employed by the Group up to their retirement, expected changes in future compensation, discount rate and inflation rate, and life expectancy (see Notes 1.3.15 and 19).

- Goodwill: intangible assets with indefinite useful lives and fixed assets under construction: assumptions are updated annually within the framework of impairment tests and relate to cash-generating units (CGUs), future cash flows and discount rates (see Notes 1.3.6 and 8).

- Deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually on the basis of the Group's expected future taxable income or probable changes in temporary differences for assets and liabilities (see Notes 1.3.16 and 6).

- Revenues: the separable elements of a bundled offer must be identified and allocated according to the fair values of each component; the period over which revenues linked to costs of accessing services should be recognized is to be determined based on the type of product and duration of the contract; and revenues are to be presented either on a net or gross basis according to whether the Group acts as agent or principal (see Notes 1.3.4 and 4.1).

- Intangible assets and property, plant and equipment: estimates of useful lives are based in particular on the effective obsolescence of fixed assets and the use made of those assets (see Notes 1.3.7 and 9, and Notes 1.3.8 and 10).

1.3.2. Basis of combination

The list of combined entities is presented in Note 27—List of combined companies.

Controlled entities

The new model of control introduced by IFRS 10 to replace the revised IAS 27—*Consolidated and Separate Financial Statements* and interpretation SIC 12—*Consolidation—Special Purpose Entities*, is based on the following three criteria, which must be met simultaneously to conclude that control is exercised by the parent company:

- The parent company holds power over the investee when it has effective rights giving it the current ability to direct the relevant activities of the investee, namely activities which have a significant impact on the investee's profitability. Power may result from existing and/or potential voting rights and/or contractual agreements. Voting rights must be substantial, i.e., they must be able to be exercised at any time without limitation, and particularly in connection with decisions relating to key activities. The assessment of whether or not an entity exercises control depends on the nature of the investee's relevant activities, the investee's decision- making process, and the distribution of rights of other shareholders of the investee.

- The parent company is exposed to, or has rights, to variable returns from its involvement with the investee, which may vary according to the investee's performance. The concept of returns is defined broadly, and includes dividends and other types of economic benefit distributed, changes in the value of the investment, cost savings, synergies, etc.

- The parent company has the capacity to exercise its power in order to influence the returns. Power which does not lead to such influence over these returns cannot be defined as control.

Controlled entities are combined in accordance with the full consolidation method.

Full consolidation method

This consists of including in the combined financial statements the asset, liability, income, expense and cash flow items of the companies controlled within the meaning of IFRS 10; making the necessary restatements; and eliminating intragroup transactions and accounts along with intragroup gains and losses. Equity and profit are allocated between the portion attributable to owners of the parent company and the portion attributable to non-controlling interests.

The combined income statement includes the results of subsidiaries acquired during the financial year as from the date of their acquisition. The results of subsidiaries sold during the same period are taken into account up to the date of their sale.

Non-controlling interests in the net assets of the subsidiaries are presented on a separate line of equity under "Non-controlling interests". They include the amount of non-controlling interests at the date control was acquired and the share of non-controlling interests in changes in equity as from this date. Except in the case of a contractual agreement specifying otherwise, losses of subsidiaries are systematically divided between equity attributable to owners of the parent company and non-controlling interests, on the basis of their respective percentages of interest, even if these are negative.

Joint Arrangements

IFRS 11—*Joint Arrangements,* which replaces IAS 31—*Interests in Joint Ventures* and interpretation SIC 13—*Jointly Controlled Entities—Non-Monetary Contributions by Venturers*, aims to establish the principles for financial reporting by entities with interests in jointly controlled companies (joint arrangements).

In a joint arrangement, the parties are bound by a contractual agreement that gives them joint control of the arrangement. An entity that is party to an arrangement must therefore determine whether the contractual agreement gives all or certain parties joint control of the arrangement. The existence of joint control is then determined if decisions concerning the relevant activities require the unanimous consent of the parties jointly controlling the arrangement.

Joint arrangements are classified into two categories:

- Joint operations: these are joint arrangements whereby the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangements. Those parties are called joint operators. The joint operator recognizes the full amount of its assets, liabilities, income and expenses, including the share of any such elements held jointly. These arrangements concern joint investment contracts signed by the Group.

- Joint ventures: these are joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement. Those parties are called joint venturers. Each venturer accounts for its interest in the net assets of the venture in accordance with the equity accounting method (see the section dealing specifically with the equity accounting method).

Associates

Associates over which the Group exercises significant influence are accounted for by the Group under the equity method (see the section dealing specifically with the equity accounting method).

Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting rights of an entity, except where it is clearly demonstrated that this is not the case. Significant influence can also be indicated by representation on the board of directors or on the management board of the entity held, by participation in its policy-making process, by material transactions with the entity, or by interchange of managerial personnel between the Group and the entity.

Equity accounting method

According to the equity accounting method, interests in associates and joint ventures are recorded on the balance sheet at their cost of acquisition, including goodwill and transaction costs. Earn-outs initially measured at fair value and subsequent adjustments are recorded as part of the cost of the investment, when their payment can be measured with sufficient reliability.

The Group’s share in the profit or loss of associates and joint ventures is recognized in the income statement, and its share in movements of reserves after the acquisition is recognized in reserves. Movements after the acquisition are recorded as an adjustment to the value of the investment. The Group’s share in the losses recorded by an associate and joint venture is recorded to the extent of its investment, except where the Group has a legal or implicit obligation to support the company.

Goodwill is recognized if the acquisition cost exceeds the Group’s share in the net fair value of the associate’s identifiable assets, liabilities, and contingent liabilities at the date of acquisition. Goodwill is included in the carrying amount of the investment and is taken into consideration in the impairment test relative to this asset.

Note 1. Accounting Principles

1.3.3. Foreign currency translation

Translation of foreign currency transactions

Transactions in foreign currency are initially recorded in the functional currency of the entity at the exchange rate in force on the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. All resulting translation differences are taken to profit or loss for the period.

Translation of financial statements of foreign companies

The financial statements of foreign companies whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated at the closing exchange rate;
- income statement and cash flow items are translated at the average exchange rate for the financial year.

The resulting translation adjustments are recorded directly in “Cumulative translation adjustments” under equity. When the net investments in foreign operations are subsequently sold, the related cumulative translation differences carried in equity are taken to profit or loss.

1.3.4. Revenues

Group revenues are recognized as soon as future economic benefits are likely to flow to the Group and the revenues can be measured reliably.

Group revenues principally comprise sales of equipment, provision of services and rental of telecommunications equipment.

Sales of equipment

Proceeds from the sale of handsets are recognized in revenues when the risks and rewards inherent to ownership are transferred to the buyer.

Separable elements of a bundled offer

Revenues from telephone packages are recorded as a sale with multiple components. Revenues from sales of handsets (mobile phones and other) are recorded upon activation of the line, net of discounts granted to the customer via the points of sale and the costs of activation.

Other acquisition and retention costs, consisting in particular of premiums not associated with sales of handsets as part of telephone packages and commissions paid to distributors, are recorded in administrative and commercial expenses.

When elements of these transactions cannot be identified or analyzed separately from the main offer, they are considered as related elements and the associated revenues are recognized in full over the duration of the contract or the expected duration of the customer relationship.

Provision of services

Revenues from internet access subscriptions or telephone call plans (fixed or mobile) are recorded on a straight-line basis over the duration of the corresponding service.

The Group sells certain telephone subscriptions based on plans under which the call minutes for a given month can be carried over to the next month if they are not used. The minutes carried over are recorded based on the proportion of total telephone subscription revenues they represent, when the minutes are used or when they expire.

Revenues relative to incoming and outgoing calls and off-plan calls are recorded when the service is provided.

Revenues generated by vouchers sold to distributors and by prepaid mobile cards are recorded each time use is made by the end customer, as from when the vouchers and cards are activated. Any unused portion is recorded in deferred revenues at the end of the reporting period. Revenues are in any case recognized upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.

Sales of services to subscribers managed by the Group on behalf of content providers (principally special numbers and SMS+) are recorded on a gross basis, or net of repayments to the content providers in accordance with IAS 18, and in particular when the content providers are responsible for the content and determine the pricing applied to the subscriber.

The costs of access to the service or installation costs principally billed to operator and corporate clients in relation to ADSL connection services, bandwidth services, and IP connectivity services, are recognized over the expected duration of the contractual relationship and the provision of the principal service.

Revenues linked to switched services are recognized each time traffic is routed.

Revenues from bandwidth, IP connectivity, high-speed local access and telecommunications services are recorded as and when the services are delivered to the customers.

Access to telecommunications infrastructures

The Group provides its operator clients with access to its telecommunications infrastructures by means of different types of contracts: rental, hosting contracts or concessions of Indefeasible Rights of Use (“IRU”). The IRU contracts grant the use of an asset (ducting, fiber optic or bandwidth) for a specified—generally long—period. The Group remains the owner of the asset. Proceeds generated by rental contracts, hosting contracts in Netcenters, and infrastructure IRUs are recognized over the duration of the corresponding contracts, except where these are defined as a finance lease, in which case the equipment is considered as having been sold on credit.

In the case of IRUs, and sometimes rentals or service agreements, the service is paid in advance in the first year. These prepayments, which are non- refundable, are recorded in prepaid income and amortized over the expected term of the related agreements. Amortization is provided over a period of between 10 years and 25 years for IRUs and between 1 year and 25 years for rentals and service agreements.

Sales of infrastructure

The Group builds infrastructure on behalf of certain clients. Since the average duration of the construction work is less than one year, the revenues are taken into account when ownership is transferred. Revenues relative to sales of infrastructures are taken into account when ownership is transferred. A provision is recognized when any contracts are expected to prove onerous.

Loyalty programs

Pursuant to interpretation IFRIC 13, the Group measures the fair value of the incremental benefit granted under loyalty programs. Since this fair value was not material for the periods presented, no revenues have been deferred in this respect.

1.3.5. Cost of sales, and commercial and distribution costs

Cost of sales comprises the purchase cost of goods acquired (including handsets), interconnection costs, network costs and the share of personnel costs and related taxes and duties.

Commercial and distribution costs represent advertising and marketing costs, commercial costs, and customer loyalty and management costs, and are recorded in expenses as incurred.

1.3.6. Goodwill and business combinations

Business combinations after January 1, 2009

Business combinations are recorded under the acquisition method.

The acquisition price (also called "consideration transferred") of a subsidiary is the sum of the fair values of the assets transferred and the liabilities assumed by the purchaser on the date of acquisition and the equity instruments issued by the purchaser. The acquisition price includes any earn-outs recognized and measured at acquisition-date fair value.

Earn-outs are recorded initially at fair value, with subsequent changes in fair value taken to profit or loss.

Any costs directly attributable to the acquisition are recorded in expenses in the period in which they are incurred.

At the date of acquisition, goodwill is determined as the difference between:

- the fair value of the consideration transferred, plus any non-controlling interest in the company acquired; and

- the net balance of identifiable assets acquired and liabilities assumed at their acquisition-date fair value.

The initial valuation of the acquisition price and the fair values of the assets acquired and liabilities assumed must be finalized within 12 months of the date of acquisition (measurement period), and any adjustment is recorded as a retroactive adjustment to goodwill. Beyond the measurement period, adjustments are recorded directly in profit or loss. For each business combination, the Group can decide whether to recognize the share of non-controlling interests:

- at fair value on the date of acquisition, whereby goodwill is recognized on these non-controlling interests (full goodwill method); or

- on the basis of its share in the net identifiable assets of the acquired company measured at fair value, whereby only goodwill attributable to owners of the parent company is recognized (partial goodwill method).

Negative goodwill is recorded directly in profit or loss on the income statement.

Goodwill is not amortized but is tested for impairment whenever there is an indication that it may be impaired, and at least once a year at the reporting date. Subsequently, goodwill is measured at its original amount, less any cumulative impairment losses recorded (see Note 8.3—Goodwill impairment tests).

The following principles apply to business combinations:

- In the event of a business combination carried out in stages (step acquisition), the purchaser must remeasure any previously-held equity interest at its fair value on the date of acquisition, and record the resulting gain or loss in the income statement.

- In the event of the acquisition of an additional interest in a subsidiary, the Group records the difference between the acquisition price and the carrying amount of the non-controlling interests within changes in equity attributable to owners of the parent.

Business combinations prior to January 1, 2009

In compliance with IFRS 1, the Group has chosen not to restate business combinations that took place prior to January 1, 2004. The acquisition method of accounting for business combinations was already accepted by IFRS 3 as published by the IASB in March 2004. However, there are several key differences with the revised standard:

- Minority (non-controlling) interests are measured on the basis of their share in the net identifiable assets of the entity acquired and no fair value option exists.

- Any adjustments to the acquisition price are recorded in the cost of the acquisition only if they are likely to occur and the amounts can be measured reliably.

- Costs directly attributable to the acquisition are recorded as part of the cost of the combination.

- In the event of the acquisition of an additional interest in a combined subsidiary, the difference between the cost of the acquisition and the carrying amount of the minority (non-controlling) interests acquired is recorded in goodwill.

1.3.7. Intangible assets

Intangible assets acquired

Intangible assets acquired separately are recorded at their historical cost less accumulated amortization and impairment losses.

Intangible assets acquired as part of a business combination are recorded at their fair value on the date of acquisition. After initial recognition, intangible assets are recorded at historical cost.

Operating licenses

Operating licenses for telephony services on French territory are recorded based on the fixed amount paid upon acquisition of the license. The variable portion of the license fees, amounting to 1% of the revenues generated by these activities, cannot be reliably measured and is therefore recorded in expenses for the period in which it is incurred.

- The UMTS license is recorded at its historical cost and is amortized on a straight-line basis as from June 2004 (when the service starts) until the end of the licensing period (August 2021), which is its expected useful life.

- The GSM license, renewed in March 2006, is recorded at present value based on 4% of the annual fixed fee of €25 million and is amortized on a straight-line basis from this date until the end of the licensing period (March 2021), which is its expected useful life.

- The LTE license is recorded at its historical cost and is amortized on a straight-line basis as from the date the service starts until the end of the licensing period. The license concerning the 2.6 GHz band, acquired in October 2011, has been amortized since the end of November 2012 (end of licensing period: October 2031). The license concerning the 800 MHz band, acquired in January 2012, was activated on June 3, 2013 and will be amortized over a residual period of 18 years (end of licensing period: January 2032).

Other intangible assets acquired

The costs of identifying sites for relay antennas are capitalized and amortized over their useful life, which is generally ten years and corresponds to the estimated average duration of a lease.

Investments made in the context of concessions or public service contracts, and linked to the rollout of the telecommunications network, are recorded in intangible assets in accordance with interpretation IFRIC 12. The "intangible asset" model stipulated by this interpretation applies when the concession holder receives a right to bill users of the public service and the concession holder is essentially paid by the user. These intangible assets are amortized over the shorter of the estimated useful life of the categories of assets in question and the duration of the concession.

Intangible assets also comprise rights of way or access rights obtained. Amortization is generally calculated on a straight-line basis over the shorter of the contractual term and 30 years.

DSL connection costs (service access costs or SAC) billed by the local network operator on setting up unbundling for a customer are capitalized and amortized over the estimated period in which the economic benefits are expected to be consumed, i.e., between two and four years.

Intangible assets generated internally

Intangible assets generated internally are recorded at their historical cost less accumulated amortization and impairment losses.

Research costs are expensed as incurred. Development expenses are capitalized when the Group can demonstrate all of the following:

- the technical feasibility of completing the asset;
- its intention to complete the asset and use or sell it;
- the availability of adequate technical and financial resources to complete the asset;
- its ability to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Trademarks and market shares generated internally are not recognized as intangible assets.

Capitalized development costs relating to computer software represent the costs incurred in developing products in-house. Development costs relating to computer software are capitalized when the technical feasibility can be demonstrated and the costs are considered to be recoverable.

Internal and external direct costs incurred to develop software for internal use are capitalized during the software's development phase. The costs resulting from the software's development phase generally include configuration of the software, coding, installation and testing. The costs of major upgrades and improvements that result in additional functionalities are also capitalized. These capitalized costs are amortized over four to eight years.

Subsequent expenses relative to intangible assets are capitalized only if they increase the future economic benefits associated with the corresponding specific asset. Other costs are expensed as incurred.

Borrowing costs

Since the method of rolling out intangible assets in stages does not generally involve a long period of preparation, the Group does not generally capitalize the borrowing costs incurred during the acquisition or production of intangible assets.

1.3.8. Property, plant and equipment

Property, plant and equipment are recorded at their historical cost less accumulated depreciation and impairment losses. Historical cost includes acquisition or production cost, any costs directly attributable to bringing the asset to the necessary location and condition, and the estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent of the obligations incurred. Borrowing costs that are directly attributable to assets requiring over one year to be ready for their intended use are capitalized as part of the cost of property, plant and equipment.

However, subsequent upkeep costs (repairs and maintenance) relating to property, plant and equipment are recorded in profit or loss. Other subsequent expenditure that helps to increase the productivity or useful life of the asset are recorded as part of the cost of that asset.

When an item of property, plant and equipment consists of significant components with different useful lives, the components are recorded and depreciated separately. Depreciation is calculated on a straight-line basis over the useful life of the asset.

In the specific case of Netcenter buildings, the depreciable amount takes account of a residual value at the end of the useful life.

Property, plant and equipment principally comprise network equipment.

Useful lives are as follows:

Buildings, incl. technical buildings	15 to 25 years
Fixtures, fittings and furniture	5 to 10 years
Equipment and industrial tools	5 years
Set-top boxes and access costs	4 years
Network equipment:	
—Fiber optic/FTTH	50 years

—Pylons	20 years
—Other network equipment	4 to 8 years
Miscellaneous equipment	3 to 5 years

The estimated useful lives are regularly reviewed and any changes to estimates are recorded on a prospective basis.

Depreciation expense is recorded in either cost of sales, commercial and distribution costs, or general expenses according to the function of the asset to which it relates.

Telecommunications equipment and hardware are investments which are largely affected by technological developments: retirements or accelerated depreciation may be recorded if the Group has to retire certain technical models earlier than expected or if it has to review the estimated useful life of certain categories of equipment.

The costs of links and connections are classified as property, plant and equipment. These costs are depreciated over their useful life, i.e., eight years.

Commercial contracts under which the Group supplies telecommunications capacity are analyzed in light of interpretation IFRIC 4—*Determining Whether an Agreement Contains a Lease*:

- Indefeasible Rights of Use ("IRU") contracts grant the use of an asset over a specified term. IRU contracts that grant a specific right of use over a determined part of the underlying asset in the form of fibers or dedicated wavelengths are treated as leases. IRU contract costs are capitalized if the duration of the right granted is for the majority of the useful life of the underlying asset, and are depreciated over the term of the contract.

- Some commercial contracts to provide capacity are defined as service agreements since in general no specific asset is made available in such contacts. Contractual fees are recorded in expenses over the period.

FTTH rollout

Decision No. 2009-1106 of the *Autorité de Régulation des Communications Electroniques et des Postes* (ARCEP) [French Post and Electronic Communications Regulation Authority] dated December 22, 2009 governs the rollout of fiber optic in very densely populated areas by creating joint investment rules for telephone operators. The reference offers published by the operators in compliance with the provisions of this decision are covered by IFRS, specifically IFRS 11—*Joint Arrangements*. Thus, when the Group is joint investor from the outset, only its share of the assets is kept in property, plant and equipment, and when it is an investor *a posteriori*, the IRU or right of use is recorded in property, plant and equipment. The same treatment is applied to joint investments in less dense populated areas as defined by the ARCEP.

Finance lease agreements

Lease agreements for property, plant and equipment for which substantially all risks and rewards inherent to ownership are transferred to the Group are considered as finance lease agreements.

Property, plant and equipment acquired under finance leases are recorded in property, plant and equipment with a matching entry to a liability account. Assets acquired under finance leases are capitalized based on the lower of the present value of future lease payments and market value, and the corresponding liability is recorded in "Borrowing and other financial liabilities". These assets are generally depreciated on a straight-line basis over their estimated useful life, corresponding to the useful life applied to assets of the same type owned outright, or, if the duration of the lease is shorter than the useful life of the asset leased and if it is not reasonably certain that ownership of the asset will be transferred to the lessee at the end of the lease term, over the duration of the lease.

Site dismantling and restoration

The Group has a contractual obligation to dismantle and restore the sites of its mobile and fixed network upon expiry of a lease, if the lease is not renewed. In light of this obligation, site restoration costs are capitalized on the basis of:

- an average unit cost of restoring sites;

- assumptions concerning the lifespan of the dismantling asset; and

- a discount rate.

Investment subsidies

Investment subsidies received are recorded on the balance sheet as a deduction from the property, plant and equipment to which they relate. Investment subsidies are taken to profit or loss in line with the depreciation charged against the assets financed.

1.3.9. Impairment of goodwill, property, plant and equipment and intangible assets

The Group reviews the carrying amount of goodwill, other intangible assets, property, plant and equipment and assets under construction each time events or changes in the market environment indicate that they may be impaired. Goodwill, intangible assets with indefinite useful lives and intangible assets under development are tested for impairment in the fourth quarter of each financial year.

The impairment test consists of comparing the recoverable amount of a fixed asset or cash-generating unit (CGU) with its carrying amount. If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount is written down to the recoverable amount and the impairment loss is immediately recorded in the income statement under other operating expenses. In testing goodwill allocated to a CGU or group of CGUs for impairment, the impairment loss is charged first to the carrying amount of goodwill and then to the other assets pro rata to their carrying amount.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. If an asset does not generate cash inflows that are largely independent of cash inflows generated by other assets or groups of assets, recoverable amount is determined by reference to cash-generating units.

Group management monitors the return on investment relating to its acquisitions on an aggregate basis at Group level. This operating entity is the only CGU at the level of which the impairment tests are carried out.

Recoverable amount is determined as the higher of value in use and fair value less costs to sell.

The value in use of each asset or group of assets is determined using the discounted cash flows method (DCF), based on cash flow projections consistent with the most recent budget and business plan approved by management over periods spanning one to six years. The growth rates used to value the CGU are those used when preparing the CGU's budget and the business plan. For subsequent periods, the growth rates are estimated by the Group by extrapolating the rates used in the budgets and business plans. These rates do not exceed the medium- to long-term growth rates for the markets in which the Group operates. The discount rates used reflect current assessments by market participants of the time value of money and the risks specific to each asset or group of assets.

Fair value less costs to sell corresponds to the amount that could be obtained from the sale of an asset or group of assets between knowledgeable, willing parties in an arm's length transaction, less the costs of the sale. These amounts are determined by reference to market data (comparison with similar listed companies, with the value attributed to similar assets or companies during recent transactions, or stock market prices) or otherwise using the discounted cash flow method.

Impairment losses recorded against property, plant and equipment and intangible assets (excluding goodwill) may be reversed at a later date if the recoverable amount becomes once again higher than the carrying amount. However, the increased carrying amount attributable to the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. Impairment losses recorded against goodwill are irreversible.

1.3.10. Non-derivative financial assets

In accordance with IAS 39, financial assets are classified in one of the following four categories:

- assets at fair value through profit or loss;

- held-to-maturity assets;

- loans and receivables;

- financial assets available for sale.

In accordance with IFRS 7, the information provided in the notes to the financial statements concerning financial instruments enables:

- the items to be reconciled with those presented in the balance sheet;
- the importance of financial instruments to be assessed in light of the Group's situation and financial performance;
- the nature and extent of the Group's exposure to risks arising on financial instruments to be assessed at the end of the reporting period.

Purchases and sales of financial assets are recorded at the transaction date, which is the date on which the Group has committed to the purchase or sale of assets. A financial asset is derecognized if the contractual rights to the related cash flows expire or if the asset is transferred.

At the time of initial recognition, financial assets are recorded on the balance sheet at their fair value, plus any transaction costs directly attributable to the acquisition or issuance of the asset (except for financial assets at fair value through profit or loss, for which transaction costs are recorded in profit or loss).

The fair value of the principal financial assets and liabilities on the Group's balance sheet was calculated as detailed in Note 23—Financial instruments.

A financial asset is defined as current when the maturity of the cash flows expected to derive from the instrument is less than one year.

Financial assets at fair value through profit or loss

These are financial assets held for trading purposes and intended to be resold in the near term.

Gains and losses resulting from changes in the fair value of financial assets in this category are recorded in profit or loss in the period in which they occur.

The main financial assets at fair value through profit or loss include UCITS.

The large majority of these assets are classified on the balance sheet under cash and cash equivalents.

Held-to-maturity financial assets

Financial assets held until maturity are non-derivative financial assets other than loans and receivables that have fixed or determinable payments and fixed maturity and which the Group has the intention and ability to hold to maturity. After their initial recognition, they are carried at amortized cost using the effective interest rate method.

The main held-to-maturity financial assets include financial assets linked to the Qualified Technology Equipment (QTE) operations settled in 2012. These assets are classified on the balance sheet as non-current financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. These assets are recognized at amortized cost using the effective interest rate method.

This category principally includes trade accounts receivable and other receivables detailed in Note 14—Trade accounts receivable and other receivables, along with the other assets such as guarantee deposits and advances to associates mentioned in Note 12—Other current and non-current assets.

Trade accounts receivable and other receivables are initially recorded on the balance sheet at their fair value. Due to their fairly short maturities, the fair value of these items generally corresponds to their nominal value, except when the impact of discounting is material.

Trade accounts receivable resulting from the Group's commercial offers include certain past-due receivables that have been impaired according to the rules defined by the Recovery and Litigation department. The impairment rates used differ according to the category of clients and/or offers, and are regularly updated to reflect the latest trends and in particular, recovery history. Where applicable, impairment may be recognized against other receivables based on the estimated risk of non-recovery.

Financial assets available for sale

Financial assets available for sale include non-derivative financial assets which are designated as available for sale or are not allocated to other categories of financial assets.

Financial assets available for sale are recorded at their fair value. Gains and losses on financial assets available for sale are recorded in other comprehensive income until the investment is derecognized or until it is demonstrated that it has suffered a material and other-than-temporary loss in value, on which date the cumulative gains and losses carried in other comprehensive income are reclassified to the income statement.

This category includes non-combined equity securities. These assets are classified on the balance sheet under non-current financial assets.

Impairment of non-derivative financial assets

An impairment loss is recorded on an asset or a group of financial assets if there is an objective indication of impairment resulting from one or more events occurring after the initial recognition of the asset, and these events have a negative impact on the future cash flows expected to derive from the financial asset or group of financial assets.

Impairment recognized against a financial asset at amortized cost corresponds to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the effective original interest rate.

Impairment recognized against a financial asset available for sale is calculated by reference to its fair value.

An impairment test is carried out on each material financial asset. Other assets with similar risk characteristics are grouped together for impairment testing purposes.

Impairment losses are recognized in profit or loss. Where impairment is charged against assets available for sale, the cumulative negative changes in fair value previously recognized in equity are transferred to profit or loss.

Impairment is reversed if the reversal can be objectively linked to an event occurring after it was recognized. Reversals of impairment charged against financial assets carried at amortized cost and financial assets available for sale representing interest rate instruments are recognized in profit or loss. Reversals of impairment charged against financial assets available for sale representing equity instruments are recorded directly in equity.

Impairment relative to assets recognized at cost may not be reversed.

1.3.11. Inventories

Inventories principally comprise packs (mobiles associated with a right to access SFR services), individual mobile phones, ADSL boxes and accessories.

Inventories are carried at the lower of cost and net realizable value. Cost principally comprises purchase costs and other supply costs, and is calculated in accordance with the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs necessary to complete the sale.

1.3.12. Cash and cash equivalents

The "Cash and cash equivalents" caption includes bank balances, monetary UCITS which meet the specifications of AMF position No. 2011-13 and highly liquid short-term investments with an initial maturity of three months or less, readily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

Marketable securities are carried at fair value through profit or loss.

1.3.13. Non-derivative financial liabilities

Financial liabilities include bond debt, amounts payable to Vivendi SA, commitments to purchase non-controlling interests, and other borrowings such as commercial paper, syndicated loans and finance lease liabilities. Financial liabilities also include other non-derivative financial liabilities.

Borrowings

The loans taken out by the Group are initially recorded at their fair value less any directly attributable costs. Subsequent to initial recognition, they are carried at amortized cost using the effective interest rate method. Issue premiums and issue costs are presented under liabilities on the balance sheet as a deduction of the nominal amount of the liability. Under this method, interest expense is recognized on an actuarial basis over the duration of the loan.

Other non-derivative financial liabilities

Other non-derivative financial liabilities comprise trade accounts payable and other payables, which are carried at their fair value on initial recognition. In light of their fairly short maturities, the fair value of other non-derivative financial liabilities mostly corresponds to their nominal value. These items are subsequently carried at amortized cost.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risk of changes in foreign exchange rates. These instruments include foreign exchange futures. All derivative financial instruments are recorded on the balance sheet at their fair value at the transaction date and are remeasured to fair value at the end of each reporting period.

The principal hedging instruments and the calculation of the fair value of derivative instruments are detailed in Note 23—Financial instruments.

1.3.14. Provisions

Provisions are recorded when, at the end of the period, the Group has a legal, regulatory, contractual or implicit obligation resulting from past events; it is probable that an outflow of resources representing economic benefits will be required to settle the obligation; and the amount of the obligation can be measured reliably.

If the effect of the discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate which reflects current market assessments of the time value of money. If no reliable estimate of the amount of the obligation can be made, no provision is recorded and information is provided in the notes.

Provisions mainly include:

- provisions intended to cover disputes and litigation arising in the ordinary course of the Group’s operations. The estimated amount of these provisions is based on assessment of the level of risk on a case-by-case basis. The occurrence of events during proceedings may require these provisions to be re-estimated at any time;

- provisions for restructuring, which are booked when the restructuring has been announced and a detailed plan has been drawn up or its implementation begun. These provisions are not generally discounted owing to their short-term nature;

- provisions for site dismantling and restoration, which are assessed on the basis of the number of sites in question, an average unit cost of restoring sites and assumptions regarding the useful life of the dismantling asset and discount rate. When a site is dismantled, the corresponding provision is written back;

- provisions for employee benefits, which are detailed in the section below.

1.3.15. Employee benefit schemes

Pursuant to obligations resulting from French legislation and company agreements, the Group offers its employees retirement benefits that can take the form of an indemnity payment upon retirement, or pensions.

For defined benefit schemes, a net liability is recorded on the balance sheet. This liability is determined by independent actuaries using the projected unit credit method. This method is based on assumptions which are updated annually, such as the probability that beneficiaries will continue to be employed by the Group on retirement, expected changes in future compensation and associated contributions, and an appropriate discount rate.

In terms of funding for these schemes, the Group has taken out insurance contracts aimed at outsourcing some or all of its obligations.

If these plan assets exceed the obligations recorded, a financial asset is recognized within the limit of the present value of future repayments and expected reductions in future contributions to the plan.

The Group records de facto employee benefit assets and liabilities together with the corresponding net expense over the entire estimated service lives of employees. Actuarial gains and losses relative to post-employment benefits are recognized in full in “Other comprehensive income” when they arise.

The cost of the schemes is recorded in operating profit, with the exception of the cost of unwinding the discount and the theoretical return on plan assets, which are recorded in other financial income and expenses.

All past service costs relating to plan changes and curtailments are immediately recorded on the income statement.

1.3.16. Income Tax

The Group calculates its income taxes in compliance with the tax legislation in force in the countries where earnings are taxable.

Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable profit. Management periodically evaluates the tax positions taken with regard to applicable tax legislation when this is subject to interpretation, and where appropriate, determines the amounts it expects to pay to the tax authorities.

Differences at the end of the reporting period between the carrying amount of assets and liabilities in the balance sheet and their tax base represent temporary differences. In accordance with the balance sheet liability method, these temporary differences give rise to the recognition of:

- deferred tax assets, when the value of an asset for tax purposes is higher than its carrying amount and when the value of a liability for tax purposes is lower than its carrying amount (expected future tax benefit); or

- deferred tax liabilities, when the value of an asset for tax purposes is less than its carrying amount or when the value of a liability for tax purposes is higher than its carrying amount (expected future tax expense).

Deferred tax assets and liabilities are determined on the basis of the tax rates and tax laws expected to apply in the financial year in which the asset will be realized or the liability settled. These estimates are reviewed at the end of each reporting period in order to reflect any changes to the applicable tax rates.

Deferred tax assets are recorded for all deductible temporary differences, tax loss carryforwards and unused tax credits; to the extent that it is likely taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, where applicable, adjusted to take account of the probability that taxable profit will be available against which they can be utilized. To assess the probability that taxable profit will be available, elements taken into account include the Group’s earnings in previous years, future profit forecasts, and non-recurring items that are not likely to recur in the future. Accordingly, any assessment of the Group’s ability to utilize its deferred tax assets is largely based on judgment. If the Group’s future taxable earnings prove significantly different to those anticipated, the Group would be obliged to adjust the carrying amount of the deferred tax assets and this could have a significant impact on its balance sheet and profit.

Note 1. Accounting Principles

The accounting for deferred taxes arising on the taxable earnings of companies included in the scope of Vivendi's tax consolidation is detailed in the "Corporate income tax" paragraph within the section describing the basis for preparing the combined financial statements.

Deferred tax assets and liabilities are offset when the following two conditions are met:

- the Group has a legal right to set off current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to taxes levied by the same tax entity.

Taxes relative to items recognized directly in other comprehensive income are recorded in other comprehensive income and not in the income statement.

1.3.17. Share-based payment

In order to align the interests of directors and employees with those of shareholders by giving them an additional incentive to improve the company's performance and increase the share price over the long term, Vivendi has set up payment plans for Group directors and employees based on the Vivendi share (share purchase plans, performance share plans, free share plans) or other equity-settled equity instruments based on the Vivendi share price (share subscription options). Vivendi's Management Board and Supervisory Board have approved these awards. They have also set performance criteria for the share subscription options and performance shares that determine whether or not these instruments vest. All plans are awarded on condition that the beneficiary continues to be employed by the Group on the vesting date.

The share of plans relative to Group employees is rebilled by Vivendi SA to SFR SA.

Recognition

Equity-settled share-based payment plans are recognized as personnel costs at the fair value of the instruments awarded, with a matching entry to a payables account.

The fair value of the instruments awarded is estimated and fixed at the grant date using a binomial model based on assumptions revised at the measurement date such as the estimated volatility of the shares in question and a discount rate corresponding to the risk-free interest rate and estimated dividend rate. The estimated life of an option is calculated as the average of the vesting period of the rights and the contractual life of the instrument.

1.3.18. Earnings per share

Basic earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period.

Diluted earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period, adjusted for the effect of all existing diluting instruments.

1.3.19. Contractual commitments, contingent assets and liabilities

Each year, the Group draws up a detailed list of all contractual obligations, financial and commercial commitments and contingent obligations to which it is party or to which it is exposed. This list is regularly updated by the competent departments and reviewed by Group management.

Note 2. Changes in Combination Scope

Financial Year 2011

La Poste Telecom

In 2011, SFR and La Poste created a joint subsidiary, La Poste Telecom, owning 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) addressing the mass market and providing a wide range of mobile telephone services under the brand La Poste Mobile through the La Poste outlet network. This company is accounted under equity method in the combined financial statements of the Group.

Financial Year 2012

Numergy

On August 31, 2012, SFR together with Bull and the Caisse des Dépôts et Consignations created the company Numergy. SFR holds 46.7% stake. Numergy provides to all economic players IT infrastructures capable of hosting remotely accessed and secure data and applications, i.e. "cloud computing" services. This company is accounted under equity method in the combined financial statements of the Group.

Note 3. Segment information

As indicated in the basis of preparation of the combined financial statements presented in the introduction of Note 1—Accounting Principles, the Group has only identified a single operating segment in compliance with IFRS 8—*Operating Segments.*

Geographic information

Moreover, as the Group's operations are located in France, a single geographical area is used.

Information on main customers

No customer represents more than 10% of the Group's revenues.

Note 4. Operating Income

The breakdown of the elements included in the operating income is presented in Notes 1.3.4—Revenues, 1.3.5—Cost of sales, commercial and distribution costs, and 1.2.1—Combined income statement.

4.1. Breakdown of Revenues

	2013	**2012**	**2011**
	(in millions of euros)		
Sales of goods	540	516	568
Sales of services	9,658	10,772	11,615
Revenues	**10,199**	**11,288**	**12,183**

4.2. Other Operating Income and Expenses

	2013	**2012**	**2011**
	(in millions of euros)		
Other operating income	**2**	**11**	**14**
Amortization of customer bases recognized in business combinations[(a)]	(66)	(66)	(67)
Restructuring costs[(b)]	(93)	(187)	(12)
Other	(10)	(17)	(6)
Other operating expenses	**(169)**	**(270)**	**(84)**

(a) The amortization of customer bases recognized in business combination represents the amortization of the customer bases recognized at the acquisition of the Neuf Cegetel Group in 2008 (refer to Note 9—Intangible Assets).

(b) The restructuring costs principally include the voluntary redundancy plan launched by SFR in 2012. In 2013, the Group continued its transformation plan to adapt its business for the changing market environment and maintain its investment in very high-speed fixed and mobile. The voluntary redundancy plan closed in August 2013, and concerned 873 employees.

4.3. Personnel Costs and Average Employee Numbers

	2013	2012	2011
	(in millions of euros, except number of employees)		
Annual average number of full-time equivalents	**13,870**	**14,277**	**14,455**
Of which UES SFR[(a)]	9,106	9,524	9,529
Of which other combined entities	4,764	4,753	4,926
Salaries and wages[(b)]	(734)	(652)	(632)
Social security contributions	(301)	(294)	(271)
Capitalized personnel costs	88	79	76
Salaries and related costs	**(947)**	**(867)**	**(828)**
Share-based compensation[(c)]	(27)	(32)	(23)
Employee benefit[(d)]	6	(4)	(3)
Other personnel costs[(e)]	(109)	(153)	(170)
Personnel costs	**(1,077)**	**(1,056)**	**(1,025)**

(a) UES means the social and economic unit.

(b) The 2013 versus 2012 change essentially results from the voluntary redundancy plan.

(c) Re-invoiced in totality by Vivendi (refer to Note 17—Remunerations based on equity instruments).

(d) Cost of services delivered related to pension schemes, of which the detail is presented in Note 19—Post-Employment Benefits.

(e) The other personnel costs include profit sharing, performance-based bonuses, social security and related contributions an other employee benefits (such as contributions to employee welfare schemes, etc.).

Note 5. Financial Income

As net financing costs are presented directly in the income statement, other financial income and expenses are detailed hereunder:

	2013	2012	2011
	(in millions of euros)		
Other financial income[(a)]	**2**	**2**	**8**
Change in value of derivative instruments	—	0	(40)
Effect of undiscounting liabilities[(b)]	(7)	(10)	(11)
Effect of undiscounting impairment[(c)]	(6)	(5)	(5)
Change in impairment on financial assets	(1)	(9)	(0)
Other	(10)	(10)	(12)
Other financial expenses	**(24)**	**(34)**	**(70)**

(a) The other financial income mainly includes, default interest, various proceeds of bank management, and interest on long-term advances granted to equity-accounted companies.

(b) Principally concerns the debt related to the license GSM.

(c) Principally concerns the provision for employment benefits plans and the provision for site rehabilitation presented in Note 18—Provisions.

Note 6. Income Tax

For information, some companies belong to a group integrated under the French Tax Group System for tax purposes as authorized under *Article 223 A du CGI et suivants*:

- SFR S.A., since 2011, and since 2012 a few subsidiaries more than 95% owned, are included in the tax group system, where Vivendi is the head company of the Group. The tax each member company is liable to pay is paid by Vivendi, which is alone liable to the tax authorities.

- CID S.A. formed a tax group system from January 1, 2010 with the subsidiaries more than 95% owned by it. CID is also solely liable for corporate income tax of which it is the parent company.

6.1. Breakdown of income tax

	2013	2012	2011
	(in millions of euros)		
Income tax expense			
Current	(282)	(559)	(566)
Deferred	(33)	43	31
Income tax	**(315)**	**(516)**	**(535)**
Total income tax paid	**(299)**	**(537)**	**(643)**

6.2. Tax proof

	2013	2012	2011
	(in millions of euros)		
Net income	426	752	1,400
Adjustment:			
Income tax	(315)	(516)	(535)
Net income from discontinued operations	—	—	—
Pretax income from continuing operations	**742**	**1,267**	**1,935**
French statutory tax rate	38.0%	36.1%	36.1%
Theoretical income tax	**(282)**	**(458)**	**(699)**
Reconciliation of the theoretical and effective tax rate			
Permanent differences[(a)]	(22)	(40)	(4)
Tax credits/Additional tax demands	(2)	(1)	4
Assessment of deferred tax assets[(b)]	(5)	(7)	169
Net income(loss) of equity-accounted affiliates	(5)	(10)	(6)
Income tax	**(315)**	**(516)**	**(535)**
Effective tax rate	42.5%	40.7%	27.6%

(a) Mainly includes, the impact of consolidating 15% of the financial interest calculated on amounts provided to the Group and the tax loss carry-forwards passed on to Vivendi under the Consolidated Global Profit Tax System.

(b) As of December 12, 2011, an amount of €452 million in tax loss carry-forwards was transferred to SFR SA as part of the merger with VTI. These tax loss carry-forwards, which were not recognized, were entirely used up over financial year 2011. The impact on the reconciliation between theoretical income tax and actual income tax at end 2011 amounted to €163 million.

6.3. Changes in Deferred Taxes by Type Changes in deferred tax assets/(liabilities)

The breakdown of deferred tax assets and liabilities by nature for years ended 2011 to 2013 is as follows:

Financial year 2013

	Opening Balance	Income statements	Other	Closing Balance
	(in millions of euros)			
Deferred tax assets				
Tax losses carry forward	65	8	(0)	73
Provisions	134	(45)	3	92
Fixed assets	105	10	(0)	115
Other	67	(7)	(0)	60
Offsetting[(a)]	(136)	—	12	(124)
Gross deferred tax assets	**235**	**(34)**	**15**	**216**
Unrecognized assets				
Tax losses carry forward	(61)	(9)	0	(69)
Other	(17)	(3)	(0)	(20)
Net deferred tax assets	**157**	**(45)**	**15**	**127**
Deferred tax liabilities				
Fixed assets	(104)	23	(0)	(82)
Other	(33)	(10)	0	(44)
Offsetting[(a)]	136	—	(12)	124
Deferred tax liabilities	**(1)**	**12**	**(12)**	**(2)**
Net deferred tax assets (liabilities)	**156**	**(33)**	**2**	**125**

Financial Year 2012

	Opening Balance	Income statement	Other	Closing Balance
		(in millions of euros)		
Deferred tax assets				
Tax losses carry forward	61	3	0	65
Provisions	60	69	5	134
Fixed assets	127	(21)	0	105
Other	81	(14)	(0)	67
Offsetting[(a)]	(157)	—	20	(136)
Gross deferred tax assets	**173**	**36**	**26**	**235**
Unrecognized assets				
Tax losses carry forward	(51)	(9)	—	(61)
Other	(13)	(4)	(0)	(17)
Net deferred tax assets	**109**	**23**	**26**	**157**
Deferred tax liabilities				
Fixed assets	(133)	30	(1)	(104)
Other	(24)	(10)	0	(33)
Offsetting[(a)]	157	—	(20)	136
Deferred tax liabilities	**(0)**	**20**	**(21)**	**(1)**
Net deferred tax assets (liabilities)	**108**	**43**	**5**	**156**

Financial Year 2011

	Opening Balance	Income statement	Other	Closing Balances
		(in millions of euros)		
Deferred tax assets				
Tax losses carry forward	55	(156)	162	61
Provisions	57	5	(2)	60
Fixed assets	131	(8)	4	127
Other	124	(18)	(25)	81
Offsetting[(a)]	(195)	—	38	(157)
Gross deferred tax assets	**171**	**(176)**	**178**	**173**
Unrecognized assets				
Tax losses carry forward	(42)	153	(162)	(51)
Other	(29)	17	(1)	(13)
Net deferred tax assets	**100**	**(7)**	**15**	**109**
Deferred tax liabilities				
Fixed assets	(151)	17	0	(133)
Other	(46)	21	2	(24)
Offsetting[(a)]	195	—	(38)	157
Deferred tax liabilities	**(2)**	**38**	**(36)**	**(0)**
Net deferred tax assets (liabilities)	**98**	**31**	**(21)**	**108**

(a) In accordance with IAS 12, the deferred tax assets and liabilities of the same tax entity are offset insofar as they are related to income taxes levied by the same tax authority. The company has the legal right to offset its tax assets and liabilities.

Note 7. Earnings Per Share

As the combined group was not constituted on this date, the number of shares in circulation is not determinable. Consequently, no earnings per share are presented in the Combined Financial Statements.

Note 8. Goodwill

8.1. Goodwill

	2013	2012	2011
		(in millions of euros)	
Goodwill, Gross	5,194	5,194	5,194
Impairment	(6)	(6)	(6)

Goodwill	**5,188**	**5,188**	**5,188**

This amount includes notably the goodwill generated on the goodwill of Neuf Cegetel, which was €4,837 million.

8.2. Net change in Goodwill

	2013	2012	2011
	(in millions of euros)		
Gross value at opening balance	**5,194**	**5,194**	**5,212**
Acquisitions	0	1	—
Decreases	—	—	(18)
Gross value at closing balance	**5,194**	**5,194**	**5,194**
Impairment losses at opening balance	**(6)**	**(6)**	**(6)**
Change	—	—	—
Impairment losses at closing balance	**(6)**	**(6)**	**(6)**
Net value at end of period	**5,188**	**5,188**	**5,188**

8.3. Goodwill impairment Test

The return on investment of acquisitions is monitored at Group level, the only operating sector on which impairment tests are carried out.

Main assumptions applied to determine the recoverable values

The recoverable value is determined upon the basis of the usual valuation methods, particularly the value in use, based upon the DCF approach.

In this respect, for 2013 the projected cash flow and the financial parameters used are the most recent approved by Management and updated to take account of the strong impact on revenues from the pricing policies decided by the Group in a tougher competitive environment, partially offset by cost savings in line with expectations under the company transformation plan, while maintaining a high level of investments, principally due to the increasing rate of investment in very high-speed mobile.

The projection is based on the 2014-2019 business plan established by Management, which has been projected over five additional years.

The assumptions used for discounting rates and the perpetual growth rate are presented as follows:

	2013	2012	2011
Basis used for recoverable value	Value in use	Value in use	Value in use
Methodology	DCF & comparables model	DCF & comparables model	DCF & comparables model
Discount rate after tax	7.30%	7.30%	7.00%
Perpetual growth rate	0.5%	0.5%	1.0%

On the basis of these assumptions, Management, with the help of independent evaluators, has implemented an impairment test for goodwill, and concluded that the recoverable value of the Group exceeded its book value as of December 31, 2013. The Group therefore did not record any impairment loss as of December 31, 2013 or during the previous periods presented.

Sensitivity of recoverable amounts

Over the periods analyzed, the recoverable amount would be equal to the carrying amount if the main assumptions evolved as follows:

	Discount rate	Perpetual growth rate	Discounted cash flows

	Applied rate (%)	Increase in the discount rate in order for the recoverable amount to be equal the carrying amount (in number of points)	Applied rate (%)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (%)
2013	7.30%	0.60 pt	0.50%	−1.25 pt	−10%
2012	7.30%	3.00 pt	0.50%	−7.00 pt	−34%
2011	7.00%	5.30 pt	1.00%	−14.03 pt	−51%

Note 9. Intangible Assets

9.1. Intangible Assets by nature

The breakdown of intangible assets by nature is as follows:

	2013		
	Gross	Amortization and impairment losses	Net
	(in millions of euros)		
Acquired software	2,061	(1,737)	323
Software developed internally	2,695	(1,854)	841
Licenses[a]	2,505	(620)	1,885
Customer databases[b]	562	(476)	86
Other[c]	1,532	(736)	796
	9,355	**(5,424)**	**3,931**

	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
	(in millions of euros)					
Acquired software	1,967	(1,653)	314	1,870	(1,527)	343
Software developed internally	2,438	(1,629)	810	2,135	(1,417)	719
Licenses[a]	2,505	(503)	2,002	1,244	(430)	814
Customer databases[b]	562	(410)	152	562	(344)	218
Other[c]	1,451	(646)	805	1,541	(516)	1,024
	8,923	**(4,841)**	**4,082**	**7,352**	**(4,235)**	**3,117**

(a) The gross amount includes notably:

– the UMTS license for €619 million (acquired in 2001 for the provision of third-generation mobile telephone services in France) and the new frequencies, acquired in June 2010 for €300 million, amortizable over 20 years;

– the GSM license for €278 million. In March 2006, the French government granted SFR S.A. the right to continue to operate this license for 15 years. The license is recorded for its present value (refer to Note 1.3.7—Intangible Assets);

– the LTE license for €150 million acquired in October 2011 under the allocation of 4G frequencies in the 2.6 Ghz band, and for €1,065 million acquired in January 2012 under the allocation of 4G frequencies in the 800 MHz band.

(b) Includes:

– the Neuf Cegetel customer base, valued upon acquisition at €464 million,

– the FrNet2 customer base, valued upon acquisition at €98 million.

(c) Mainly includes site search costs, concession contracts (IFRIC 12), rights of way and service access costs.

9.2. Net Changes in Intangible Assets

The analysis of the change of intangible assets is as follows:

	2013	2012	2011
	(in millions of euros)		
Opening balance	**4,082**	**3,117**	**3,077**

Amortization and impairment losses	(729)	(709)	(661)
Acquisitions	586	1,685	718
Disposals/Write-down	(4)	(4)	(6)
Changes in combination scope	0	—	(5)
Other	(4)	(8)	(5)
Closing balance	**3,931**	**4,082**	**3,117**

The LTE license in the 800 MHz band was activated on June 3, 2013 and will be amortized over a remaining duration of 18 years (end of licensing: January 2032).

9.3. Breakdown of Net Allocations to Amortizations and Impairment Losses

The changes in amortizations and impairment losses are included by destination in the various components of the operating income.

They concern:

	2013	2012	2011
	(in millions of euros)		
Acquired software	(144)	(162)	(178)
Software developed internally	(229)	(215)	(194)
Licenses	(117)	(73)	(72)
Customer bases	(66)	(66)	(67)
Other intangible assets	(172)	(193)	(151)
	(729)	**(709)**	**(661)**

Expenses incurred during the development phases of the Network service projects and the information system development projects are eligible for capitalization. The capitalized amount under intangible assets amounted to €249 million in 2013, as compared with €263 million in 2012 and €264 million in 2011.

Note 10. Tangible Assets

10.1. Property, plant and equipment by nature

The breakdown of Property, plant and equipment is as follows:

	2013		
	Gross	Amortization and impairment losses	Net
	(in millions of euros)		
Land	78	(1)	76
Buildings	2,900	(1,614)	1,286
Equipement and machinery	5,326	(3,267)	2,058
Work in progress	301	—	301
Other	2,397	(1,587)	810
	11,002	**(6,470)**	**4,532**

	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
	(in millions of euros)					
Land	98	(1)	97	84	(1)	83
Buildings	2,744	(1,563)	1,182	1,938	(1,083)	855
Equipement and machinery	5,237	(3,207)	2,030	5,532	(3,310)	2,221
Work in progress	315	—	315	284	—	284
Other	2,218	(1,374)	844	2,168	(1,367)	801
	10,613	**(6,145)**	**4,468**	**10,005**	**(5,762)**	**4,244**

The buildings are principally composed of the hosting of technical sites, buildings and their respective fittings. Technical equipment principally includes network equipment (radio, switching, network administration, network core) and transmissions.

Work in progress, among other things, equipment and network infrastructures.

10.2. Net Changes in Property, plant and equipment

Analysis of the changes in Property, plant and equipment is as follows:

	2013	2012	2011
	(in millions of euros)		
Opening balance	**4,468**	**4,244**	**4,041**
Amortization and write-off	(932)	(868)	(914)
Acquisitions/Increase	1,079	1,080	1,127
Disposal	(21)	(17)	(15)
Changes in combination scope	(61)	12	(1)
Other	(2)	17	6
Closing balance	**4,532**	**4,468**	**4,244**

10.3. Breakdown of Depreciation and Impairment Losses

The changes in depreciation and impairment losses are included by destination in the various components of the operating income.

Note 10. Tangible Assets

They concern:

	2013	2012	2011
	(in millions of euros)		
Buildings	(118)	(115)	(124)
Equipment and machinery	(395)	(393)	(420)
Other property, plant and equipment	(419)	(361)	(369)
	(932)	**(868)**	**(914)**

10.4. Property, plant and equipment held under finance leases

The breakdown of property, plant and equipment held under finance leases is as follows:

	2013	2012	2011
	(in millions of euros)		
Lands	5	5	5
Buildings	90	90	90
Technical plant, machinery and equipment	176	176	176
Property, plant and equipment held under finance leases	**270**	**270**	**270**

The minimum future lease payments for Property, plant and equipment held under finance leases is detailed as follows:

	2013	2012	2011
	(in millions of euros)		
Under one year	3	4	9
Two to five years	7	8	12
Over five years	1	3	4
Minimum future lease payments	**11**	**15**	**25**

Note 11. Equity-Accounted Affiliates

11.1. Main Equity-Accounted Affiliates

	2013	2012	2011
	(in millions of euros)		
Numergy[(a)]	95	103	—
La Poste Telecom[(b)]	—	—	17
Other associates	23	19	24
Associates	**119**	**123**	**41**
Synerail[(c)]	—	—	—
Foncière Rimbaud[(d)]	33	15	7
Joint ventures	**33**	**15**	**7**
	152	**138**	**49**

(a) SFR, Bull and the Caisse des Dépôts created the company Numergy, which offer secure IT infrastructures capable of hosting remotely accessible and secure data and applications, i.e."cloud computing" services (cf. Note 2—Changes in consolidation scope). Only 25% of the Group's share (in the total amount of €105 million), has been paid up. The remaining unpaid portion was recognized as Liabilities in the amount of €79 million (cf. Note 22—Other current and non-current liabilities).

(b) SFR and La Poste created La Poste Telecom, holding 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) in the retail market under the La Poste Mobile brand name (cf. Note 2—Changes in Consolidation scope). The negative value of the equity-accounted associated of La Poste Telecom was recognized at zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €14 million at end 2013.

(c) On February 18, 2010, a consortium formed with SFR, Vinci and AXA (each at 30%) and TDF (10%) signed the GSM-R public/private partnership agreement with Réseau Ferré de France. This agreement, of a duration of 15 years and a total amount of €1 billion, covers the financing, construction, operation and maintenance of a digital telecommunications network that enables to conference mode communications (voice and data) between train drivers and team on the ground. It will be rolled out progressively over 14,000 km of conventional and high-speed railway lines in France. The negative value of the equity-accounted associated of Synerail was recognized at reduced to zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €5 million at end 2013.

(d) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four equally owned joint subsidiaries, Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4, within the framework of construction of the registered office of SFR in Saint-Denis. This project, which may change over time, will be undertaken in two stages, and works will be staggered until the end of 2015. The first stage of buildings (surface area of 74,000 m^2) carried by Foncière Rimbaud 1 and Foncière Rimbaud 2 was delivered at end 2013. The second stage carried by Foncière Rimbaud 3 and Foncière Rimbaud 4 is under construction.
Foncière Rimbaud 3 and 4, which used to be fully consolidated, have been equity-accounted since April 2013.

The group % interests of these main equity-accounted affiliates are indicated in Note 27—List of combined entities.

11.2. Condensed Financial Information

The condensed financial information relative to equity-accounted affiliates is presented in the following tables.

	Numergy		La Poste Telecom		
	2013	2012	2013	2012	2011
	(in millions of euros)				
Revenues	1	—	147	141	76
Net Income[(a)]	(18)	(3)	(19)	(19)	(62)
Total Equity	204	222	(62)	(43)	(24)
Cash (−)/Net debt (+)	(20)	(56)	48	34	27
Total assets	208	228	36	42	58

(a) Including depreciation of the goodwill of La Poste Telecom recorded in 2011 but communicated to SFR post its consolidation process (€27 million).

	Synerail	
	2013	2012
	(in millions of euros)	
Revenues	153	119
Net Income	2	1
Total Equity	(16)	(26)
Cash (−)/Net debt (+)	288	148
Total assets	344	221

Note 12. Other Current and Non-Current Assets

	2013	2012	2011
	(in millions of euros)		
Non-current operating assets	**79**	**78**	**1**
Advances to equity-accounted and non-combined companies	65	38	34
Non-combined equity securities	12	13	20
Other[(a)]	29	32	94
Non-current financial assets	**106**	**83**	**148**
Total other non-current assets	**185**	**161**	**149**
Other current assets	**2**	**2**	**2**

(a) In 2011, included €53 million related to deposits as guarantee of pre-financing of the arrangement fees for QTE lease/sub- lease agreements set up in 2001 by Neuf Cegetel. The latest QTE contract was early repaid in December 2012.

Note 13. Inventories

	2013	2012	2011
	(in millions of euros)		
Inventories of handsets and accessories	259	256	364
Other	2	7	13
Inventories—gross value	**262**	**263**	**377**
Total depreciations	**(22)**	**(18)**	**(21)**
Inventories—net value	**240**	**245**	**356**

The handset inventories include handsets under consignment with distributors in the amount of €122 million in 2013 (€132 million in 2012 and €151 million in 2011).

Note 14. Trade Accounts Receivable and Other Receivables

	2013	2012	2011
	(in millions of euros)		
Accounts receivable	2,147	2,225	2,349
Bad debt allowance[(a)]	(465)	(477)	(398)
Net accounts receivable	**1,681**	**1,748**	**1,951**
Receivables from suppliers	228	276	283
Employee and tax receivables[(b)]	529	407	681
Prepaid expenses	103	105	88
Income taxes	3	6	7
Other receivables	14	0	4
Total account receivable and other receivables	**2,558**	**2,544**	**3,015**

(a) The Group considers that there is no significant uncollectibility risk for unprovisioned overdue receivables (refer to Note 23.6—Credit and counterparty risks—paragraph "Accounts receivable and other receivables").

(b) At end 2013, employee and tax receivables were principally made up of the following elements:

- Value-added tax: €355 million
- Territorial economic tax (CET): €71 million
- Tax on electronic communications (TCE—Copé): €61 million
- Tax on television services (TST—COSIP): €26 million

Note 15. Cash and Cash Equivalents

	2013	2012	2011
	(in millions of euros)		
Cash	297	187	165
Cash equivalents	98	79	63
Cash and cash equivalents	**394**	**267**	**228**

Note 16. Information on Equity

Dividends paid to shareholders during financial years 2011, 2012 and 2013:

The dividends paid for financial year 2010 amounted to €1,000 million. These dividends were paid in the form of an interim dividend in January 2011.

The dividends paid for financial year 2011 amounted to €1,423 million. These dividends were paid in the form of an interim dividend in June 2011 in the amount of €454 million, and the balance in April 2012 in the amount of €968 million.

The dividends paid for financial year 2012 amounted to €982 million. These dividends were paid in March 2013.

The Group does not plan to distribute dividends for financial year 2013.

Management of capital risk:

The financial structure of the Group comprises borrowing and financial debts, cash and cash equivalents and equity, which includes reserves and equity attributable to non-controlling interests as detailed in the statement of change of equity.

Note 17. Remunerations based on Equity Instruments

17.1. Plans allocated by Vivendi to Employees of SFR

17.1.1. Characteristics of the Various Plans Allocated by Vivendi

Vivendi has granted several share-based compensation plans founded on the Vivendi share and intended for employees of SFR.

During 2012 and 2011, Vivendi granted stock option and performance share plans, wherever the fiscal residence of the beneficiaries and bonus share plan for employees of all the group's French subsidiaries.

In 2013, the Supervisory Board decided, upon the recommendation of the Management Board and General Management and the advice of the Human Resources Committee, that all grants would be made in the form of performance shares, wherever the fiscal residence of the beneficiaries.

In addition, in 2013, 2012 and 2011, Vivendi granted stock purchase plans to its employees and retirees (employee stock purchase and leveraged plans).

The accounting methods applied to value and recognize these granted plans are described in Note 1.3.18—Remunerations paid in shares. More specifically, the risk-free interest rate applied is the rate of French "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date, and the expected dividend yield at grant date is based on Vivendi's dividend distribution policy.

As a reminder, the volatility applied in valuing the stock option plans granted by Vivendi in 2012 and 2011 was calculated as the weighted average of (a) 75% of the historical volatility of Vivendi shares computed on a 6.5- year period and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more.

Instruments settled by the issuance of shares

The definitive grant of equity-settled instruments, excluding the 2012 bonus share plan, is subject to the satisfaction of performance conditions. Such performance conditions include an external indicator, thus following AFEP and MEDEF recommendations. The objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee.

The value of the equity-settled instruments is estimated and set at grant date. For the main 2013, 2012 and 2011 performance share, stock option and bonus share plans, the applied assumptions were as follows:

	2013	2012	2011	
Date of grant	February 22	July 16[a]	April 17	April 13
Data at grant date:				
Option strike price (in euros)[b]	N/A	N/A	13.63	19.93
Share price (in euros)	14.91	15.75	12.53	20.56
Expected volatility	N/A	N/A	27%	25%
Expected dividend yield	6.71%	6.35%	7.98%	7.30%
Performance conditions achievement rate[c]	100%	N/A	100%	100%

N/A: not applicable.

(a) Vivendi granted 50 bonus shares to the employees of all the group's French subsidiaries, including SFR (refer to *infra*).

(b) In accordance with legal requirements, the number and strike price of stock options, as well as the number of performance shares in connection with outstanding plans, were adjusted to take into account the impact, for the beneficiaries of the following distributions by a withdrawal from reserves:

– on May 9, 2012: grant to each shareholder of one bonus share per 30 shares held; and

– on May 17, 2013: dividend distribution with respect to fiscal year 2012.

These adjustments have no impact on share-based compensation expense related to the relevant stock option and performance share plans.

(c) Since 2012, achievement of the objectives underlying the performance conditions has been assessed over two years (each year over two years for the plans allocated in 2011). The final grant is effective according to fulfillment of the following performance criteria:

– internal indicator (70%): EBITA margin as a function of the cumulative income from the past two fiscal years, for the plans allocated in 2013 and 2012 (compared to the adjusted net income (45%), and cash flow from operations (25%) for the plans allocated in 2011);

– external indicators (30%): performance of Vivendi's share price over two years, according to the Dow Jones Stoxx Telecom index (21% for plans allocated in 2013 and 2012, compared to 18% for the plans allocated in 2011) and according to the Media index comprised of a pre-established panel (9% for plans allocated in 2013 and 2012, compared to 12% for plans allocated in 2011).

– The definitive grant of stock options and performance shares of April 17, 2012 became effective as of December 31, 2013. The acquisition of these instruments is conditional upon active employment at the vesting date.

With regard to stock options and performance shares of April 13, 2011, the final grant became effective as of December 31, 2012.

Performance share plans based on the value of Vivendi

Performance shares granted in 2013, 2012 and 2011 will vest at the end of a two-year period. The compensation cost is therefore recognized on a straight-line basis over the vesting period. Performance shares are available at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders are entitled to the dividends and voting rights attached to these shares from the end of the two-year vesting period. The recognized compensation cost corresponds to the value of the equity instruments received by the beneficiary, and is equal to the difference between the fair value of the shares to be received and the discounted value of dividends that were not received over the vesting period.

On February 22, 2013, 717,000 performance shares were granted, compared to 552,000 granted on April 17, 2012 and 492,000 granted on April 13, 2011. After taking account of a discount for non-transferability, 8.3% of the share price as of February 22, 2013 (7.1% as of April 17, 2012 and 4.5% as of April 13, 2011), the fair value of each granted performance share was €11.79, as compared with €9.80 per share as of April 17, 2012 and €16.84 as of April 13, 2011, corresponding to a global fair value of €8 million (€5 million in 2012 and €8 million in 2011).

Stock option plans based on the value of Vivendi

Stock options granted in 2012 and 2011 will vest at the end of a three-year period and expire at the end of a ten-year period (with a 6.5 year expected term) and the compensation cost determined at grant date is recognized on a straight-line basis over the vesting period. In 2013, Vivendi did not grant any stock options. On April 17, 2012, 495,000 stock options were granted, compared to 610,000 options on April 13, 2011. After taking into account a 2.35% risk-free interest rate (3.21% in 2011), the fair value of each option granted was €0.96 (compared to €2.16 per option as of April 13, 2011), corresponding to a global fair value of €0.5 million (€1.3 million in 2011).

Free allocation plan of 50 shares

On July 16, 2012, Vivendi granted a 50 bonus share plan per employee of all the group's French subsidiaries, including SFR. These shares will be issued at the end of a two-year period, i.e., July 17, 2014, subject to the employee being in active employment at this date and without any performance conditions. The compensation cost is therefore recognized on a straight-line basis over this period. The shares will only be available after another two-year period. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders will be entitled to the dividend and voting rights relating to these shares from the end of the two year vesting period.

On July 16, 2012, 500,000 bonus shares were granted. After taking into account a discount for non-transferability of 9.3% of the share price on July 16, 2012, the fair value of each granted bonus share was €12.40, a total of €6 million.

Employee stock purchase and leveraged plans subscribed by the employees of SFR

Vivendi also maintains share purchase plans (stock purchase and leveraged plans) that allow substantially all of SFR employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain sale or transfer restrictions, may be purchased by employees with a maximum discount of 20% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of approval of the share capital increase by the Management Board (purchase date). The difference between the subscription price of the shares and the share price on the date of grant (corresponding to the subscription period closing date) represents the benefit granted to the beneficiaries. Furthermore, Vivendi applies a discount for non- transferability in respect of the restrictions on the sale or transfer of the shares during a five-year period, which is deducted from the benefit granted to the employees. The value of the stock purchase plans granted is estimated and fixed at the grant date.

For the employee stock purchase and leveraged plans subscribed in 2013, 2012 and 2011, the applied valuation assumptions were as follows:

For the Group savings plans and leverage plans subscribed in 2013, 2012 and 2011, the valuation assumptions used are as follows:

	2013	2012	2011
Grant date	June 28	June 25	June 23
Subscription price (in euros)	12.10	10.31	15.27
Data at grant date:			
Share price (in euros)	14.55	13.57	18.39
Discount to face value	16.82%	24.02%	16.97%
Expected dividend yield	6.87%	7.37%	8.16%
Risk-free interest rate	1.19%	1.37%	2.44%
5-year interest rate in fine	6.08%	6.51%	6.15%
Repo rate	0.36%	0.36%	0.36%

Under the employee stock purchase plans 1,505,000 shares were subscribed in 2013 (compared to 1,541,000 shares in 2012 and 1,381,000 shares in 2011). After taking into account a 15.2% discount for non-transferability to the share price on the grant date (15.3% in 2012 and 10.0% in 2011), the fair value per subscribed share on June 28, 2013 was €0.24, compared to €1.18 per share subscribed on June 25, 2012 and €1.28 per share subscribed on June 23, 2011.

Under the leveraged plans, virtually all employees and retired employees of SFR were entitled to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.

In 2013, 6,225,000 shares were subscribed under the leverage plan (compared to 6,591,000 shares subscribed in 2012 and 4,537,000 shares subscribed in 2011). After taking into account a 1.5% discount for non-transferability measured after the leveraged impact (unchanged in relation to 2012 and 1.0% in 2011), the fair value per share subscribed on June 28, 2013 amounted to €2.23, compared with €3.05 per share subscribed on June 25, 2012 and €2.94 per share subscribed on June 23, 2011.

In 2013, the charge recognized with respect to employee stock purchase and leveraged plans amounted to €14 million (as compared with €22 million in 2012 and €15 million in 2011).

17.1.2. Information on outstanding SFR Plans Based on the Value of Vivendi since January 1, 2011

Equity-settled instruments

	Stock options		Performance shares
	Number of outstanding stock options	Weighted average strike price of outstanding stock options	Number of outstanding performance shares
	(in thousands)	(in euros)	(in thousands)
Balance as of December 31, 2010	**12,688**	**21.6**	**538**
Granted	645	19.9	502
Exercised	(25)	13.9	(152)
Cancelled	(377)	20.3	(42)
Balance as of December 31, 2011	**12,931**	**21.5**	**846**

Granted	495	13.6	552
Exercised	(94)	13.0	(344)
Cancelled	(82)	18.3	(32)
Adjusted	460	20.6	36
Balance as of December 31, 2012	**13,710**	**20.6**	**1,058**
Granted	—	N/A	817
Exercised	(734)[(a)]	14.2	(496)
Forfeited	(85)	12.2	—
Cancelled	(16)	18.2	(6)
Adjusted	1,390	19.4	114
Balance as of December 31, 2013	**14,265**[(b)]	**19.7**	**1,487**[(c)]
Exercisable as of December 31, 2013	***12,913***	***20.2***	**—**
Acquired as of December 31, 2013	***12,913***	***20.2***	**—**

N/A: not applicable

(a) The weighted average share price for Vivendi shares at the dates of exercise for the options was €16.71 (compared to €16.50 for stock options exercised in 2012 and €20.85 for the stock options exercised in 2011).

(b) The total intrinsic value of outstanding stock options was €17 million.

(c) The weighted-average remaining period before issuing shares was 0.8 years.

Regarding the grant of 50 bonus shares in 2012, the remaining number of bonus shares was 455,000 as of December 31, 2013 (474,000 as of December 31, 2012). During 2013, 19,000 shares were cancelled (26,000 in 2012).

Note 17. Remunerations based on Equity Instruments

Information on stock options as of December 31, 2013 is as follows:

	Outstanding stock options			Vested stock options	
Range of strike price	**Number**	**Weighted average strike price**	**Weighted average remaining contractual life**	**Number**	**Weighted average strike price**
	(in thousands)	**(in euros)**	**(in years)**	**(in thousands)**	**(in euros)**
Under €15	624	13.6	8.6	—	—
€15-€17	3,613	16.8	5.7	3,613	16.8
€17-€19	3,107	17.6	2.2	2,379	17.5
€19-€21	1,944	20.0	1.3	1,944	20.0
€21-€23	1,613	21.3	4.3	1,613	21.3
€23-€25	1,771	24.1	2.3	1,771	24.1
€25-€27	1,593	26.1	3.3	1,593	26.1
Over €27	—	—	—	—	—
	14,265	**19.7**	**3.6**	**12,913**	**20.2**

17.2. Impact on Income Statement

	2013	2012	2011
	(in millions of euros)		
Stock options, performance shares and bonus shares	*12.3*	*9.7*	*7.8*
Employee stock purchase plan	*14.2*	*21.9*	*15.1*
Charges/(income) relative to compensation based on equity-settled instruments	**26.5**	**31.6**	**22.9**

Note 18. Provisions

	2013					
	Opening Balance	**Allocations**	**Utilization**	**Recoveries and changes of estimates**	**Other changes**	**Closing Balance**
	(in millions of euros)					
Staff benefit schemes[(a)]	72	7	(10)	—	8	76
Restructuring[(b)]	170	67	(152)	(1)	—	85
Site renovation costs[(c)]	65	4	(4)	—	(4)	61
Litigation and other[(d)]	274	127	(53)	(86)	6	269
Provisions	**581**	**205**	**(218)**	**(87)**	**10**	**491**
Current provisions	*408*	*195*	*(185)*	*(86)*	*3*	*335*
Non-current provisions	*173*	*11*	*(34)*	*(1)*	*7*	*156*

(a) Staff benefit schemes: refer to Note 19—Post- employment benefits

(b) Restructuring: refer to Note 4.2—Other operating income and expenditure

(c) Site renovation costs: the Group is required to renovate the technical sites of its network upon expiry of the lease, in the event of its non-renewal or in the event of early termination.

(d) Litigation and other: this includes, among other things, provisions whose amount and type are not detailed because their disclosure could harm the Group. The provisions made for litigation cover the risks relating to contentious proceedings instigated against the Group. All provisioned litigation is currently awaiting a hearing or pleadings before a court. The unused part of the provisions recognized at opening corresponds to litigations which have been settled with sums, paid by the Group, that are lower than those provisioned.

The tables of the previous financial years are presented below:

	2012					
	Opening Balance	**Allocations**	**Utilization**	**Recoveries and changes of estimates**	**Other changes**	**Closing Balance**
	(in millions of euros)					

Staff benefit schemes	50	7	(0)	(1)	15	72
Restructuring	9	170	(0)	—	(8)	170
Site renovation costs	55	3	(3)	—	10	65
Litigation and other	259	89	(30)	(60)	16	274
Provisions	**372**	**271**	**(33)**	**(61)**	**32**	**581**
Current provisions	*236*	*256*	*(30)*	*(54)*	—	*408*
Non-current provisions	*137*	*14*	*(3)*	*(7)*	*32*	*173*

	2011					
	Opening Balance	**Allocations**	**Utilization**	**Recoveries and changes of estimates**	**Other changes**	**Closing Balance**
	(in millions of euros)					
Staff benefit schemes	45	6	(0)	(1)	0	50
Restructuring	1	—	(1)	(6)	14	9
Site renovation costs	49	3	(2)	—	4	55
Litigation and other	271	92	(40)	(63)	(1)	259
Provisions	**366**	**101**	**(43)**	**(69)**	**17**	**372**
Current provisions	*260*	*56*	*(31)*	*(52)*	*3*	*236*
Non-current provisions	*106*	*45*	*(11)*	*(17)*	*14*	*137*

Note 19. Post-Employment Benefits

All employees of the Group benefit from severance pay in accordance with the collective agreement of the company to which they are attached.

19.1. Assumptions used for Evaluation

The actuarial debt is evaluated using the following assumptions:

	2013	**2012**	**2011**
Discount rate	3.00%	3.25%	4.50%
Salary increase rate	2.75%	2.75%	2.75%

The demographic assumptions are specific to each company. The discount rate is based on the "iBoxx € Corporates AA" rate.

The proceeds of interest on the hedging assets are determined on the basis of the discount rate.

These hedging assets are invested in the general fund Cardif, which is principally composed of bonds.

19.2. Analysis of Net Benefit obligation under Pensions and Post retirement Benefits

The analysis of the change in net benefit obligations is presented in the tables below:

Changes in the value of Benefit obligations

	2013	**2012**	**2011**
	(in millions of euros)		
Benefit obligation at the beginning of the year	73	52	48
Current services cost	7	5	5
Interest cost	2	2	2
Benefits for the period	(0)	(0)	(1)
Scheme reduction(a)	(12)	(1)	—
Settlement	—	—	(0)
Curtailment	—	—	(1)
Actuarial differences (profits)/losses	7	15	(0)
Benefit obligation at the end of year	**77**	**73**	**52**
Including commitments not financed	*76*	*71*	*50*
Including commitments totally or partially financed	*0*	*2*	*2*

(a) The scheme reduction of €12 million in 2013 corresponds to the impact of the voluntary redundancy scheme launched by SFR in 2012 (refer to Note 4.2—Other operating income and expenditure).

Changes to fair value of plan assets

	2013	2012	2011
	(in millions of euros)		
Fair value of plan assets at start of year	3	3	3
Benefits paid by the fund	—	—	(1)
Actuarial differences (profits)/losses on return	—	0	—
Return expected from the hedge funds	0	0	0
Fair value of plan assets at end of year	**3**	**3**	**3**

Net liabilities recorded

	2013	2012	2011
	(in millions of euros)		
Net liabilities recorded at start of year	(70)	(49)	(45)
Expenditure for the period	(9)	(7)	(5)
Benefits reducing commitment	0	0	0
Scheme reduction	12	1	—
Scheme settlement	—	—	0
Actuarial differences profits/(losses) in overall earnings	(7)	(15)	0
Net liabilities recorded at end of year	**(74)**	**(70)**	**(49)**

Value of commitments, fair value of assets and financial sub-hedge over 3 financial years

	2013	2012	2011
	(in millions of euros)		
Value of commitments	77	73	52
Fair value of plan assets	3	3	3
Financial sub-hedge	**74**	**70**	**49**

Sensitivities to the discount rate

An increase of 50 base points to the discount rate expected in 2013 (or a fall of 50 base points) would be reflected in a reduction in the commitment of €7 million (or an increase of €7 million).

19.3. Analysis of the Expenditure Recorded on the Income Statement

Expenditure recorded for defined benefit schemes can be broken down as follows:

	2013	2012	2011
	(in millions of euros)		
Current service cost	7	5	5
Interest costs	2	2	2
Expected return on plan assets	(0)	(0)	(0)
Past services cost	—	—	(1)
Expenditure for the financial year	**9**	**7**	**5**
Scheme reduction	(12)	(1)	—
Scheme settlement	—	—	(0)
Total expenditure	**(3)**	**6**	**5**

19.4. Actuarial Differences Recorded in Overall Earnings

	2013	2012	2011
	(in millions of euros)		
Actuarial differences from experience	1	—	2
Actuarial differences from assumptions	6	14	(2)
Actuarial differences recorded in overall earnings	**7**	**15**	**—**
Actuarial differences accumulated in equity	**21**	**14**	**—**

The amount of the 2013 actuarial differences relative to the hedging assets is not significant. The amount relative to the commitments is detailed as follows:

	Total	Commitment	
	(in millions of euros)		
Actuarial differences from experience	1	1	1.0%
Actuarial differences from assumptions	6	6	7.7%
Total	**7**	**7**	

Note 19. Post-Employment Benefits

19.5. Allocation of pension plan assets

The allocation of plan assets is presented in the table hereunder:

	2013	2012	2011
Shares	12.6%	11.4%	11.8%
Bonds	80.7%	78.2%	81.5%
Real estate	6.7%	6.5%	6.1%
Other	0.0%	3.9%	0.6%
Total	**100.0%**	**100.0%**	**100.0%**

Apart from real estate investments, all these assets are exchange-listed.

19.6. Schedule of Post-Employment Benefits

The estimated amount (in nominal value) of the benefits to be paid in the next ten years is as follows:

	Under one year	Two to five years	Six to ten years	Total
	(in millions of euros)			
Estimated benefits payable	0	2	12	**14**

Note 20. Borrowing and Financial Debt

20.1. Analysis of the Expenditure Recorded on the Income Statement

	2013	2012	2011
	(in millions of euros)		
Shareholder debt[(a)]	1,200	1,200	3,700
Bond loan[(b)]	—	300	300
Securitization of receivables[(c)]	—	—	422
Debt relative to finance leasing	8	11	15
Other financial debt	40	50	53
Non-current borrowing and financial debt	**1,248**	**1,561**	**4,490**
Shareholder debt[(a)]	7,472	6,409	1,761
Bond loan[(b)]	300	—	996
Bank loan	50	66	48
Debt relative to finance leasing	3	4	9
Other financial debt[(d)]	20	27	83
Current borrowing and financial debt	**7,846**	**6,506**	**2,896**
Borrowing and financial debt	**9,094**	**8,067**	**7,385**

(a) Shareholder debt: this category corresponds to the financial debt contracted with Vivendi in the form of:

– cash current account: this is an advance on current account granted to the Group by Vivendi in June 2011. This facility was drawn respectively to the level of €7.5 billion, €4.9 billion and €1.8 billion as of December 31, 2013, 2012 and 2011. This advance is denominated almost entirely in euros. The interest rate, which was fixed in accordance with market conditions, has remained fixed since January 1, 2013 (2.79%);

– shareholder loan: these are loans or credit facilities entered into between the Group and Vivendi:

○ The Revolving Credit facility entered into in January 2011 for €1 billion, bearing interest at the Euribor rate + 2.5%, matured in 2012,

○ The Revolving Credit facility in the sum of €1.5 billion, entered into in June 2009 at the Euribor interest rate + 2.5%, matured in June 2013,

- ○ The loan entered into in December 2011 for €1.2 billion, bearing interest at the Euribor rate + 0.825%, maturity of which is June 2015, was still in force as of December 31, 2013;

(b) Bond loan (net of amortized cost): The Group issued a bond loan of €300 million in July 2009, maturity of which is July 9, 2014, bearing interest at the rate of 5%. Another loan, resulting from several bond issues from 2005 to 2009 for a total of €1 billion, was repaid in full upon maturity in July 2012.

(c) A receivables securitization program was set up in 2011. This program was settled ahead of the original due date in June 2012.

(d) The commercial papers were repaid in full in 2012.

20.2. Breakdown by Interest Rate Type of the Repayment Value of Borrowing and Financial Debt

	2013		2012		2011	
			(in millions of euros)			
Breakdown by type of interest rate:						
Fixed interest rate (after hedge)	7,769	85%	300	4%	1,296	18%
Variable interest rate	1,324	15%	7,767	96%	6,090	82%
Total	**9,094**		**8,067**		**7,385**	

20.3. Breakdown by Maturity of Future Cash Flow linked to Borrowing and Financial Debt

The table below is a schedule of the contractual cash flow of borrowing and financial debt, including interest coupons, on a non-discounted basis. The interest payable is calculated on the basis of the debt as of December 31, 2013. The variable interest rates are the rates applicable as of December 31, 2013.

The effective annual percentage rate over the year 2013 is 2.80%.

		2013		
		Schedule of repayments		
	Book value	Under one year	Two to five years	Over five years
		(in millions of euros)		
Shareholder debt	8,672	7,472	1,200	—
Bond loan	300	300	—	—
Borrowing relative to leasing	11	3	6	2
Other financial debts	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

Note 21. Trade Accounts Payable and Other Payables

	2013	2012	2011
	(in millions of euros)		
Trade accounts payable	2,878	2,943	3,114
Customer's credit balances	622	512	478
Tax and social contributions[(a)]	846	1,028	1,100
Short term prepaid income	524	630	710
Income tax	3	9	6
Other	1	13	4
Trade accounts payable and other payables	**4,874**	**5,136**	**5,412**

(a) As of the end of 2013, tax and social contributions can be broken down principally into the following elements:

- Value-added tax payable: €331 million
- Social contributions: €338 million
- Territorial economic tax (CET): €77 million
- Tax on electronic communications (TCE—Copé): €54 million

– Tax on television services (TST—COSIP): €24 million

Note 22. Other Current and Non-Current Liabilities

	2013	2012	2011
	(in millions of euros)		
Deferred income	309	339	346
GSM license	136	154	172
Uncalled share capital (Numergy)	63	63	—
Other[(a)]	33	41	114
Other non-current liabilities	**540**	**597**	**633**
Uncalled share capital (Numergy)	16	16	—
Other current liabilities	1	1	3
Other current financial liabilities	**17**	**17**	**3**

(a) In 2011, includes €53 million QTE settled early in December 2012 (refer to Note 12—Other current and non-current assets).

Note 23. Financial Instruments

23.1. Fair Value of Financial Instruments Recorded in the Balance Sheet and Accounting Categories

The table below presents the net carrying value by category and the fair value of the Group's financial instruments as of December 31, of each year.

	2013							
	Note	Assets/liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets/liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
				(in millions of euros)				
Assets								
Other non-current financial assets	12	8	12	86			106	106
Derivative instruments	12					2	2	2
Other current financial assets	12	0					0	0
Other non-current operating assets	12				79		79	79
Trade accounts receivable and other	14				2,558		2,558	2,558
Cash and cash equivalents	15	394					394	394
Liabilities								
Non-current borrowings and financial debts	20				1,248		1,248	1,248
Current borrowings and financial debts	20				7,844		7,844	7,851
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				4,874		4,874	4,874
Other non-current liabilities	22				540		540	540
Other current financial liabilities	22				17		17	17

For the record, as of December 31, 2012

	Note	2012 Assets/liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets/liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
					(in millions of euros)			
Assets								
Other non-current financial assets	12	8	13	63			83	83
Derivative instruments	12					2	2	2
Other current financial assets	12	1					1	1
Other non-current operating assets	12				78		78	78
Trade accounts receivable and other	14				2,544		2,544	2,544
Cash and cash equivalents	15	267					267	267
Liabilities								
Non-current borrowings and financial debts	20				1,561		1,561	1,578
Current borrowings and financial debts	20				6,505		6,505	6,505
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				5,136		5,136	5,136
Other non-current liabilities	22				597		597	597
Other current financial liabilities	22				17		17	17

For the record, as of December 31, 2011

	Note	2011 Assets/liabilities at fair value through earnings	Available-for-sale securities	Loans and receivables	Assets/liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
					(in millions of euros)			
Assets								
Other non-current financial assets	12	8	20	120			148	148
Derivative instruments	12					0	0	0
Other current financial assets	12	2					2	2
Other non-current operating assets	12				1		1	1
Trade accounts receivable and other	14				3,015		3,015	3,015
Cash and cash equivalents	15	228					228	228
Liabilities								
Non-current borrowings and financial debts	20				4,490		4,490	4,504
Current borrowings and financial debts	20				2,895		2,895	2,907
Derivative instruments	20							
Commitments to purchase non-controlling interests	12	1					1	1
Trade accounts payable and other	21				5,412		5,412	5,412
Other non-current liabilities	22				633		633	633

Other current financial liabilities	22	3	3	3

The carrying value of the operating receivables and other, cash and cash equivalents and trade accounts payable and other is a reasonable approximation of fair value, due to the short maturity of these instruments.

The fair value of the borrowings and financial debts is calculated either from the market price for the bond loan or, for the rest of the debt, by discounting future contractual flows, taking account of market conditions as of December 31 each year.

Valuation method for financial instruments at fair value on the balance sheet

In compliance with IFRS 7, financial assets and liabilities at fair value are classified according to a fair value hierarchy at fair value of the financial instruments (level 1 to 3) as follows:

- the fair value of financial instruments exchanged in active markets (for example monetary UCITS) is based on the market price listed on the date of closure. This valuation method is described as level 1 in the hierarchy defined by IFRS 7;

- the fair value of financial instruments not traded in active markets (for example rate swaps) is determined using valuation techniques. The assumptions used can be observed either directly (i.e. such as prices) or indirectly (i.e. determined from prices). This valuation method is described as level 2 in the hierarchy defined by IFRS 7;

- the fair value of the instruments classified in level 3 (for example, available—for-sale securities) is determined using a valuation technique not based on observable market data.

The tables below present the method of valuation used for the financial assets and liabilities at fair value as of December 31, of each year.

	2013			
	Fair value	**Level 1**	**Level 2**	**Level 3**
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	20	8		12
of which cash management assets	*8*	*8*		
available-for-sale securities	*12*			*12*
Derivative instruments	2		2	
Other current financial assets	0	0		
Cash and cash equivalents	394	394		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2012

	Fair value	**Level 1**	**Level 2**	**Level 3**
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	21	8		13
of which cash management assets	*8*	*8*		
available-for-sale securities	*13*			*13*
Derivative instruments	2		2	
Other current financial assets	1	1		
Cash and cash equivalents	267	267		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2011

	Fair value	**Level 1**	**Level 2**	**Level 3**
	(in millions of euros)			
Financial assets at fair value				
Other non-current financial assets	28	8		20

of which cash management assets	*8*	*8*		
available-for-sale securities	*20*			*20*
Derivative instruments	0		0	
Other current financial assets	2	2		
Cash and cash equivalents	228	228		
Financial liabilities at fair value				
Derivative instruments				
Commitments to purchase non-controlling interests	1			1

23.2. Management of Financial Risks and Derivative Financial Instruments

As part of its business, the Group is exposed to several types of financial risks: market risk, credit (or counterparty) risk and liquidity risk. Market risks are defined as the risks of fluctuation in future cash flow of financial instruments that depend on the changes in financial markets. For the Group, market risks may therefore primarily impact interest rates and foreign currency exchange positions, in the absence of significant investment in the stock markets.

As part of the Vivendi Group as of December 31, 2013, the Group follows group policy with regard to management of financial risks and derivative financial instruments, which is centrally managed by Vivendi's Financing and Treasury department.

The Group uses derivative instruments to manage its exposure to market risks. The valuation of these instruments is not significant over the periods presented.

Valuation linked to the credit risk of derivative instruments is calculated from historic probabilities of default, as resulting from the calculations of a leading ratings agency, to which a recovery rate is applied. As of December 31, 2013, the impact of the adjustment recommended by IFRS 13 was not significant.

23.3. Interest Rate Risk

The exposure of the Group to interest rate risk is linked to its net variable rate financial debt level.

As of December 31, 2013 and as of December 31, 2012, this exposure was not hedged by rate derivative instruments.

Sensitivity analysis to interest rate risk

Sensitivity analysis to interest rate changes for variable rate instruments was determined considering all variable rates of financial instruments. The analysis was conducted assuming that the amounts of debts and financial instruments on the balance sheet as of December 31, 2013 will remain constant over a year. For the purposes of this analysis, all other variables, particularly the exchange rates, are assumed to remain constant.

A change of 50 basis points in the interest rate on date of closure would have resulted in an increase (decrease) in the cost of debt of €7 million.

23.4. Foreign Exchange Risk

To hedge its currency purchases, related in particular to the acquisition of telecoms equipment, the Group uses forward contracts which it buys from the Financing and Treasury department of the Vivendi Group.

As of December 31, 2013, the Group held foreign exchange hedge instruments for a notional amount of 115 million US dollars (USD). All contracts are US dollar (USD) forward contracts with a maturity between 1 and 7 months.

The forward contracts are defined as cash flow hedges. Their ineffectiveness over the period is not significant.

The residual exposure of the Group after hedging the USD fluctuations is barely significant over the financial year. As of December 31, 2013, the exposure to foreign exchange risk on the balance sheet of the Group in USD amounts to 2 million, and is completely hedged.

Sensitivity analysis to foreign exchange risk

As of December 31, 2013, an instant change of 10% of the euro in relation to the dollar would, on the assets and liabilities recorded on the balance sheet, have quite a significant impact on the foreign exchange earnings of the Group. For the purposes of this analysis, all other variables, and in particular the interest rates, are assumed to remain constant.

23.5. Liquidity Risk

The Group manages the liquidity risk by continually supervising the cash flow projections and the actual cash flow. As of December 31, 2013, the financial flexibility of the Group was assured by the current account provided by Vivendi.

A liquidity schedule is detailed in Note 20.3—Breakdown by maturity of future cash flow linked to borrowings and financial debts.

23.6. Credit and Counterparty Risk

The main financial assets potentially generating a credit risk for the Group are:

- cash investments,
- trade accounts receivable and other .

The maximum exposure of the financial assets to the credit risk corresponds to their net carrying value.

Cash investments and derivative instruments

The Group makes its cash investments (monetary UCITS that meet the specifications of AMF position No. 2011-13, and other short-term highly liquid investments with an original maturity less than or equal to three months) with leading banking counterparties.

As of December 31, 2013:

- cash investments are made with counterparties enjoying high credit ratings,
- derivative instruments, forward purchases of dollars, were bought from Vivendi and not directly from banking partners.

Trade accounts receivable and other

The concentration of the counterparty risk related to trade accounts receivable is limited because the client portfolio of the Group is highly diversified and not concentrated, considering the large number of clients, in particular the Retail business, with several million individual customers.

With regard to the B2B business, the 20 main clients represent less than 3% of the Group's revenues.

With regard to the Wholesale business, revenues are more concentrated, with the biggest clients being telecommunications operators (such as Orange, Bouygues Telecom, Free Mobile) whose risk is moderate considering the interconnection flows equilibrium. Orange, the first client operator, is also the first supplier of the Group.

Note 24. Transactions with Related Parties

The related parties of the Group are:

- All companies included in the scope of combination, whether fully integrated or accounted for by the equity method,
- Vivendi S.A. and its consolidated entities (the "Vivendi Group"),
- The Vodafone Group up to June 16, 2011, when Vodafone sold its 44% holding in SFR to Vivendi S.A.,
- All members of the executive committee of SFR S.A.,

- All companies in which a member of the executive committee exercises control, participates in the joint control, exercises a significant influence, or is one of its principal directors.

The transactions between the companies fully integrated within the scope of combination were eliminated when preparing the combined accounts. The breakdown of operations between the Group and the other related parties is presented below.

Note 24. Transactions with Related Parties

24.1. Compensation of the Managers

The managers of the combined group include the members of the executive committee of its main entity SFR S.A.

The table below presents the compensation allocated to the people who were, upon closure or during the financial years presented members of the executive committee.

	2013	2012	2011
	(in millions of euros)		
Short-term benefits[(a)]	5	6	6
Post-employment benefits[(b)]	1	1	2
Share-based compensation[(c)]	3	4	3
Compensation of managers	**8**	**10**	**11**

(a) Includes gross salaries, fixed and variable compensations, profit sharing and benefits in kind recorded during the financial year. The variable part includes bonuses provisioned at closure of the financial year. The 2013 bonus for the corporate representatives will be finally approved later by the Supervisory Board of Vivendi S.A. at the recommendation of the Human Resources Committee of Vivendi S.A.

(b) Corresponds to the cost of services delivered.

(c) Expense recorded on the profit and loss account by way of share option plans and offers reserved to employees.

24.2. The Shareholder Companies and Joint Ventures

Shareholder companies and joint ventures, equity-accounted, are presented in Note 11—Equity-accounted securities.

Transactions with the related parties summarized below concern the principal current operations undertaken with shareholder companies and joint ventures.

	Affiliated companies			Joint ventures		
	2013	2012	2011	2013	2012	2011
	(in millions of euros)					
Assets	**66**	**54**	**52**	**53**	**24**	**22**
Non-current assets	—	—	—	43	18	17
Current assets	66	54	52	10	6	5
Liabilities	**80**	**79**	**15**	**5**	**—**	**—**
Current liabilities	18	16	15	5	—	—
Non-current liabilities	63	63	—	—	—	—
Net earnings	**67**	**76**	**77**	**21**	**20**	**17**
Operating income	67	76	77	25	20	17
Operating expenses	—	—	—	(4)	—	—
Off-balance sheet commitments	**56**	**79**	**70**	**569**	**319**	**303**
Operating	—	—	—	413	228	228
Financial	56	79	70	86	58	50
Pledges	—	—	—	70	34	25

The principal transactions with the equity-accounted companies are with:

– La Poste Telecom as part of telephony business,

– Numergy as part of services relative to “cloud computing”,

– Synerail as part of the GSM-R Public/Private Partnership,

– Foncière Rimbaud (1 to 4) with the Vinci Group as part construction of the registered office of SFR S.A.

(refer to Note 11—Equity-accounted securities)

24.3. The Historic Shareholders

From 2011 to 2013, the principal operations with the Vivendi Group and the Vodafone Group were as follows:

Financing by Vivendi S.A.

	2013	2012	2011
	(in millions of euros)		
Under balance sheet liabilities			
Shareholder debt[(a)]	8,673	7,609	5,461
On the profit and loss account			
Interest linked to shareholder debt	(212)	(170)	(87)

(a) The breakdown of the shareholder debt is presented in Note 20—Borrowings and financial debts.

Services billed by Vivendi S.A.

	2013	2012	2011
	(in millions of euros)		
Head office costs	(15)	(28)	(26)
Employee benefits	(26)	(32)	(23)
Staff on secondment	(7)	(6)	(6)
Services billed by Vivendi	**(48)**	**(66)**	**(55)**

Operations carried out with the Vodafone Group from January 1 to June 16, 2011

Cooperation with Vodafone: in 2003, Vodafone and SFR S.A. entered into an agreement which enabled them to intensify their cooperation and increase their scale economies in several areas: development and launch of new products and services, reinforcement of operating synergies, notably with regard to purchasing (notably IT and technology) and the sharing of expertise.

SFR S.A. recorded an expense of €21 million for this agreement as of June 30, 2011.

The cooperation agreement with Vodafone was maintained following Vodafone's exit from the share capital of SFR S.A., but no longer falls within the scope of affiliated operations.

Interconnection flow with subsidiaries of the Vodafone Group: as part of the rebilling of flow ("roaming in" and "roaming out"), on June 30, 2011 the Group recorded an income of €23 million and an expense of €13 million vis-à-vis the Vodafone Group.

Other operations undertaken with subsidiaries of the Vivendi Group

	2013	2012	2011
	(in millions of euros)		
Total income	25	24	13
Total expenses	(49)	(61)	(57)

The Canal +, UMG and Maroc Telecom Groups are consolidated within the Vivendi Group. These operations fall within the current business of the Group.

Note 25. Contractual Commitments

The significant contractual commitments made or received by the Group are detailed hereunder:

25.1. Commitments related to Fixed Assets

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €888 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

The schedule of these commitments is as follows:

Schedule

	Minimum future payments	Under one year	Two to five years	Over five years	2012	2011
	(in millions of euros)					
Commitments related to Public Service Concessions	72	27	22	23	262	336
Commitments related to MDPA[(a)]	216	19	99	99	8	—
Other investments[(b)]	600	582	19	—	702	1,776
Investment commitments	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the rollout of the FTTH (Fiber-To-The-Home) within the less dense areas.

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

25.2. Commitments related to the Telecommunications Licenses

Commitments given		**Amount**	**Maturity**
(a)	UMTS license on French territory	1% of revenues generated	2021-2030
(a)	GSM license on French territory	1% of revenues generated	2021
(a)	LTE license on French territory	1% of revenues generated	2031-2032
(b)	3G network coverage	Not costed	2013
(c)	4G network coverage	Not costed	2023-2027

Commitments received		**Amount**	**Maturity**
(a)	Network operating and telecommunications service provision authorizations on French territory	Not costed	2021/2032

(a) The Group is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE),
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(refer to Note 1.3.7—Intangible assets; Note 9—Intangible assets).

(b) On November 30, 2009, the ARCEP called on the Group to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the metropolitan population of 99.3%.

As of December 31, 2013, with 99.3% of the population covered, the Group had fulfilled its coverage obligations.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, the Group undertook to respect the rollout obligations for very high-speed mobile in accordance with the timeline below:

- 25% of the metropolitan population by 11 October 2015,
- 60% of the metropolitan population by 11 October 2019,
- 75% of the metropolitan population by 11 October 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by the Group.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, the Group was allocated 2*10 MHz in the 800 MHz band for the sum of €1,065 million. The commitments linked to this allocation are as follows:

- The Group undertook to fulfill the following obligations for rollout of very high-speed mobile:
- coverage of 98% of the metropolitan population by January 17, 2024 and 99.6% of the metropolitan population by January 17, 2027;

– coverage in the priority rollout area (around 18% of the metropolitan population and 63% of the territory): the Group must cover 40% of the population of this priority rollout area by January 17, 2017 and 90% of the population of this same area by January 17, 2022;

– departmental coverage: the Group must cover 90% of the population of each French département by January 17, 2024 and 95% of the population of each département by January 17, 2027.

– SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority rollout area.

– The Group has an obligation to host Free Mobile roaming in the priority rollout area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.

– The Group must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the “white areas” program (above 98% of the population) within a maximum period of 15 years.

25.3. Commitments linked to operating lease agreements

The amount of the minimum future rents for operating lease agreements is detailed in the table hereunder:

		Schedule				
	Minimum future rents	**Under one year**	**Two to five years**	**Over five years**	**2012**	**2011**
			(in millions of euros)			
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	*566*	*61*	*206*	*299*	*521*	*585*
technical premises	*1,273*	*226*	*692*	*356*	*1,181*	*952*
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical rents	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of fiber optics. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

The future finance leasing rent amounts are presented in Note 10.3—Tangible assets.

25.4. Commitments related to Long-Term Contracts

Commitments related to long-term contracts principally concern contracts for maintenance of the telecommunications network.

		Schedule				
	Minimum future payments 2013	**Under one year**	**Two to five years**	**Over five years**	**2012**	**2011**
			(in millions of euros)			
Given commitments	178	62	79	37	172	63
Received commitments	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

25.5. Other Commitments

	2013	**Schedule**	**2012**	**2011**
		(in millions of euros)		
(a) GSM-R bank guarantees, joint and several guarantees	105	According to construction	92	66

	Other bank guarantees	65	2026	64	90
(b)	Share purchase commitments	16	2026	16	18
	Pledges	84	2017	51	46
	Given commitments	**269**		**223**	**219**
	Other bank guarantees	(1)		(1)	(1)
	Received commitments	**(1)**		**(1)**	**(1)**

(a) This is the Public/Private Partnership (PPP) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (RFF). (Refer to Note 11—Equity-accounted securities).

(b) The Group has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

25.6. Employees' Individual Right to Training (DIF)

Law No. 2004-391 of May 4, 2004 on professional training and social dialogue created, for permanent employees, an individual training entitlement of a minimum of 20 hours per year, which can be accumulated over a period of six years but limited to 120 hours. The total volume of training hours corresponding to the rights acquired under the DIF at end 2013, 2012 and 2011 is estimated respectively at 1,184,635 hours, 1,194,180 hours and 1,117,215 hours.

25.7. Contingent Assets and Liabilities

Following the successful takeover bid of June 2008 which enabled the Group to acquire a 96.41% stake in Neuf Cegetel, the Group initiated a squeeze-out procedure for the outstanding shares of Neuf Cegetel. The amounts set aside as compensation for Neuf Cegetel shares, which have not been claimed by the depositary institutions on behalf of rights holders, will be retained by the CACEIS Corporate Trust for ten years from the initiation date of the squeeze-out procedure(June 24, 2008). After this date they will be transferred to the Caisse des Dépôts et Consignations. These funds may be claimed at any time by rights holders subject to the French government's thirty-year prescription period.

Note 26. Litigation

In the normal course of its business, SFR is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case, the amount of the provision represents our best estimate of the risk, provided that we may, at any time, reassess such risk if events occur during such proceedings.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had during the previous twelve months a significant impact on the company's and on its group's financial position, profit, business and property, other than those described below.

All material Legal Proceedings in which SFR is a plaintiff or a defendant are disclosed in this note.

Complaint of Bouygues Telecom against SFR and Orange concerning the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority (the "Competition Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. SFR strongly disputes the validity and amount of these claims, which Vivendi believes cannot, in any case, exceed €250 million in total. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and has been suspended.

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices.

Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court of (NRA ZO) against Orange.

Complaint against Orange before the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge for the period 2006-2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR

On June 6, 2009, Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged on-net/off-net pricing discrimination practices implemented by SRR on the mobile market in Mayotte and Réunion.

On September 16, 2009, the French Competition Authority (the "Competition Authority") imposed protective measures on SRR, pending its decision on the merits. Following this decision, on June 17, 2013, Outremer Telecom filed a claim before the Paris Commercial Court against SFR and SRR in respect of the consumer market and the business market for damages it claims to have suffered as a result of the practices reported in the notification to the Competition Authority. The Court has issued a stay of these proceedings. On July 12, 2013, SRR received a notification of grievances concerning its practices on the consumer market and did not contest it. The amount of the fine to be imposed on SRR is currently under review by the Competition Authority.

Complaint against Orange before the French Competition Authority

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market.

Complaint of Orange against SFR before the Paris Commercial Court (overflow case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair "overflow" and to order SFR to pay the sum of €309.5 million in penalties established by mutual agreement. SFR is accused of having deliberately organized the overflow onto the Orange network for the purpose of optimizing the economic performance of its own network (undersizing of "PDB"/["BPN"] commands). On December 10, 2013, the Court ordered SFR to pay €22.1 million to Orange. SFR and Orange have appealed this decision.

SFR against Orange: abuse of dominant position on the secondary residence market

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an abuse of its dominant position on the retail market for mobile telephony services to non-residential customers, and seeking damages of between €122 million and €129 million.

On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51.4 million to SFR for abuse of its dominant position on the secondary residence market.

Free against SFR: unfair competition for non-compliance with provisions inherent to consumer credit in respect of offers with subsidies

On May 21, 2012, Free filed a complaint before the Paris Commercial Court against SFR. Free is challenging the subsidy model associated with SFR's *Carrée* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and as such, SFR is guilty of unfair practices, by not respecting the provisions inherent to consumer credit including providing prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to inform its customers, and to award damages of €29 million.

On January 15, 2013, the Paris Commercial Court dismissed all of Free's claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision.

UFC against SFR: abusive clauses

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (Tribunal de Grande Instance) against SFR alleging that the general conditions of use of SFR's *La Carte* offering contain abusive clauses. The UFC is seeking the removal of these clauses and damages.

SFR against Orange (ZND case)

On November 26, 2012, SFR notified the French Competition Authority about practices constituting an abuse of dominant position on the retail high- speed internet access market in non-unbundled areas.

CLCV summons against SFR

On January 7, 2013, the French consumer protection association, CLCV (Consumption housing and quality of life) filed a complaint before the Paris Tribunal of First Instance against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be abusive and is seeking the removal of such clauses. It is also seeking compensation for the collective loss.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils des Prud'hommes) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of proceedings: industrial tribunal, Court of Appeal and Supreme Court.

Disputes with independent distributors (Consumers and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and almost systematically, by its former distributors. These recurring disputes concern the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as commercial agent, and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR . Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from favorable case law.

Note 27. List of Combined Entities

		Group interests			Method[1]		
Company	**Country Registered office**	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
SFR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SIG 50 SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications BV	Netherlands	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Italie Srl	Italy	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Suisse SA	Suisse	100.0%	100.0%	100.0%	FC	FC	FC
2SID SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
2SIP SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Cinq sur Cinq SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Ariège Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Buzz SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Cap Connexion SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
CID SA	France	100.0%	100.0%	100.0%	FC	FC	FC

Debitex Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Efixo SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Eur@seine SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
FOD SNC	France	100.0%	100.0%	100.0%	FC	FC	FC
Futur Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Gravelines Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Haut-Rhin Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Loiret THD SAS	France	100.0%	—	—	FC	—	—
MACS THD SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Opalys Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rennes Métropole Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rimbaud Gestion B SCI	France	100.0%	—	—	FC	—	—
Foncière Velizy SCI	France	100.0%	100.0%	—	FC	FC	—
SFCM SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Collectivités SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Développement SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SID SCS	France	100.0%	100.0%	—	FC	FC	—
SNBL SA	France	100.0%	100.0%	—	FC	FC	—
SRR SCS	France	100.0%	100.0%	100.0%	FC	FC	FC
SHD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LTBR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network Part. SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Service Client SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Iris 64 SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Manche Telecom SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Medi@lys SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Teloise SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Alsace Connexia Part. SAS	France	61.9%	61.9%	61.9%	FC	FC	FC
Synerail Exploitation SAS	France	60.0%	60.0%	60.0%	FC	FC	FC
Inolia SA	France	60.0%	60.0%	60.0%	FC	FC	FC
Moselle Telecom Part. SAS	France	56.0%	56.0%	56.0%	FC	FC	FC
Comstell SAS	France	50.0%	50.0%	50.0%	FC	FC	FC
Alsace Connexia SAS	France	43.3%	43.3%	43.3%	FC	FC	FC
Moselle Telecom SAS	France	39.2%	39.2%	39.2%	FC	FC	FC
Irisé SAS	France	25.0%	25.0%	25.0%	FC	FC	FC
Foncière Rimbaud 3 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 4 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 1 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Foncière Rimbaud 2 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Dokeo TV SAS	France	50.0%	—	—	EA	—	—
La Poste Telecom SAS	France	49.0%	49.0%	49.0%	EA	EA	EA
Nomotech Finances SAS	France	48.5%	48.5%	48.5%	EA	EA	EA
Numergy SAS	France	46.7%	46.7%	—	EA	EA	—
Synerail Construction SAS	France	40.0%	40.0%	40.0%	EA	EA	EA
VOD Factory SAS	France	40.0%	—	—	EA	—	—
Fischer Telecom SAS	France	34.0%	34.0%	34.0%	EA	EA	EA
Synerail SAS	France	30.0%	30.0%	30.0%	EA	EA	EA
Webwag SAS	France	27.0%	27.0%	27.0%	EA	EA	EA
Buyster SA	France	25.3%	25.6%	26.0%	EA	EA	EA
Ocealis SAS	France	25.0%	25.0%	25.0%	EA	EA	EA
AF 83 SAS	France	24.6%	24.6%	24.6%	EA	EA	EA
Sud Partner SARL	France	24.0%	24.0%	24.0%	EA	EA	EA
Sofialys SAS	France	23.8%	26.0%	24.5%	EA	EA	EA
Idenum SAS	France	21.0%	—	—	EA	—	—
Velizy Invest Eurl	France	nc	100.0%	—	nc	FC	—
Supertec SAS	France	nc	26.2%	26.2%	nc	EA	EA
M2M Solution SAS	France	nc	23.4%	23.4%	nc	EA	EA
FCT TEMA	France	nc	nc	100.0%	nc	nc	FC
Neuf Assistance SAS	France	nc	nc	100.0%	nc	nc	FC
Neuf Center SAS	France	nc	nc	100.0%	nc	nc	FC
Digitick SA	France	nc	nc	27.5%	nc	nc	EA

(1) FC = Full combination; EA = Equity-Accounted; nc = not combined

At December 31, 2011, there remained one Dutch company (SPADIX BV) specifically created under the lease/sublease agreements entered into in 2001, in which the combined group has no shareholding. This company departed from the scope of combination in 2012.

Note 28. Subsequent Events

On January 31, 2014, SFR and Bouygues signed a strategic network sharing agreement. The two operators are to roll out a new shared mobile network over an area covering 57% of the population. This agreement will enable both operators to improve their mobile coverage and generate significant savings. The agreement is effective upon signature with the creation of a joint venture, and the shared network is expected to be completed by the end of 2017. This agreement had no impact on the combined financial statements as of December 31, 2013. Pending its implementation, this agreement represents a net commitment received by SFR of approximately €460 million, which applies over the entire duration of the long-term agreement.

On February 13, 2014, Vivendi announced it had entered into exclusive negotiations with the Belgacom Group in order to acquire 100% of the shares of Groupe Telindus France. Groupe Telindus France is one of the leaders in the French telecoms integration and ICT (Information and Communication Technology) market, and is the leading Cisco distributor in France. Telindus France aims to reinforce the Vivendi French telecoms segment alongside SFR, which will thus considerably strengthen its presence on the adjacent market of telecoms integration and will enable to offer new services to its corporate clients in addition to the offers from SFR Business Team.

Within the framework of its public service outsourcing activity since 2004 in Oise département, the Group has committed to launching a new project “Oise THD” (“Oise Very High Speed Internet”) for the operation and marketing of 280,000 FTTH outlets. The contract is to be signed in March 2014. The total commitment should amount to €125 million over 15 years.